City Managers 2022: Show me the RECOVERY!

Updates on Fees, Assessments, and Financing Districts

Agenda

- Rancho Cucamonga challenges and successes
- The Revenue Toolbox
- Public Engagement
- The Legal Update
- Q&A

Speakers:

John Gillison | Tim Seufert | Danielle Wood | Michael Colantuono

Trends

- Continued Fiscalization of Land Use
- Prop 13 exacerbated sales tax/property tax divisions
- Growing agencies tasked with more housing/RHNA #’s but rarely does Res below Above Moderate bring in enough revenue to offset costs of service
- Online sales biting into brick and mortar; pandemic accelerated
- Narrow base; more exemptions
- Voters getting Fee/Tax/Assessment fatigue
- Inflation now a real thing again

What's a CM to do?

- FIA's more important than ever; peer verified
- Where does housing pay for itself
- Mixed use developments
- Ways to enhance developments in the planning stages
- DIF's & Fees & CAP updated annually or biannually
  - New DIF's like Linkage Fees
  - Include inflators where possible (even LMD/SLD)
- UUT/TOT rates updated – if community is supportive
- No subsidy of 1) utilities; 2) com dev permit fees
- Maximum feasible cost recovery for community services
- EIFD/CRIA possible tools depending on purpose

Rancho Examples

- Every December – fees all go together
- FIA's – now reviewed internally by Finance & peer reviewed
- New projects must be fiscally positive by substantial margin
- Project review – purple spikes/average revenue per acre
- Include inflators whenever possible
- If districts upside down reduce services within means
- Mixed use carefully orchestrated and conditioned for proper mix of uses
- Non-residential Linkage Fee
- EIFD for key infrastructure
- New General Plan – better understanding of land uses, revenues, impacts.
    - Negotiate DA's for community benefit fees

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CUCAMONGA

Why are we discussing this?

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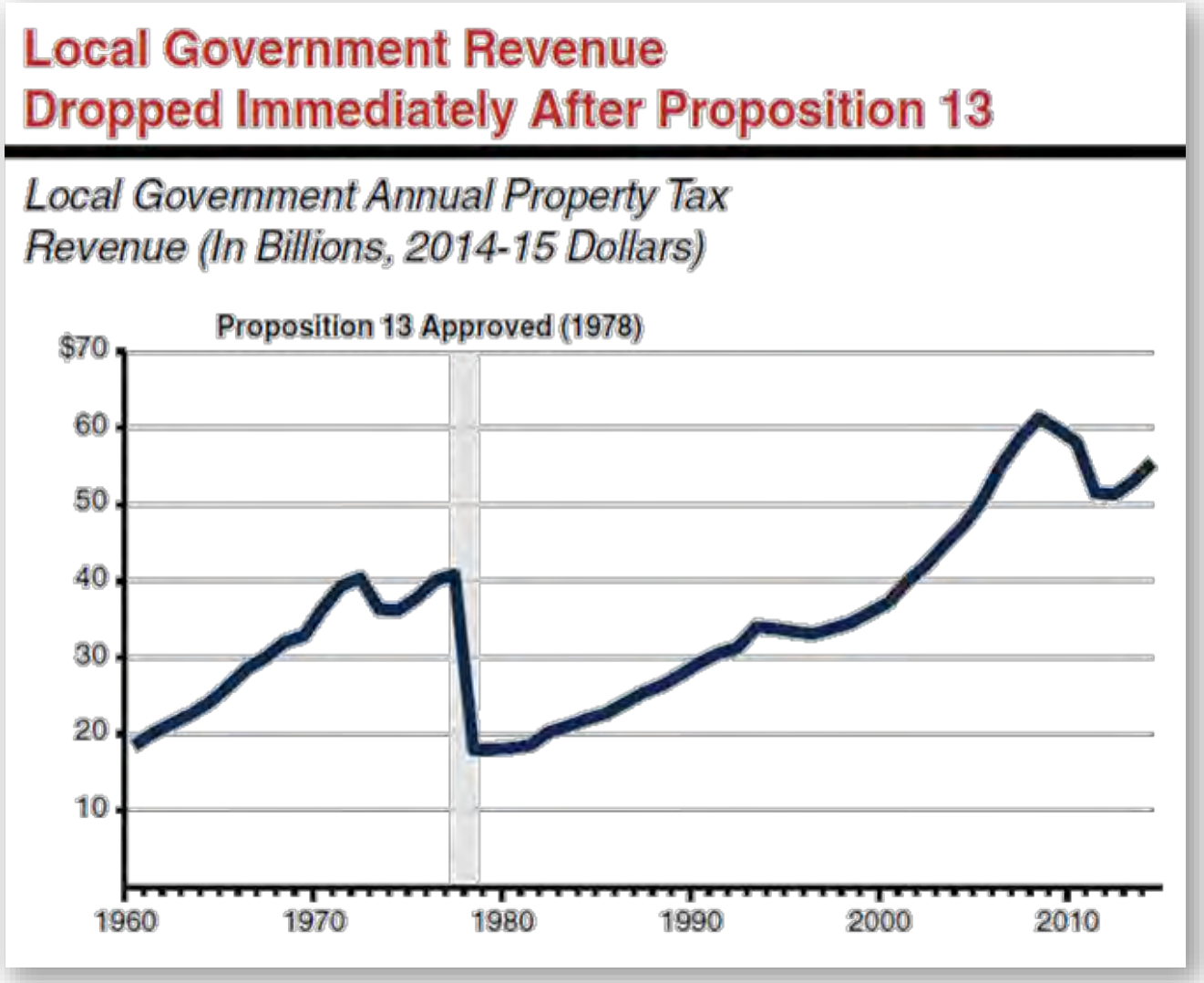

Why are we discussing this?

Property Taxes:

> 1977: > 90% of local gov't revenues

> Today: < 66%

Why are we discussing this?

What primarily filled the gap?

- Sales/Hotel/Utility taxes
- Parcel taxes
- Community Facilities Districts/CFD
- Special/Benefit assessments
- Rates, fees and charges
- Development Impact Fees/DIF
- General Obligation (GO) bonds
- PPPs & other creative arrangements…

What is in our Revenue Toolbox discussion today?

- FIA – Fiscal Impact Analysis
- DIF – Development Impact Fees/Capacity Fees
- CFDs – Community Facilities Districts
- Benefit Assessment Districts
- Parcel Taxes
- The Others: EIFDs, Property-related Fees, etc.

What is the 5-Step Fiscal Sustainability Plan?

1. Update your Cost Allocation Plan (CAP)
2. Update all rate/fees, and adopt relevant new ones
3. Consider general and special taxes
4. Research SFD (Special Financing Districts) options
5. Understand your fiscal and development impacts

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Cost Allocation Plan (CAP)

1. Are you leaving money on the table?
2. What is a CAP?
3. Which types of CAPs exist?
4. What are the regs?
   - *Title 2 CFR Part 200 (was affectionately known as OMB A-87)*

Updating Utility Rates and User Fees

1 Know your costs

2 Know what you want to do!
What are your policy objectives?

Updating User Fees

1 User Fee Study

Determines full cost recovery rate for user fees

2 Cost Allocation Plan

Allocates indirect costs

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Fee Study Methodology – Defining "Total Cost"

Costs	Contents
Direct	Departmental Budget: salaries and benefits, services and supplies
Indirect	Dept/Division: management, clerical, training Agency: HR, Finance, Management, etc.
Fee Specific	Pass-through costs, specific materials, etc.

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What are your Fiscal Priorities?

Economic Recovery

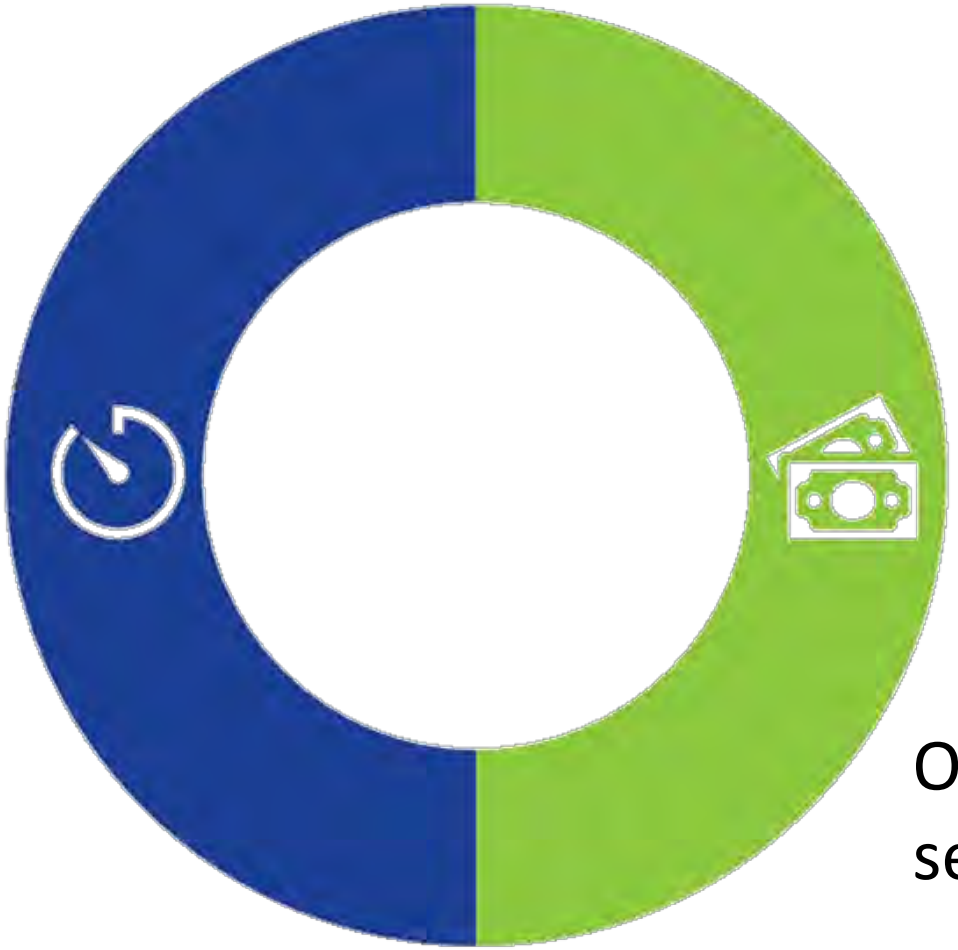
Infrastructure

Ongoing Services

Brunch???

Capital vs. Services

One-time capital investment



Ongoing services

Let’s talk Infrastructure…

- Parks and playgrounds
- Libraries and community centers
- Fire stations

Let’s talk Services…

- Park maintenance
- Flood control and stormwater
- Public safety

SFD Revenue Tools: The Short List

1. Community Facilities District, or CFD
2. “Special” Parcel Tax
3. Special/Benefit Assessment Districts
4. Property-related fee

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Financing Tools: A Short List

1. Municipal bonds, taxable or exempt
2. State Revolving Fund (SRF)
3. Internal Loan/Bonds
4. Bank Loans

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CFDs and Parcel Taxes

NOT BENEFIT-BASED	APPROVAL MECHANISM	SAMPLE PROJECTS
• Reasonable metrics • Achieves local goals and policies • "Additional" services if landowner vote • Any services if voter vote	• Registered voter approved OR • CFD landowner vote(s) • 2/3 votes in favor (or 50%?)	• Parks and open space • Flood/storm protection system maintenance • Other public facilities with useful life of 5+ years

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DIF and/or Quimby Fees

COST-BASED	APPROVAL MECHANISM	SAMPLE PROJECTS
• Fee may not exceed cost of built infrastructure	• Approval by Council or Board • Optional: Approval by land use agency legislative body	• DIF – fire stations, community center, etc. (Gov Code 66000) • Quimby - park land acquisition or fee in lieu for residential subdivisions (Gov Code 66477)

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Where does Public Engagement fit in?

1 Outreach

2 Public Engagement

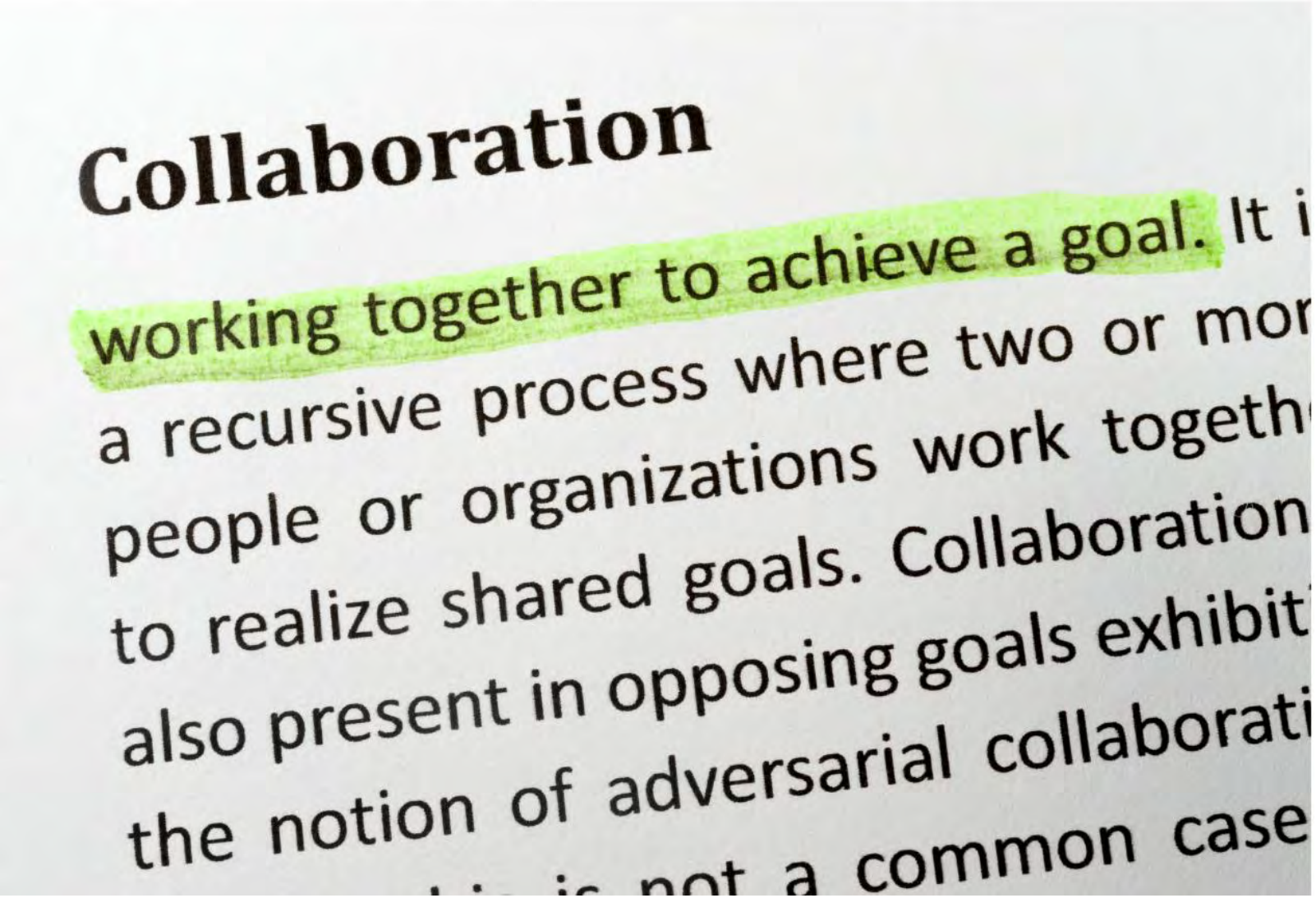
3 Collaborative Governance

Outreach

- Official Notices
- Education/Awareness
- Transparency
- Recordings on YouTube Channel

Public Engagement

- Advisory committees
- Polling
- Surveys
- Contests
- Workshops with constituents
- Virtual meetings (webinars with participation)


Collaboration
working together to achieve a goal. It i
a recursive process where two or mor
people or organizations work togeth
to realize shared goals. Collaboration
also present in opposing goals exhibit
the notion of adversarial collaborati
common case

Barriers to Success

- Internal readiness
- External readiness
- Level of concern is low
- The situation is an emergency
- Can not commit to implementing an agreement or outcome
- Not enough resources
- The issues are framed as a matter of rights

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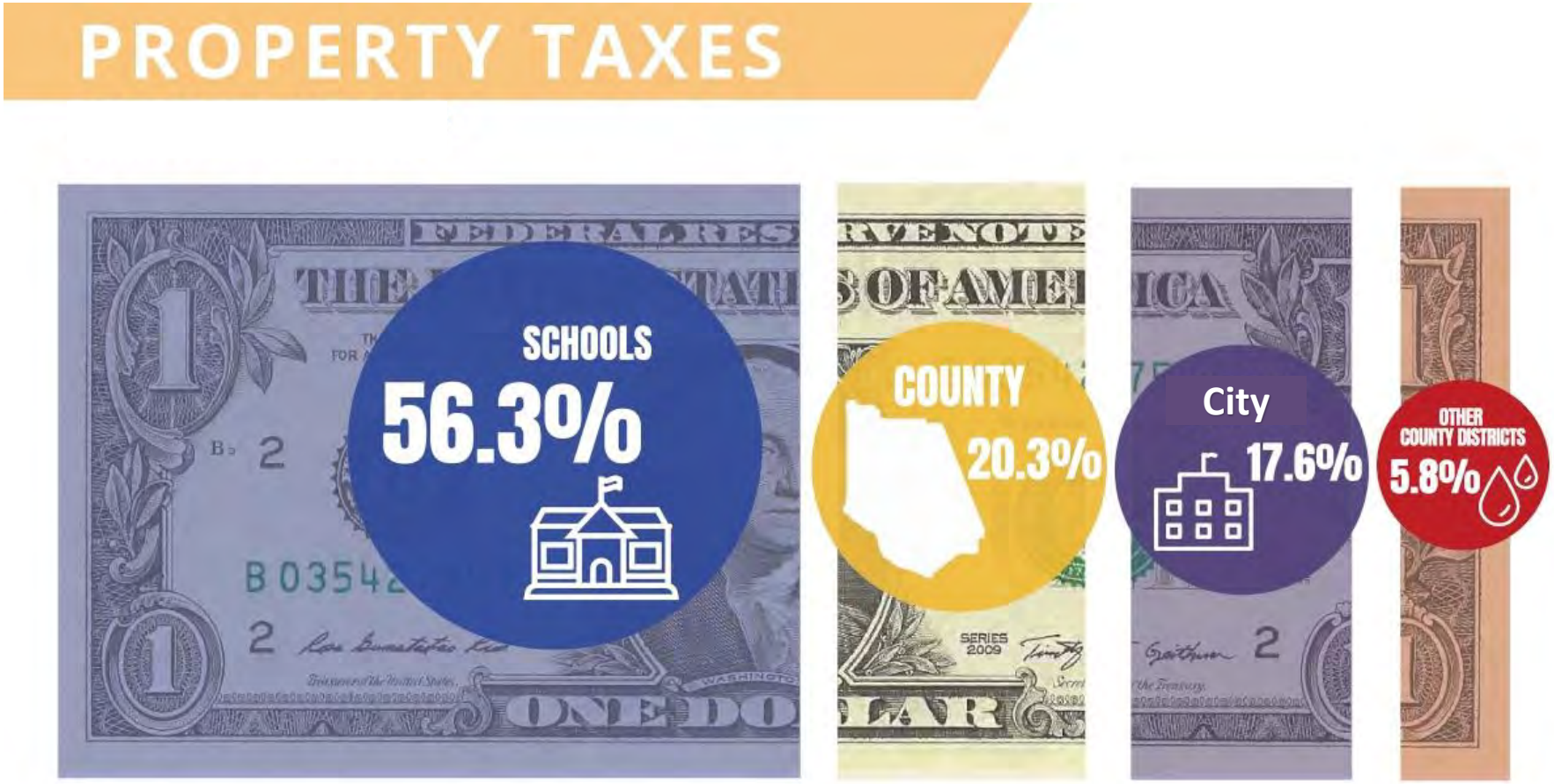
Focused Engagement Topics

1 Revenue – where does it come from

2 Services – who provides them

Where do your property taxes go?



Questions to Ask?

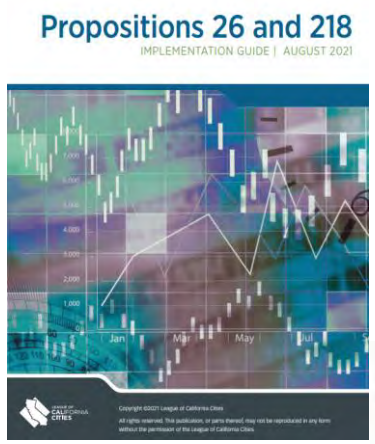
- How are the engagement efforts being measured?
- Are the engagement efforts inclusive?
- Are the expectations for engagement clear?

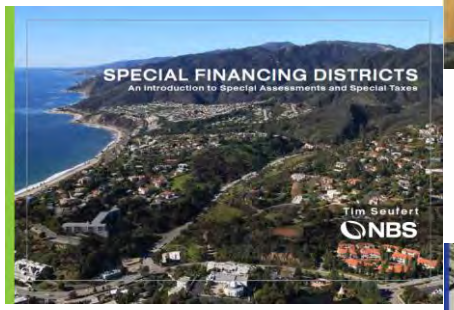
NEW
Mindset
NEW
Results

Recommended Resources

Publications available:

- League of CA Cities Proposition 218 Implementation Guide
- League Municipal Revenue Handbook
- NBS' SFD Primer
- NBS' Rates and Fee Compendium





Questions and Comments

John Gillison
Tim Seufert
Danielle Wood
Michael Colantuono

john.gillison@cityofrc.us
tseufert@nbsgov.com
dwood@nbsgov.com
mcolantuono@chwlaw.us