Strategies for Sustainable City Funding: Exploring Innovative Solutions

Introductions

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City Needs

Infrastructure

Services

Funding Mechanisms

Fees & Sales Tax
Parcel Taxes
Special Taxes
Assessments
TIFIA
EIFD
Debt Issuance

Fees Overview

Development Impact Fees	Permit/Planning Fees	Quimby Fees	Utility/Capacity Fees	Additional Sales Tax
• A one-time charge imposed on new development projects to cover the costs of public services and infrastructure • Mitigation Fee Act (AB 1600)	• Pay for Building Standards, Development Costs and other Related Services • The cost of a city permit can vary depending on the project's characteristics	• Fees that cities and counties can charge to developers in exchange for parkland development • AB 1191 The Quimby Act of the Subdivision Land Act	• Charges that ensure a utility's systems can meet the needs of new and existing customers • CA Government Code 66013	• In addition to Bradley Burns • Destination based tax • Requires ballot measure vote • Sunset or evergreen • Pay for services and/or infrastructure

Fees and Sales Tax Implementation

1. Determine Needs and Fee/Tax to Meet Needs
2. Research Legal Requirements
3. Prepare/Outsource Study or Analysis, if applicable
4. Complete Outreach and Attain Required Approvals
5. Implement Fee/Tax Via Best Practices

Fees & Sales Tax Lessons Learned & Best Practices

Outreach is Key

Collaborate with Stakeholders before, during and after implementation

- Oversight Committee
- Protest Mitigation

Maintain Transparency

- Implement Best Practices
- Stay Consistent

Stay Up to Date with Studies and Analysis

Q&A

What is the best practice related to the timeframe for updating/renewing your fee studies/calculations?

Parcel Taxes Overview

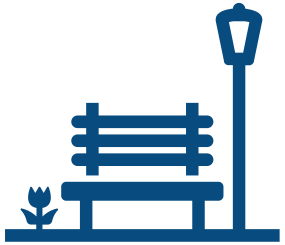
- Government Code Section 50075 et seq.
- Cannot be based on property value
- Typically, it is a flat tax that does not vary with the size or characteristics of a parcel
- More predictable than Sales or Income Tax
- Parcel taxes provide revenue for particular public services, such as fire and police protection, parks, and libraries
- There is generally no requirement that a parcel tax be based on any benefit received by either the property owner or the parcel being taxed
- Parcel taxes are special taxes and pursuant to Government Code Section 50077 require two-thirds voter approval.
- A parcel tax can be approved for a set period of time (e.g., 10 years) or can be permanent
- Requires submittal of an annual parcel tax report (AB 2109)

Parcel Taxes Implementation

- Define Needs
  - Public Safety
  - Parks
  - Library
- Analyze Costs
- Property Owner Outreach
- Seek Voter Approval
- Enact via Ordinance
- Enroll Annual via Property Tax Bills
- Complete Annual Reporting

Parcel Taxes Lessons Learned & Best Practices

- Size Appropriately
- Find a Community Champion
- Extend the Term as long as possible



Wildomar: Parks Tax

Riverside: Library Tax

Temecula: Perimeter Landscaping

Q&A

What type of Parcel Tax does your agency have?

Special Taxes Overview

- Mello-Roos Act of 1982
- Requires majority approval of property owner by acreage (or registered voters if more than 12)
- Calculated based upon general benefit
- Versatile and flexible funding mechanism
- Cannot be based upon assessed value
- Can provide funding for infrastructure or services
- Must state the Term of the Tax (can be in perpetuity for services)
- Annual Reporting Required (SB 165, CDIAC, Disclosure, AB 2109, SB 1029, SB 165, AB 1666)

Special Taxes Eligible Services

- Services must be NEW SERVICES to be provided within the boundaries of the CFD
- Police protection for raw land is considered a different service than police protection services for a newly built-out neighborhood
- Movement towards Citywide Annexable CFD's for streamlines implementation

Police protection services

Fire protection and suppression services

Ambulance and paramedic services

Recreation program services

Maintenance services for elementary and secondary school sites and structures

Maintenance and lighting of parks, parkways, streets, roads, and open space

Operation and maintenance of museums and cultural facilities

Library services

Services for hazardous waste cleanup

Flood and storm protection services

Special Taxes For Infrastructure

Facilities must have a useful life of 5 years or more, must be owned/operated by a public agency, and constructed on behalf of or by the local agency

Backbone Infrastructure

Natural gas pipeline facilities

Streets

Telephone lines, electrical or cable lines

Libraries

Local parks

Open-space facilities

Parkways

Recreation

Childcare facilities

Elementary and Secondary school sites and structures

Flood and storm protection facilities

Undergrounding of water transmission and distribution facilities

Water and sewer system facilities

Other local government facilities that the agency forming the CFD is authorized to construct, own, or operate

Special Taxes Implementation

Consent of legislative body required

Establish a Financing Team

Get Land Secured Debt and Disclosure Policies in place

Council Action Items

- *Resolution(s) of Intention*
  - *Rate and Method of Apportionment & Boundary Map*
- *Public Hearing & Written protests*
  - *Resolution of Formation*
  - *CFD Election*
- Second Ordinance Reading

Administration and Annexations, If Applicable

Special Taxes Lessons Learned & Best Practices

- Be in Charge
- Be knowledgeable
- Ask Questions
- Properly Track Fees in Lieu of Facilities
- Add appropriate Escalators for Services
- Required Fee Mitigation Premium/Facilities

Q&A

How do you require a landowner to mitigate their long-term impacts on services provided by a City?

Assessments Overview

Landscape and Lighting Maintenance Assessment Districts	Assessment Districts
• Authorized public services • Must provide local, special benefits to property • General benefit analysis required • Term is in Perpetuity if annually approved • Escalators may be applied • Vote is majority weighted by Assessment	• Authorized public improvements and services • Must provide local, special benefits to property • General benefit analysis required • Sets a fixed lien for every parcel • Annual payment reduces lien • Term of payments = term of bonds • Vote is majority weighted by Assessment

Assessments Implementation

Local agency/property owner petition initiated → Legislative body commences assessment proceedings → Notices of hearing and assessment ballots mailed → Public hearing

→ Ballot tabulation and “majority protest” → Final actions taken by legislative body → End of cash collection / statute of limitations → Bonds issued

→ Project costs funded / reimbursed → Annual assessment installments levied

Assessments Lessons Learned & Best Practices

Finance Staff/Team/ Department Needs to be Involved!

Assessment Districts

- Delinquencies are more impactful
- Must provide for special benefit nexus

LMD’s

- Administratively burdensome
- Ensure you form with an adequate escalator
  - Subject to Prop 218 Proceedings
- Requires general benefit contribution

Q&A

What is the main difference between a Community Facilities District and an Assessment District?

EIFD Overview

SB 628 (2014) and AB 313 (2015)

EIFDs are separate government entities, formed through a Joint Power Authority (JPA) consisting of cooperating cities, counties, and special districts

Voter approval is not required to form an EIFD, however there is a 55% requirement to authorize bonds

The EIFD provides for a timeline up to 45 years

EIFD can finance roads, highways, bridges, parking facilities, transit stations, sewer and water facilities, flood control and drainage, parks and libraries, childcare facilities

EIFD Implementation

Form Governing Body (Public Financing Authority)

- If one taxing entity: 3 members of entity’s legislative body + 2 public members
- If multiple taxing entities: majority of members of each entity’s legislative body + 2 public member

Prepare Infrastructure Financing Plan

Notice Public Hearing Required

Attain Vote of Public Agency

- Simple Majority Required to Form

Requires 55% majority vote of Governing Body Voters

Term up to 45 years from issuance of bonds

Q&A

- What might be seen as one benefit of an EIFD over an IFD?

TIFIA Overview

Purpose

- Support transit and transit-oriented development (TOD) projects that enhance public infrastructure and economic development.
- **TIFIA Program Highlights:**
  - Provides loans up to 49% of project costs for eligible transit and TOD projects.
  - Expands financing options under the Transportation Infrastructure Finance and Innovation Act (TIFIA).

Benefits of TIFIA

- **Project Support:**
  - Facilitates funding for large-scale transit and TOD projects that may otherwise face financial barriers.
- **Economic Advantages:**
  - Encourages sustainable growth and transit-oriented communities.
  - Promotes private investment and economic development near transit hubs.
  - Reduces dependence on federal assistance by generating self-sustaining revenue streams.
- **Flexible Financing:**
  - Offers borrower-friendly terms with low-interest rates and delayed repayment options.
  - Reduces upfront financial pressure on project sponsors.

TIFIA Eligibility

Transit-Oriented Development (TOD) Projects – Eligibility

Definition (23 U.S.C. § 601(a)(12)(E)):
Projects to improve or construct public infrastructure near transit hubs that also drive economic development.

Key Criteria for TOD Projects:

1. **Proximity to Transit Facilities:**
   Located within ½-mile **walking distance** of a:
   - Fixed guideway transit facility.
   - Passenger rail station.
   - Intercity bus station.
   - Intermodal facility.
2. **Purpose of the Project:**
   - Enhance transportation and public utilities infrastructure.
   - Enable **joint development** initiatives.
   - Support **commercial** and **residential development** tied to transit hubs.

Transit Projects – Eligibility

Definition (Chapter 53, Title 49, U.S. Code):
Projects eligible for Federal Transit Administration (FTA) funding.

Key Characteristics:

- Focus on **capital projects** and associated public transportation infrastructure.
- Includes procurement of vehicles and enhancements to transit systems.

Examples of Eligible Transit Projects:

- Development or upgrades of:
- **Bus systems** (e.g., city buses, bus rapid transit).
- **Subways**, **light rail**, and **commuter rail**.
- **Trolleys** and **ferry systems**.

Improvements to infrastructure supporting public transportation (e.g., stations, tracks, power systems).

TIFIA Implementation

Steps to Leverage TIFIA Financing:

- Identify project eligibility under Chapter 53 or 23 U.S.C. § 601(a)(12)(E).
- Ensure compliance with all federal funding requirements.
- Develop a financing plan demonstrating feasibility and readiness to commence contracting.
- Submit an application through the Build America Bureau

Federal Requirements:

- Minimum Project Size: $10 million.
- Must comply with all applicable federal funding regulations and policies.

Loan Terms:

- Borrow up to 49% of eligible project costs.
- Low-Interest Rates: Treasury rate applied.
- Interest Accrual: Starts only when loan funds are drawn.

Repayment Flexibility:

- Up to 35 years repayment period.
- 5-year deferral after substantial project completion.
- No prepayment penalty.

Bonded Debt Requirements

Develop Debt and Disclosure Policies pursuant to SB 1029

- Purposes for which the debt proceeds may be used
- Types of debt that may be issued
- Relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable
- Policy goals related to the issuer's planning goals and objectives
- Internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use

Bonded Debt Implementation

Consult your Policy

- Is the project in line with Agency Goals and/or Capital Improvement Plan
- Is the type of contemplated debt authorized?
- Method of Sale Considerations

Establish your team

- Issuer
- Municipal Advisor
- Bond/Disclosure Counsel
- Underwriter
- Trustee/Paying Agent
- Rating Agency
- Other Consultants (Economist, Special Tax, Etc.)

Determine what needs to be financed

- List of Facilities or Infrastructure
  - Useful Life
  - Total Cost Estimate
  - Revenue/Repayment Resources
  - Beneficiaries of Improvements

Review Types of Debt options with your team

- Short Term
  - Tax Anticipation Notes
  - Bond Anticipation Notes
  - Revenue Anticipation Notes
  - Lines of Credit
- Long Term
  - General Obligation Bonds
  - Revenue Bonds
  - Land Secured Debt
  - Loans
- Method of Sale

Take necessary steps depending on type of debt

- Financing team drafts legal and financing documents
- Bond Counsel prepares bond resolution
- Issuer approves financing documents
- Bonds sold and proceeds received
- Issuer disburses net proceeds
- Taxes or Other Revenues collected to repay debt

Bonded Debt Compliance

Annual Disclosure Reporting

Rule 15c2-12

Disclosing Significant Events Post-Bond Issue

Obligation to file notices of specified events within 10 business days

Additional Ongoing Reporting (as required)

SB 165, Parcel Tax Report (AB 2109), CDIAC, SB 1029

Arbitrage

Reporting Required every 5 years for Tax Exempt Bonds

Bonded Debt Lessons Learned & Best Practices

Know	Know your Disclosure Requirements
Know	Know your Funding Requirement
Know	Know your Team Members • Who has a Fiduciary Duty?
Ask	Ask Questions and Stay Involved
Engage	Engage your MA Early
Engage	Engage Subject Matter Specific Counsel

Q&A

What is the best way to ensure all your post issuance compliance is done correctly and efficiently with minimal impact to City staff?

Questions?