

CAPISTRANO BAY DISTRICT
AGENDA REPORT
February 25, 2020

Financial Report

ITEM 8b

Progress on Revenue Analysis and User Fee Program

Revenue Analysis

The County Property Tax Unit of the Auditor/Controller Department uses a particular methodology to calculate the amount of property tax revenue the District receives each year. The District has recently asked the County to take some time and demonstrate the methods and math used so the District can more accurately estimate the amount of revenue that gets apportioned to us. The problem has always been that the County report on tax revenue is published about mid-August each year, two months after the fiscal year begins and the District needs this information in June, not August, when the budget is being completed. This delay makes it difficult for us to develop accurate revenue estimates but the good news so far is that the County has been very cooperative in helping us and we expect to have more calculating tools available in the very near future – certainly in time for budget preparation in June.

User Fee Program

Recent case law in California has resulted in significant changes to the mechanism for the assessment of taxes and fees by public agencies, beyond that which was required of Proposition 218 back in 1996. These changes have caused the Board to initiate a review of our current User Fee program and bring it into compliance with new laws.

The original Assessment Engineering Firm, *Willdan Financial Services* (was MuniFinancial) has been contacted, along with the District's Counsel, to discuss the changes in the law and how those changes might impact our District's ability to continue the User Fee program. It was on the advice of both the Assessment Engineer and District's Counsel that the User Fee assessment for the current fiscal year be temporarily postponed, in order to allow time for a comprehensive program review.

The following six pages comprise the Assessment Engineer's proposal for providing the review work referenced above. The time required to complete the review process could take us past the start of the new fiscal year but this should not restrict the District's ability to commence with the new assessment at such time as when the entire compliance process is completed.



February 13, 2020

Mr. Donal S. Russell
Manager
Capistrano Bay District
3500 Beach Road
Capistrano Beach, California 92624

Re: *Proposal to Provide Assessment Engineering Services to Update the Engineer's Report for the Capistrano Bay Community Services District*

Dear Mr. Russell:

Willdan Financial Services ("Willdan") is pleased to present the following to the Capistrano Bay District ("District") to provide Assessment Engineering Services necessary to update the Engineer's Report for the Capistrano Bay Community Services District. The goal of this project is to enhance the Report to meet the substantive requirements of Proposition 218 and heightened scrutiny associated with assessment districts as reflected in recent current case law. Attached is our scope of services and fee associated with this engagement.

Willdan brings more than 30 years of experience specific to the formation, re-engineering and administration of a variety of special district mechanisms to this engagement. Having conducted benefit assessment analyses for numerous California public agencies, we understand the associated needs and objectives, the process that must be followed, and the kind of input and direction the Capistrano Bay District should incorporate into the Engineer's Report.

We are excited about this opportunity to serve the Capistrano Bay District. If you wish to discuss any aspect of this submittal, please contact Principal Consultant Jim McGuire at (909) 229-0826 or via email at jmcguire@willdan.com.

Sincerely,

Willdan Financial Services

A handwritten signature in black ink, appearing to read 'Chris Fisher'.

Chris Fisher
Vice President, Group Manager

Scope of Services

The following outlines our proposed work plan to provide Assessment Engineering Services to update the Engineer's Report for the Capistrano Bay Community Services District ("CSD"). With the heightened scrutiny associated with assessment districts as reflected in recent current case law, the goal of this project is to develop an updated Engineer's Report to accurately address the improvements and services currently being funded and ensure that the Report appropriately addresses the substantive requirements of Proposition 218.

We want to ensure that the following is responsive to the needs and specific circumstances of the Capistrano Bay District ("District"). We will work with the District to revise our proposed scope, based on input prior to approval of a contract, and as needed during the engagement.

Task 1: Project Kick-off Meeting (Conference Call)

Objective: Based on our previous discussions we propose to initiated this project with a kick-off conference call to recap previous discussions and objectives and to identify key personnel that will be involved in the overall project, establish effective lines of communication and identify additional documents or information that may be required to complete the project and our mutually agreed upon scope of services.

Description: We propose to kick-off the project by holding a conference call to discuss the various elements of the project and develop a more detailed strategy and course of action to address project needs. This meeting should include District staff that will be directly involved in the project. Topics of conversation may include specific discussions of the goals and priorities; legal and political considerations; and specific budget information. We will also discuss availability and access to pertinent documentation and data specific to the improvements and services funded by the CSD assessments. The data request will likely include, but is not limited to, the following:

- Solid waste collection provider and associated servicing costs;
- Streetlight inventory information and rates;
- Road specifications, (square feet of pavement, curbs and gutters, and other related facilities); and
- Previous road maintenance activities and scheduling.

Information specific to General Fund support of these improvements and facilities, and related maintenance contracts, and development specific issues should also be provided for review.

Deliverables: Based on discussions during this meeting, a timeline (schedule of events) will be prepared and provided to the District.

Meetings: One (1) project kick-off meeting conducted via teleconference.

Task 2: Develop and Maintain a Parcel Database

Objective: Develop and maintain an electronic parcel database for the CSD.

Description: Using updated parcel information from the current County Assessor's Office secured roll and the District's previous assessment data files, along with readily available GIS shape files, Willdan will develop a database to be used to calculate assessments for Fiscal Year 2020/2021, as well as future years. This database will ultimately contain all Assessor Parcel Numbers (APN) within the CSD along with specific property information and characteristics that are currently applied or may be applied in the method of apportionment, current benefit units, current assessments, and property ownership and mailing information.

The information contained in this database will be enhanced and updated, as needed, through parcel research and specific information provided by the District. This database will also be linked to available GIS mapping files to generate improvement diagrams and/or the district/assessment diagrams as exhibits for the updated CSD Engineer's Report.

Deliverables: Once completed, an electronic copy of the file may be provided to the District upon request.

Task 3: Develop Proposed Budgets

Objective: Working with District staff, prepare a comprehensive annual budget for the CSD, to achieve maximum cost-to-benefit equity for each property, as well as ensure the long-term financial stability of the improvements and services.

Description: To complete this task, we will implement our in-house budget modeling software that utilizes adjustable per unit costs for calculating both annual and long-term maintenance expenses associated with various improvements as well as quantifiable general benefit costs. This budgeting model allows us to apply and adjust various improvement unit costs for different types of improvements and services that are reflective of the CSD's maintenance and utility costs as well as administrative expenses.

The objective of this task is to establish a budget that reflects the full true cost to properly maintain and fund the improvements (annual, periodic, and long-term expenses) and thereby identify the proportional special benefit assessments and general benefit costs necessary to fund such services. The development of the improvement budgets will be based on providing full (optimal) service, including estimated typical or known capital improvement costs as well as establishing an appropriate reserve fund level.

As part of this budget modeling, we will rely on the District to provide current budget estimates and/or service contract information as well as cost estimates for capital improvement projects currently planned or that may be required in the immediate future, which should be incorporated into the budgets. The goal of this budget modeling and analysis is to identify the annual funding needed to provide a defensible full-cost recovery of the improvements that may be recovered as part of the special benefit assessments for the CSD. The budgeting model will also quantify any general benefit costs associated with the CSD improvements. Note recent court cases have suggested that almost every public improvement provides some measure of general benefit, so it is reasonable to assume that there may be some general benefit costs for the CSD (covered by a General Fund contribution). Although we anticipate that those general benefit costs should be minimal given the fact that the improvements are within a gated community.

Utilizing the parcel data, budget information, GIS shapefile maps, and other supporting documentation and information, evaluate the special benefit assessment methodology. As part of this process we may identify potential modifications that may be implemented to ensure the assessments are consistent with the California Constitution, specifically focusing on the identification of special and general benefit as it relates to recent court decisions. If any of these modifications would trigger the need for a new or increased assessment for any property such as a modification to the method of apportionment or an increase in the existing assessment rate, these issues will be discussed with CSD staff along with recommendations to address the issues.

Deliverables: The budget analysis performed in this task will be incorporated into the Engineer's Report identified in Task 4.

Task 4: Prepare Engineer's Report

Objective: Preparation of a comprehensive Engineer's Report based on findings, recommendations and assessments established during prior tasks.

Description: Based on the previous findings and our recommendations, prepare the Engineer's Report for Fiscal Year 2020/2021. The Report will be prepared in compliance with Community Services District Law and the provisions of the California Constitution Article XIID (Proposition 218). It will integrate the applicable method of apportionment and benefit analysis.

The Report will contain the following information.

- **Plans and specifications** that describe the area of special benefit, the proposed assessment, and the improvements.
- **Method of apportionment** that outlines the special benefit conferred on properties from the improvements, as well as calculations used to establish each parcel's proportional special benefit assessment; plus, a description of the proposed assessment range formula that establishes the maximum assessment rate and inflationary adjustment for subsequent fiscal years.

- **Budget** that outlines the costs and expenses to provide, service and maintain the improvements, including authorized incidental expenses.
- **Assessment diagram** that identifies the district boundaries.
- **Assessment roll** that contains each APN that comprises the CSD and the proportional new maximum assessment.
- **Affidavit** stating that a professional engineer has prepared the report.

Deliverables: One (1) electronic copy of the draft Engineer's Report will be provided to the District for review and comment prior to submittal of the final for the Board of Director's consideration and approval at the Intent Meeting. Upon finalization of the Report, we will provide the District with one (1) electronic copy of the final Engineer's Report, assessment diagrams and assessment roll, as well as two (2) signed hardcopies of the Report containing the assessment diagrams.

Meetings: Conference call, if needed.

Task 5: Draft Resolutions and Assist with Staff Report

Objective: Assist District staff with the preparation of drafts of the necessary resolutions, as well as assist with the staff report.

Description: Draft the necessary resolutions for the Board meeting utilizing the District's format. We anticipate that the following resolutions will be necessary.

Intent Meeting (two [2] resolutions):

- Resolution Initiating Proceeding, and
- Resolution of Intention (preliminarily approves the proposed assessments outlined in the Engineer's Report; and sets the Public Hearing date).

Public Hearing (one [1] resolution):

- Resolution adopting the Engineer's Report, confirming the assessment diagram and assessments.

Deliverables: A total of three (3) resolutions will be required for Board approval.

Task 6: Attend Board Meetings

Objective: Attend the Board of Director's Intent Meeting and/or Public Hearing.

Description: Attend the Intent Meeting and/or the Public Hearing to be available to answer questions regarding the Engineer's Report for the CSD and discussions related to the adoption of the resolution(s).

Meetings: Attendance at up to one (1) Board meeting regarding the levy of assessments in conjunction with the CSD.

Task 7: Submit the Annual Levy

Objective: On behalf of the District, submit the annual levy to the County Auditor/Controller's Office.

Description: Provide the approved assessment amounts for each parcel by APN to the County Auditor/Controller's Office in the media, format and configuration required by the County for placement on the annual property tax roll. If necessary, research parcel exemptions upon receipt of an exceptions list from the County.

Deliverables: As necessary, prepare additional County-required correspondences relating to the submittal, correction or removal of assessments to the County tax roll.

Client Responsibilities

To assist Willdan, the District may be required to provide the following information and/or services:

- Detailed listings and descriptions of the improvements, services and/or maintenance to be funded, which needs to be reviewed during the engagement.
- Provide (as needed) pertinent budget information, which may include specific replacement costs and/or capital expenditures, District overhead, and available funding from other sources that can be used, or is currently used, to offset costs.
- Various maps or diagrams of the parcels, streetlight inventory, road improvements, and/or other improvements that are associated with the CSD.
- Prepare all internal memos, staff reports, and other supporting documents necessary for Board agendas.
- Arrange for any required publication notices of Board of Director meetings or Public Hearings in the local newspaper.
- Review the draft reports and resolutions before the final documents are submitted for the Board agenda packets. This review is usually performed by department staff but may include the District's legal counsel. Requested changes shall be submitted to Willdan in writing.

Legal Opinions. In preparing resolutions, ordinances, and/or notices and ballots, Willdan will provide our professional expertise and input for the preparation of these documents, but since we do not practice law, we ask that the District's attorney, or designated legal counsel, review such documents that may be prepared or drafted by Willdan. We will assist your attorney in identifying any pertinent legal issues.

The District acknowledges that Willdan shall rely upon the accuracy and validity of the information provided by the District and County Assessor and agrees that Willdan shall not be liable for any inaccuracies contained therein.

Fee for Services

Willdan purposes to perform the Scope of Services outlined herein for the **fixed fee of \$14,500** to update the Engineer's Report and submit the levy for Fiscal Year 2020/2021. The fee above includes attendance at up to one (1) public meeting to be determined by the District.

The fee associated with the *update of the Engineer's Report in future fiscal years will be \$8,500* and does not include meeting attendance. The fee associated with meeting attendance will be \$1,600 per meeting and includes reimbursable expenses.

Please note the following.

- Telephone conference calls are not considered "meetings" for the purpose of our proposal and are not limited by our scope of services.
- We will invoice the District monthly based on percentage of project completion.

Reimbursable Expenses

Any additional expense for reports or from outside services will be billed to the District. Charges for meeting and consulting with counsel, the District, or other parties regarding services not listed in the scope of work above will be at our then-current hourly rates (see the "Additional Services" section below). In the event that a third party requests any documents, Willdan may charge said party for providing such documents in accordance with Willdan's applicable rate schedule.

Additional Services

Additional services may be authorized by the District and will be billed at our then-current hourly overhead consulting rates. Our current hourly rates are listed in the table below.

Willdan Financial Services Hourly Rate Schedule	
Position	Hourly Rate
Group Manager	\$210
Principal Consultant	\$200
Senior Project Manager	\$165
Project Manager	\$145
Senior Project Analyst	\$130
Senior Analyst	\$120
Analyst	\$100
Analyst Assistant	\$75
Property Owner Services Representative	\$55
Support Staff	\$50