

City of Santa Rosa

Overview of Financing Options for Infrastructure and Services

Chris Lynch, Jones Hall

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Presentation Outline

- ▣ Infrastructure Financing
- ▣ Services Financing

Infrastructure Financing– General Categories

- ▣ General Obligation Bonds
- ▣ General Fund Obligations
- ▣ Land-Secured Bonds
- ▣ Special Tax Revenue Bonds
- ▣ Post-Redevelopment Bonds

General Obligation Bonds

- ▣ Payable from ad valorem tax on all property in City
- ▣ Typical Projects: Libraries, Community Facilities, Parks
 - More recently, affordable housing
- ▣ Implementation Steps
 - 2/3rds approval of City voters in City-wide election
 - City Council approval of bond resolution and financing documents
- ▣ Advantages:
 - No general fund impact – new revenues finance the project
 - Most secure credit = lowest-cost financing
- ▣ Disadvantages:
 - 2/3rds voter approval
 - Eligible uses limited to “acquisition and improvement of real property”

General Fund Financings

- Lease Revenue Bonds or Certificates of Participation (COPs)
 - Lease Revenue Bonds/COPs ≠ “Debt” – No voter approval requirement
 - City covenants to budget lease payments (i.e., debt service)
- Typical Projects: Public Facilities and Equipment
 - Can be used for “common benefit”
- Advantages
 - No voter approval requirement for issuance
 - However, voter approval will be needed to increase tax revenues that flow into General Fund (e.g., parcel taxes (2/3rd vote), sales tax/TOT (50% vote))
 - Flexible uses
- Disadvantages
 - Encumbers City asset
 - General fund obligation - relies on existing revenue unless voter approval of increased tax

Land-Secured Bonds: Mello-Roos

- Payable from special taxes in Community Facilities District (CFD)
- Typical Projects: Public infrastructure (streets and roads, drainage)
 - Mostly used in new development districts
 - Can be used on a jurisdiction-wide basis
- Implementation Steps
 - CFD formation – requires 2/3rd vote of “qualified electors” in CFD
 - Adoption of Rate and Method of Apportionment of Special Tax
- Advantages
 - New revenue pays for project – no General Fund impact
 - Flexibility in designing CFD and tax
 - No finding of special benefit required
- Disadvantages
 - 2/3rds vote requirement limits use to “Developer Districts” as practical matter

Land-Secured Bonds: Special Assessment Bonds

- ▣ Payable from special benefit assessments levied on properties in an Assessment District
- ▣ Typical Projects: Streets, water/sewer, utility undergrounding
- ▣ Implementation Steps:
 - Subject to 50% landowner protest
 - Only finances “special benefit”
 - City Council approval of bonds
- ▣ Advantages
 - New revenues finance projects – no General Fund impact
 - Not subject to 2/3rd vote
- ▣ Disadvantages
 - Finding of special benefit often litigated
 - City bears burden of proof
 - Outdated financing too – largely replaced by Mello-Roos bonds

Sales Tax Bonds

- Payable from City-wide sales tax
- Typical Projects: Acquisition/construction of public capital projects (incl. equipment)
- Implementation Steps:
 - City-wide voter approval
 - 2/3rd vote – special tax that can secure revenue bonds (requires enabling ordinance)
 - 50% vote – general tax that will enhance General Fund revenues (sometimes combined with advisory measure) and support lease financing
- Advantages
 - Flexible uses
 - Creditworthy revenue stream (subject to fluctuations)
- Disadvantages
 - Voter approval requirement

Post-Redevelopment Tax Increment

- ▣ Property tax/sales tax allocated to EIFD et al.
 - General fund revenues
 - EIFD et al. issues bonds
- ▣ Projects:
 - Broad range of eligible uses including affordable housing
- ▣ Implementation Steps
 - District formation – potentially subject to majority protest or voter approval
- ▣ Advantages
 - Potentially stand-alone economic development financing tool
 - Potentially available to finance uses outside of a project area
- ▣ Disadvantages
 - Untested, complex
 - Revenue derived from general fund

Services Financing–

- ▣ Sales Tax
- ▣ Parcel Tax
- ▣ Mello-Roos Special Taxes

Sales Tax

- 50%+1 (general tax) or 2/3 (special tax) approval required
- Regressive tax
- Susceptible to economic fluctuations

Parcel Tax

- ▣ Typically jurisdiction-wide
- ▣ 2/3 registered voter approval
- ▣ Tax can vary by reasonable factors, such as size and land use, but not *ad valorem*
- ▣ Tax can escalate by index
- ▣ Reasonable exemptions are permitted
- ▣ Can finance any municipal costs
- ▣ Examples: Berkeley (parks), Oakland (police, library, parks), Davis (streets), East Palo Alto (housing/jobs), Larkspur/Corte Madera/Fairfax (paramedic), Piedmont (police, fire, street, library, park, planning and public works)

Mello-Roos Special Tax

- ▣ Levied by City in CFD
- ▣ 2/3 “qualified elector” approval
- ▣ City wide, or special tax on specific parcels when triggered by entitlement condition
- ▣ Tax can vary by reasonable factors, such as size and land use, but not *ad valorem*
- ▣ Tax can escalate by index
- ▣ Examples: Gilroy, Tracy, Livermore, San Ramon
 - Santa Rosa’s Special Tax District No. 2006-1 (Public Services)