



**SCOTIA COMMUNITY SERVICES DISTRICT
NOTICE IS HEREBY GIVEN THAT A
SPECIAL MEETING
OF THE BOARD OF DIRECTORS**

**WILL BE HELD AT:
122 MAIN STREET
SCOTIA, CALIFORNIA**

Thursday, April 7, 2016
Special Meeting at 5:30 P.M

AGENDA

- A. CALL TO ORDER/ ROLL CALL** The Presiding officer will call the meeting to order and call the roll of members to determine the presence of a quorum.

PLEDGE OF ALLEGIANCE

- B. SETTING OF AGENDA** The Board may adopt/ revise the order of the agenda as presented.

C. PUBLIC COMMENT

Regularly scheduled meetings provide an opportunity for members of the public to directly address the SCSD Board Members on any action item that has been described in the agenda for the meeting, before or during consideration of that item, or on matters not identified on the agenda within the Board jurisdiction. Comments are not generally taken on non-action items such as reports or information. Comments should be limited to three minutes.

D. PUBLIC HEARING – NONE

E. BUSINESS

E1. Accept and Review User Rate Analysis and Recommendations for: Water and Wastewater; and Engineer's Report for Assessment of Benefits for: Fire Protection, Parks and Recreation, Streets and Street Lighting, and Storm Drainage

F. ADJOURNMENT

Next Regular Meeting of the SCSD will be April 21, 2016 at 5:30 PM.
A Special meeting may be held prior to that.

Notice regarding the Americans with Disabilities Act: The District adheres to the [Americans with Disabilities Act](#). Persons requiring special accommodations or more information about accessibility should contact the District Office. Notice regarding Rights of Appeal: Persons who are dissatisfied with the decisions of the SCSD Board of Directors have the right to have the decision reviewed by a State Court. The District has adopted [Section 1094.6](#) of the [Code of Civil Procedure](#) which generally limits the time within which the decision may be judicially challenged to 90 days.

*AGENDA FOR SPECIAL MEETING OF THE SCSD BOARD OF DIRECTORS
April 7, 2016
POSTED at 5:00 PM April 4, 2016*

Scotia Community Services District

Staff Report

DATE: APRIL 7, 2016

TO: Scotia Community Services District Board of Directors

FROM: Steve Tyler, Interim District Manager

SUBJECT: Water and Wastewater User Rate Analysis;
Engineer's Report for Assessment of Benefits

RECOMMENDATION:

The Administrative staff recommends that the Board review and discuss the attached documents related to the Water and Wastewater User Rate Analysis and the Engineer's Report for Assessment of Benefits.

ACTION:

No action required

DISCUSSION:

At the February 18, 2016 meeting, the SCSD Board approved using SHN Engineers & Geologists (SHN) Monthly User Fee/Benefit Assessment Rate of \$231-\$246 for the first five (5) fiscal years. This rate was used to develop the attached SHN Water and Wastewater User Rate Analysis and Engineer's Report for Assessment of Benefits.

The SCSD Working Group has assisted the administrative staff in reviewing and editing the SHN User Rate Analyses and Engineer's Reports. The attached final draft documents are for SCSD Board review and comments. The 218 noticing and balloting process requires finalization and approval of these documents. Staff will present the final documents for review and approval by the SCSD Board at their regular scheduled Board meeting on April 21, 2016.

Additionally, staff will use these documents to develop a 2016/17 fiscal year draft budget for Board review and discussion.

FISCAL IMPACT:

None

Combined User Fee and Benefit Assessment Reports Summary

**Scotia Community Services District
Scotia, CA**

Prepared for:

Scotia Community Services District



Engineers & Geologists

812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016
005161.400

Combined User Fees and Benefit Assessment Reports Summary

Scotia Community Services District Scotia, CA

Prepared for:

Scotia Community Services District



Prepared by:



Engineers & Geologists
812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

QA/QC: MKF 

Executive Summary

The newly formed Scotia Community Services District (SCSD) is in the process of establishing governance rules, codes, and regulations along with preparing for the assumption of facilities and utilities to provide public services. The process for the provision of services includes formulation and adoption of an operating budget and establishing rates, fees, and assessments through State-mandated guidelines and procedures to acquire revenues for funding its operations. The SCSD will provide services related to water treatment and distribution, wastewater collection and treatment, streets and street lighting, storm drainage, parks, and fire fighting.

This study summarizes the user fee and assessment reports along with a Fiscal Year (FY) 2016-17 operating budget and projected budgets for the next four years (Appendix A). The proposed budgets were constructed from operating cost information provided by the Town of Scotia Company, LLC (TOS), and comparable budget figures from other local agencies, and the collective experience of engineering professionals with budgeting and rate assessment experience. Because the SCSD is in a "start-up" mode, there is no history of actual operational costs for a basis of rate and fee establishment. The SCSD has adopted its first years operating budget and is in the process of establishing user fees and assessment for benefit to acquire revenues for operations. It is very important that the SCSD proceed with establishing user rates and assessments of benefit in order to acquire and monitor revenues and expenditures upon which adjustments can be made, if necessary, for the basis of a future, more accurate system.

The operating budget and associated rate structures presented in this report was prepared on the premise that the SCSD has appropriate ownership interest and operational control of all the facilities and utilities required to provide community services. We are aware that until major improvements to some of the linear infrastructure are completed by TOS, SCSD will not have fee simple ownership. However, through grants of easement rights from TOS, SCSD will receive appropriate ownership interests sufficient to immediately employ all lineal infrastructure and deliver services, charge fees, and exercise *de facto* control. Many utility services do not "own" the underlying real property; rather, the utility has access and use rights, solely by virtue of lineal infrastructure public utility easements. A transition period will occur over a series of stages taking some months to complete as Scotia properties are sold. This analysis and recommended fees and assessments are intended to facilitate the SCSD's ability to collect revenue from customers as they transition from services paid for and provided by TOS to those provided by the District.

The SCSD does not have any taxing authority, therefore, this report recommends acquiring revenues through the application of user fees and charging benefit assessments. Proposition 218 (Right to Vote on Taxes Act) significantly changed local government finance. This constitutional initiative sets forth specific definitions and procedures for establishing fees and benefit assessments. In order to conform to rules set forth by Proposition 218 and other State regulations and codes, the operating budget for the District is proposed to consist of six separate funds, one for each of the service areas. Each fund follows a slightly different methodology for rate setting and is based upon currently accepted standards and practices. It is proposed the District charge "user fees" to provide revenues for the water and wastewater funds and use a "benefit assessment" approach for the funds associated with streets and street lighting, storm drainage, parks, and fire fighting.

Proposition 218 allows community operated water and wastewater service providers to charge customers through a fee system where a public participation process requires that a user fee report be produced, property owners be informed, and a public hearing be held. A public vote through a balloting procedure is not a part of the requirements to establish fees. This report recommends a fee system be used for water supply and wastewater services provided by the District. The water user fee system would consist of a "base" fee to cover all fixed expenditures, along with a flow (commodity) fee. Because Scotia customers include an industrial user that produces a high-strength wastewater effluent, this report recommends a fee system for wastewater services that includes a "base" fee, flow (commodity) fee and a strength-based fee.

With the exception of some existing industrial customers, Scotia does not now measure water use through a metered system (meters are to be provided with planned system upgrades; see section 1.8). All other consumptive use was based upon published, typical flow volumes for the type and number of users identified within the District. The water user fee was established by using the proposed budget, which defined the revenue requirement to satisfy fixed and flow based expenditures. Water "service charges" are based on the standard practice of using published American Water Works Association equivalent meter sizes to assess fixed fees for water use. A "commodity rate" is used to capture the flow based expenditures associated directly with the volume of water used by each customer. The recommended water user fees, as they relate to a single-family dwelling in Scotia (also known as an EDU), are:

- Equivalent meter fee (for $\frac{5}{8}$ -inch meter, American Water Works Association (AWWA) equivalent size = 1): \$47.69/month
- Commodity Charge and \$2.63/100 cubic feet of water used

A typical single-family dwelling (equivalent dwelling unit [EDU]) would pay approximately \$80/month for the projected FY 2016-17 budget. The rate is proposed to increase approximately 1.5% per year for the subsequent four years of operations.

The HRC Power Plant, when operating, also uses a large quantity of raw (untreated) water. Because the raw water does not involve storage, treatment, or distribution through the treated water system, a separate commodity charge for raw water delivery was derived at the rate of: \$0.22/100 cubic feet of raw water used. There shall also be a meter fee for the raw water user.

Recommended sewer user rates also consist of a base fee to cover fixed expenses, flow based fees (using metered water consumption as a surrogate measure for wastewater contribution), along with a wastewater strength-based fee. The strength fee is to compensate for treatment costs associated with contaminant removal from existing and future high-strength contributors. Currently, only one high-strength effluent producing user is identified with the District's system, (Eel River Brewery). All other users contribute relatively similar strength wastes, and therefore are only assessed base- and flow fees. The recommended water user fees, as an EDU are:

Base Fee:	\$75.00/EDU/month
Flow Fee:	\$2.26/100 cubic feet of metered water used
Strength Fee:	\$0.3338/lb BOD (biochemical oxygen demand)
	\$0.5201/lb TSS (total suspended solids)

A typical single-family dwelling (EDU) would pay approximately \$115.73/month for the projected FY 2016-17 budget. The rate is proposed to increase approximately 1.5% per year for the subsequent four years of operations.

Based upon established EPA criteria, the proposed and projected water rates would be considered affordable. However, projected wastewater user fees will be above the EPA standard for the upper end of the range of affordability. Rates will need to be re-evaluated after the first several years of operation and in conjunction with projected Capital Improvements. Rates are affected by debt financing of major capital expenditures and may be reduced by using grants or reserve funds accumulated during the first few years of operation. With the currently projected wastewater use fees, the possibility of obtaining State or federal grant funding for projected improvements is more likely.

For many years local governmental agencies within the State have taken advantage of the practice of funding projects through collecting an assessment of special benefits on affected properties. Such assessments have been applied through use of the defined methods and procedures of what are known as the "Assessment Acts." Proposition 218 establishes a strict definition of "special benefit." For the purposes of all assessment acts, special benefit means "a particular and distinct benefit over and above general benefits conferred on real property located in the district or the public at large." Proposition 218 also defines the public process required to assess a special benefit, and that process includes an engineer's assessment report, informing property owners, mailing out ballots to property owners, and holding a public hearing. The assessment is approved or disapproved based on the vote results of the ballots returned by the affected property owners by the hearing date. The value of each vote is weighted based on the proportional value of the proposed assessment.

Upon considering the assessment of special benefits for SCSD services, the methodology used to apportion the total assessment to properties within the District varied with each type of service delivered. Streets and street lighting benefit is based upon vehicle trip generation as established by the Institute of Transportation Engineers for various land uses, with a single-family residence or EDU equivalent to 10 trips generated per day and assigned 1 equivalent benefit unit (EBU). Storm drainage benefit is based upon impervious area of a single-family residence (EDU) that is equivalent to 1,500 square feet of impervious area and assigned 1 EBU per month. Parks and recreation benefit is based on a per acre population density with a single-family residence (EDU) equivalent to 27.9 persons/acre and assigned 1 EBU. Fire Department benefit is based upon structural area with a single-family residence (EDU) equivalent to 1,500 square feet of structural area and assigned 1 EBU.

Considering the revenue requirement for each fund and the total number of EBUs, the recommended special assessments for each fund would result in the following equivalent monthly charges as they are associated with the typical single-family residence:

Streets and Street Lighting Fund	\$ 4.42/mo./EDU
Storm Drainage Fund	\$ 1.86/mo./EDU
Parks and Recreation Fund	\$ 16.66/mo./EDU
<u>Fire Department Fund</u>	<u>\$ 12.25/mo./EDU</u>
Total Assessments	\$ 35.19/mo./EDU

Assessments are remitted to the County through the tax collection process and revenues distributed twice a year to the District. The estimated total monthly costs to the EDU, based on the projected budgets over the first five years are presented summary in Table A at the end of this section.

It is recommended that all established fees and charges be adopted by the SCSD for a multiple year period and they be escalated every year based upon a local consumer price indexing system.

In order for the District to adopt the recommended special benefit assessment charges, presented in this report, individual, stand alone, engineering reports will have to be produced for each of those funds. Using this study as a basis, along with the presented budget, method of assessment, and assessment amount, each individual report would include a listing of each property within the District, how much they would be assessed (assessment role), and a map defining the assessment district boundary would be contained within the report. Special benefit assessments typically are collected by the County tax collector in conjunction with other types of property taxes and distributed to the District twice annually.

Table A Summary of Estimated Total Monthly Costs per EDU ¹						
Fund	Rate Mechanism	Vote Required	Basis of Charges	Recommended Rate	Unit	Typical EDU Monthly EDU Charge
Water	Fees	No	Service Fee (Treated and Raw)	\$47.69	Equiv. Meter	\$80.20
			Commodity (Treated)	\$2.63	per HCF ²	
			Commodity (Raw)	\$0.22	per HCF	
			Base	\$75.00	per EDU	
Wastewater	Fees	No	Flow	\$2.26	per HCF	\$115.73
			Strength	\$0.3338	per lb/BOD ³	
				\$0.5201	per lb/TSS ⁴	
					15.00 lb/mo.	
Streets & Street Lighting	Benefit Assessment	Yes	Vehicle Trip Generation	\$4.42	per EBU ⁵	\$4.42
Storm	Benefit Assessment	Yes	Impervious Area	\$1.86	per EBU	\$1.86
Parks & Recreation	Benefit Assessment	Yes	Per Acre Population Density	\$16.66	per EBU	\$16.66
Fire Department	Benefit Assessment	Yes	Structural Area	\$12.25	per EBU	\$12.25
Total Estimated User Fees and Benefit Assessments per EDU for Year 1 = \$231 Total Estimated User Fees and Benefit Assessments per EDU for Year 2 = \$235 Total Estimated User Fees and Benefit Assessments per EDU for Year 3 = \$238 Total Estimated User Fees and Benefit Assessments per EDU for Year 4 = \$242 Total Estimated User Fees and Benefit Assessments per EDU for Year 5 = \$246						
1. EDU: equivalent dwelling unit 2. HCF: hundred cubic feet 3. lb/BOD: pounds per biological oxygen demand 4. lb/TSS: pounds per total suspended solids 5. EBU: equivalent benefit unit 6. ft ² : square feet						

Table of Contents

	Page
Executive Summary	i
List of Illustrations	vii
Abbreviations and Acronyms.....	viii
1.0 Introduction–The Community	1
1.1 Scotia–Introduction and Background.....	1
1.2 The Company Town Paradigm	1
1.3 The Company Town as Unworkable Anachronism.....	1
1.4 Company Towns and Bankruptcy	2
1.5 Bankruptcy and Reorganization Comes to Scotia	2
1.6 Election and Vote Results.....	2
1.7 CSD Structure and Formation	2
1.8 TOS Improvements to Facilitate CSD Transition.....	3
1.9 Improvements Planned As Part of Financial Reorganization.....	3
1.10 Improvement Transition Process	3
2.0 Objectives	4
3.0 Methodology	4
3.1 Revenue Sources.....	4
3.1.1 User Fees.....	5
3.1.2 Benefit Assessments.....	6
3.1.3 Calculations of Benefit Increments	7
3.2 Revenue Requirements.....	8
3.2.1 Operation & Maintenance.....	8
3.2.2 Debt Service	9
3.2.3 System Replacement	9
3.2.4 Capital Improvement Planning.....	9
4.0 Total Revenue Requirements.....	10
5.0 Rate Design	12
5.1 Water Fund.....	12
5.1.1 Service Charges	12
5.1.2 Commodity Rate	13
5.1.3 CSD Proposed Water Rate Structure	14
5.1.4 Affordability.....	14
5.2 Wastewater Fund	15
5.2.1 Base Fees.....	15
5.2.2 Flow Fees	15
5.2.3 Strength Fee.....	16
5.2.4 Monthly Cost per EDU.....	16
5.2.5 Affordability.....	16
5.3 Streets and Street Lighting Fund.....	17
5.4 Storm Drainage Fund	18
5.5 Parks and Recreation Fund	18
5.6 Fire Department Fund	18

Table of Contents, Continued

6.0 Annual Escalators and Reviews 18

7.0 References Cited 19

Appendices

- A. Projected Budgets
- B. Combined Fund Projections
- C. Budget Support Data
- D. Overall EDU Worksheet

List of Illustrations

Figures	On Page
1. Revenue Requirement by Fund (Service Area).....	11
2. Expense by Major Category	11

Tables	On Page
1. CSD Service Area Revenue Requirements	10
2. Table 2 Equivalent Meter Size	13
3. Proposed Monthly Service (Base or Rental) Fee Per Meter Size CSD.....	14



Abbreviations and Acronyms

AMHI	annual median household income
ANSI	American National Standards Institute
AWWA	American Water Works Association
BOD	biochemical oxygen demand
cf	cubic feet
CIP	capital improvement plan
CSD	Community Services District
EBU	equivalent benefit unit
EDU	equivalent dwelling unit
EPA	U.S. Environmental Protection Agency
FY	fiscal year
HCF	hundred cubic feet
ITE	Institution of Transportation Engineers
LAFCo	Local Agency Formation Commission
O&M	operations and maintenance
PALCO	Pacific Lumber Company
SANDAG	San Diego Association of Governments Traffic Generators Study
SHN	SHN Engineers & Geologists
SWRCB	State Water Resources Control Board
TOS	Town of Scotia Company, LLC
TSS	total suspended solids

1.0 Introduction–The Community

1.1 Scotia–Introduction and Background

In 2009, the Town of Scotia Company, LLC (TOS) acquired essentially all of the village of Scotia, California, population approximately ± 800 . Scotia is located between Highway 101 and the Eel River just 15 minutes south of the city of Fortuna and immediately south, across the bridge and Eel River from the small city of Rio Dell, population 3,300. Scotia is the last true “company town” of its kind in California, perhaps in the U.S. Like other company towns before it, Scotia is changing with the times. One of the more critical changes is the development of new, independent civic governance for this long-established community, where once there was none—the Scotia Community Services District (CSD).

1.2 The Company Town Paradigm

Scotia is transforming. For generations the town was essentially a corporate asset—run lock, stock, and barrel by a paternalistic employer (the Company) as a means to secure and maintain a reliable labor force to operate its sawmill and log its redwood forests.

The Company contributed to all aspects of civic life. Residents awoke, marked time, took their meals, and were called to and from work in the company-owned mills and factories by huge steam whistles positioned throughout town. They purchased goods from the Company Store, using company currency (scrip); sent their children to the company-owned school; worshipped at company-owned churches; and took recreation at company-owned ball fields and parks, pool, and gymnasium. They were entertained at the company-owned theater. The Company owned all the homes and businesses in town and provided drinking water, utilities, security, fire protection, electricity, street lighting, and road maintenance.

1.3 The Company Town as Unworkable Anachronism

Ownership and operation of a “company town” is no longer a component of any modern enterprise’s business plan. Outside of extraordinary and unique circumstances (an extremely remote location, or one without any amenities) it is no longer practicable for any modern business to maintain and support all residential, commercial, institutional, and civic utility components of a community as part of its operations.

As other towns, cities, and communities formed around and between these company enterprises and local governments arose to provide basic services, company towns have become an unworkable anachronism. From coal mining camps to steel mill villages, auto plant enclaves to lumber-camp-towns, throughout the 20th century, the corporate interests which once created and controlled these private communities have steadily divested, selling off commercial assets and surplus properties that are not part of the company’s core enterprise. Where investors have held onto these town assets, the costs of operation and maintenance have proven to be an investment limitation.

1.4 Company Towns and Bankruptcy

Some companies have had no choice but to maintain the community infrastructure even in the face of dwindling employment and de-population. "Civic" infrastructure is indistinguishable from the industrial, providing the only source of water, sewer service, and electricity.

1.5 Bankruptcy and Reorganization Comes to Scotia

TOS acquired Scotia in the bankruptcy and reorganization of the Pacific Lumber Company (PALCO) effective beginning in 2009. Since reorganization, TOS has obtained County approval for a Tentative Map Subdivision, allowing reconfiguration of the once unitary parcel of Scotia into separate, logical commercial, residential, and industrial lots, which will eventually be offered for sale to individual purchasers. TOS has also received approval from the Local Agency Formation Commission (LAFCo) for the formation of a CSD that will provide general civic governance and utility services previously delivered by PALCO, and currently provided by TOS.

1.6 Election and Vote Results

A special election was called by the Humboldt County Board of Supervisors to allow all Scotia residents to vote to accept or reject formation of a CSD for local civic governance. Ninety-three percent (93%) of those who voted approved formation of the SCSD. The electorate also selected five (5) candidates from a field of eight (8) to serve as members of the SCSD Board of Directors. The formation and initiation of the SCSD is a condition of approval of subdivision.

1.7 CSD Structure and Formation

The underlying project is a phased subdivision of an existing, fully functioning community that is more than 140 years old. The transfer of assets and resources from TOS to the SCSD will take place in stages and over time. First, key, centralized utility facilities or "plants" will be made available for transfer to the SCSD so that it can operate community utility functions, deliver services, and collect fees to remain self sustaining.

Those plants include:

- 1) the Scotia Fire Department (including the fire hall, fire trucks and equipment, a community meeting hall, offices, and a plumber's shop, etc.),
- 2) the wastewater treatment facility (including wastewater collection, treatment works, treatment ponds, etc.), and
- 3) the Scotia water treatment plant (including river water intake, storage tanks, filtration systems, and treatment equipment).

These three facilities will represent the major revenue sources for the SCSD. The SCSD will treat, store, and deliver drinking water; collect, treat and dispose (or recycle) wastewater; and provide fire suppression services to every home, business, and industrial facility in Scotia. In exchange for services, the SCSD will charge fees.

1.8 TOS Improvements to Facilitate CSD Transition

Much of the lineal underground infrastructure throughout Scotia requires upgrading, repair, or replacement: water mains and lateral piping, storm drains and stormwater collection facilities, wastewater collection pipes and mains (sewer lines) and fire suppression water system pipes, mains, and hydrants, etc. are aged and in need of repair. These distribution facilities are now being replaced by TOS. Many of these lines were developed over time and extend through alleys and beneath walks and walls, under homes and businesses, and are of widely varied size, quality, and materials, generally reflecting the phases of historical development and singular ownership of all of Scotia by PALCO.

To facilitate transfer to (and operation by) the SCSD, water, sewer, storm drain, fire suppression and other lines and linear infrastructure will be relocated to the streets and realigned in dedicated public utility easements, and new service laterals will be created to serve homes, businesses and other facilities.

1.9 Improvements Planned As Part of Financial Reorganization

This phased upgrade process also facilitates the subdivision improvements and enhances the marketing and sale of homes and businesses in a logical neighborhood progression. Phased development is projected to take several years. The project has been planned so as not to disrupt civic life in Scotia unnecessarily, and to coincide with a projected “absorption rate,” a reasonable period over which homes and businesses may be marketed and sold, consistent with the county approved subdivision.

1.10 Improvement Transition Process

Pending this construction and realignment, the SCSD will be given access to the existing private lineal infrastructure so that immediately upon initiation, it may conduct the business of delivering utility services, and charging fees. Initially, TOS will grant licenses, permits, and easements allowing the SCSD to use this existing lineal infrastructure.

TOS will continue to realign and replace the infrastructure as specified in the Conditions of Subdivision and CSD approval, employing best management practices so as not to disrupt the delivery of service to SCSD customers.

Pending completion of realignment, TOS will remain responsible for the maintenance and repair of the old lineal infrastructure until it has been improved or upgraded, realigned, or replaced, and the affected surface streets are repaired and repaved, etc. Once the lineal infrastructure has been replaced, inspected, approved, and is operating within any particular subdivision phase, it will be conveyed to the SCSD.

SHN Consulting Engineers & Geologists, Inc. conducted this analysis on behalf of SCSD. The purpose of this analysis is to facilitate the SCSD’s adoption of appropriate service fee rates to be charged or assessed to customer of record.

2.0 Objectives

Several objectives should be considered in the development of a financial plan and in the design of service rates. The major objectives of this study are as follows:

- Ensure revenue sufficiency to meet the operation and maintenance (O&M) and capital needs of the SCSD's service area funds.
- Plan revenue stability to provide for adequate operating and capital reserves and the overall financial health of the service areas.
- Provide fairness and equity in the development of a system of user charges.
- Minimize rate impacts to reduce financial hardship on user classes and individual members of those classes.
- Maintain simplicity for ease of administration and implementation as well as customer understanding and acceptance.

Some of these objectives are interrelated. This being the case, judgment plays a role in the final design of rate structures and rates.

3.0 Methodology

3.1 Revenue Sources

Local governmental agencies have various means of raising funds for financing operations and improvements. The three primary methods consist of taxes, fees and benefit assessments. The following is a summary of each of those fund raising mechanisms:

- A **tax** is an involuntary charge paid by individuals, businesses, and property owners regardless of the taxpayer's relative benefit. Taxes pay for governmental services that broadly benefit the public. Examples of taxes include local sales taxes, ad-valorem property taxes, and hotel taxes.
- A **fee** is a voluntary charge paid by individuals, businesses, and property owners to cover the costs of a service or facility provided directly to them. The amount of the fee cannot be more than what it costs to provide the service. You may find yourself paying a fee when you enter a local public swim pool or for water, sewer, and garbage services.
- A **benefit assessment** is an involuntary charge that property owners pay for a public improvement or service that provides a special benefit to their property. The amount of the assessment is directly related to the amount of the benefit their property receives. Benefit assessments can finance public projects like flood control, street improvement, streetlights, and public landscaping.

Because the District does not have any taxing authority, this study recommends the use of two mechanisms for acquiring revenues to finance the services provided by the District. It is proposed to impose fees and assessments as defined by California Constitution, Article XIII D.

Proposition 218 (Right to Vote on Taxes Act) significantly changed local government finance. This constitutional initiative, approved by the state's voters in November 1996, applies to each of

California's nearly 7,000 cities, counties, special districts, schools, community college districts, redevelopment agencies, and regional organizations. Proposition 218 sets forth specific definitions and procedures for establishing fees and benefit assessments.

Under Proposition 218, a fee is a charge to an individual or a business for a service provided directly to the individual or business. Financing of the water and wastewater services provided by the SCSD will be through a fee system.

The following steps are required for the water and wastewater fees to be charged:

- Prepare a user fee report.
- Mail information regarding the proposed fee to every affected property owner.
- Hold a hearing at least 45 days after the mailing.
- Reject the proposed fee if written protests are presented by a majority of the affected property owners.

According to Proposition 218, a special district may finance through assessments the maintenance and operation of public systems that include, but are not limited to, drainage, flood control, and street lighting. Assessments are involuntary charges on property owners to pay for these public works when their real properties benefit from the improvements through increased property values. Assessments include special, benefit, and maintenance assessments, and special assessment taxes. SCSD has no taxing authority. Financing of streets and street lighting, parks, storm drainage, and the Fire Department will be through an assessment system.

The following steps are required for the proposed assessments to be charged by the District:

- Identify each property subject to the assessment.
- Segregate out any "general benefits."
- Apportion or "spread" the special benefit.
- Prepare an engineer's report.
- Mail notice of the proposed assessment and ballot (ballots weighted according to the proportional financial obligation of property) to all affected property owners.
- Hold a hearing at least 45 days after the mailing.
- Determine whether there is a majority protest of those ballots returned.

3.1.1 User Fees

User fee systems have evolved over time from a simple fixed rate for all users to a consumptive or metered service or supply to combinations of fixed base and flow-based for water and sewer with strength-based rates for sewer only. There are many methods for establishing a user rate system; however State and federal funding agencies consider the flow-based system the most equitable for the users. These funding agencies typically require some type of flow-based method to provide the revenue needed to operate facilities and repay debt associated with system improvements.

This report recommends a fee system for water services, including a "base" fee to cover all fixed expenditures, along with a flow (commodity) fee. Because Scotia customers includes an industrial user that produces a high-strength wastewater effluent, this report recommends a fee system for wastewater services that includes a "base" fee, flow (commodity) fee and a strength-based fee for wastewater.

The basis for these revenue sources is a user-based system as it relates to a single-family residence, which is referred to as an equivalent dwelling unit (EDU).

Typically, when establishing sanitary sewer and water rates, water meter readings are used to gauge direct use of water and as a surrogate measure of sewage generation. Single-family, commercial, industrial, and institutional users are assessed fixed fees plus flowage charges based on water meter readings for the billing period.

The incremental basis for calculating the estimates used in the SCSO financial analysis is as follows:

- A. **Water** supply, treatment, storage, and distribution costs for commercial and industrial users were based upon estimated water consumption for each user. For residential users, each single-family residential unit is counted as one EDU. Because measured water use data for individual residences in Scotia is not available, an EDU is estimated to use 1,236 cubic feet of water per month, (9,247 gallons/month [7.48 gallons = 1 ft³]). That estimate is based upon typical water use of 95 gallons/day/person and a household size of 3.2 persons/home (published census data for Scotia). The total number of flow-based EDUs estimated for water supply, treatment, and distribution services is 393.

The District will also supply some raw (untreated) water to a single industrial customer. That customer will pay associated O&M pumping costs along with a portion of the cost of pump replacement (see Appendix C).

- B. **Wastewater** collection, treatment, and biosolids disposal cost estimates for commercial and industrial users were based upon the flows estimated from the number of workers at the site on a daily basis and standard engineering conversion factors. For residential users, each single-family residential unit counted as one EDU. The total number of EDUs estimated for wastewater collection, treatment, and disposal services is 408.

3.1.2 Benefit Assessments

Proposition 218 establishes a strict definition of "special benefit." For the purposes of all assessment acts, special benefit means "a particular and distinct benefit over and above general benefits conferred on real property located in the district or the public at large. General enhancement of property value does not constitute 'special benefit.'" In a reversal of previous law, a local agency is prohibited by Proposition 218 from including the cost of any general benefit in the assessment apportioned to individual properties. Assessments are limited to those necessary to recover the cost of the special or particular benefit provided the specific real property

In addition, assessments levied on individual parcels are limited to the "reasonable cost of the proportional special benefit conferred on that parcel" (Proposition 218).

Previously, assessments were seldom if ever levied on public property. Proposition 218 specifically requires assessments to be levied on public parcels within an assessment district, unless the agency that owns the parcel can "demonstrate by clear and convincing evidence" that its parcel will receive no special benefit.

3.1.3 Calculations of Benefit Increments

The total cost for operating and maintaining assessment district services funded by the District will be assessed to the various parcels in proportion to the estimated equivalent benefit units (EBUs) assigned to a parcel, in relationship to the total EBUs of all the parcels in the District. The basis for assigning and assessing benefits to District properties for the various funds that will be financed through the assessment process are described as follows.

- A. **Streets and Street Lighting:** Operations and maintenance of streets and street lighting provided by the District are primarily associated with the transportation within the community. Accordingly, trip generation rates for various land use categories (as established by the Institute of Transportation Engineers [ITE]) have been used as the primary basis for the development of EBUs. Although these trip-generation rates strictly address only vehicular trips, they are also considered to approximately reflect relative trip generation for other modes of transportation (e.g., pedestrian trips, bicycle trips, etc.), and are considered the best available information for these other transportation modes.

The special benefits of streets and street lighting improvements maintained and provided by the District are linked to trip generation primarily by the public safety and aesthetic enhancement enjoyed by travelers through the community. Trip generation rates provide the required nexus and basis for assigning ratios of maximum potential benefit to the various land use/zoning classifications as defined by the ITE.

One (1) EBU is equivalent to 10 trips/day, which is also representative of traffic generated by a single-family dwelling unit. There are 1,281 traffic related EBUs estimated in the district.

- B. **Fire Department:** The express purpose for which the benefit assessment is levied is to establish a stable source of supplementary funds to obtain, furnish, operate, and maintain fire suppression equipment and to provide structural fire suppression services in the district. Operations and maintenance of the Fire Department provided by the District are primarily associated with the protection of buildings from structural fire within the community. Accordingly, building size has been used as the primary basis for the development of EBUs.

One (1) EBU is as equivalent to 1,500 square feet of building area, which is also representative of the average size of a single-family dwelling unit within the District. There are 1,418 fire protection-related EBUs estimated in the district.

- C. **Stormwater Drainage.** Operations and maintenance of the drainage system and services provided by the District are primarily associated the amount of surface water runoff generated within the community. Accordingly, impervious area (roof area, paved parking, sidewalks, etc.) has been used as the primary basis for the development of EBUs.

One (1) EBU is as equivalent to 1,500 square feet of impervious area which is also representative of the average size of a single-family dwelling unit within the District. There are 2,262 drainage-related EBUs estimated in the district.

- D. **Parks:** Operations and maintenance of the Community Park and services provided by the District are primarily associated with the people living and working within the community. EBU values for commercial and industrial land uses are based on the equivalence of special benefit on a land area basis between single-family residential property and commercial property. The EBU values for other types of business and industrial land uses are established by using average employee densities because the special benefit factors described previously can be measured by the average number of people who work at commercial/industrial properties.

In order to determine employee density factors, the findings from the San Diego Association of Governments Traffic Generators Study (SANDAG Study) are used because these findings were approved by the State Legislature for use in justifying commercial and industrial school facilities fees and are considered to be a good representation of the average number of employees per acre of land area for commercial and industrial properties. As determined by the SANDAG Study, the average number of employees per acre for commercial property is 24. In comparison, the average number of people residing in a single-family home in the area is 3.2. Since the average lot size for a single-family home in Scotia is approximately 0.115 acres, the average number of residents per acre of residential property is 27.9 (one EBU). There are 761 parks-related EBUs estimated in the district.

3.2 Revenue Requirements

Typically when evaluating and setting rates and fees for an agency, annual operating expenses have been well defined through years of operations along with reserve or capital improvement programs. However, as a "start-up" district, the SCSD will be operating from a first year's budget that is based upon an estimated staffing requirement and comparative budgets of nearby CSDs and cities. A recommended first year operating budget is presented in Appendix A. This recommended budget is also based, in part, upon input from the CSD board, its counsel, and engineer, current and past interim staff, etc.

3.2.1 Operation & Maintenance

For purposes of this report, the definition of O&M is:

The continuing activities required to keep public facilities and their components functioning in accordance with design objectives while maintaining compliance with public health and safety requirements.

More specifically for the purpose of establishing user rates, O&M requirements consist of those expenditures associated with the day-to-day operations of the source supply, treatment, distribution, conveyance, and storage systems, and are made up of costs related to such items as personnel, other utility uses (power, telephone), supplies, training, equipment repair, etc.

Operations and maintenance revenue requirements are established based on years of experience, and any unusual changes that may have been instituted in any particular year, and are considered relatively inflexible when analyzing the overall revenue requirements of a utility. As a "start-up" CSD, there is no history with which to establish an O&M budget. A proposed O&M budget was

prepared giving consideration to the current financial information provided by TOS relative to its past few years of operations, comparisons of neighboring communities' operations, and experience with the financial and budgetary aspects of smaller communities and service districts.

3.2.2 Debt Service

As a "start-up" entity, the CSD has no existing debt service. However, some improvements to the water and wastewater treatment facilities have been identified in the capital improvement plan (CIP), and subsequent updates, developed in relation to the CSD formation requirements. The SCSD has identified some additional capital projects to be performed. It is likely that such improvements will be funded by revenues acquired through debt financing. The projected five-year budget (Appendix A) includes a proposed capital project schedule of improvements and associated incurred debt related to each service area.

3.2.3 System Replacement

According to the State Water Resources Control Board (SWRCB), Revenue Program Guidelines, system replacement costs are represented by, "Expenditures for obtaining and installing equipment, accessories, or appurtenances which are necessary during the useful life of the public works to maintain the capacity and performance for which such works were designed and constructed."

System Replacement, as defined above, is considered by that agency to be a minimal level of funding in this category. Establishing a funding level for facilities replacement is a policy decision often driven by a community's determination of user rate affordability, among other criteria.

Based upon a current inventory of existing equipment (pumps, motors, etc) with estimated replacement costs and using SWRCB expected life expectancies for such equipment, a system replacement schedule was prepared for the water and wastewater systems. An equipment replacement schedule was also prepared for the Fire Department equipment. Equipment replacement funds related to streets and street lighting, parks, and drainage funds are associated with vehicle replacement only.

3.2.4 Capital Improvement Planning

The term "capital improvement" refers to new or expanded physical facilities that are of relatively large size, are relatively expensive, and are considered permanent with respect to usefulness to service area customers. Large-scale replacement and rehabilitation of existing facilities also falls within this category. Equipment, such as, a utility truck, is not classified as a capital improvement for the purposes of this report.

A CIP for the Scotia lineal infrastructure was prepared for the required documentation associated with district formation. The SCSD has also identified some capital projects to be performed within the next five years. TOS is in the process of performing the wastewater collection, stormwater, streets and walks, and water supply and distribution upgrades, which include replacement of more than 90% of the existing wastewater collection and water distribution systems. Improvements identified in the CIP expected to be performed by the SCSD in the near future (next 5 years) include both water and wastewater treatment plant upgrades. Costs identified in the CIP associated with

those plant improvements total approximately \$4,200,000. SCSD has also identified additional capital expenses associated with the purchase of an office building for housing its administrative office, and upgrades to the museum, theater, and ball field. Proposed capital expenditures and associated debt services are presented in the budget documents in Appendix A.

Costs for the projected capital expenditures may be reduced if the SCSD is able to acquire offsetting costs through procurement of state/federal grants and/or use of accumulated reserves, (based upon positive financial performance of the SCSD's cash flow and Board decisions regarding use of reserves).

4.0 Total Revenue Requirements

A recommended first year budget for each of the service areas and projections of future revenue and expenditures starting with FY 2016-17 and over the following four years of operations was developed for the SCSD. Appendix A presents the projected budgets for the SCSD. Appendix B presents an overall combined fund budget for the District, and Appendix C presents associated "back-up" documentation for the derivation of each line item expense. The revenue requirements needed to be derived from user fees or assessments (total expenses less interest earnings, capital contribution, and miscellaneous revenues) for FY 2016-17 operations are projected for each of the service areas in Table 1.

Table 1 CSD Service Area Revenue Requirements	
Fund (Service Area)	Revenue Requirement
Treated Water	\$366,878
Raw Water	\$33,590
Wastewater	\$567,075
Streets & Street Lighting	\$67,750
Storm Drainage	\$50,384
Parks & Recreation	\$152,108
Fire Department	\$208,380

Figures 1 and 2 represent the proportional share of revenue requirements of each fund or service area for the District and the expense breakdown by category, respectively.

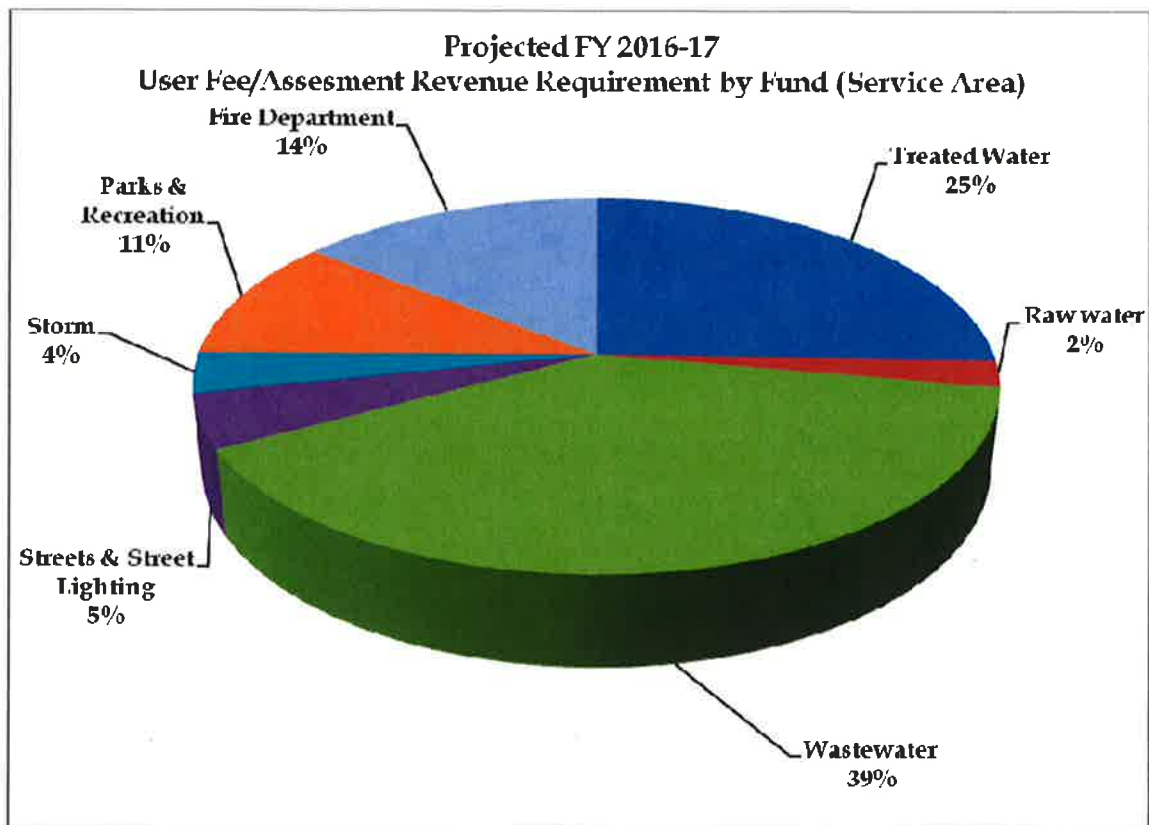


Figure 1: Revenue Requirement by Fund (Service Area)

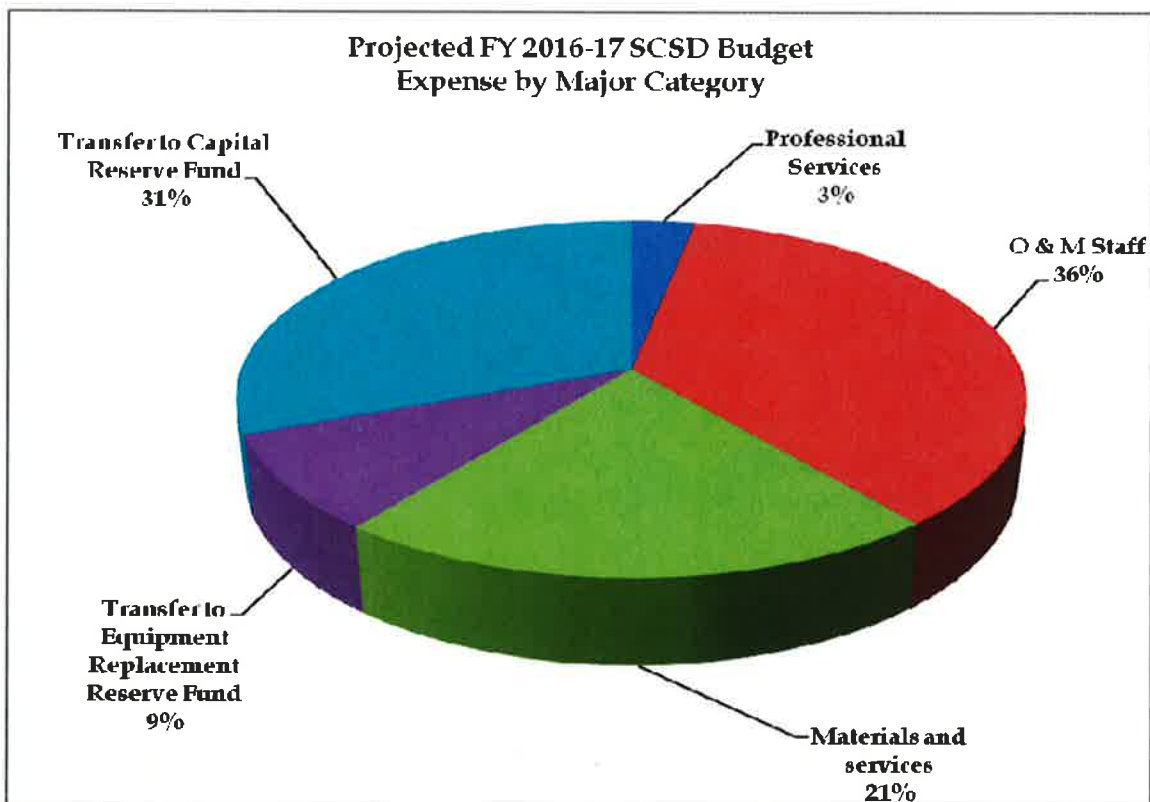


Figure 2: Expense by Major Category

Revenue requirements projected for FY 2017-18 through FY 2020-21 include cost of living escalators of 2% for personal services and professional services, and 3% for all other materials and services. The recommended FY 2016-17 budget and projected budgets broken out by individual funds are presented in Appendix A. Appendix B contains an overall combined fund budgets for the District.

5.0 Rate Design

Fees proposed for the water fund are based upon a standard practice of using meter sizes to assign fixed (or service charges). All other fees and assessments are based upon a unit cost, which has been calculated to be the equivalent cost per single-family dwelling on a monthly basis (EDU acronym used for user fees and EBU acronym used for assessment of benefit). Appendix D presents summary sheets of the calculated EDU/EBU assignment for each parcel located within the District and further break downs for each individual use.

5.1 Water Fund

Rate structures should be designed to ensure that users pay only their proportionate share of costs. In addition, rate structures should be easy to understand, simple to administer, and comply with regulatory requirements. It is recommended that water fees consist of a service charge (also could be considered base fee) and a commodity rate based upon volumetric customer use. The service charge and the suggested commodity rate for the various user classes are discussed in detail below.

5.1.1 Service Charges

A service charge is a cost recovery mechanism that is generally included in the rate structure to recover meter, customer, and public fire protection related costs (costs related to maintaining hydrants), and which provides a stable source of revenue independent of water consumption. Customer-related costs typically consist of fixed expenditures that relate to operational support activities including accounting, meter reading, water billing, customer service, and administrative and technical support. The customer-related costs are essentially common-to-all costs that are independent of user class characteristics. A service charge provides a mechanism for recovering a portion of the fixed costs and ensures a stable source of user revenues for the utility.

Once the costs are known, they are divided by the number of units of service associated with those costs to determine annual unit costs. Services charges are associated with equivalent meters to reflect the fact that service costs are higher for larger meters. Equivalent meters are used rather than just meters in order to recognize the fact that larger meters are more expensive to install, maintain, and replace than smaller meters.

Table 2 shows the equivalent size of meters developed using the American Water Works Association (AWWA) Safe Maximum Operating Capacity per meter size. These conversion factors were determined using American National Standards Institute (ANSI)/AWWA Standard C700-02 Cold-Water Meters. Meters are assigned a hydraulic capacity by size, which is based on the maximum measurable flow rate of the meter. In this study, 5/8-inch meters are considered the base measure of a meter, because they are used for residential metering. By using equivalent meters in cost calculations, we do not have to track all meters by meter size. This allows for more concise analysis and explanation. The net effect of using equivalent meters instead of tracking all meters by size is the same. Equivalent meters are used in the unit cost calculation of meters and services in the cost of service section.

Table 2 Equivalent Meter Size			
Meter Size (inches)	AWWA ¹ Equivalent Size (inches)	Number of Meters	Equivalent Meters, CSD ^{2,3}
5/8	1.00	286	286
3/4	1.50	2	3
1	2.50	2	5
1½	5.00	4	20
2	8.00	3	24
3	15.00	2	30
4	25.00	1	25
6	50.00	0	0
8	80.00	0	0
Total			393
1. AWWA: American Water Works Association 2. CSD: community services district 3. All residences have 5/8-inch meters			

5.1.2 Commodity Rate

The commodity rate is the rate developed for each user class, which will recover the CSD's variable volume related costs. The annual estimated FY 2016-17 revenues required, less annual cost-based service charge revenues, are the revenues that need to be recovered through a commodity rate. Cost-of-service-based commodity rates are developed for each user-class-based on the principle of maintaining inter-class and intra-class revenue neutrality and equity. This means that each user class would only pay its assigned share of costs of service and that each member of each class would only pay his or her fair share of user-class costs. Because a portion of the revenues required from each user class is to be recovered through uniform monthly service charges, commodity rates are designed to recover only that portion of revenues that is not recovered through the service charge. Annual service charge revenues for each user class for FY 2016-17 are estimated based on the forecast number of meters by size. The portion of revenues to be recovered through commodity rates is then determined by deducting the annual service charge revenues from the user class's FY 2016-17 cost of service.

The user classes can be sorted into groups with similar peaking characteristics, resulting in a uniform water commodity rate that is the same within the group. Due to similar usage characteristics, residential customers are grouped together, and commercial and industrial are grouped together.

The user classes can be sorted into groups with similar peaking characteristics, resulting in a uniform water commodity rate that is the same within the group. Due to similar usage characteristics, residential customers are grouped together, and commercial and industrial are grouped together.

5.1.3 CSD Proposed Water Rate Structure

As a “start-up” District, the first year and subsequent projected expenses presented in Table 3 are based upon guided estimates. The District must establish its own operations and gain some experience related to revenues and expenditures upon which to base future rates more accurately. Revenues and expenses will have to be monitored throughout the next several years and adjustments will need to be made to the user rates when necessary and practical.

5.1.3.1 Monthly Service (Base or Rental) Fee per Meter Size

Table 3 Proposed Monthly Service (Base or Rental) Fee Per Meter Size CSD ¹	
Meter Size (inches)	Monthly
5/8	\$47.69
3/4	\$71.54
1	\$119.23
1½	\$238.46
2	\$381.54
3	\$715.38
4	\$1,192.30
6	\$2,384.60
8	\$3,815.36
1. CSD: community services district	

The proposed monthly service fees are presented in Tables 3.

5.1.3.2 Commodity Rate

The proposed commodity rate is \$2.63 per 100 cubic feet (HCF) of water use.

5.1.3.3 Typical EDU Rate

The above rates represent an average individual residential user charge of approximately \$80 per month per residential use, based upon the example calculation depicted below:

$$\begin{aligned} \text{5/8-inch meter} &= \$47.69 \text{ Service Fee} + 1,236 \text{ cubic feet of water used per month} \div 100 \\ &= 12.36 \text{ units} \times \$2.63 = \$32.51 \text{ Commodity Fee} = \$80.20/\text{month water charge} \end{aligned}$$

5.1.3.4 Raw Water Rate

The SCSD will be supplying raw water, diverted from the raw water feed line to a few customers for irrigation and other industrial uses. The raw water rate is based upon the cost of pumping (electrical cost/cf + Pump Replacement Cost).

The proposed Raw Water Rate is \$0.22 per 100 cubic feet (cf) of water use.

5.1.4 Affordability

One of the most important issues in water pricing is affordability. Although water is priced extremely low compared to most other goods, it is an essential good. People have little choice but to use water and pay a local monopoly provider. Besides affordability, equity issues are part of the rate making process. Are rates fair across customer groups? Are customers paying for the cost of service? Are some groups getting price breaks on the backs of others? Although the issue of affordability is important, revenue adequacy remains the number one priority of any water system. Income effects and affordability issues must be secondary or be addressed directly through other government social programs.

A basic issue in affordability is who to protect and at what levels? How much income protection should be supplied through the water rate making process? Affordability issues in the future will require careful planning. Consumers must be educated about why rates are set as they are, and customer feedback should be monitored.

How is rate affordability measured? The U.S. Environmental Protection Agency (EPA) suggests that water rates that are 2% or less of annual median household income (AMHI) are affordable. In a survey of 1,600 utilities in five states, the EPA found that water rates ranged from 0.1% to 3.1% of MHI with an average of 0.5%. Thus by EPA standards, water supply nationwide is affordable. The most recent published AMHI for the SCSD area is estimated at \$53,063 for 2011. Applying EPA's standard of 2%, an affordable (upper end of affordability) monthly rate for residential customers (home or property owners) would be \$88 per month. Based upon the EPA criteria, the proposed and projected rate increases are within the range of affordability.

It is common for communities or districts to perform comparative analyses of user fees with neighboring service providers upon addressing user fee changes. When performing any comparative analyses, it is important that the comparisons are made between service providers with similar service and demographic characteristics. One of the more sensitive comparison criteria is associated with the given condition of a service provider's infrastructure in relation to the existing or projected user fee.

5.2 Wastewater Fund

Rate structures should be designed in such a way as to ensure that users pay only their proportionate share of costs. In addition, rate structures should be easy to understand, simple to administer, and comply with regulatory requirements. The service charge and the suggested commodity rate for the various user classes are discussed in detail below. See Appendix C for calculations associated with recommended rate structure.

5.2.1 Base Fees

Base fee related costs are fixed expenditures that relate to operational support activities including accounting, billing, customer service, administrative and technical support, and debt service. Customer-related costs are essentially common-to-all costs that are independent of user class characteristics. A base fee provides a mechanism for recovering a portion of the fixed costs and ensures a stable source of user revenues for the utility. Fixed expenditures for the FY 2016-17 projected budget are determined to be approximately 61% (\$343,536) of the total expenditures of \$567,075 (total expenditures of \$681,075 less Capital Outlay of \$114,000). These figures equate to a recommended residential base fee of \$75.00 per month per EDU. The monthly base fee for each non-residential user will be established annually, based upon measured water use and assigned EDU values for previous years. The first year base fee will be established using estimated consumption volumes based upon industry standard for the use evaluated.

5.2.2 Flow Fees

The flow rate is the rate developed to recover the SCSD's variable volume-related costs. The annual estimated FY 2016/17 revenues required, less annual costs associated with base fee revenues, are the revenues that need to be recovered through a flow rate.

The user classes can be sorted into groups with similar peaking characteristics, resulting in a uniform flow rate that is the same within the group. Due to similar usage characteristics, residential customers are grouped together, and commercial and industrial are grouped together. The SCSD does not currently differentiate between residences and all other classes for rate design.

The recommended residential flow rate is \$2.26 per 100 cf of water used.

5.2.3 Strength Fee

Strength of wastewater is typically based upon sampled and measured amounts of biochemical oxygen demand (BOD) and total suspended solids (TSS) contained within a wastewater. Wastewater treatment plants typically are designed based upon parameters of amount of flow needed to treat and contaminant removal based upon measured concentrations of BOD and TSS in raw wastewater influent and treated effluent. The simplest method of allocating wastewater treatment costs is to use allocation percentages based on State Water Resources Control Board (SWRCB), Revenue Program Guidelines. Considering the SWRCB publication and the treatment processes used at the plant, 40% of the costs is allocated to wastewater flow, 30% to BOD, and 30% to TSS. These percentages are based on a mechanical type wastewater treatment system, which is currently used by Scotia. Using typical ranges of wastewater constituents presented in *Wastewater Engineering* publication by Metcalf and Eddy; single-family residential (EDU) wastewater strength contributions to the waste stream used for these analyses are:

- 0.5 lb BOD per month
- 0.5 lb TSS per month

Considering the wastewater strength and flows produced by the only current high-strength user in the system (Eel River Brewery), the single customer is equivalent to 58 EDUs balanced between flow and strength.

Considering costs for treating BOD and TSS, the recommended high-strength user fees are:

- \$0.3338/pound/month of BOD contribution
- \$0.5201/pound/month of TSS contribution

5.2.4 Monthly Cost per EDU

The above recommended wastewater user fees represent an average residential (EDU) user charge of approximately \$115.73/month for the first year of operations.

5.2.5 Affordability

One of the most important issues in wastewater pricing is affordability. Water serves as an indicator of wastewater flows. Although water is priced extremely low compared to most other goods, it is an essential good. People have little choice but to use water and pay a local monopoly provider for-related wastewater flows. Besides affordability, equity issues are part of the rate making process. Are rates fair across customer groups? Are customers paying for the cost of service? Are some groups getting price breaks on the backs of others? While the issue of

affordability is important, revenue adequacy remains the number one priority of any wastewater system. Income effects and affordability issues must be secondary or be addressed directly through other government social programs.

A basic issue in affordability is who to protect and at what levels? How much income protection should be supplied through the wastewater rate making process? Affordability issues in the future will require careful planning. Consumers must be educated about why rates are set as they are, and customer feedback should be monitored.

How is rate affordability measured? The EPA has published literature related to the affordability of water user fees. It also is common to use the water user fee guidelines when considering wastewater user fees, because they are a similar type of utility. The EPA study is also comparable to another study, the Missouri Department of Natural Resources Program, Clean Water State Revolving fund *Additional Subsidization Affordability Analyses*, which addresses wastewater rates. The EPA suggests that user fees that are 2% or less of AMHI are affordable. In a survey of 1,600 utilities in five states, the EPA found that user fees ranged from 0.1% to 3.1% of AMHI with an average of 0.5%. Thus by EPA standards, user fees nationwide are affordable. The most recent published AMHI for the SCSD area is estimated at \$53,063 for 2011. Applying the EPA standard of 2%, an affordable (upper end of affordability) monthly rate for residential customers, (home or property owners), would be \$88 per month. Based upon the EPA criteria, the proposed wastewater EDU rate, (base fee and flow-related fee), of \$115.73 per month is at 2.5% of AMHI, which is above the range of affordability but below the maximum range. With the proposed rate being above the 2% level, the SCSD would be in an advantageous position for requesting state or federal agency grant monies and/or low interest loans for performing the capital improvements scheduled for FY 2018/19.

It is common for communities or districts to perform comparative analyses of user fees with neighboring service providers upon addressing user fee changes. When performing any comparative analyses, it is important that the comparisons are made between service providers with similar service and demographic characteristics. One of the more sensitive comparison criteria is associated with the given condition of a service provider's infrastructure in relation to the existing or projected user fee.

5.3 Streets and Street Lighting Fund

For all special assessments in the District, the calculation of each assessment is relatively straightforward. Once the equivalent benefit unit (EBU) methodology apportionment has been defined, each parcel is allocated a benefit proportional to the EBUs associated with that parcel. In order to help differentiate between a utility user fee (i.e., wastewater and water) and a special benefit assessment, this study uses the term "equivalent benefit unit (EBU)" as opposed to "equivalent dwelling unit (EDU)" to define the comparative charge out unit. As presented previously in this report, the streets and street lighting benefit is based upon trip generation with a single-family residence EDU equivalent to 10 vehicle trips generated per day and assigned 1 EBU, (1 EBU = 10 vehicle trips/day traffic generation).

Considering the revenue requirement for this fund and the total number of EBUs the special assessment for streets and street lighting will be equal to \$4.42 per EBU per month.

5.4 Storm Drainage Fund

As presented previously in this report, the storm drainage benefit is based upon impervious area with a single-family residence (EDU) equivalent to 1,500 square feet of impervious area and is assigned 1 EBU per month, (1 EBU = 1,500 ft² impervious area).

Considering the revenue requirement for this fund and the total number of EBUs, the special assessment for storm drainage will be equal to \$1.86 per EBU per month.

5.5 Parks and Recreation Fund

As presented previously in this report, the parks and recreation benefit is based on a per acre population density with a single-family residence (EDU) equivalent to 27.9 persons/acre and is assigned 1 EBU, (1 EBU = 27.9 persons/acre).

Considering the revenue requirement for this fund and the total number of EBUs, the special assessment for parks and recreation will be equal to \$16.66 per EBU per month.

5.6 Fire Department Fund

As presented previously in this report, the Fire Department benefit is based upon structural area with a single-family residence (EDU) equivalent to 1,500 square feet of structural area and assigned 1 EBU, (1 EBU = 1,500 ft² structural area).

Considering the revenue requirement for this fund and the total number of EBUs, the special assessment for the Fire Department will be equal to \$12.25 per EBU per month.

6.0 Annual Escalators and Reviews

It is recommended that the District's fees and assessments be established with an annual escalation clause, which would allow revenues from fees and assessments to increase or decrease annually based upon an appropriate, local consumer price index. Indexing fees and assessments annually allows for minor increases for normal maintenance and operating cost escalation without incurring the costs associated the Proposition 218 public notification and ballot proceedings.

It is also recommended that all adopted fees and assessments contain language that allows uncontrolled cost escalation "pass-through." This would allow the District to "pass-through" to the customer any increases in costs over which the District has no control, such as, those associated with electrical power or out-sourced laboratory fees. A "pass-through" clause will also allow adjustments in fees and assessments without incurring the costs associated with the Proposition 218 public notification and ballot proceedings.

The District needs to adopt a budget, and begin collecting fees and assessments to establish a basis for future budgeting and revenue requirements.

7.0 References Cited

- American National Standards Institute/American Water Works Association. (NR). "Standard C700-02 Cold-Water Meters." New York, NY:ANSI.
- California Department of Finance. (Accessed June 2015). Census 2010. Accessed at: http://www.dof.ca.gov/research/demographic/state_census_data_center/census_2010/vi ew.php
- Metcalf and Eddy. (1991). *Wastewater Engineering*. Treatment Disposal Reuse, G. Tchobanoglous and F.L. Burton (Eds.), 1820 pp. New York, NY: McGraw-Hill.
- Missouri Department of Natural Resources Program, Clean Water State Revolving Fund. (NR). *Additional Subsidization Affordability Analyses*. Jefferson City, MO:Missouri Department of Natural Resources.
- San Diego Association of Governments.. (December 1996 and July 1998). "Traffic Generators," Sand Diego, California. San Diego, CA:SANDAG.
- State of California Legislative Counsel. (1996). "California Constitution, Article XIII D: Assessment and Property-Related Fee Reform." (Proposition 218). Sacramento, CA:State of California.
- State Water Resources Control Board. (1998). "Revenue Program Guidelines (Appendix G)," in *Policy For Implementing The State Revolving Fund For Construction Of Wastewater Treatment Facilities*. NR:SWRCB.
- United States Census Bureau. (2014). "5 Year Estimates," in *2009-2013 American Community Survey*. NR:United States Census Bureau American Community Survey Office.
- United States Environmental Protection Agency. (2002). "Affordability Criteria for Small Drinking Water Systems: An EPA Science Advisory Board Report." EPA Science Advisory Board. EPA-SAB-EEAC-03-004

A

Projected Budgets

Scotia Community Services District Start-Up Budget								
Proposed First FY 16/17 Operating Budget								
Revenues								
Fund Type	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Department	Total All Services
Available Cash on Hand	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$300		\$400	\$200	\$100	\$100	\$200	\$1,300
Property Tax ¹								\$0
Contingency Funding Contribution	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
Office Equipment/Furniture Capital Contribution	\$6,500	\$500	\$6,000	\$3,000	\$3,000	\$1,000		\$20,000
Fire Department Capital Contribution							\$766,000	\$766,000
SCSD Office Purchase Loan	\$102,600	\$5,400	\$108,000	\$13,500	\$13,500	\$13,500	\$13,500	\$270,000
Special Use Income						\$500	\$0	\$500
User Fee Revenues Necessary to Balance Budget	\$366,478	\$33,590	\$566,575	\$67,450	\$50,184	\$151,958	\$208,180	\$1,444,415
Miscellaneous	\$100	\$0	\$100	\$100	\$100	\$0	\$0	\$400
TOTAL RESOURCES	\$503,978	\$51,490	\$725,075	\$99,250	\$80,884	\$172,058	\$1,004,880	\$2,637,615
Expenditures								
	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Personal Services								
Attorney	\$7,600	\$400	\$8,000	\$1,000	\$1,000	\$1,000	\$1,000	\$20,000
Auditor (Annual Audit)	\$4,560	\$240	\$4,800	\$600	\$600	\$600	\$600	\$12,000
Board Stipend	\$2,280	\$120	\$2,400	\$300	\$300	\$300	\$300	\$6,000
Bookkeeping/CPA Consult	\$1,900	\$100	\$2,000	\$50	\$50	\$500	\$400	\$5,000
Engineering	\$2,700	\$300	\$3,000	\$0	\$0	\$0	\$0	\$6,000
Operations/Maintenance Staff (Salaries & Benefits)	\$149,000	\$7,480	\$156,500	\$19,100	\$19,100	\$61,900	\$98,800	\$511,880
TOTAL PERSONAL SERVICES	\$168,040	\$8,640	\$176,700	\$21,050	\$21,050	\$64,300	\$101,100	\$560,880
Materials and Services								
Bond, Dues, Publications	\$2,000	\$500	\$2,500	\$200	\$200	\$100	\$2,000	\$7,500
General Supplies, Lab, Permitting & Monitoring	\$14,000	\$500	\$55,000	\$500	\$2,000	\$4,500	\$6,200	\$82,700
Utilities- water, sewer, Assess., communications	\$2,200	\$500	\$4,800	\$4,000	\$2,500	\$4,800	\$1,200	\$20,000
General Maint & Repair	\$14,000	\$1,000	\$10,000	\$6,000	\$1,000	\$5,000	\$7,000	\$44,000
Liability Insurance	\$15,000	\$5,000	\$30,000	\$5,000	\$500	\$1,000	\$5,000	\$61,500
Electrical	\$19,000	\$14,000	\$25,000	\$4,500	\$0	\$1,000	\$5,000	\$68,500
Contracted Maintenance Services	\$9,000	\$1,000	\$7,500	\$1,000	\$0	\$1,000	\$500	\$20,000
TOTAL MATERIALS AND SERVICES	\$75,200	\$22,500	\$134,800	\$21,200	\$6,200	\$17,400	\$26,900	\$304,200
TOTAL O&M	\$243,240	\$31,140	\$311,500	\$42,250	\$27,250	\$81,700	\$128,000	\$865,080
Other Expenditures								
Annual Debt Service on Capital Improvement Loans	\$7,030	\$370	\$7,400	\$925	\$925	\$925	\$925	\$18,500
Transfer to Capital Reserve Fund	\$103,688		\$214,555	\$21,575	\$18,459	\$66,183	\$15,355	\$439,815
Transfer to Equipment Replacement Reserve Fund ²	\$12,920	\$2,080	\$33,620	\$3,000	\$3,750	\$3,750	\$64,100	\$123,220
TOTAL OTHER EXPENDITURES	\$123,638	\$2,450	\$255,575	\$25,500	\$23,134	\$70,858	\$80,380	\$581,535
Capital Outlay								
Fire Apparatus and Personal Gear Upgrade							\$766,000	\$766,000
Office Equipment/furnishings Start-up	\$6,500	\$500	\$6,000	\$3,000	\$3,000	\$1,000		\$20,000
SCSD Office Building	\$102,600	\$5,400	\$108,000	\$13,500	\$13,500	\$13,500	\$13,500 #	\$270,000
TOTAL CAPITAL EXPENDITURES	\$109,100	\$5,900	\$114,000	\$16,500	\$16,500	\$14,500	\$779,500	\$1,056,000
TOTAL ALL EXPENDITURES	\$475,978	\$39,490	\$681,075	\$84,250	\$66,884	\$167,058	\$987,880	\$2,502,615
Unexpended Fund Balance (UFB)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
EXPENDITURES + UFB	\$503,978	\$51,490	\$725,075	\$99,250	\$80,884	\$172,058	\$1,004,880	\$2,637,615

1. No tax revenues are projected for this operating budget (CSD has no taxing authority at this time)

2. Transfer to a reserve account for each fund to be created by CSD for replacement

Scotia Community Services District Start-Up Budget								
Proposed FY 17/18 Operating Budget								
Revenues								
Fund Type	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Department	Total All Services
Available Cash on Hand (contingency carry over)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
Interest Earnings	\$600	\$200	\$900	\$300	\$300	\$100	\$300	\$2,700
Property Tax ¹								\$0
Special Use Income						\$500	\$0	\$500
User Fee Revenues Necessary to Balance Budget	\$372,824	\$34,256	\$576,372	\$68,618	\$51,053	\$154,589	\$211,785	\$1,469,497
Miscellaneous	\$100	\$0	\$100	\$100	\$100	\$0	\$0	\$400
TOTAL RESOURCES	\$401,524	\$46,456	\$621,372	\$84,018	\$65,453	\$160,189	\$229,085	\$1,608,097
Expenditures								
Personal Services	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Attorney	\$7,752	\$408	\$8,160	\$1,020	\$1,020	\$1,020	\$1,020	\$20,400
Auditor (Annual Audit)	\$4,651	\$245	\$4,896	\$612	\$612	\$612	\$612	\$12,240
Board Stipend	\$2,280	\$120	\$2,400	\$300	\$300	\$300	\$300	\$6,000
Bookkeeping/CPA Consult	\$1,938	\$102	\$2,040	\$51	\$51	\$510	\$408	\$5,100
Engineering	\$2,754	\$306	\$3,060	\$0	\$0	\$0	\$0	\$6,120
Operations/Maintenance Staff (Salaries & Benefits)	\$151,980	\$7,650	\$159,630	\$19,482	\$19,482	\$63,138	\$100,776	\$522,138
TOTAL PERSONAL SERVICES	\$171,355	\$8,831	\$180,186	\$21,465	\$21,465	\$65,580	\$103,116	\$571,998
Materials and Services								
Bond, Dues, Publications	\$2,060	\$515	\$2,575	\$206	\$206	\$103	\$2,060	\$7,725
General Supplies, Lab, Permitting & Monitoring	\$14,420	\$515	\$6,650	\$515	\$2,060	\$4,635	\$6,386	\$85,181
Utilities- water, sewer communications	\$2,266	\$515	\$4,944	\$4,120	\$2,575	\$4,944	\$1,236	\$20,600
General Maint & Repair	\$14,420	\$1,030	\$10,300	\$6,180	\$1,030	\$5,150	\$7,210	\$45,320
Liability Insurance	\$15,450	\$5,150	\$30,900	\$5,150	\$515	\$1,030	\$5,150	\$63,345
Electrical	\$19,570	\$14,420	\$25,750	\$4,635	\$0	\$1,030	\$5,150	\$70,555
Contracted Maintenance Services	\$9,270	\$1,030	\$7,725	\$1,030	\$0	\$1,030	\$515	\$20,600
TOTAL MATERIALS AND SERVICES	\$77,456	\$23,175	\$138,844	\$21,836	\$6,386	\$17,922	\$27,707	\$313,326
TOTAL O&M	\$248,811	\$32,006	\$319,030	\$43,301	\$27,851	\$83,502	\$130,823	\$885,324
Other Expenditures								
Annual Debt Service on Capital Improvement Loans	\$7,030	\$370	\$7,400	\$925	\$925	\$925	\$925	\$18,500
Transfer to Capital Reserve Fund	\$104,763		\$217,322	\$21,792	\$18,927	\$67,012	\$16,237	\$446,053
Transfer to Equipment Replacement Reserve Fund ²	\$12,920	\$2,080	\$33,620	\$3,000	\$3,750	\$3,750	\$64,100	\$123,220
TOTAL OTHER EXPENDITURES	\$124,713	\$2,450	\$258,342	\$25,717	\$23,602	\$71,687	\$81,262	\$587,773
Capital Outlay								
TOTAL CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL ALL EXPENDITURES	\$373,524	\$34,456	\$577,372	\$69,018	\$51,453	\$155,189	\$212,085	\$1,473,097
Unexpended Fund Balance (UFB)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
EXPENDITURES + UFB	\$401,524		\$621,372	\$84,018	\$65,453	\$160,189	\$229,085	\$1,608,097
1. No tax revenues are projected for this operating budget (CSD has no taxing authority at this time).								
2. Transfer to a reserve account for each fund to be created by CSD for replacement.								

Scotia Community Services District Start-Up Budget Proposed FY 18/19 Operating Budget								
Revenues								
Fund Type	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Department	Total All Services
Available Cash on Hand (contingency carry over)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
Interest Earnings	\$600	\$200	\$900	\$300	\$300	\$100	\$300	\$2,700
Property Tax ¹								\$0
Winema Theater Improvements Loan						\$225,000		\$225,000
Wastewater Treatment Plant Improvement Loan			\$2,550,000					\$2,550,000
Transfer from Reserves to assist with Capital proj.			\$450,000			\$150,000		\$600,000
Special Use Income						\$500	\$0	\$500
User Fee Revenues Necessary to Balance Budget	\$377,583	\$35,104	\$540,541	\$69,494	\$51,705	\$104,840	\$214,489	\$1,393,757
Connection Fees	\$1,000	\$0	\$1,000					\$2,000
Miscellaneous	\$100	\$0	\$100	\$100	\$100	\$0	\$0	\$400
TOTAL RESOURCES	\$407,283	\$47,304	\$3,586,541	\$84,894	\$66,105	\$485,440	\$231,789	\$4,909,357
Expenditures								
Personal Services	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Attorney	\$7,907	\$416	\$8,323	\$1,040	\$1,040	\$1,040	\$1,040	\$20,808
Auditor (Annual Audit)	\$4,744	\$250	\$4,994	\$624	\$624	\$624	\$624	\$12,485
Board Stipend	\$2,280	\$120	\$2,400	\$300	\$300	\$300	\$300	\$6,000
Bookkeeping/CPA Consult	\$1,977	\$104	\$2,081	\$52	\$52	\$520	\$416	\$5,202
Engineering	\$2,809	\$312	\$3,121	\$0	\$0	\$0	\$0	\$6,242
Operations/Maintenance Staff (Salaries & Benefits)	\$155,020	\$7,782	\$162,823	\$19,872	\$19,872	\$64,401	\$102,792	\$532,560
TOTAL PERSONAL SERVICES	\$174,737	\$8,984	\$183,742	\$21,888	\$21,888	\$66,886	\$105,172	\$583,297
Materials and Services	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Bond, Dues, Publications	\$2,122	\$530	\$2,652	\$212	\$212	\$106	\$2,122	\$7,957
General Supplies, Lab, Permitting & Monitoring	\$14,853	\$530	\$58,350	\$530	\$2,122	\$4,774	\$6,578	\$87,736
Utilities- water, sewer communications	\$2,334	\$530	\$5,092	\$4,244	\$2,652	\$5,092	\$1,273	\$21,218
General Maint & Repair	\$14,853	\$1,061	\$10,609	\$6,365	\$1,061	\$5,305	\$7,426	\$46,680
Liability Insurance	\$15,914	\$5,305	\$31,827	\$5,305	\$530	\$1,061	\$5,305	\$65,245
Electrical	\$20,157	\$14,853	\$26,523	\$4,774	\$0	\$1,061	\$5,305	\$72,672
Contracted Maintenance Services	\$9,548	\$1,061	\$7,957	\$1,061	\$0	\$1,061	\$530	\$21,218
TOTAL MATERIALS AND SERVICES	\$79,780	\$23,870	\$143,009	\$22,491	\$6,578	\$18,460	\$28,538	\$322,726
TOTAL O&M	\$254,516	\$32,854	\$326,751	\$44,379	\$28,466	\$85,345	\$133,711	\$906,023
Other Expenditures	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Annual Debt Service on Capital Improvement Loans	\$7,030	\$370	\$182,170	\$925	\$925	\$16,345	\$925	\$208,690
Transfer to Capital Reserve Fund	\$104,817		\$0	\$21,590	\$18,964	\$0	\$16,053	\$161,424
Transfer to Equipment Replacement Reserve Fund ²	\$12,920	\$2,080	\$33,620	\$3,000	\$3,750	\$3,750	\$64,100	\$123,220
TOTAL OTHER EXPENDITURES	\$124,767	\$2,450	\$215,790	\$25,515	\$23,639	\$20,095	\$81,078	\$493,334
Capital Outlay	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Winema Theater Improvements						\$375,000		\$375,000
Wastewater Treatment Plant Improvements			\$3,000,000					\$3,000,000
TOTAL CAPITAL EXPENDITURES	\$0	\$0	\$3,000,000	\$0	\$0	\$375,000	\$0	\$3,375,000
TOTAL ALL EXPENDITURES	\$379,283	\$35,304	\$3,542,541	\$69,894	\$52,105	\$480,440	\$214,789	\$4,774,357
Unexpended Fund Balance (UFB)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
EXPENDITURES + UFB	\$407,283	\$47,304	\$3,586,541	\$84,894	\$66,105	\$485,440	\$231,789	\$4,909,357

1. No tax revenues are projected for this operating budget (CSD has no taxing authority at this time)

2. Transfer to a reserve account for each fund to be created by CSD for replacement

Scotia Community Services District Start-Up Budget Proposed FY 19/20 Operating Budget								
Revenues								
Fund Type	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Department	Total All Services
Available Cash on Hand (contingency carry over)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
Interest Earnings	\$600	\$200	\$900	\$300	\$300	\$100	\$300	\$2,700
Property Tax ¹								\$0
Water Treatment Plant Improvements Loan	\$900,000							\$900,000
Transfer from Reserves to assist with Capital proj.	\$300,000							\$300,000
Special Use Income						\$500	\$0	\$500
User Fee Revenues Necessary to Balance Budget	\$340,289	\$35,997	\$593,540	\$70,662	\$52,574	\$159,194	\$218,093	\$1,470,349
Connection Fees	\$1,000	\$0	\$1,000					\$2,000
Miscellaneous	\$100	\$0	\$100	\$100	\$100	\$0	\$0	\$400
TOTAL RESOURCES	\$1,569,989	\$48,197	\$639,540	\$86,062	\$66,974	\$164,794	\$235,393	\$2,810,949
Outside Revenue Sources To Pay for Capital Expenditures								
TOTAL CAPITAL EXPENDITURE REVENUES	\$0		\$0	\$0	\$0	\$0	\$0	\$0
TOTAL RESOURCES	\$1,569,989		\$639,540	\$86,062	\$66,974	\$164,794	\$235,393	\$2,762,752
Expenditures								
Personal Services	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Attorney	\$8,065	\$424	\$8,490	\$1,061	\$1,061	\$1,061	\$1,061	\$21,224
Auditor (Annual Audit)	\$4,839	\$255	\$5,094	\$637	\$637	\$637	\$637	\$12,734
Board Stipend	\$2,280	\$120	\$2,400	\$300	\$300	\$300	\$300	\$6,000
Bookkeeping/CPA Consult	\$2,016	\$106	\$2,122	\$53	\$53	\$531	\$424	\$5,306
Engineering	\$2,865	\$318	\$3,184	\$0	\$0	\$0	\$0	\$6,367
Operations/Maintenance Staff (Salaries & Benefits)	\$158,120	\$7,937	\$166,079	\$20,269	\$20,269	\$65,689	\$104,847	\$543,211
TOTAL PERSONAL SERVICES	\$178,186	\$9,161	\$187,369	\$22,320	\$22,320	\$68,217	\$107,270	\$594,843
Materials and Services								
Bond, Dues, Publications	\$2,185	\$546	\$2,732	\$219	\$219	\$109	\$2,185	\$8,195
General Supplies, Lab, Permitting & Monitoring	\$15,298	\$546	\$60,100	\$546	\$2,185	\$4,917	\$6,775	\$90,369
Utilities- water, sewer communications	\$2,404	\$546	\$5,245	\$4,371	\$2,732	\$5,245	\$1,311	\$21,855
General Maint & Repair	\$15,298	\$1,093	\$10,927	\$6,556	\$1,093	\$5,464	\$7,649	\$48,080
Liability Insurance	\$16,391	\$5,464	\$32,782	\$5,464	\$546	\$1,093	\$5,464	\$67,203
Electrical	\$20,762	\$15,298	\$27,318	\$4,917	\$0	\$1,093	\$5,464	\$74,852
Contracted Maintenance Services	\$9,835	\$1,093	\$8,195	\$1,093	\$0	\$1,093	\$546	\$21,855
TOTAL MATERIALS AND SERVICES	\$82,173	\$24,586	\$147,300	\$23,166	\$6,775	\$19,013	\$29,394	\$332,408
TOTAL O&M	\$260,359	\$33,747	\$334,668	\$45,486	\$29,095	\$87,231	\$136,664	\$927,250
Other Expenditures								
Annual Debt Service on Capital Improvement Loans	\$68,710	\$370	\$182,170	\$925	\$925	\$16,345	\$925	\$270,370
Transfer to Capital Reserve Fund	\$0		\$45,082	\$21,651	\$19,204	\$52,468	\$16,704	\$155,109
Transfer to Equipment Replacement Reserve Fund ²	\$12,920	\$2,080	\$33,620	\$3,000	\$3,750	\$3,750	\$64,100	\$123,220
TOTAL OTHER EXPENDITURES	\$81,630	\$2,450	\$260,872	\$25,576	\$23,879	\$72,563	\$81,729	\$548,699
Capital Outlay								
Water Treatment Plant Facilities Plan Update	\$1,200,000							\$1,200,000
TOTAL CAPITAL EXPENDITURES	\$1,200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$1,200,000
TOTAL ALL EXPENDITURES	\$1,541,989	\$36,197	\$595,540	\$71,062	\$52,974	\$159,794	\$218,393	\$2,675,949
Unexpended Fund Balance (UFB)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
EXPENDITURES + UFB	\$1,569,989	\$48,197	\$639,540	\$86,062	\$66,974	\$164,794	\$235,393	\$2,810,949
1. No tax revenues are projected for this operating budget (CSD has no taxing authority at this time) 2. Transfer to a reserve account for each fund to be created by CSD for replacement								

Scotia Community Services District Start-Up Budget Proposed FY 20/21 Operating Budget								
Revenues								
Fund Type	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Department	Total All Services
Available Cash on Hand (contingency carry over)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
Interest Earnings	\$600	\$200	\$900	\$300	\$300	\$100	\$300	\$2,700
Property Tax ¹								\$0
Museum Improvement Loan						\$80,000		\$80,000
Ball field Bathroom Improvement Loan						\$200,000		\$200,000
Transfer from Reserves to assist with Capital proj.						\$50,000		\$50,000
Special Use Funds						\$500		\$500
User Fee Revenues Necessary to Balance Budget	\$390,275	\$36,918	\$603,351	\$71,830	\$53,443	\$127,845	\$221,638	\$1,505,299
Connection Fees	\$1,000		\$1,000					\$2,000
Miscellaneous	\$100		\$100	\$100	\$100	\$0	\$0	\$400
TOTAL RESOURCES	\$419,975	\$49,118	\$649,351	\$87,230	\$67,843	\$463,445	\$238,938	\$1,975,899
TOTAL CAPITAL EXPENDITURE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL RESOURCES	\$419,975	\$49,118	\$649,351	\$87,230	\$67,843	\$463,445	\$238,938	\$1,975,899
Expenditures								
Personal Services	Treated Water	Raw water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Attorney	\$8,226	\$433	\$8,659	\$1,082	\$1,082	\$1,082	\$1,082	\$21,649
Auditor (Annual Audit)	\$4,936	\$260	\$5,196	\$649	\$649	\$649	\$649	\$12,989
Board Stipend	\$2,280	\$120	\$2,400	\$300	\$300	\$300	\$300	\$6,000
Bookkeeping/CPA Consult	\$2,057	\$108	\$2,165	\$54	\$54	\$541	\$433	\$5,412
Engineering	\$2,923	\$325	\$3,247	\$0	\$0	\$0	\$0	\$6,495
Operations/Maintenance Staff (Salaries & Benefits)	\$161,282	\$8,096	\$169,401	\$20,674	\$20,674	\$67,003	\$106,944	\$554,075
TOTAL PERSONAL SERVICES	\$181,704	\$9,342	\$191,068	\$22,760	\$22,760	\$69,576	\$109,409	\$606,620
Materials and Services								
Bond, Dues, Publications	\$2,251	\$563	\$2,814	\$225	\$225	\$113	\$2,251	\$8,441
General Supplies, Lab, Permitting & Monitoring	\$15,757	\$563	\$61,903	\$563	\$2,251	\$5,065	\$6,978	\$93,080
Utilities- water, sewer communications	\$2,476	\$563	\$5,402	\$4,502	\$2,814	\$5,402	\$1,351	\$22,510
General Maint & Repair	\$15,757	\$1,126	\$11,255	\$6,753	\$1,126	\$5,628	\$7,879	\$49,522
Liability Insurance	\$16,883	\$5,630	\$33,765	\$5,628	\$563	\$1,126	\$5,628	\$69,221
Electrical	\$21,385	\$15,757	\$28,138	\$5,065	\$0	\$1,126	\$5,628	\$77,097
Contracted Maintenance Services	\$10,130	\$1,126	\$8,441	\$1,126	\$0	\$1,126	\$563	\$22,510
TOTAL MATERIALS AND SERVICES	\$84,638	\$25,326	\$151,719	\$23,861	\$6,978	\$19,584	\$30,276	\$342,382
TOTAL O&M	\$266,342	\$34,668	\$342,787	\$46,621	\$29,739	\$89,160	\$139,685	\$949,001
Other Expenditures								
Annual Debt Service on Capital Improvement Loans	\$68,710	\$370	\$182,170	\$925	\$925	\$35,535	\$925	\$289,560
Transfer to Capital Reserve Fund	\$44,003		\$46,774	\$21,684	\$19,429	\$0	\$17,228	\$149,118
Transfer to Equipment Replacement Reserve Fund ²	\$12,920	\$2,080	\$33,620	\$3,000	\$3,750	\$3,750	\$64,100	\$123,220
TOTAL OTHER EXPENDITURES	\$125,633	\$2,450	\$262,564	\$25,609	\$24,104	\$39,285	\$82,253	\$561,898
Capital Outlay								
Museum Improvement						\$80,000		\$80,000
Ball field Bathroom Improvement						\$250,000		\$250,000
TOTAL CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0	\$0	\$330,000	\$0	\$330,000
TOTAL ALL EXPENDITURES	\$391,975	\$37,118	\$605,351	\$72,230	\$53,843	\$458,445	\$221,938	\$1,840,899
Unexpended Fund Balance (UFB)	\$28,000	\$12,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
EXPENDITURES + UFB	\$419,975	\$49,118	\$649,351	\$87,230	\$67,843	\$463,445	\$238,938	\$1,975,899
1. No tax revenues are projected for this operating budget (CSD has no taxing authority at this time)								
2. Transfer to a reserve account for each fund to be created by CSD for replacement								

B

Combined Fund Projections

Scotia Community Services District 5-Year Projection

Revenues

Operational Year	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
Available Cash on Hand		\$ 135,000	\$ 135,000	\$ 135,000	\$ 135,000
Interest Earnings	\$ 1,300	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700
Property Tax ¹					
Capital Improvement Loan	\$ 270,000		\$ 2,775,000	\$ 900,000	\$ 280,000
Transfer From Reserve Fund for Capital Exp.			\$ 600,000	\$ 300,000	\$ 50,000
Contingency Funding Contribution	\$ 135,000				
Office Equipment/Furniture Capital Contribution	\$ 20,000				
Fire Department Capital Contribution	\$ 766,000				
Special Use Income	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
User Fee Revenues Necessary to Balance Budget	\$ 1,444,415	\$ 1,469,497	\$ 1,393,757	\$ 1,470,349	\$ 1,505,299
Connection Fees			\$ 2,000	\$ 2,000	\$ 2,000
Miscellaneous	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400
TOTAL RESOURCES	\$ 2,637,615	\$ 1,608,097	\$ 4,909,357	\$ 2,810,949	\$ 1,975,899

Expenditures

Operational Year	1	2	3	4	5
Personal Services					
Attorney	\$ 20,000	\$ 20,400	\$ 20,808	\$ 21,224	\$ 21,649
Auditor (Annual Audit)	\$ 12,000	\$ 12,240	\$ 12,485	\$ 12,734	\$ 12,989
Board Stipend	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Bookkeeping/CPA Consult	\$ 5,000	\$ 5,100	\$ 5,202	\$ 5,306	\$ 5,412
Engineering	\$ 6,000	\$ 6,120	\$ 6,242	\$ 6,367	\$ 6,495
Operations/Maintenance Staff (Wages & Benefits)	\$ 511,880	\$ 522,138	\$ 532,560	\$ 543,211	\$ 554,075
TOTAL PERSONAL SERVICES	\$ 560,880	\$ 571,998	\$ 583,297	\$ 594,843	\$ 606,620
Materials and Services					
Bond, Dues, Publications	\$ 7,500	\$ 7,725	\$ 7,957	\$ 8,195	\$ 8,441
Supplies	\$ 82,700	\$ 85,181	\$ 87,736	\$ 90,369	\$ 93,080
Utilities	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
General Maint & Repair	\$ 44,000	\$ 45,320	\$ 46,680	\$ 48,080	\$ 49,522
Liability Insurance	\$ 61,500	\$ 63,345	\$ 65,245	\$ 67,203	\$ 69,221
Electrical	\$ 68,500	\$ 70,555	\$ 72,672	\$ 74,852	\$ 77,097
Contracted Maintenance Services	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
TOTAL MATERIALS AND SERVICES	\$ 304,200	\$ 313,326	\$ 322,726	\$ 332,408	\$ 342,382
TOTAL O&M	\$ 865,080	\$ 885,324	\$ 906,023	\$ 927,250	\$ 949,001
Capital Outlay					
Estimated Capital Outlay Total	\$ 1,056,000	\$ -	\$ 3,375,000	\$ 1,200,000	\$ 330,000
TOTAL CAPITAL OUTLAY	\$ 1,056,000	\$ -	\$ 3,375,000	\$ 1,200,000	\$ 330,000
Transfer to Equipment Replacement Reserve Fund	\$ 123,220	\$ 123,220	\$ 123,220	\$ 123,220	\$ 123,220
Transfer to Capital Reserve Funds	\$ 439,815	\$ 446,053	\$ 161,424	\$ 155,109	\$ 149,118
Annual Debt Service on Capital Improvement Loans ³	\$ 18,500	\$ 18,500	\$ 208,690	\$ 270,370	\$ 289,560
Total Transfers & Debt Payments	\$ 581,535	\$ 587,773	\$ 493,334	\$ 548,699	\$ 561,898
TOTAL EXPENDITURES	\$ 2,502,615	\$ 1,473,097	\$ 4,774,357	\$ 2,675,949	\$ 1,840,899
Unexpended Fund Balance	\$ 135,000	\$ 135,000	\$ 135,000	\$ 135,000	\$ 135,000
Contingency Fund	\$ 135,000	\$ 135,000	\$ 135,000	\$ 135,000	\$ 135,000
Cumulative Equipment Reserve Fund		\$ 123,220	\$ 246,440	\$ 369,660	\$ 492,880
Cummulative Capital Reserve Fund		\$ 439,815	\$ 885,868	\$ 1,047,292	\$ 1,202,401

C

Budget Support Data

Data Sources for Line Item Budget

Personal Services	
Attorney	Based on comparables with other local agency budgets
Auditor (Annual Audit)	Based on comparables with other local agency budgets
Board Stipend	Amount prescribed by CSD Attorney
Bookkeeping/CPA Consult	Based on comparables with other local agency budgets
Engineering	Based on comparables with other local agency budgets, but held low due to fact most of infrastructure is new.
O&M Staff (Salaries & Benefits)	Staffing and wages provided by Mark Richardson and checked against comparables with other local agencies. Cost distribution adjusted by Steve Davidson with further adjustment for addition of raw water cost center
Materials and Services	
Bond, Dues, Publications	Based on comparables with other local agency budgets
Supplies, Lab, Permitting & Monitoring	Based on comparables with other local agency budgets & TOS Expense Records for 2012, 13 & 14
Utilities- water, sewer communications	Water and Sewer are based on comparables. Assessment funds based upon estimated assessment of benefit to CSD along with addition for some other minor utility costs
General Maint & Repair	Based on comparables with other local agency budgets
Liability Insurance	Based on comparables with other local agency budgets
Electrical	The majority of these expenses are related to Water and Wastewater electrical costs for operating pumps. Electrical costs are based on published PGE rate schedule
Contracted Maintenance Services	Based on comparables with other local agency budgets, but held low due to fact most of infrastructure is new.
Capital Outlay	
Fire Apparatus and Personal Gear Upgrade	List of equipment and supply upgrades provided by John Broadstock, Fire Chief 2009
Water and Wastewater Treatment Upgrades	Capital Improvement Plan, 2007 Detailed Engineering Analyses, costs updated using ENR construction cost index
Office Equipment/furnishings Start-up	This was figure estimated from MSR as "Seed-Money" for purchase of computers and desks w/chairs for Administrative staff
Other Expenditures	
Annual Debt Service	Annual principal and interest payment based on acquiring 30 year loan @ 6% interest
Other Expenditures	Transfer to associated reserve for each fund intended to replace equipment, accessories, or appurtenances which are necessary during the useful life of the treatment works to maintain the capacity and performance for which such works were designed and constructed. i.e. replacement of raw water pumps (\$30,000 ea) with life of 20 years - \$1,500/yr for one pump.

Budgets of other agencies reviewed for deriving "comparable" cost/expenses

City of Blue Lake
 City of Fort Bragg
 City of Fortuna
 Humboldt Community Services District
 McKinleyville Community Services District
 City of Rio Del
 Redaway Community Services District

SCSD 1st level wages			
Personal Services Cost Breakdown			
Position/Title	Benefits		Total
	Salary	38%	
District Manager	\$85,000	\$32,300	\$117,300
Clerk	\$36,000	\$13,680	\$49,680
Fire Chief	\$65,000	\$24,700	\$89,700
Operations Supervisor	\$55,000	\$20,900	\$75,900
Utility Operations/Lead	\$50,000	\$19,000	\$69,000
Utility Worker - all	\$45,000	\$17,100	\$62,100
Utility Worker - Parks (3/4 time)	\$35,000	\$13,300	\$48,300
Total wages & Benefits			\$511,980

WAGE DISTRIBUTION PER SERVICE AREA

	Treated Water	Raw Water	Wastewater	Streets & Street Lighting	Parks & Recreation	Fire Dept.	Total All Services
	38%	2%	40%	5%	5%	5%	100%
	38%	2%	40%	1%	10%	8%	100%
	5%		5%		5%	85%	100%
	38%	2%	40%	5%	5%	5%	100%
	38%	2%	40%	5%	5%	5%	100%
	38%	2%	40%	5%	5%	5%	100%
	5%		5%	5%	75%	5%	100%
Total wages & Benefits \$511,980							
Legal Council	38%	2%	40%	5%	5%	5%	100%
Auditor (Annual Audit)	38%	2%	40%	5%	5%	5%	100%
Board Stipend	38%	2%	40%	5%	5%	5%	100%
CPA/Bookkeeping	38%	2%	40%	1%	10%	8%	100%
Engineering/Operations Consult	45%	5%	50%				100%

	Treated Water	Raw Water	Wastewater	Streets & Street Lighting	Parks & Recreation	Fire Dept.	Total All Services
District Manager	\$44,574	\$2,346	\$46,920	\$5,865	\$5,865	\$5,865	\$117,300
Clerk	\$18,878	\$994	\$19,872	\$497	\$4,968	\$3,974	\$49,680
Fire Chief	\$4,485	\$0	\$4,485	\$0	\$4,485	\$76,245	\$89,700
Operations Supervisor	\$28,842	\$1,518	\$30,360	\$3,795	\$3,795	\$3,795	\$75,900
Utility Operations/Lead	\$26,220	\$1,380	\$27,600	\$3,450	\$3,450	\$3,450	\$69,000
Utility Worker - all	\$23,598	\$1,242	\$24,840	\$3,105	\$3,105	\$3,105	\$62,100
Utility Worker - Parks	\$2,415	\$0	\$2,415	\$2,415	\$36,225	\$2,415	\$48,300
	\$149,012	\$7,480	\$156,492	\$19,127	\$61,893	\$98,849	\$511,980
Legal Council							
Auditor (Annual Audit)	\$7,600	\$400	\$8,000	\$1,000	\$1,000	\$1,000	\$20,000
Board Stipend	\$4,560	\$240	\$4,800	\$600	\$600	\$600	\$12,000
CPA/Bookkeeping	\$2,280	\$120	\$2,400	\$300	\$300	\$300	\$6,000
Engineering/Operations Consult	\$1,900	\$100	\$2,000	\$50	\$500	\$400	\$5,000
	\$2,700	\$300	\$3,000	\$0	\$0	\$0	\$6,000
	\$19,040	\$1,160	\$20,200	\$1,950	\$2,400	\$2,300	\$49,000

Scotia CSD Equipment Replacement Cost Worksheet

Wastewater Treatment Plant

Equipment	Total Replacement Cost	Useful Life (yrs)	Annual Replacement Cost
Primary Clarifier Drive	\$83,867	25	\$3,355
Shallow Well Pumps	\$17,892	20	\$895
Secondary Clarifier Drive	\$167,734	25	\$6,709
Aeration System	\$33,547	25	\$1,342
Redundant CCB ³ pump	\$11,182	20	\$559
Chlorine Gas System, Containment System	\$27,956	12	\$2,330
Pump VFDs	\$67,094	20	\$3,355
RAS Pumps	\$40,256	20	\$2,013
WAS Pumps	\$22,365	20	\$1,118
Scum Pump	\$22,365	20	\$1,118
Biosolids transportation truck	\$55,911	15	\$3,727
Skid Steer	\$55,911	15	\$3,727
Manure Spreader	\$16,773	15	\$1,118
			\$31,366

Water Treatment & Pumping

Equipment	Total Replacement Cost	Useful Life (yrs)	Annual Replacement Cost
Tele-meeting	\$55,911	15	\$3,727
Improvements to Chlorination System	\$22,365	12	\$1,864
Turbidity / Flow Meters Indv. Filters	\$27,956	15	\$1,864
Backwash Recovery System	\$33,547	15	\$2,236
Raw water pumps (2)	\$60,000	20	\$3,000
			\$12,691

Shared Rolling Stock

Equipment	Total Replacement Cost	Useful Life (yrs)	Annual Replacement Cost
Utility Trucks (2)	\$90,000	10	\$9,000
Standard P/U (2)	\$60,000	10	\$6,000
			\$15,000

Raw Water Pumps Replacement Cost Distribution		
Treated Water Use	Raw Water Use	
35.6%	64.4%	
\$ 1,069.50	\$ 1,930.50	

Rolling Stock Replacement Cost Distribution per Service Area					
Treated Water	Raw Water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation
14%	1%	15%	20%	25%	25%
\$2,100	\$150	\$2,250	\$3,000	\$3,750	\$3,750

Debt Cost/Year Financed by SCSD

Project Cost and Projected Use of Reserves		Reserves Used to Offset Required Debt Financing				
Facility	Project Cost	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY12/21
Museum	\$80,000					\$50,000
Ballfields Bathroom	\$250,000					
SCSD Office Building	\$270,000					
Winema Theater	\$375,000			\$150,000		
Water Treatment Plant	\$1,200,000				\$300,000	
Wastewater Treatment Plant	\$3,000,000			\$450,000		
Total	\$5,175,000			\$600,000	\$300,000	\$50,000

Loan		Estimated Debt Service Requirements				
Facility	Amount	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY12/21
Museum	\$80,000					\$5,480
Ballfields Bathroom	\$200,000					\$13,710
SCSD Office Building	\$270,000	\$18,500	\$18,500	\$18,500	\$18,500	\$18,500
Winema Theater	\$225,000			\$15,420	\$15,420	\$15,420
Water Treatment Plant	\$900,000				\$61,680	\$61,680
Wastewater Treatment Plant	\$2,550,000			\$174,770	\$174,770	\$174,770
Total Loans Required	\$4,225,000	\$18,500	\$18,500	\$208,690	\$270,370	\$289,560

Debt/Yr	\$18,500	\$18,500	\$208,690	\$270,370	\$289,560
Debt/Mo	\$1,542	\$1,542	\$17,391	\$22,531	\$24,130

NOTE: Loan = 30 year term at 6% interest rate

DISTRIBUTION AND CALCULATIONS FOR SERVICE AND COMMODITY CHARGES (FY 16/17)						
	Treated Water Breakdown			Raw Water Breakdown		
	Distribution	Treatment	Base	Distribution	Treatment	Base
TOTAL PERSONAL SERVICES						
Materials and Services						
Bond, Dues, Publications						
General Supplies, Lab, Permitting & Monitoring						
Utilities- water, sewer, Assess., communications						
General Maint & Repair						
Liability Insurance						
Electrical						
Contracted Maintenance Services						
TOTAL MATERIALS AND SERVICES						
Annual Debt Service on Capital Improvement Loans						
Transfer to Equipment Replacement Reserve Fund						
Transfer to Capital Reserve Fund						
TOTAL ALL COSTS						
	\$65,640	\$76,336	\$224,915	\$21,140	\$0	\$13,240
Service (Base) Fee/EDU			\$47.69			
110,800 production gpd				200,000 production gpd		
3370167 production gal/mo				6083333 production gal/mo		
450,557 production ft ³ /mo				813,280 production ft ³ /mo		
4,506 production 100 ft3/mo				8,133 production 100 ft3/mo		
\$141,976 annual flow associated costs				\$21,140 annual flow associated costs		
Commodity Fee		\$2.63 per 100 ft ³		Commodity Fee		\$0.22 per 100 ft ³

DISTRIBUTION FOR FLOW AND STRENGTH EXPENSES (FY 16/17)
Wastewater Breakdown

	Collection	Treatment	Base
TOTAL PERSONAL SERVICES	\$39,278	\$48,938	\$88,477
Materials and Services			
Bond, Dues, Publications			
General Supplies, Lab, Permitting & Monitoring	\$11,000	\$44,000	\$2,500
Utilities- water, sewer, Assess., communications	\$960	\$3,840	
General Maint & Repair	\$2,500	\$7,500	
Liability Insurance			\$30,000
Electrical		\$25,000	
Contracted Maintenance Services	\$3,750	\$3,750	
TOTAL MATERIALS AND SERVICES	\$18,210	\$84,090	\$32,500
Annual Debt Service on Capital Improvement Loans		\$7,400	
Transfer to Equipment Replacement Reserve Fund		\$33,620	
Transfer to Capital Reserve Fund			\$214,555
TOTAL ALL COSTS	\$57,488	\$166,648	\$342,932

Wastewater Fee Calc			
	Total	Unit Cost	EDU
Cost to Allocate			
\$124,147 Flow	3,426,438	\$0.0030 per gallon	\$27.92
\$49,994 BOD	12,482	\$ 2.26 per 100 ft ³	\$5.01
\$49,994 TSS	8,010	\$0.3338 per pound	\$7.80
\$342,932 Base		Monthly Flow and Strength Fee per EDU	\$40.73
\$567,067 Total Costs Allocated		Monthly Base Fee per EDU	\$75.00
		Total Monthly EDU Fee	\$115.73

D

Overall EDU Worksheet

Town of Scotia EDU Estimate

Assessors Parcel Number	Description	Water					Wastewater		
		Domestic Water EDU's	Equivalent Meters EM's	Service Fee	Commodity Fee	Total Ave. Monthly Fees	Raw Water % use	EDU's	Total Ave. Monthly Fees
205-531-020-000	1 Scotia Union School District (K-8)	16	16.00	\$763.07	\$519.44	\$1,283		16	\$1,884
205-531-023-000	2 Electrical Co-generation Facilities	3	25.00	\$1,192.30	\$97.40	\$1,290	100%	3	\$347
205-531-024-000	3 Scotia Inn - Restaurant/Lounge	3	8.00	\$381.54	\$97.40	\$706		3	\$347
	4 Scotia Inn	7		\$227.26				7	\$810
205-531-030-000	5 HRC Mill Facilities	12	1.50	\$71.54	\$389.58	\$461		12	\$1,389
6 Residential (95 gpcpd)		270	270.00	\$12,876.84	\$8,765.55	\$21,642		270	\$31,247
	Commercial								
7	Scotia Child Enrichment Center (pre-school)	2	1.00	\$47.69	\$64.93	\$113		2	\$231
8	Vacant Offices	3	1.00	\$47.69	\$97.40	\$145		3	\$347
9	US Bank	2	1.00	\$47.69	\$64.93	\$113		2	\$231
10	Pharmacy	2	1.00	\$47.69	\$64.93	\$113		2	\$231
11	Aqua Dam Offices	1	2.50	\$119.23	\$32.47	\$152		1	\$116
12	Hair Heaven & Post Office	2	1.00	\$47.69	\$64.93	\$113		2	\$231
13	TOS office (now constr. & CSD offices)	2	1.00	\$47.69	\$64.93	\$113		2	\$231
14	Medical Center Billing	6	5.00	\$238.46	\$194.79	\$433		6	\$694
15	Scotia True Value Hardware Store	2	1.00	\$47.69	\$64.93	\$113		2	\$231
16	Gas Station	1	1.00	\$47.69	\$32.47	\$80		1	\$116
17	Hoby's Market	7	5.00	\$238.46	\$227.26	\$466		7	\$810
205-531-031-000	Industrial								
18	Aqua Dams	1	5.00	\$238.46	\$32.47	\$271		1	\$116
19	Hall's Sheet Metal	1	1.00	\$47.69	\$32.47	\$80		1	\$116
20	Eel River Brewery	24	15.00	\$715.38	\$779.16	\$1,495		51	\$5,912
21	Vacant Storage Building (Northern Mill A)	1	15.00	\$715.38	\$32.47	\$748		1	\$116
	Institutional								
22	St. Patrick's Church	1	1.00	\$47.69	\$32.47	\$80		1	\$116
23	Scotia Union Church	1	1.00	\$47.69	\$32.47	\$80		1	\$116
24	Fire Station	2	5.00	\$238.46	\$64.93	\$303		2	\$231
25	Winema Theater	1	1.00	\$47.69	\$32.47	\$80		1	\$116
26	SCSD Shops/Corporate Yard	1	1.00	\$47.69	\$32.47	\$80		1	\$116
27	Scotia Museum	1	1.00	\$47.69	\$32.47	\$80		1	\$116
28	Scotia Park (Fields & Picnic)	1	1.50	\$71.54	\$32.47	\$104		1	\$116
	Sub Total (TOS LLC)	395	338	\$16,120	\$10,876	\$26,996		362	\$41,904
205-531-032-000	29 TOS Offices	1	1.00	\$47.69	\$32.47	\$80		1	\$116
205-531-033-000	30 HRC Offices	3	1.00	\$47.69	\$97.40	\$145		3	\$347
205-531-034-000	31 HRC Repair Garage	1	2.50	\$119.23	\$32.47	\$152		1	\$116
	TOTALS	381	393	\$18,743	\$12,369	\$31,112		408	\$47,260

Town of Scotia EBU Estimate

Assessors Parcel Number		Description	Street and Street Lighting EBU Estimate										Storm Drainage EBU Estimate				Parks and Recreation EBU Estimate				Fire Protection EBU Estimate			
			Vehicle Trips/Day						Impervious Area				Per Acre Density				Structural Surface							
			Area (ft²)	Trips/ Unit	Unit	Trips/ Day	EBUs	Annual EBU Payment	Area (ft²)	EBUs	Annual EBU Payment	Acres	EBUs	Annual EBU Payment	Area (ft²)	EBUs	Annual EBU Payment							
205-531-020-000	1	Scotia Union School District (K-8)	231	1.3	Per student	298	30	\$1,590	76,647	51	\$1,136	5.68	43	\$8,595	52,421	35	\$5,143							
205-531-023-000	2	Electrical Co-generation Facilities	178,376	3.4	Per 1,000 ft²	606	61	\$3,234	335,693	224	\$4,989	30.81	53	\$10,594	178,376	119	\$17,487							
205-531-024-000	3	Scotia Inn – Restaurant/Lounge	4,680	50.4	Per 1,000 ft²	236	24	\$2,226	44,626	30	\$668	2.03	15	\$2,998	18,818	13	\$1,910							
	4	Scotia Inn	22	8.2	Per room	180	18																	
205-531-030-000	5	HRC Mill Facilities	963,887	3.4	Per 1,000 ft²	3,277	331	\$17,547	1,358,439	906	\$20,180	120	220	\$43,974	963,887	643	\$94,491							
	6	Residential (1,500 ft² per dwelling unit)	N/A	10	Per Dwelling Unit	2,700	270	\$14,314	405,000	270	\$6,014	0.115	270	\$53,967	405,000	270	\$59,690							
		Commercial																						
	7	Scotia Child Enrichment Center (pre-school)	8,540	37	Per 1,000 ft²	316	32	\$1,696	2,200	1	\$22	0.138	1	\$200	2,200	1	\$147							
	8	Vacant Offices	1,327	5.6	Per 1,000 ft²	7	1	\$53							1,327	1	\$147							
	9	US Bank	4,800	78.5	Per 1,000 ft²	377	38	\$2,014	35,250	24	\$535	0.848	6	\$1,199	4,800	3	\$441							
	10	Pharmacy	12,100	48.5	Per 1,000 ft²	586	59	\$3,128							12,100	8	\$1,176							
	11	Aqua Dam Offices	11,700	3.2	Per 1,000 ft²	37	4	\$212	25,230	17	\$379	1.04	8	\$1,599	11,700	8	\$1,176							
	12	Hair Heaven & Post Office	376	48.7	Per 1,000 ft²	18	2	\$106	13,740	9	\$200	0.523	11	\$2,199	376	1	\$147							
	13	TOS office (now constr. & CSD offices)	2,227	5.6	Per 1,000 ft²	12	1	\$53							2,227	1	\$147							
	14	Medical Center Billing	8,509	36.1	Per 1,000 ft²	307	31	\$1,643	19,860	13	\$290	0.521	11	\$2,199	8,509	6	\$882							
	15	Scotia True Value Hardware Store	11,900	23.4	Per 1,000 ft²	278	28	\$1,484	30,150	20	\$445	0.716	5	\$999	11,900	8	\$1,176							
	16	Gas Station	6	79.3	Per fueling	476	48	\$2,545	21,680	14	\$312	0.542	4	\$800	4,480	3	\$441							
205-531-031-000	17	Hobby's Market	13,200	23.4	Per 1,000 ft²	309	31	\$1,643	47,000	31	\$690	1.15	9	\$1,799	13,200	9	\$1,323							
		Industrial																						
	18	Aqua Dams																						
	19	Hall's Sheet Metal	246,495	3.2	Per 1,000 ft² bldg area	790	79	\$4,188	565,446	377	\$8,397	5.66	6	\$1,199	246,495	164	\$24,081							
	20	Eel River Brewery																						
	21	Vacant Storage Building (Northern Mill A)	114,729	3.2	Per 1,000 ft²	368	36	\$1,908	210,527	140	\$3,118	3	1	\$200	114,729	76	\$11,172							
		Institutional																						
	22	St. Patrick's Church	1,836	8.7	Per 1,000 ft²	16	2	\$106	1,836	1	\$22	0.148	1	\$200	1,836	1	\$147							
	23	Scotia Union Church	2,856	8.7	Per 1,000 ft²	25	2	\$106	2,856	2	\$45	0.278	2	\$400	2,856	2	\$294							
	24	Fire Station	7,120	5.6	Per 1,000 ft²	40	3	\$159	9,588	6	\$134	0.858	6	\$1,200	7,120	5	\$735							
	25	Winema Theater	50	1.8	Per seat	90	9	\$477	12,220	8	\$178	0.427	3	\$600	12,220	8	\$1,176							
	26	SCSD Shops/Corporate Yard	12,280	3.4	Per 1,000 ft²	42	4	\$212	12,280	8	\$178	0.78	6	\$1,199	12,280	8	\$1,176							
	27	Scotia Museum	2,900	68.1	Per 1,000 ft²	198	19	\$1,007	2,900	2	\$45	0.525	4	\$800	2,900	2	\$294							
	28	Scotia Park (Fields & Picnic)	15	50	Per acre	752	75	\$3,977	1,730	1	\$22	15.04	23	\$4,597	1,730	1	\$147							
		Sub Total (TOS LLC)					774	\$41,033		944	\$21,027		377	\$75,355		586	\$86,115							
205-531-032-000	29	TOS Offices	2,916	5.6	Per 1,000 ft²	16	2	\$106	4,125	3	\$67	0.095	2	\$400	4,125	3	\$441							
205-531-033-000	30	HRC Offices	13,849	5.6	Per 1,000 ft²	77	8	\$424	36,849	25	\$557	2.245	48	\$9,594	13,849	9	\$1,323							
205-531-034-000	31	HRC Repair Garage	14,836	20	Per 1,000 ft²	288	30	\$1,590	118,818	79	\$1,760	0.341	3	\$600	14,836	10	\$1,470							
		TOTALS					1278	\$67,780		2262	\$50,384		761	\$152,110		1,418	\$208,380							

Water User Rate Analysis and Recommendations

Prepared for:

Scotia Community Services District



Engineers & Geologists

812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

005161.400

Water User Rate Analysis and Recommendations

Prepared for:

Scotia Community Services District

PO Box 245
Scotia, CA 95565-0245



Prepared by:



Engineers & Geologists
812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

QA/QC: MKF

A handwritten signature in blue ink, likely belonging to the QA/QC reviewer MKF.

Table of Contents

	Page
Abbreviations & Acronyms	ii
1.0 Introduction	1
1.1 Objectives	1
1.2 Methodology	1
1.3 Cost of Service	3
2.0 Revenue Requirements	4
2.1 Operation and Maintenance	4
2.2 Debt Service	5
2.3 System Replacement	5
2.4 Capital Improvement Planning	5
2.5 Total Revenue Requirements	6
2.6 Rate Design	8
2.6.1 Service Charges	8
2.6.2 Commodity Rate	9
3.0 SCSD Proposed Rate Structure	9
3.1 Monthly Service (Base or Rental) Fee per Meter Size	10
3.2 Commodity Rate	10
3.3 Typical EDU Rate	10
3.4 Raw Water Rate	10
4.4 Annual Escalators	10
4.0 Affordability	11

Appendix A. Rate Calculations

List of Illustrations

Tables	Page
1. Projected Expenses, Water Fund, SCSD	6
2. Projected Expenses, Raw Water Fund, SCSD	7
3. Equivalent Meter Size	8
4. Proposed Monthly Service (Base or Rental) Fee Per Meter Size, SCSD	10

Abbreviations & Acronyms

cf	cubic feet (100 cf = 1 unit = 748 gallons)
FY	fiscal year
AMHI	annual median household income
AWWA	American Water Works Association
CIP	capital improvement plan
CPI	consumer price index
EDU	equivalent dwelling unit
EPA	U.S. Environmental Protection Agency
MG	million gallons
O&M	operations and maintenance
SCADA	supervisory control and data acquisition
SCSD	Scotia Community Services District
SHN	SHN Engineers & Geologists
TOS	Town of Scotia Company, LLC

1.0 Introduction

Located in the heart of California Redwood Country, Scotia was developed starting in the 1880s and has been maintained since then as a true company town. The entire town was developed and constructed by The Pacific Lumber Company. The residences were all constructed and maintained by the company for its employees. Industrial, commercial, and community structures were also developed by the company, creating a consistency in historical design. In 2008 Pacific Lumber Company was reorganized. Today Scotia is owned and operated by the Town of Scotia Company, LLC (TOS); the sawmill is operated by Humboldt Redwood Company. TOS is in the process of subdividing the properties and selling them into private ownership. In 2014, the Scotia Community Services District (SCSD) was formed to provide the town with essential services associated with water, wastewater, streets and street lighting, storm drainage, parks, and fire fighting. This report provides support and recommendations for establishment of user fees and benefit assessments to support the provision of those services by the SCSD.

This assessment was conducted by SHN Engineers & Geologists on behalf of the SCSD.

1.1 Objectives

Several objectives should be considered in the development of a financial plan and in the design of rates. The major objectives of the study were:

- Ensure revenue sufficiency to meet the operation and maintenance (O&M) and capital needs of the SCSD's community services.
- Plan for revenue stability to provide for adequate operating and capital reserves and the overall financial health of the SCSD.
- Provide for fairness and equity in the development of a system of user charges.
- Minimize rate impacts to reduce financial hardship on user classes and individual members of those classes.
- Maintain simplicity for ease of administration and implementation, as well as customer understanding and acceptance.

Some of these objectives are interrelated. This being the case, judgment plays a role in the final design of rate structures and rates.

1.2 Methodology

Municipalities face a common dilemma when establishing fees for municipally owned and operated enterprise facilities (water, sewer, gas, electricity, etc.). Municipal officials, understandably, want to keep user rates as low as possible. However, experience shows that insufficient user rates, combined with a reluctance to adjust rates upward when necessary, contribute to a progressive operating deficit, ultimately requiring substantial rate increases.

There are many cost factors to consider when evaluating utility user rates (such as, operational costs, debt service, capital improvements, and cash reserves to meet emergency needs).

Administrative expenses such as prorated portions of administrative salaries, legal expenses, insurance premiums, pension contributions, costs of audits, and other expenses that may be attributed to the utility are also typically charged to the utility as costs of providing service.

Rating structures generally fit into four basic categories:

- Flat Charge Rate
- Uniform Rate
- Declining Block Rate, and
- Ascending Block Rate.
- Base Fee plus Commodity (Volume) Charge

The flat charge rate is used when the municipality has no metered customers. Each customer within a given user category is billed the same amount, regardless of usage. Administration of this rate is simple, because it does not consider usage volume in the billing process; only the type of use (such as residential, commercial, and industrial, etc.). Because the SCSD's water system "customer" base is limited to relatively few property owners whose use is metered, the flat charge rate approach is unnecessary.

The Town of Scotia Company, one of the largest local land owners, has most likely partially-subsidized water service to its rental tenants allocating a portion of rent on a flat rate basis for water and sewer service. However, the SCSD cannot and will not subsidize its customers. As subdivided parcels are sold, each new landowner will become a direct customer.

The uniform rate bills all water at the same unit rate, regardless of the amount used. This rate tends to discourage water conservation because it does not penalize excess usage, but can hamper industrial growth. This obstacle could, however, be overcome by establishing a separate uniform rate for industrial users; a logical step, because it costs less to produce additional volumes of water once fixed costs are allocated.

Large-volume water users prefer the declining block rate approach, because it provides for a progressive decrease in the unit cost of water as the aggregate volume used increases. Although widely used, this rate does not encourage water conservation.

In contrast, the ascending block rate approach promotes water conservation by providing for a progressive increase in the unit cost of water as the aggregate volume used increases. However, the actual cost of production may not be reflected in the ascending rates, often making separate industrial, institutional or commercial rate structures desirable.

Recognition of the actual costs to produce and deliver water, both direct and indirect, is one of the critical elements needed to establish a fair and equitable rate structure, but the fiscal health of the commercial, industrial, and institutional water users within the service area must also be considered. The economic benefits provided by the larger water users should not be overlooked in establishing the fair and equitable rate structure that recognizes all user categories. Recent court decisions uphold the idea that Proposition 218, an initiative overwhelmingly passed by California voters in 1996, prohibits government agencies from charging more for services than their actual cost.

Regardless of the rate structure chosen, a minimum rate can be established for all customers. This minimum rate should be based upon identified service charges (or “Base Fee”). A service charge is a cost recovery mechanism that is generally included in the rate structure to recover meter, customer, and public fire protection-related costs (i.e., costs related to maintaining hydrants), and that provides a stable source of revenue independent of water consumption. Therefore, customer costs related to meter reading, billing, and fire protection are recovered through the service charge. We recommend that the SCSD establish the practice of applying consistent monthly service charges to users across all classes. Customer-related costs are fixed expenditures that relate to operational support activities including accounting, water billing, customer service, and administrative and technical support. The customer-related costs are essentially common-to-all costs that are independent of user class characteristics. A service charge provides a mechanism for recovering a portion of the fixed costs and ensures a stable source of user revenues for the utility. In addition, there are capacity-related costs (such as, meter maintenance and peaking charges) that are included based on the hydraulic capacity of the meters. It is recommended to charge for water service with a combination of a base fee plus commodity, or water usage volume charge.

1.3 Cost of Service

The idea of cost of service ratemaking can be loosely stated: rates should be designed so that users pay in water rates for the costs they impose on the utility. Though the idea may be straightforward, considerable controversy can be engendered by any specific cost-of-service analysis. The practice of accepted “cost-of-service” methods is not a static picture and has evolved with both energy and water utilities.

The key legal standards that have been set are that rates should be “just and reasonable” and that rates should not be derived on an “arbitrary or capricious” basis. These Supreme Court established principles for review of rates have, in practice, been interpreted in different ways. One method of establishing “just and reasonable” rates is the standard that rates should not “unduly discriminate” against any customer or customer class. In practice, this “nondiscrimination” principle has been interpreted to mean that no customer or customer class should pay significantly more (or less) than the cost of providing service to that customer or customer class. To avoid undue discrimination, rate analysts strive to achieve two forms of equity:

Horizontal equity: Users with similar costs of service face similar rates.

Vertical equity: Users with dissimilar costs of service face dissimilar rates.

A key choice in the cost-of-service analysis is whether to distinguish costs by “class” of customer. Customer classes (homogeneous groups of customers) have been justified by similarities in service requirements and demand patterns. Both service characteristics and use patterns affect the cost of service. The implication is that customers with similar service requirements and patterns of use should be placed in the same class of service. If customer-use patterns and service requirements are similar among customers, there is little reason to have multiple rate structures; if use patterns and service characteristics vary, then the establishment of customer classifications and multiple rate structures is warranted.

Fixed versus Variable Costs: Many costing methods identify costs of water service as either fixed or variable based on the characteristics of the expenditures. Fixed costs are expenditures that remain relatively unchanged throughout the year, irrespective of the volume of water produced. Because large up-front capital costs are required to build capacity for meeting demand, some traditional costing methods classify all system expansion costs as fixed and refer to these costs as “demand” costs. Variable costs, also called “commodity costs,” are expenditures that vary directly with the volume of water produced or consumed; variable costs include purchased water, electrical, and chemical costs.

2.0 Revenue Requirements

Utility owners establish user fees based on generating sufficient revenue to pay all operating costs, cover debt service on outstanding loans, provide cash to make ongoing capital improvements, provide a cash reserve for unexpected repairs and to meet all loan requirements, and provide cash reserves for increasing capacity as population growth occurs.

Typically it is important to distinguish the difference between future capacity needs related to undeveloped areas and additional capacity needs that have occurred in the process of orderly development within the service area. However, the SCSD will have limited future growth capabilities. Future growth, capacity expansion improvements are often paid for through connection fees assessed to new customers. This rate analysis addresses neither future growth and the capacity needed to accommodate that growth, nor existing capacity buy-in costs that are typically assessed to new customers as part of their connection fee. Consequently, there is no analysis or discussion of connection fees in this report. Capacity expansion improvement activities and costs are speculative at best, dependent upon policy determinations not yet made, and are unlikely to be material in any event.

2.1 Operation and Maintenance

A formal definition of operation and maintenance is: “The continuing activities required to keep water facilities and their components functioning in accordance with design objectives while maintaining compliance with public water system health and safety requirements.”

More specifically for the purpose of establishing user rates, O&M requirements consist of those expenditures associated with the day-to-day operations of the source supply, treatment, distribution, conveyance, and storage systems, and are made up of costs related to such items as personnel, other utility uses (power, telephone), supplies, training, equipment repair, etc.

Operations and maintenance revenue requirements are established based on years of experience, and any unusual changes that may have been instituted in any particular year, and are considered to be relatively inflexible when analyzing the overall revenue requirements of a utility. As a “start-up” CSD, there is no history with which to establish an O&M budget. A proposed O&M budget was prepared giving consideration to the current financial information provided by TOS relative to its past two years of operations, comparisons of neighboring communities’ operations, and experience with the financial and budgetary aspects of smaller communities and service districts.

2.2 Debt Service

As a “start-up” entity, the SCSD has no existing debt service. However, some improvements to the water treatment facilities have been identified in the capital improvement plan developed in relation to the SCSD formation requirements, which projects an expenditure for upgrades in the future. It is anticipated that such improvements will be funded through revenues acquired through debt financing. The SCSD water fund is projected to pay a portion of the debt related to acquisition of the District’s office building and grounds, which will be purchased in fiscal year (FY) 2016-17, and the fund is projected to pay debt service related to a \$1,200,000 treatment plant upgrade, which will occur in FY 2019-20.

3.3 System Replacement

According to the State Water Resources Control Board, Revenue Program Guidelines, system replacement costs are represented as follows: “Expenditures for obtaining and installing equipment, accessories, or appurtenances which are necessary during the useful life of the treatment works to maintain the capacity and performance for which such works were designed and constructed.”

System replacement, as defined above, is considered by that agency to be a minimal level of funding in this category. Establishing a funding level for facilities replacement is a policy decision often driven by a community’s determination of user rate affordability, among other criteria. It may be considered good “business sense,” for agencies that own and operate water supply, storage, distribution and treatment facilities to fund 100% of the replacement value of the existing facilities, but it is not common. Two primary reasons for that trend are:

1. Replacement of future facilities can be funded through debt financing (primarily revenue bonds) provided by outside sources (such as, state and federal agencies).
2. Most facilities are struggling with needed improvements or existing debt financing burdens, and the managers of such facilities do not always believe it is fair to have the existing customers pay for both current and future improvements. It is common to assume future users will pay for their long-term facility replacement costs.

2.4 Capital Improvement Planning

The term “capital improvement” refers to new or expanded physical facilities for the communities that are of relatively large size, are relatively expensive, and are considered permanent with respect to usefulness to service area customers. Large-scale replacement and rehabilitation of existing facilities also falls within this category. Equipment, such as, a utility truck, is not classified as a capital improvement for the purposes of this report.

A capital improvement plan (CIP) for the Scotia water system was prepared for the required documentation for district formation. TOS is in the process of performing the distribution system upgrades, including installation of water meters and replacement of more than 90% of the existing distribution system. Improvements identified in the CIP expected to be performed by the CSD in the near future include treatment plant upgrades, telemetering-supervisory control and data acquisition (SCADA) system installations, and storage tank seismic retrofitting. Costs identified in the CIP associated with those improvements total approximately \$1,200,000.

2.5 Total Revenue Requirements

A first year budget and projections of future water system revenue and expenditures were developed for the SCSD. Table 1 presents the projected expenditures related to potable water services and Table 2 presents expenditures projected for raw water services for the upcoming fiscal year and projects them out through FY 20-21. Raw water is currently used by the Electric co-generation facility and includes basic service fees plus volume costs associated with raw water pumping. Treatment and distribution associated fees are not included in raw water rates.

Table 1					
Projected Expenses, Water Fund, SCSD					
	FY¹ 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Personal Services					
Attorney	\$7,600	\$7,752	\$7,907	\$8,065	\$8,226
Auditor (Annual Audit)	\$4,560	\$4,651	\$4,744	\$4,839	\$4,936
Board Stipend	\$2,280	\$2,280	\$2,280	\$2,280	\$2,280
Bookkeeping/CPA Consult	\$1,900	\$1,938	\$1,977	\$2,016	\$2,057
Engineering	\$2,700	\$2,754	\$2,809	\$2,865	\$2,923
O&M ² Staff (Salaries & Benefits)	\$149,000	\$151,980	\$155,020	\$158,120	\$161,282
Total Personal Services	\$168,040	\$171,355	\$174,737	\$178,186	\$181,704
Materials and Services					
Bond, Dues, Publications	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251
Supplies, Lab, Permitting & Monitoring	\$14,000	\$14,420	\$14,853	\$15,298	\$15,757
Utilities- Water, Sewer Communications	\$2,200	\$2,266	\$2,334	\$2,404	\$2,476
General Maintenance & Repair	\$14,000	\$14,420	\$14,853	\$15,298	\$15,757
Insurance	\$15,000	\$15,450	\$15,914	\$16,391	\$16,883
Electrical	\$19,000	\$19,570	\$20,157	\$20,762	\$21,385
Contracted Maintenance Services	\$9,000	\$9,270	\$9,548	\$9,835	\$10,130
Total Materials & Services	\$75,200	\$77,456	\$79,780	\$82,173	\$84,638
Total O&M	\$243,240	\$248,811	\$254,516	\$260,359	\$266,342
Other Expenditures					
Annual Debt Service	\$7,030	\$7,030	\$7,030	\$68,710	\$68,710
Transfer to Equipment Replacement Fund	\$12,920	\$12,920	\$12,920	\$12,920	\$12,920
Transfer to Capital Reserve Fund	\$103,688	\$104,763	\$104,817	\$0	\$44,003
Total Other Expenditures	\$123,638	\$124,713	\$124,767	\$81,630	\$125,633
Capital Outlay					
SCSD Office Building	\$102,600	\$0	\$0	\$0	\$0
Water Treatment Plant Facilities Plan Update	\$0	\$0	\$0	\$1,200,000	\$0
Office Equipment/furnishings Start-up	\$6,500	\$0	\$0	\$0	\$0
Total Capital Expenditures	\$109,100	\$0	\$0	\$1,200,000	\$0
Total All Expenditures	\$475,978	\$373,524	\$379,283	\$1,541,989	\$391,975
1. FY: fiscal year					
2. O&M: operations and maintenance					

Table 2 Projected Expenses, Raw Water Fund, SCSD					
	FY¹ 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Personal Services					
Attorney	\$400	\$408	\$416	\$424	\$433
Auditor (Annual Audit)	\$240	\$245	\$250	\$255	\$260
Board Stipend	\$120	\$120	\$120	\$120	\$120
Bookkeeping/CPA Consult	\$100	\$102	\$104	\$106	\$108
Engineering	\$300	\$306	\$312	\$318	\$325
O&M ² Staff (Salaries & Benefits)	\$7,480	\$7,650	\$7,782	\$7,937	\$8,096
Total Personal Services	\$8,640	\$8,831	\$8,984	\$9,160	\$9,342
Materials and Services					
Bond, Dues, Publications	\$500	\$515	\$2,122	\$2,185	\$563
Supplies, Lab, Permitting & Monitoring	\$500	\$515	\$14,853	\$15,298	\$563
Utilities- Water, Sewer Communications	\$500	\$515	\$2,334	\$2,404	\$563
General Maintenance & Repair	\$1,000	\$1,030	\$14,853	\$15,298	\$1,126
Insurance	\$5,000	\$5,150	\$15,914	\$16,391	\$5,628
Electrical	\$14,000	\$14,420	\$20,157	\$20,762	\$15,757
Contracted Maintenance Services	\$1,000	\$1,030	\$9,548	\$9,835	\$1,126
Total Materials & Services	\$22,500	\$23,175	\$79,781	\$82,173	\$25,326
Total O&M	\$31,140	\$32,006	\$88,765	\$91,333	\$34,668
Other Expenditures					
Annual Debt Service	\$370	\$370	\$370	\$370	\$370
Transfer to Equipment Replacement Fund	\$2,080	\$2,080	\$2,080	\$2,080	\$2,080
Transfer to Capital Reserve Fund	\$0	\$0	\$0	\$0	\$0
Total Other Expenditures	\$2,450	\$2,450	\$2,450	\$2,450	\$2,450
Capital Outlay					
SCSD Office Building	\$5,400				
Water Treatment Plant Facilities Plan Update					
Office Equipment/furnishings Start-up	\$500				
Total Capital Expenditures	\$5,900	\$0	\$0	\$0	\$0
Total All Expenditures	\$39,490	\$34,456	\$91,215	\$93,783	\$37,118
1. FY: fiscal year 2. O&M: operations and maintenance					

2.6 Rate Design

Rate structures should be designed in such a way as to ensure that users pay only their proportionate share of costs. In addition, rate structures should be easy to understand, simple to administer, and comply with regulatory requirements. The service charge and the suggested commodity rate for the various user classes are discussed in detail below.

2.6.1 Service Charges

A service charge is a cost recovery mechanism that generally is included in the rate structure to recover meter, customer and public fire protection related costs (i.e., costs related to maintaining hydrants), and which provides a stable source of revenue independent of water consumption. Therefore, customer costs related to meter reading, billing, and fire protection are recovered through the service charge.

Customer-related costs are fixed expenditures that relate to operational support activities including accounting, water billing, customer service, and administrative and technical support. The customer-related costs are essentially common-to-all costs that are independent of user class characteristics. A service charge provides a mechanism for recovering a portion of the fixed costs and ensures a stable source of user revenues for the utility.

Once the costs are known, they are divided by the number of units of service associated with those costs to determine annual unit costs. Services charges are associated with equivalent meters to reflect the fact that service costs are higher for larger meters. Equivalent meters are used rather than just meters in order to recognize the fact that larger meters are more expensive to install, maintain, and replace than smaller meters. Table 3 shows the equivalent size of meters developed using the American Water Works Association (AWWA) Safe Maximum Operating Capacity per meter size. These conversion factors were determined using AWWA Standard ANSI/AWWA C700-02 Cold-Water Meters. Meters are assigned a hydraulic capacity by size, which is based on the maximum measurable flow rate of the meter. In this study 5/8-inch meters are considered the base measure of a meter, because they are used for residential metering. By using equivalent meters in cost calculations, we do not have to track all meters by meter size. This allows for more concise analysis and explanation. The net effect of using equivalent meters instead of tracking all meters by size is the same. Equivalent meters are used in the unit cost calculation of meters and services in the cost of service section.

Table 3			
Equivalent Meter Size			
Meter Size (inches)	Equivalent Size (inches)	Number of Meters	Equivalent Meters-SCSD
5/8	1.00	286	286
3/4	1.50	2	3
1	2.50	2	5
1 1/2	5.00	4	20
2	8.00	3	24
3	15.00	2	30
4	25.00	1	25
6	50.00	0	0
8	80.00	0	0
Total			393

NOTE: This report and associated analyses are based upon consideration of 286 individual residential users as a separate user class. Residential users will not be considered customers until they purchase a home. The residential user class analyses is employed to determine what costs are allocated and paid by TOS, the current owner and customer for all the residential users in town at this time. Once a residence is sold, the new owner will pay the incremental cost and rate for an individual residential user.

2.6.2 Commodity Rate

The commodity rate is the rate developed for each user class that will recover the SCSD's variable volume-related costs. The annual estimated revenues required, less annual cost-based service charge revenues, are the revenues that need to be recovered through a commodity rate. Cost of service-based commodity rates are developed for each user class based on the principle of maintaining inter-class and intra-class revenue neutrality and equity. This means that each user class would only pay its assigned share of costs of service and that each member of each class would only pay his or her fair share of user class costs. Because a portion of the revenues required from each user class is to be recovered through uniform monthly service charges, commodity rates are designed to recover only that portion of revenues that is not recovered through the service charge. Annual service charge revenues for each user class are estimated based on the forecast number of meters by size. The portion of revenues to be recovered through commodity rates is then determined by deducting the annual service charge revenues from the user class's cost of service.

The user classes can be sorted into groups with similar peaking characteristics, resulting in a uniform water commodity rate that is the same within the group. Due to similar usage characteristics, residential users are grouped together, commercial, and industrial are grouped together. The SCSD does not currently differentiate between residences and all other classes for rate design.

Because the existing Town of Scotia water system is mostly unmetered, for the purposes of this analysis, monthly water demand has been estimated by using published, typical usage amounts based on land use. For instance, residential usage is based upon typical usage of 95 gallons per person per day multiplied by 3.2 persons per household which is the occupancy rate for homes published in current census data reports. This equates to a monthly estimated use of 9,247 gallons or 1,236 cubic feet of water per month per residence, (95 gallons per capita per day x 3.2 persons/household x 365 days/year ÷ 12 months/year = 9,247 gallons/month ÷ 7.48 gallons/cubic foot = 1,236 cubic feet/month).

3.0 SCSD Proposed Rate Structure

The proposed rate structure is based upon establishing a rate system intended to remain constant over a five-year period. Revenues collected in the first few years will exceed projected O&M, debt service and replacement expenses. During the first few years, those revenues that exceed O&M, debt service and equipment replacement costs will be placed in a capital reserve fund to help offset debt financing requirements for future capital improvements and to offset increases due to inflation.

As a “start-up” district, the projected expenses presented in Table 1 are based upon guided estimates. The District must establish its operations and gain some experience related to revenues and expenditures on which to base future rates more accurately. Revenues and expenses will have to be monitored throughout the next several years and adjustments made in the user rates when necessary and practical.

3.1 Monthly Service (Base or Rental) Fee per Meter Size

The proposed Monthly Service Fees are presented in Table 4:

3.2 Commodity Rate

The proposed commodity rate is \$2.63 per 100 cubic feet (cf) of water use.

3.3 Typical EDU Rate

The above rates represent an average individual residential user charge of approximately \$80/month per residential use, based upon the example calculation depicted below:

$$\begin{aligned}
 & \frac{5}{8}\text{-inch meter} = \$47.69 \text{ Service Fee} \\
 & \quad + \\
 & 1,236 \text{ cubic feet of water used per month} \div 100 = 12.77 \text{ units} \times \$2.63 = \$32.51 \text{ Commodity Fee} \\
 & \quad = \\
 & \$80.20/\text{month water charge}
 \end{aligned}$$

3.4 Raw Water Rate

The SCSD will be supplying raw water, diverted from the raw water feed line to a few customers for irrigation and other industrial uses. The raw water rate is based upon the cost of pumping (electrical cost/cf + Pump Replacement Cost).

The proposed Raw Water Rate is \$0.22 per 100 cf of water use.

4.4 Annual Escalators

The proposed rate structure is based upon establishing a rate system intended to serve the District over a five year period. Revenues collected that will exceed projected O&M, debt service, and replacement expenses are to be placed in a capital reserve fund, which will use accumulated funds for application toward principal costs of projected capital improvements related to the treatment plant upgrade and other planned capital expenditures.

The District’s proposed five-year rates are established with an annual 1.5% escalation factor. The proposed rates may also be increased based on an indexed escalation, if the District chooses to use

Table 4 Proposed Monthly Service (Base or Rental) Fee Per Meter Size, SCSD	
Meter Size (inches)	Monthly
$\frac{5}{8}$	\$47.69
$\frac{3}{4}$	\$71.54
1	\$119.23
1½	\$238.46
2	\$381.54
3	\$715.38
4	\$1,192.30
6	\$2,384.60
8	\$3,815.36

it. The maximum user rate may increase based on the annual change in the consumer price index (CPI) if that amount exceeds the assumed 1.5% increase built into the initial five year budget projections. The rate adjustment shall be based on CPI activity measured during the preceding year, for all urban consumers, west urban area, all items, published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if the stated index is discontinued).

Future increases shall also take into account the “pass through” costs of the purchase of uncontrolled, mandatory services (such as, utility costs). Increases or decreases in the purchase of uncontrolled mandatory services, outside of typical inflationary values, shall be passed through proportionally when considering all annual rate adjustments.

Indexing rates annually to the CPI and adjusting for “pass through” costs, allows for minor increases for normal maintenance and operating cost escalation without incurring the costs of the Proposition 218 ballot proceedings. Any significant change in the user rates initiated by an increase in service provided or other significant changes to the District would still require the Proposition 218 proceedings and property owner approval.

4.0 Affordability

One of the most important issues in water pricing is affordability. Although water is priced extremely low compared to most other goods, it is an essential good. People have little choice but to use water and pay a local monopoly provider. Besides affordability, equity issues are part of the rate making process. Are rates fair across customer groups? Are customers paying for the cost of service? Are some groups getting price breaks on the backs of others? While the issue of affordability is important, revenue adequacy remains the number one priority of any water system. Income effects and affordability issues must be secondary or be addressed directly through other government social programs.

A basic issue in affordability is who to protect and at what levels? How much income protection should be supplied through the water rate making process? Affordability issues in the future will require careful planning. Consumers must be educated about why rates are set as they are, and customer feedback should be monitored.

How is rate affordability measured? The U.S. Environmental Protection Agency (EPA) suggests that water rates that are 2% or less of Annual Median Household Income (AMHI) are affordable. In a survey of 1,600 utilities in five states, the EPA found that water rates ranged from 0.1% to 3.1% of MHI with an average of 0.5%. Thus by EPA standards, water supply nationwide is affordable. The most recent published AMHI for the SCSD area is estimated at \$53,063 for 2011. Applying EPA’s standard of 2%, an affordable (upper end of affordability) monthly rate for residential customers (home or property owners) would be \$88 per month. Based upon the EPA criteria, the proposed and projected rate increases are within the range of affordability.

It is common for communities or districts to perform comparative analyses of user fees with neighboring service providers upon addressing user fee changes. When performing any comparative analyses, it is important that the comparisons are made between service providers with similar service and demographic characteristics. One of the more sensitive comparison criteria is associated with the given condition of a service provider’s infrastructure in relation to the existing or projected user fee.

A

Rate Calculations

Table A-1
Distribution and Calculations For Service and Commodity Charges (Year 1)

	Treated Water Breakdown			Raw Water Breakdown		
	Distribution	Treatment	Base	Distribution	Treatment	Base
Total Personal Services	\$37,300	\$46,477	\$84,277	\$4,140	\$0	\$5,290
Materials and Services						
Bond, Dues, Publications	--	--	\$2,000	--	--	\$500
General Supplies, Lab, Permitting & Monitoring	\$2,800	\$11,200	--	\$500	--	--
Utilities- water, sewer, Assess., communications	\$440	\$1,760	--	\$500	--	--
General Maintenance & Repair	\$3,500	\$10,500	--	\$1,000	--	--
Liability Insurance	--	--	\$15,000	--	--	\$5,000
Electrical	\$17,100	\$1,900	--	\$14,000	--	--
Contracted Maintenance Services	\$4,500	\$4,500	--	\$1,000	--	--
Total Materials And Services	\$28,340	\$29,860	\$17,000	\$17,000	--	\$5,500
Annual Debt Service on Capital Improvement Loans	--	--	\$7,030	--	--	\$370
Transfer to Equipment Replacement Reserve Fund	--	--	\$12,860	--	--	\$2,080
Transfer to Capital Reserve Fund	--	--	\$103,748	--	--	--
Total All Costs	\$65,640	\$76,337	\$224,915	\$21,140	\$0	\$13,240
	Service (Base) Fee/EDU³		\$47.69			
	110,800	production gpd		200,000	production gpd	
	3,650,000	production gal/ mo		6,083,333	production gal/ mo	
	487,968	production ft ³ /mo		813,280	production ft ³ /mo	
	4,880	production 100 ft ³ /mo		8,133	production 100 ft ³ /mo	
	\$141,975	annual flow associated costs		\$21,140	annual flow associated costs	
	Commodity Fee²	\$2.63 per 100 ft ³		Commodity Fee	\$0.22 per 100 ft ³	
1. EBUs: Estimated Average Monthly Residential Water Charge: Service Fee = \$47.69 Commodity Fee = 95gpcpd x 3.2 persons/household x 365 days/year ÷ 12 months/year = 9,247 gallons/month ÷ 7.48 gallons/cubic foot = 1,236 cubic ft./month ÷ 100 = 12.36 units/month X \$2.63/Unit = \$32.51/month 2. Estimated Monthly Residential Water Charge will be \$47.69 + \$32.51 or approximately \$80/month 3. Service (Base) Fee Based on Meter Size per Table 3, in report; EDU: equivalent dwelling unit						

Table A-2 Personal Services Expense Distribution						
Position	Treated Water			Raw Water		
	Distr.	Treatment	Base	Distr.	Treatment	Base
District Manager	--	--	\$44,574	--	--	\$2,346
Clerk	--	--	\$18,878	--	--	\$994
Fire Chief	--	--	\$4,485	--	--	\$0
Operations Supervisor	\$14,421	\$14,421	--	\$1,518	--	--
Utility Operations/Lead	\$2,622	\$23,598	--	\$1,380	--	--
Utility Worker - all	\$17,699	\$5,900	--	\$1,242	--	--
Utility Worker - Parks	\$1,208	\$1,208	--	\$0	--	--
Legal Council	--	--	\$7,600	--	--	\$1,000
Auditor (Annual Audit)	--	--	\$4,560	--	--	\$600
Board Stipend	--	--	\$2,280	--	--	\$300
CPA/Bookkeeping	--	--	\$1,900	--	--	\$50
Engineering/Operations Consult	\$1,350	\$1,350	--	\$0	\$0	--
Total	\$37,300	\$46,477	\$84,277	\$4,140	\$0	\$5,290



Wastewater User Rate Analysis and Recommendations

Prepared for:

Scotia Community Services District

 **Engineers & Geologists**

812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016
005161.400

Wastewater User Rate Analysis and Recommendations

Prepared for:

Scotia Community Services District

PO Box 245
Scotia, CA 95565-0245



Prepared by:



Engineers & Geologists
812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

QA/QC: MKF 

Table of Contents

	Page
Abbreviations & Acronyms	ii
1.0 Introduction	1
1.1 Objectives	1
1.2 Methodology	1
1.2.1 Base Fee	2
1.2.2 Flow Fee	2
1.2.3 Strength Fee	3
2.0 Revenue Requirements	3
2.1 Operation and Maintenance	4
2.2 Debt Service	4
2.3 System Replacement	4
2.4 Capital Improvement Planning	5
2.5 Total Revenue Requirements	5
2.6 Rate Design and Recommendations	6
2.6.1 Base Fees	7
2.6.2 Flow Rate	7
2.6.3 Strength Fee	7
2.6.4 Annual Escalators	8
3.0 Affordability	8

Appendix A. Rate Calculations

List of Illustrations

Tables	Page
1. Flow-based EDUs	3
2. Projected Expenses, Wastewater Fund, SCSD	6

Abbreviations & Acronyms

cf	cubic feet (100 cf = 1 unit = 748 gallons)
MG	million gallons
AMHI	annual median household income
BOD	biochemical oxygen demand
CIP	capital improvement plan
CPI	consumer price index
EDU	equivalent dwelling unit
EPA	U.S. Environmental Protection Agency
FY	fiscal year
HRC	Humboldt Redwood Company
MHI	monthly household income
O&M	operations and maintenance
SCSD	Scotia Community Services District
SHN	SHN Engineers & Geologists
TOS	Town of Scotia Company, LLC
TSS	biochemical oxygen demand

1.0 Introduction

Located in the heart of California Redwood Country, Scotia was developed starting in the 1880s and has been maintained since then as a true company town. The entire town was developed and constructed by The Pacific Lumber Company. The residences were all constructed and maintained by the company for its employees. Industrial, commercial, and community structures were also developed by the company, creating a consistency in historical design. In 2008, Pacific Lumber Company was reorganized. Today, Scotia is owned and operated by the Town of Scotia Company, LLC (TOS); the sawmill is operated by Humboldt Redwood Company (HRC). All residences and businesses other than HRC are occupied by rental tenants; however, TOS is in the process of subdividing the properties and selling them into private ownership. To facilitate this transition to private ownership, in 2014 the Scotia Community Services District (SCSD) was formed to provide the town with essential services associated with water, wastewater, streets and street lighting, storm drainage, parks, and fire fighting. This report provides support and recommendations for establishment of user fees and benefit assessments to support the provision of those services by the SCSD.

This assessment was conducted by SHN Engineers & Geologists on behalf of the SCSD.

1.1 Objectives

Several objectives should be considered in the development of a financial plan and in the design of rates. The major objectives of the study were:

- Ensure revenue sufficiency to meet the operation and maintenance (O&M) and capital needs of the SCSD's community services.
- Plan for revenue stability to provide for adequate operating and capital reserves and the overall financial health of the SCSD.
- Provide for fairness and equity in the development of a system of user charges.
- Minimize rate impacts to reduce financial hardship on user classes and individual members of those classes.
- Maintain simplicity for ease of administration and implementation, as well as customer understanding and acceptance.

Some of these objectives are interrelated. This being the case, judgment plays a role in the final design of rate structures and rates.

1.2 Methodology

Municipalities face a common dilemma when establishing fees for municipally owned and operated enterprise facilities (water, sewer, gas, electricity, etc.). Municipal officials, understandably, want to keep user rates as low as possible. However, experience shows that insufficient user rates, combined with a reluctance to adjust rates upward when necessary, contribute to a progressive operating deficit, ultimately requiring substantial rate increases.

There are many cost factors to consider when evaluating utility user rates; (such as, operational costs, debt service, capital improvements, and cash reserves to meet emergency needs).

Administrative expenses (such as, prorated portions of administrative salaries, legal expenses, insurance premiums, pension contributions, costs of audits, and other expenses that may be attributed to the utility) are also typically charged as costs of providing service.

It is important for a governing body to adopt rates and fees that are fair, equitable, and reasonable whenever working with any type of user charge or fee system. The “fair,” “equitable,” and “reasonable” criteria typically have different meanings to the various stakeholders or parties involved, and it is common for disagreements to surface in the process of establishing or changing user rates.

Sewer user fee systems have evolved over time from a simple fixed rate for all users to combinations of fixed base, flow-based and strength-based rates. There are many methods for establishing a user rate system; however state and federal funding agencies consider the flow/strength-based system approach the most equitable for the users. These funding agencies typically require some type of flow/strength based method to provide the revenue needed to repay debt associated with system improvements. Currently, Scotia includes an industrial tenant as a high strength effluent producing user. Consequently for Scotia, this report recommends a fee system that includes a “base” fee to cover all fixed expenditures, a flow-based fee, along with a strength-based fee.

1.2.1 Base Fee

Administrative and general services relate to indirect support activities necessary to operate a wastewater system, and hence indirect costs, are usually allocated as customer-related costs.

Customer-related costs are fixed expenditures that relate to operational support activities including accounting, billing, customer service, and administrative and technical support. The customer-related costs are essentially common-to-all costs that are independent of user class characteristics. A service charge provides a mechanism for recovering a portion of the fixed costs and ensures a stable source of user revenues for the utility.

Once the costs are known, they are divided by the number of units of service associated with those costs to determine annual unit costs. Services charges are associated with equivalent residential units with respect to projected wastewater volumes to reflect the fact that service costs are higher for larger users.

1.2.2 Flow Fee

Sewer flows are not directly metered at the consumer’s connection to the City’s system. Instead, water meter readings are used as a surrogate measure of sewage generation. Single-family and multiple-family residential, commercial, industrial, and institutional users are assessed a combination of the fixed fees and flowage charges based on water meter readings for the billing period. In special commercial and industrial cases, wastewater contributions may be metered to assign costs more accurately.

The most commonly used method for calculating sewer user fees on a flow-based system is the equivalent dwelling unit (EDU) method. The EDU method is based on the average water use by all single-family residences within the service area. The average single-family residence is assigned one EDU, and all other customers are assigned an equivalent number of EDUs based on

proportionate water use, and charged accordingly. The various non-single-family residential customers (multi-family, industrial, commercial, and institutional) are assigned an equivalent number of EDUs based on their total water usage divided by the “EDU volume” of used water.

Because the existing Town of Scotia water system is mostly unmetered, for the purposes of this analysis, monthly water demand has been estimated by using published, typical usage amounts based on land use. For instance, residential usage is based upon typical usage of 95 gallons per person per day multiplied by 3.2 persons per household which is the occupancy rate for homes published in current census data reports. This equates to a monthly estimated use of 9,247 gallons or 1,236 cubic feet of water per month per residence, (95 gallons per capita per day x 3.2 persons/household x 365 days/year ÷ 12 months/year = 9,247 gallons/month ÷ 7.48 gallons/cubic foot = 1,236 cubic feet/month). Table 1 depicts the number of EDUs within Scotia based upon land use classification and comparative water use volume to the single-family residence.

Table 1 Flow-based EDUs¹	
Use	EDUs
Residential	270
Commercial	44
Industrial	43
Institutional	24
Total	381
1. EDUs: equivalent dwelling units	

1.2.3 Strength Fee

Strength of wastewater is typically based upon sampled and measured amounts of biochemical oxygen demand (BOD) and total suspended solids (TSS) contained within the wastewater. Wastewater treatment plants typically are designed based upon parameters of amount of flow needed to treat the effluent including contaminant removal based upon measured concentrations of BOD and TSS in raw wastewater influent and treated effluent. The simplest method of allocating wastewater treatment costs is to use allocation percentages that are widely accepted throughout the wastewater industry. Typically, costs are allocated 40% to wastewater flow, 30% to BOD, and 30% to TSS. These percentages are based on a mechanical type wastewater treatment system, which is the type of treatment system being used by Scotia. Commonly accepted single-family residential (EDU) strength contributions to the waste stream are:

- 0.5 pound BOD per day
- 0.5 pound TSS per day

Considering the wastewater strength and flows produced by the industrial tenant/high strength user in the system (a brewery), that single tenant user is equivalent to approximately 50 EDUs balanced between flow and strength. Identified “High Strength Users” should be charged based upon actual measured strengths and flows acquired from the individual source, along with associated base fees.

2.0 Revenue Requirements

Utility owners establish user fees based on generating sufficient revenue to pay all operating costs, cover debt service on outstanding loans, provide cash to make ongoing capital improvements, provide a cash reserve for unexpected repairs and to meet all loan requirements, and provide cash reserves for increasing capacity as population growth occurs.

Typically, it is important to distinguish the difference between future capacity needs related to undeveloped areas and additional capacity needs that have occurred in the process of orderly development within the service area. However, the SCSD will have limited future growth capabilities. Future growth, capacity expansion improvements are often paid for through connection fees assessed to new customers. This rate analysis addresses neither future growth and the capacity needed to accommodate that growth, nor existing capacity buy-in costs that are typically assessed to new customers as part of their connection fee. Consequently, there is no analysis or discussion of connection fees in this report. There are only about 3 residential lots and one commercial lot that could possibly be developed in all of Scotia. Capacity expansion improvement activities and costs are, therefore, speculative at best, dependent upon policy determinations not yet made, and are unlikely to be material in any event.

2.1 Operation and Maintenance

A formal definition of operation and maintenance (O&M) is: “The continuing activities required to keep wastewater facilities and their components functioning in accordance with design objectives while maintaining compliance with public wastewater system health and safety requirements.”

More specifically for the purpose of establishing user rates, O&M requirements consist of those expenditures associated with the day-to-day operations of the collection, treatment, disinfection, and disposal, and are made up of costs related to such items as personnel, other utility uses (power, telephone), supplies, training, equipment repair, etc.

Operations and maintenance revenue requirements are established based on years of experience, and any unusual changes that may have been instituted in any particular year, and are considered relatively inflexible when analyzing the overall revenue requirements of a utility. As a “start-up” CSD, there is no history with which to establish an O&M budget. A proposed O&M budget was prepared giving consideration to the current financial information provided by TOS relative to its past two years of operations, comparisons of neighboring communities’ operations, and experience with the financial and budgetary aspects of smaller communities and service districts.

2.2 Debt Service

As a “start-up” entity, the SCSD has no existing debt service. However, some improvements to the wastewater treatment facilities have been identified in the capital improvement plan, developed in relation to the SCSD formation requirements, which project expenditures for upgrades in the future. The SCSD Wastewater Fund is projected to pay a portion of the debt related to acquisition of the District’s office building and grounds, which will be purchased in FY 2016-17, and the fund is projected to pay debt service related to a \$3,000,000 treatment plant upgrade, which will occur in FY 2018-19.

2.3 System Replacement

According to the State Water Resources Control Board, Revenue Program Guidelines, system replacement costs are: “Expenditures for obtaining and installing equipment, accessories, or appurtenances which are necessary during the useful life of the treatment works to maintain the capacity and performance for which such works were designed and constructed.”

System replacement, as defined above, is considered by that agency to be a minimal level of funding in this category. Establishing a funding level for facilities replacement is a policy decision often driven by a community's determination of user rate affordability, among other criteria. It may be considered good "business sense," for agencies that own and operate wastewater collection and treatment facilities to fund 100% of the replacement value of the existing facilities, but it is not common. Two primary reasons for that trend are:

1. Replacement of future facilities can be funded through debt financing (primarily revenue bonds) provided by outside sources (such as, state and federal agencies).
2. Most facilities are struggling with needed improvements or existing debt financing burdens, and the managers of such facilities do not always believe it is fair to have the existing customers pay for both current and future improvements. It is common to assume future users will pay for their long-term facility replacement costs.

2.4 Capital Improvement Planning

The term "capital improvement" refers to new or expanded physical facilities for the communities that are of relatively large size, are relatively expensive, and are considered permanent with respect to usefulness to service area customers. Large-scale replacement and rehabilitation of existing facilities also falls within this category. Equipment, (such as, a utility truck) is not classified as a capital improvement for the purposes of this report.

A capital improvement plan (CIP) for the Scotia wastewater system was prepared for the required documentation for district formation. TOS is in the process of performing the collection system upgrades, including replacement of more than 90% of the existing collection system. Improvements identified in the CIP expected to be performed by the SCSD in the near future include treatment plant upgrades. Costs identified in the CIP associated with those improvements total approximately \$3,000,000.

2.5 Total Revenue Requirements

A first year budget and projections of future wastewater system revenue and expenditures were developed for the SCSD. Table 2 (on the following page) presents the projected expenditures for the upcoming fiscal year (FY) and projects them out through FY 20-21.

Table 2 Projected Expenses, Wastewater Fund, SCSD					
	FY ¹ 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Personal Services					
Attorney	\$8,000	\$8,160	\$8,323	\$8,490	\$8,659
Auditor (Annual Audit)	\$4,800	\$4,896	\$4,994	\$5,094	\$5,196
Board Stipend	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
Bookkeeping/CPA Consult	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165
Engineering	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247
O&M ² Staff (Salaries & Benefits)	\$156,500	\$159,630	\$162,823	\$166,079	\$169,401
Total Personal Services	\$176,700	\$180,186	\$183,742	\$187,369	\$191,068
Materials and Services					
Bond, Dues, Publications	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814
Supplies, Lab, Permitting & Monitoring	\$55,000	\$56,650	\$58,350	\$60,100	\$61,903
Utilities- Water, Sewer Communications	\$4,800	\$4,944	\$5,092	\$5,245	\$5,402
General Maintenance & Repair	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Insurance	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
Electrical	\$25,000	\$25,750	\$26,523	\$27,318	\$28,138
Contracted Maintenance Services	\$7,500	\$7,725	\$7,957	\$8,195	\$8,441
Total Materials And Services	\$134,800	\$138,844	\$143,009	\$147,300	\$151,719
Total O&M	\$311,500	\$319,030	\$326,751	\$334,668	\$342,787
Other Expenditures					
Annual Debt Service	\$7,400	\$7,400	\$182,170	\$182,170	\$182,170
Transfer to Equipment Replacement Fund	\$33,620	\$33,620	\$33,620	\$33,620	\$33,620
Transfer to Capital Reserve Fund	\$214,555	\$217,322	\$0	\$45,082	\$46,775
Total Other Expenditures	\$255,575	\$258,342	\$215,790	\$260,872	\$262,565
Capital Outlay					
SCSD Office Building	\$108,000	\$0	\$0	\$0	\$0
Treatment Plant Facilities Plan Update	\$0	\$0	\$3,000,000	\$0	\$0
Office Equipment/ furnishings Start-up	\$6,000	\$0	\$0	\$0	\$0
Total Capital Expenditures	\$114,000	\$0	\$3,000,000	\$0	\$0
Total All Expenditures	\$681,075	\$577,372	\$3,542,541	\$595,541	\$605,351
1. FY: fiscal year 2. O&M: operations and maintenance					

2.6 Rate Design and Recommendations

The proposed rate structure is based upon establishing a rate system that is intended to serve the District over a five-year period. Revenues collected each year which exceed O&M, debt service and equipment replacement costs will be placed in a capital reserve fund to help offset debt financing requirements for future capital improvements and to offset increases due to inflation.

Rate structures should be designed in such a way as to ensure that users pay only their proportionate share of costs. In addition, rate structures should be easy to understand, simple to administer, and comply with regulatory requirements. The service charge and the suggested commodity rate for the various user classes are discussed in detail below.

NOTE: This report and associated analyses are based upon consideration of 270 individual residential users as a separate user class. Residential users will not be considered customers until they purchase a home. The residential user class analyses is employed to determine what costs are allocated and paid by TOS, the current owner and customer for all the residential users in town at this time. Once a residence is sold, the new owner will pay the incremental cost and rate for an individual residential user.

2.6.1 Base Fees

Base fee-related costs are fixed expenditures that relate to operational support activities including accounting, billing, customer service, administrative and technical support, and debt service. The customer-related costs are essentially common-to-all costs that are independent of user class characteristics. A base fee provides a mechanism for recovering a portion of the fixed costs and ensures a stable source of user revenues for the utility. Fixed expenditures for the FY 16/17 projected budget are determined to be approximately 61% (\$343,536) of the total expenditures of \$567,075 (total expenditures of \$681,075 less Capital Outlay of \$114,000). These figures equate to a recommended residential base fee of \$75.00 per month per EDU.

2.6.2 Flow Rate

The flow rate is the rate developed to recover the SCSD's variable volume-related costs. The annual estimated FY 2016/17 revenues required, less annual costs associated with base fee revenues, are the revenues that need to be recovered through a flow rate.

The user classes can be sorted into groups with similar peaking characteristics, resulting in a uniform flow rate that is the same within the group. Due to similar usage characteristics, residential customers are grouped together, commercial and industrial are grouped together. The SCSD does not currently differentiate between residences and all other classes for rate design.

The recommended residential flow rate is \$2.26 per 100 cf water used.

2.6.3 Strength Fee

Strength fees for the wastewater rate system are recommended to be based upon sampled and measured amounts of BOD and TSS contained within the wastewater contribution of classified "high-strength" users. There is currently only one "high-strength" user in the Scotia system. Based on costs allocated to the treatment of the two contaminant indicators (see Appendix A), the recommended strength fees, based upon BOD and TSS contribution are:

- \$0.3338 per pound/month of BOD contribution
- \$0.5201 per pound/month of TSS contribution

2.6.4 Annual Escalators

The proposed rate structure is based upon establishing a rate system intended to serve the District over a five-year period. Revenues collected that will exceed projected O&M, debt service, and replacement expenses are to be placed in a capital reserve fund, which will use accumulated funds for application toward principal costs of projected capital improvements related to the treatment plant upgrade and other planned capital expenditures.

The District's proposed five-year rates are established with an annual 1.5% escalation factor. The proposed rates may also be increased based on an indexed escalation, if the District chooses to use it. The maximum user rate may increase based on the annual change in the consumer price index (CPI) if that amount exceeds the assumed 1.5% increase built into the initial five-year budget projections. The rate adjustment shall be based on CPI activity measured during the preceding year, for all urban consumers, west urban area, all items, published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if the stated index is discontinued).

Future increases shall also take into account the "pass through" costs of the purchase of uncontrolled, mandatory services (such as, utility costs). Increases or decreases in the purchase of uncontrolled mandatory services, outside of typical inflationary values, shall be passed through proportionally when considering all annual rate adjustments.

Indexing rates annually to the CPI and adjusting for "pass through" costs, allows for minor increases for normal maintenance and operating cost escalation without incurring the costs of the Proposition 218 ballot proceedings. Any significant change in the user rates initiated by an increase in service provided or other significant changes to the District would still require the Proposition 218 proceedings and property owner approval.

3.0 Affordability

One of the most important issues in wastewater pricing is affordability. Water serves as an indicator of wastewater flows. Although water is priced extremely low compared to most other goods, it is an essential good. People have little choice but to use water and pay a local monopoly provider for-related wastewater flows. Besides affordability, equity issues are part of the rate making process. Are rates fair across customer groups? Are customers paying for the cost of service? Are some groups getting price breaks on the backs of others? While the issue of affordability is important, revenue adequacy remains the number one priority of any wastewater system. Income effects and affordability issues must be secondary or be addressed directly through other government social programs.

A basic issue in affordability is who to protect and at what levels? How much income protection should be supplied through the wastewater rate making process? Affordability issues in the future will require careful planning. Consumers must be educated about why rates are set as they are, and customer feedback should be monitored.

How is rate affordability measured? The U.S. Environmental Protection Agency (EPA) has published literature related to the affordability of water user fees. It also is common to use the water user fee guidelines when considering wastewater user fees, because they are a similar type of utility. The EPA study is also comparable to another study prepared by the Missouri Department

of Natural Resources Program, Clean Water State Revolving fund Additional Subsidization Affordability Analyses, which addresses wastewater rates. The EPA suggests that user fees which are 2% or less of annual median household income (AMHI) are affordable. In a survey of 1,600 utilities in five states, the EPA found that user fees ranged from 0.1% to 3.1% of AMHI with an average of 0.5%. Thus by EPA standards, user fees nationwide are affordable. The most recent published AMHI for the SCSD area is estimated at \$53,063 for 2011. Applying EPA's standard of 2%, an affordable (upper end of affordability) monthly rate for residential customers, (home or property owners), would be \$88 per month. Based upon the EPA criteria, the proposed wastewater EDU rate, (base fee and flow-related fee), of \$115.73 per month is at 2.5% of AMHI, which is above the range of affordability but below the maximum range. With the proposed rate being above the 2% level, the District would be in an advantageous position for requesting state or federal agency grant monies and/or low interest loans for performing the capital improvements scheduled for FY 18/19.

It is common for communities or districts to perform comparative analyses of user fees with neighboring service providers upon addressing user fee changes. When performing any comparative analyses, it is important that the comparisons are made between service providers with similar service and demographic characteristics. One of the more sensitive comparison criteria is associated with the given condition of a service provider's infrastructure in relation to the existing or projected user fee.

A

Rate Calculations

Table A-1
Distribution For Flow and Strength Expenses (Year 1)
Wastewater Breakdown

	Collection	Treatment	Base
TOTAL PERSONAL SERVICES	\$39,278	\$48,938	\$88,477
Materials and Services			
Bond, Dues, Publications			\$2,500
General Supplies, Lab, Permitting & Monitoring	\$11,000	\$44,000	
Utilities- water, sewer, Assess., communications	\$960	\$3,840	
General Maintenance & Repair	\$2,500	\$7,500	
Liability Insurance			\$30,000
Electrical		\$25,000	
Contracted Maintenance Services	\$3,750	\$3,750	
TOTAL MATERIALS AND SERVICES	\$18,210	\$84,090	\$32,500
Annual Debt Service on Capital Improvement Loans			\$7,400
Transfer to Equipment Replacement Reserve Fund		\$33,620	
Transfer to Capital Reserve Fund			\$214,555
TOTAL ALL COSTS	\$57,488	\$166,648	\$342,932
	Collection Distribution	Treatment Distribution	
Flow 40%	\$57,488	\$66,659	
BOD 30%		\$49,994	
TSS 30%		\$49,994	

Table A-2 Personal Services Expense Distribution			
Position	Wastewater		
	Collection	Treatment	Base
District Manager	--	--	\$46,920
Clerk	--	--	\$19,872
Fire Chief	--	--	\$4,485
Operations Supervisor	\$15,180	\$15,180	--
Utility Operations/Lead	\$2,760	\$24,840	--
Utility Worker - all	\$18,630	\$6,210	--
Utility Worker - Parks	\$1,208	\$1,208	--
Legal Council	--	--	\$8,000
Auditor (Annual Audit)	--	--	\$4,800
Board Stipend	--	--	\$2,400
CPA/Bookkeeping	--	--	\$2,000
Engineering/Operations Consult	\$1,500	\$1,500	--
Total	\$39,278	\$48,938	\$88,477

Table A-3 Residential (low strength) Wastewater Fee Calculations			
Cost to Allocate	Total	Unit Cost	\$/EDU
\$124,147 Flow	\$3,426,438	\$0.0030 per gallon	\$27.92
\$49,994 BOD	\$12,382	\$0.3338 per pound	\$5.01
\$49,994 TSS	\$7,911	\$0.5201 per pound	\$7.80
\$343,536 Base		Monthly Flow and Strength Fee/EDU	\$40.73
\$567,671	Total Costs Allocated	Monthly Base Fee/EDU	\$75.00
		Total Monthly EDU Fee	\$115.73

Notes:

1. "Low Strength" Residential strength and flow wastewater contributions are based on:
 - 0.5 lb of BOD/Day
 - 0.5 lb of TSS/Day
 - Flow of 95 gallons per capita per day x 3.2 persons/household x 365 days/year ÷ 12 months/year = 9,247 gallons/month ÷ 7.48 gallons/cubic foot = 1,236 cubic feet/month ÷ 100 = 12.36 units/month
2. Identified "High Strength Users" to be charged based upon actual measured strengths (BOD and TSS) and flows acquired from the individual source, along with associated base fees.

Fire Protection

Engineer's Report for Assessment of Benefits

Prepared for:

Scotia Community Services District



Engineers & Geologists

812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

005161.400

Fire Protection

Engineer's Report for Assessment of Benefits

Prepared for:

Scotia Community Services District

PO Box 245
Scotia, CA 95565-0245



Prepared by:



Engineers & Geologists
812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

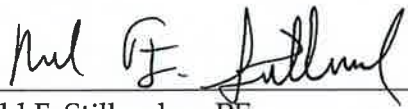
QA/QC: MKF Int


Scotia Community Services District
Fire Protection

Engineer's Report Certificate

This report describes the Fire Protection Assessment, including improvements, budgets, parcels, and assessments to be levied over the next five fiscal years beginning with FY 2016/2017. Reference is hereby made to Humboldt County Assessor's maps for a detailed description of the lines and dimensions of parcels within the District. The undersigned respectfully submits the enclosed report as directed by the District Board.

Dated this 20th day of March 2016.

By: 
Ronald F. Stillmaker, PE
Sr. Civil Engineer
SHN Engineers & Geologists

By: 
Mike Foget, PE, LEED AP
Civil Engineering Principal
SHN Engineers & Geologists

I hereby certify that the enclosed Engineer's report, together with Assessment Roll and Assessment Diagram thereto attached, was approved and confirmed by the Scotia Community Services District Board of Directors, Scotia California, on the _____ day of _____, 2016.

By: _____
Chairperson
Scotia Community Services District
Humboldt County, California

Table of Contents

	Page
Acronyms & Abbreviations	iii
1.0 Introduction	1
1.1 Proposition 218	1
1.2 Purpose and Authorization	2
1.3 Description of Services	2
2.0 Estimate of Costs	2
3.0 Method of Assessment	4
3.1 Background	4
3.2 Special Benefit	4
3.3 General Benefit	4
3.4 Apportionment	4
4.0 Duration of Assessment	6
5.0 Annual Escalators	6
6.0 Appeals and Interpretation	7
7.0 Summary	7

Appendices

- A. Assessment Acts
- B. District Boundary
- C. Assessment Roll

List of Illustrations

Tables	Page
1. Projected Expenses, Fire Protection Fund, SCSD	3
2. Fire Protection EBU Estimate	5

Acronyms & Abbreviations

ft ²	feet squared
APN	Assessor's parcel number
CPI	consumer price index
EBU	equivalent benefit unit
FY	fiscal year
HRC	Humboldt Redwood Company
O&M	Operations and Maintenance
SCSD	Scotia Community Services District
SHN	SHN Engineers & Geologists
TOS	Town of Scotia Company, LLC

1.0 Introduction

Located in the heart of California Redwood Country, Scotia was developed starting in the 1880s and has been maintained since then as a true company town. The entire town was developed and constructed by The Pacific Lumber Company. The residences were all constructed and maintained by the company for its employees. Industrial, commercial, and community structures were also developed by the company, creating a consistency in historical design. In 2008, Pacific Lumber Company was reorganized. Today Scotia is owned and operated by the Town of Scotia Company, LLC (TOS); the sawmill is operated by Humboldt Redwood Company (HRC). Currently, all residences and businesses other than HRC are occupied by rental tenants; however, the Town of Scotia is in the process of subdividing the properties and selling them into private ownership. To facilitate this transition to private ownership, in 2014 the Scotia Community Services District (SCSD) was formed to provide the town with essential services associated with water, wastewater, streets and street lighting, storm drainage, parks, and fire fighting. This report provides support and recommendations for establishment of user fees and benefit assessments to support the provision of those services by the SCSD.

This assessment was conducted by SHN Engineers & Geologists on behalf of the SCSD.

1.1 Proposition 218

On November 5, 1996, the electorate approved Proposition 218, Right to Vote on Taxes Act, which added Articles XIII C and XIII D to the California Constitution. The proposition affects all assessments upon real property for a special benefit conferred on the property. As written, Proposition 218 exempts assessments for street purposes from the voting requirement.

Proposition 218 establishes a strict definition of "special benefit." For the purposes of all assessment acts, special benefit means "a particular and distinct benefit over and above general benefits conferred on real property located in the district or the public at large. General enhancement of property value does not constitute 'special benefit.'" In a reversal of previous law, a local agency is prohibited by Proposition 218 from including the cost of any general benefit in the assessment apportioned to individual properties. Assessments are limited to those necessary to recover the cost of the special benefit provided the property.

In addition, assessments levied on individual parcels are limited to the "reasonable cost of the proportional special benefit conferred on that parcel."

Previously, assessments were seldom if ever levied on public property. Proposition 218 specifically requires assessments to be levied on public parcels within an assessment district, unless the agency that owns the parcel can "demonstrate by clear and convincing evidence" that its parcel will receive no special benefit.

The services in the SCSD's assessment are for Fire Protection.

A summary of other Assessment Acts is contained in Appendix A.

1.2 Purpose and Authorization

The express purpose for which the benefit assessment is levied is to establish a stable source of funds to obtain, furnish, operate, and maintain fire suppression equipment and to provide structural fire suppression services in the SCSD. Any funds collected from the benefit assessment shall be expended only for structural fire suppression services provided within the SCSD. Any unexpended funds raised by the benefit assessment remaining at the end of the fiscal year shall be carried over for use for the same purpose in the next fiscal year (FY).

The boundaries of the Fire Protection Assessment District (District) are coterminous with the SCSD boundaries. The purpose of this District is to provide a stable revenue source, coupled with available grants and donations from other sources, to fund the ongoing operation, maintenance, expansion, enhancement, construction, renovation, and rehabilitation of the SCSD Fire Protection apparatus and facilities that provide special benefits to properties within the CSD, including incidental expenses and debt services for any bond(s), loans, or other repayment plans incurred to finance capital improvements.

This report is prepared in compliance with the requirements of Article 4 of Chapter 6.4, of the Benefit Assessment Act of 1982, [Act]) of the California Government Code. Pursuant to the Act, the SCSD is the legislative body for the District and may levy annual assessments and act as the governing body for the operations and administration of the District. The Act provides for the levy of annual assessments after formation of an assessment district for the continued maintenance and servicing of the district facilities, equipment, and services. The costs associated with the installation, maintenance, and service of the improvements may be assessed to those properties that are benefited by the installation, maintenance, and service.

1.3 Description of Services

The District assessments will fully or partially fund fire protection, prevention, and other fire and emergency response activities that specially benefit properties within the District. It is the goal and intent for this District to provide a stable revenue source that will allow the SCSD to fund the on-going operation and maintenance (O&M) of the various fire protection equipment, support volunteer fire fighters and facilities for the community and endeavors to improve the firefighting and fire safety that directly affect the properties and quality of life for residents, tenants, employees, and owners of properties within the SCSD. To the full extent permitted by the Act of 1911, the improvements, projects and expenditures to be funded by the assessments may include:

- Fire station operation, maintenance and expansion
- Fire fighter staffing and training
- Equipment and apparatus maintenance and replacement
- Administration responsible for supervision, budgets, policy, and human resources
- Performs the tasks to save the public and structures from harm.

2.0 Estimate of Costs

This section provides an estimate of the annual costs to be collected and deemed appropriate for the operation, maintenance, and servicing of the improvements for the District.

The projected five-year annual expenses for the Assessment District are presented in Table 1.

Table 1 Projected Expenses, Fire Protection Fund, SCSD					
	FY¹ 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Personal Services					
Attorney	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082
Auditor (Annual Audit)	\$600	\$612	\$624	\$637	\$649
Board Stipend	\$300	\$300	\$300	\$300	\$300
Bookkeeping/CPA Consult	\$400	\$408	\$416	\$424	\$433
O&M ² Staff (Salaries & Benefits)	\$98,800	\$100,776	\$102,792	\$104,847	\$106,944
Total Personal Services	\$101,100	\$103,116	\$105,172	\$107,270	\$109,409
Materials and Services					
Bond, Dues, Publications	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251
Supplies, Lab, Permitting & Monitoring	\$6,200	\$6,386	\$6,578	\$6,775	\$6,978
Utilities-Water, Sewer Communications	\$1,200	\$1,236	\$1,273	\$1,311	\$1,351
General Maintenance & Repair	\$7,000	\$7,210	\$7,426	\$7,649	\$7,879
Insurance	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Electrical	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Contracted Maintenance Services	\$500	\$515	\$530	\$546	\$563
Total Materials And Services	\$26,900	\$27,707	\$28,538	\$29,394	\$30,276
Total O&M	\$128,000	\$130,823	\$133,711	\$136,664	\$139,685
Other Expenditures					
Annual Debt Service	\$925	\$925	\$925	\$925	\$925
Transfer to Equipment Replacement Fund	\$64,100	\$64,100	\$64,100	\$64,100	\$64,100
Transfer to Reserve Fund	\$15,355	\$16,237	\$16,053	\$16,704	\$17,288
Total Other Expenditures	\$80,380	\$81,262	\$81,078	\$81,729	\$82,313
Capital Outlay					
Fire Apparatus and Equipment Upgrade	\$766,000	\$0	\$0	\$0	\$0
SCSD Office Building	\$13,500	\$0	\$0	\$0	\$0
TOTAL CAPITAL EXPENDITURES	\$779,500	\$0	\$0	\$0	\$0
TOTAL ALL EXPENDITURES	\$987,880	\$212,085	\$214,788	\$218,393	\$221,998
1. FY: fiscal year 2. O&M: operations and maintenance					

The capital expenditures projected for FY 16-17 include a debt financed purchase of an office building for the District (annual debt service of \$925) along with purchase of New Fire Apparatus (\$766,000). The \$925 annual debt services are reflected in the annual benefit assessment.

3.0 Method of Assessment

3.1 Background

The Benefit Assessment Act of 1982 provides that assessments may be apportioned upon all assessable lots or parcels of land within an assessment district in proportion to the estimated benefits to be received by each lot or parcel from the improvements. In addition, Proposition 218 requires that a parcel's assessment may not exceed the reasonable cost of the proportional special benefit conferred on that parcel. The proposition provides that only special benefits are assessable, and the District must separate the general benefits from the special benefits conferred on a parcel. A special benefit is a particular and distinct benefit over and above general benefits conferred on the public at large, including real property within the District. The general enhancement of property value does not constitute a special benefit.

3.2 Special Benefit

The installation and continued O&M of fire protection facilities, equipment, and services within the District area, (currently owned and operated by TOS, sub-dividers of the land), is guaranteed through the establishment of a Fire Protection Benefit Assessment Area. If installation of the improvements and the guaranteed maintenance did not occur, current lots would not have been established and future lots will not be sold to any distinct and separate owner. Thus, the ability to establish each distinct and separate lot that permits the ownership and sale of the distinct lot in perpetuity is a particular and distinct special benefit conferred only to the real property located in the District.

3.3 General Benefit

The Fire Protection facilities, equipment and services provided are located within properties within the District, fire protection services are maintained particularly and solely to serve, and for the benefit of, the properties within the District. Any benefit received by properties outside of the District is inadvertent and unintentional. Therefore, any general benefits associated with the Fire Protection facilities, equipment, and services provided by the District are merely incidental, negligible, and non-quantifiable.

3.4 Apportionment

To assess benefits equitably it is necessary to relate each property's proportional special benefits to the special benefits of the other properties within the District. The method of apportionment established for most districts formed under the 1982 Act uses a weighted method of apportionment known as an equivalent benefit unit (EBU) methodology that uses the single-family home site as the basic unit of assessment. A single-family home site equals one EBU and the other land uses are converted to a weighted EBU based on an assessment formula that equates the property's specific characteristics associated with structural area to compare the proportional benefit of each property as compared to a single-family home site.

The structural area methodology was chosen for determination of the Fire Protection EBU contribution as this method provides a means to assign proportionate benefits to parcels according to fire risk. Due to the fact that a majority of structures located within the District are of wood

frame construction and all installed within a similar time period, the building area methodology for assigning proportionality of benefit assessments was chosen. The average structural area for residential properties in the District is represented by one EBU, which is calculated as 1,500 square feet (ft²).

The total cost for operating and maintaining fire protection funded by the District will be assessed to the various parcels in proportion to the estimated EBUs assigned to a parcel, in relationship to the total EBUs of all the parcels in the District.

The word “parcel,” for the purposes of this report, refers to an individual property assigned its own Assessor’s parcel number (APN) by the Humboldt County Assessor’s Office. The County Auditor-Controller uses APNs and specific fund numbers to identify properties to be assessed on the tax roll for the special benefit assessments.

An EBU is the average amount of structural surface area represented by a rooftop measurement, expressed in square feet, on developed single-family residential parcels in the District. All other developed parcels are assigned a Fire Protection EBU number based on the number of EBUs on the parcel. The number of EBUs is established by measuring the amount of structural surface area on the parcel (in square feet) and dividing that amount by the average structural surface per residential dwelling.

The estimated EBUs for each parcel, based upon impervious area, is presented in Table 2.

Table 2 Fire Protection EBU ¹ Estimate			
		Structural Surface	
		Area (ft²) ²	EBUs
Parcel 1			
1	HRC Mill Facilities	963,887	643
Parcel 2			
2	Electrical Co-generation Facilities	178,376	119
Parcel 3			
3	Scotia Inn–Restaurant/Lounge	18,818	13
4	Scotia Inn		
Parcel 4			
5	Residential (1,500 ft² per household)	405,000	270
Commercial			
6	Scotia Child Enrichment Center (pre-school)	2,200	1
7	Vacant Offices	1,327	1
8	US Bank	4,800	3
9	Pharmacy	12,100	8
10	Aqua Dam Offices	11,700	8
11	Hair Heaven & Post Office	376	1
12	TOS office (now constr. & CSD offices)	2,227	1
13	Medical Center Billing	8,509	6
14	Scotia True Value Hardware Store	11,900	8
15	Gas Station	4,480	3
16	Hoby’s Market	13,200	9

Table 2 Fire Protection EBU ¹ Estimate			
		Structural Surface	
		Area (ft ²) ²	EBUs
17	TOS Offices	4,125	3
18	HRC Offices	13,849	9
Industrial			
19	Aqua Dams	246,495	164
20	Hall's Sheet Metal		
21	Eel River Brewery		
22	HRC Repair Garage	14,836	10
23	Vacant Storage Building (Northern Mill A)	114,729	76
Institutional			
24	St. Patrick's Church	1,836	1
25	Scotia Union Church	2,856	2
26	Fire Station	7,120	5
27	Winema Theater	12,220	8
28	SCD Shops/Corporate Yard	12,280	8
29	Scotia Museum	2,900	2
30	Scotia Park (Fields & Picnic)	1,730	1
School District Parcel			
31	Scotia Union School District (K-8)	52,421	35
Total			1,418
1. EBU: equivalent benefit units			
2. ft ² : square feet			

With a total operating cost, less costs for equipment upgrades, for FY 2016-2017 of \$208,380, and with an estimated 1,418 EBUs, the annual benefit associated with one EBU is \$147 annually (\$12.25 monthly).

4.0 Duration of Assessment

It is proposed that the assessment be levied for fiscal year 2016-17 and continued every year thereafter, so long as the Fire Protection system needs to be improved and maintained and the SCSD requires funding from the assessments. The assessment can continue to be levied annually after the District Board of Directors approves an annually updated Engineer's report, operating budget for the District and other specifics of the assessment. In addition, the District Board of Directors must hold an annual public hearing to continue the assessment.

5.0 Annual Escalators

The District's proposed, initial five-year assessments are established with an annual 1.5% escalation factor. The proposed assessments may also be increased based on an indexed escalation, if the District chooses to use it. The maximum assessments may increase based on the annual change in the consumer price index (CPI) if that amount exceeds the assumed 1.5% increase built into the initial five-year budget projections. The assessment adjustment shall be based on CPI activity

measured during the preceding year, for all urban consumers, west urban area, all items, published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index should the stated index be discontinued). Revenues collected that will exceed projected O&M, debt service and replacement expenses are to be placed in a capital reserve fund that will use accumulated funds for application toward principal costs of projected capital improvements related to the fire protection upgrades and other planned capital expenditures.

Future increases shall also take into account the “pass through” costs of the purchase of uncontrolled, mandatory services (such as, utility costs). Increases or decreases in the purchase of uncontrolled mandatory services, outside of typical inflationary values, shall be passed through proportionally when considering all annual rate adjustments.

Indexing assessments annually to the CPI and adjusting for “pass through” costs, allows for minor increases for normal maintenance and operating cost escalation without incurring the costs of the Proposition 218 ballot proceedings. Any significant change in the assessments initiated by an increase in service provided or other significant changes to the District would still require the Proposition 218 proceedings and property owner approval.

6.0 Appeals and Interpretation

Any property owner who claims that the assessment levied on its property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the District Administrator or her or his designee. Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the District Administrator or his or her designee will promptly review the appeal and any information provided by the property owner. If the District Administrator or her or his designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County for collection, the District Administrator or his or her designee is authorized to refund to the property owner the amount of any approved reduction. Any dispute over the decision of the District Administrator, or her or his designee, shall be referred to the Board of Directors of the Park District and the decision of the Board of Directors shall be final.

7.0 Summary

Assessment diagrams showing the boundaries of the Fire Protection District, as well as the assessed parcels are presented in Appendix B.

The lines and dimensions of each lot or parcel within the Assessment District are those lines and dimensions shown on the maps of the Assessor of the County of Humboldt for the fiscal year to which this report applies. The Assessor's maps and records are incorporated by reference herein and made part of this report.

An estimate of the costs of the services provided by the District is included in the text of this report.

The assessment methodology used is as described in the text of this report. Based on this methodology, the EBU's and FY 2016/17 District assessment for each parcel were calculated and are shown in the Assessment Roll (Appendix C). Parcels which show a special benefit assessment of \$0 did not meet applied criteria related to the methodology to warrant any assessment of benefit.

Each lot or parcel of land within the District has been identified by unique County Assessor's Parcel Number on the Assessment Roll and the Boundary Map and Assessment Diagram referenced herein. The net assessment for each parcel for FY 2016/17 can be found on the Assessment Roll.

A **Assessment Acts**

The Assessment Acts

Improvement Act of 1911

(Streets and Highways Code section 5000 et seq.)

The 1911 Act may be used by cities, counties, and "all corporations organized and existing for municipal purposes." Assessments under this Act may be used to fund a long list of improvements including:

- transportation systems (including acquisition, construction, maintenance, and operation costs related thereto);
- street paving and grading;
- sidewalks;
- parks;
- parkways;
- recreation areas (including necessary structures);
- sanitary sewers;
- drainage systems;
- street lighting;
- fire protection systems;
- flood protection;
- geologic hazard abatement or prevention;
- water supply systems;
- gas supply systems;
- retaining walls;
- ornamental vegetation;
- navigational facilities;
- land stabilization; and
- other "necessary improvements" to the local agency's streets, property, and easements.

The 1911 Act may also be used to create a maintenance district to fund the maintenance and operation of sewer facilities and lighting systems.

Pursuant to this act, improvements must be completed before their total cost is assessed against the properties within the district. Contractors are, in effect, reimbursed for their work from the proceeds of the district. This aspect of the 1911 Act requires that sufficient funds be available for the project before it is begun and is a major drawback of the legislation. Total costs may include acquisition, construction, and incidentals (including engineering fees, attorney's fees, assessment and collection expenses, and cost of relocating utilities). The uncertainty that results from Proposition 218's voting requirements will probably discourage the future use of the 1911 Act.

Individual assessments constitute liens against specific parcels and are due within 30 days of confirmation. If assessments are not paid in full within this period, a bond in the amount due is issued to the installer of the improvements and assessments are collected from individual properties to pay off the bond. The property owner receives a separate bill indicating the assessment due. Bonds may also be issued under the Improvement Bond Act of 1915 even though the assessment repaying the bonds has been levied under the 1911 Act. Alternatively, for assessments of less than \$150, the assessment may be collected on the tax roll upon which general taxes are collected.

Since the parcel being assessed is the only security for any bonds issued, accurately estimating the value of the property is very important. The feasibility of the project will hinge on the value of the property involved.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile these differences in the statute.

Municipal Improvement Act of 1913

(Streets and Highways Code section 10000 et seq.)

The 1913 Act may be used by cities, counties, joint powers authorities, and certain special districts which are empowered to make any of the improvements authorized under the Act. It specifically authorizes the construction and maintenance of all the facilities authorized under the 1911 Act as well as the following:

- works and appliances for providing water service, electrical power, gas service, and lighting; and
- public transit facilities serving an area smaller than 3 square miles (including stations, structures, rolling stock, and land acquisition related thereto).

In addition, a municipality may enter into an agreement with a landowner to take over the operation and other activities of a sewer or water system owned by that landowner and create a 1913 Act assessment district for the purpose of reimbursing the landowner. Such an assessment district may also include other land that can be served by the system, upon the written consent of the other affected landowners.

Unlike the 1911 Act, the total cost of improvements is assessed against the benefited properties before the improvements are completed. An assessment constitutes a lien against a specific parcel and is due within 30 days of recording the notice of assessment. If the landowner chooses not to pay the assessment in full at that time, bonds in the amount of the unpaid assessment may be issued under the 1911 Improvement Act or the 1915 Improvement Bond Act. Landowners will then be assessed payments over time.

A number of amendments to the Act enacted in 1992 have expanded its use to include certain building repairs and upgrades that are necessary to the public safety. For example, assessments may now finance work or loans to bring public and private real property or buildings into compliance with seismic safety and fire code requirements (Chapters 1197 and 832, Statutes of 1992.) Work is limited to that certified as necessary by local building officials. Revenues must be dedicated to upgrades; they cannot be used to construct new buildings nor dismantle an existing building. In addition, no property or building may be included within the boundaries of a 1913 Act district established for these purposes

without the consent of the property owner. Furthermore, when work is financed on residential rental units, the owner must offer a guarantee that the number of units in the building will not be reduced and rents will not be increased beyond an affordable level.

The 1913 Act can also be used to finance repairs to those particular private and public real properties or structures damaged by earthquake when located within a disaster area (as declared by the Governor) or an area where the Governor has proclaimed a state of emergency as a result of earthquake damage (Chapter 1197, Statutes of 1992). The kinds of work which may be financed include reconstruction, repair, shoring up, and replacement. A jurisdiction has seven years from the time a disaster area is declared or a state of emergency is proclaimed to establish a district under this statute.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative must be followed. Legislation is needed to reconcile the Act with Proposition 218.

Improvement Bond Act of 1915

(Streets and Highways Code section 8500 et seq.)

This legislation does not authorize assessments. Instead, it provides a vehicle for issuing assessment bonds (including variable interest bonds) for assessments levied under the 1911 and 1913 Acts as well as a number of other benefit assessment statutes. Under this legislation, the local legislative body may also issue "bond anticipation notes" prior to actual bond sale - in effect borrowing money against the assessment bonds being proposed for sale. The 1915 Act is available to cities, counties, public districts, and public agencies.

After assessments have been levied and property owners given the opportunity to pay them off in cash, the local government will issue bonds for the total amount of unpaid assessments. Assessments collected to pay off 1915 Act bonds appear on the regular tax bill and are collected in the same manner as property taxes.

Park and Playground Act of 1909

(Government Code section 38000 et seq.)

The Park and Playground Act is a method for cities to finance public park, urban open-space land playground, and library facilities. Pursuant to a 1974 revision, the act incorporates the procedures and powers of the Improvement Act of 1911, the Municipal Improvement Act of 1913, and the Improvement Act of 1915 to finance improvements. In addition to the power to levy assessments and issue bonds, the act provides that the city council may condemn land for improvements.

Tree Planting Act of 1931

(Streets and Highways Code section 22000 et seq.)

Pursuant to this act, cities may levy assessments to fund the planting, maintenance or removal of trees and shrubs along city streets and to pay employees to accomplish this work. Assessments for maintenance are limited to a period of 5 years.

These assessments are apportioned on the basis of street frontage. Work is to be administered by the city parks department or other agency as appointed by the city council.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218. A city contemplating the use of the Act should document that street frontage is a valid measure of "special benefit." If frontage is not a directly indicator of benefit, use of this Act may be difficult to defend.

Landscaping and Lighting Act of 1972

(Streets and Highways Code section 22500 et seq.)

This Act may be used by cities, counties, and special districts (including school districts). Alleged abuse of the Landscaping and Lighting Act by cities and school districts was one of the motivating forces behind Proposition 218. The initiative targeted the allegedly tenuous link between parks and recreation facilities and the benefit they provided to properties in the area. Prior to Proposition 218, the successful argument in favor of the Landscaping and Lighting Act was that parks, open space, and recreation facilities benefited properties by increasing their value. As a result of the strict definition of special benefit created by Proposition 218 ("General enhancement of property value does not constitute 'special benefit.'"), that justification no longer exists and this Act will be much harder to use.

The 1972 Act enables assessments to be imposed in order to finance:

- acquisition of land for parks, recreation, and open space;
- installation or construction of planting and landscaping, street lighting facilities, ornamental structures, and park and recreational improvements (including playground equipment, restrooms and lighting); and
- maintenance and servicing of any of the above.

Amendments to the Act, effective January 1, 1993, exclude from the authorized improvements any community center, municipal auditorium or hall, or similar public facility, unless approved by the property owners owning 50 percent of the area of assessable lands within the proposed district. The election shall be conducted following the adoption of an ordinance or resolution at a regular meeting of the legislative body of the local agency and is in lieu of any public notice or hearing otherwise required by this part.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Benefit Assessment Act of 1982

(Government Code section 54703 et seq.)

This statute provides a uniform procedure for the enactment of benefit assessments to finance the maintenance and operation costs of drainage, flood control, and street light services and the cost of installation and improvement of drainage or flood control facilities. Under legislation approved in 1989 (SB 975, Chapter 1449), this authority is expanded to include the maintenance of streets, roads, and highways. As with most other assessment acts, it may be used by cities, counties, and special districts which are otherwise authorized to provide such services. It does, however, have some differences that set it apart.

Assessments can be levied on a parcel, a class of property improvement, use of property, or any combination thereof. Assessments for flood control services can be levied on the basis of proportionate stormwater runoff from each parcel rather than a strict evaluation of the flood protection being provided. The amount of assessment must be evaluated and re-imposed annually. Assessments are collected in the same manner as property taxes.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Also, the Act states that an assessment may be levied wherever service is available, regardless of whether the service is actually used - this may conflict with the initiative's definition of "special benefit." Where differences exist between statute and initiative, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Integrated Financing District Act

(Government Code section 53175 et seq.)

This legislation creates an alternate method for collecting assessments levied under the 1911, 1913, and 1915 Acts, the Landscaping and Lighting Act of 1972, the Vehicle Parking District Law of 1943, the Parking District Law of 1951, the Park and Playground Act of 1909, the Mello-Roos Community Facilities Act of 1982, the Benefit Assessment Act of 1982, and charter cities' facility benefit assessments. The Integrated Financing District Act applies to all local agencies insofar as those agencies have the authority to use any of the above listed financing acts. Assessments levied under this act can be used to pay the cost of planning, designing, and constructing capital facilities authorized by the applicable financing act, pay for all or part of the principle and interest on debt incurred pursuant to the applicable financing act, and to reimburse a private investor in the project.

The Integrated Financing District Act has two unique properties:

1. It can levy an assessment which is contingent upon *future* land development and payable upon approval of a subdivision map or zone change or the receipt of building permits.
2. It allows the local agency to enter into an agreement with a private investor whereby the investor will be reimbursed for funds advanced to the agency for the project being financed.

Because the assessment is not triggered until development is ready to begin, these features make the act an attractive option when development is to occur in phases. Payment of assessments will be deferred until such time as public improvements are needed.

The procedure for creating an integrated financing district, including entering into a reimbursement agreement, is in addition to the procedure required by the applicable assessment act. The resolution of intention must include a description of the rates and method of apportionment, the contingencies which will trigger assessment of the levy, the fixed dollar amount per unit of development for the contingent levy, and a description of any proposed reimbursement agreement. The assessment and entry into any agreement are effective upon approval of the legislative body.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Street Lighting Act of 1919

(Streets and Highways Code section 18000 et seq.)

This act allows cities to levy benefit assessments for the maintenance and operation of street lighting systems. Assessments may also finance the installation of such a system by a public utility.

Assessments are liens against land and are due within 30 days of being recorded by the tax collector. The 1919 Act also establishes two alternate methods for collecting payments on an installment basis in the manner of property taxes. An assessment levied under this act must be evaluated and reapplied annually after a public hearing, and , pursuant to Proposition 218, a vote of the property owners.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Municipal Lighting Maintenance District Act of 1927

(Streets and Highways Code section 18600 et seq.)

This statute provides for the maintenance and operation (but not the installation) of street lighting systems within cities. Assessments are limited to a maximum of 5 years.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Street Lighting Act of 1931

(Streets and Highways Code section 18300 et seq.)

The 1931 Act is another means for cities to finance the maintenance and service (but not installation) of street lighting systems. Assessments under this act are levied annually and collected in installments in the manner of city taxes. The term of assessment is limited to 5 years.

As of this writing, the public notice and assessment procedure under the Act (which resembles the procedure under the 1919 Street Lighting Act) conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking District Law of 1943

(Streets and Highways Code section 31500 et seq.)

This act authorizes a city or county to levy assessments to finance:

- the acquisition of land for parking facilities;
- the construction, operation, and maintenance of parking facilities (including garages); and
- the costs of engineers, attorneys, or other people necessary to acquisition, construction, operations, and maintenance.

The Parking District Law incorporates the assessment procedures and powers of the 1911, 1913, and 1915 Acts discussed previously. It also authorizes the use of meters, user fees, and ad valorem taxes to raise funds.

Once parking facilities have been acquired, administration of the parking district is turned over to a "Board of Parking Place Commissioners" appointed by the city mayor or county board of supervisors. This board reports to the legislative body on the status of the district each year. Annual assessments are levied by the legislative body, in accordance with Proposition 218.

As mentioned earlier, the public notice and assessment procedures of the 1911, 1913, and 1915 Acts currently conflict with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking District Law of 1951

(Streets and Highways Code section 35100 et seq.)

Cities are authorized to finance the following activities under this act:

- acquisition of land for parking facilities (including the power of eminent domain),
- improvement and construction of parking lots and facilities,
- issuance of bonds, and
- employee salaries.

Special assessments under the 1911 Act may be levied to replace the use of fees and charges to repay outstanding bonds. Other revenue sources may include user fees, parking meter charges, and ad valorem taxes.

District formation proceedings are initiated upon petition of involved land owners and generally follow the pattern of other assessment acts. As in the 1943 Act, the district is to be administered by an appointed parking commission.

As with those other acts, the public notice and assessment procedure of the 1951 Act currently conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking and Business Improvement Area Law of 1989

(Streets and Highways Code section 36500 et seq.)

This act recodifies and supplants the 1979 law of the same name, now repealed. The Parking and Business Improvement Area Law of 1989 enables a city, county, or joint powers authority made up of any combination of cities and counties to establish areas of benefit and to levy assessments on businesses within those areas to finance the following improvements:

- parking facilities,
- parks,
- fountains, benches, and trash receptacles,
- street lighting, and
- decorations.

Assessment revenues may also be used for any of the following activities:

- promotion of public events benefiting area,
- businesses which take place in public places within the area,
- furnishing music to any public place in the area,
- promotion of tourism within the area, and
- any other activities which benefit businesses located in the area.

Assessments must be directly proportional to the estimated benefit being received by the businesses upon which they are levied. Furthermore, in an area formed to promote tourism, only businesses that benefit from tourist visits may be assessed. The agency creating the assessment district area is authorized to finance only those improvements or activities which were specified at the time the area is formed. An unusual feature of this law is that assessments may be apportioned differently among zones of benefit, in relation to the benefit being received by businesses within each zone. The agency should carefully document the special benefit which each assessed property will receive. Pursuant to Proposition 218, the assessment cannot finance improvements or services of general benefit.

Establishment proceedings may be initiated by the legislative body of either the city or county. The procedure is generally similar to other assessment acts and requires adoption of a resolution of intention and a noticed public hearing at which protests may be considered. If written protests are received from the owners of businesses which would pay 50 percent or more of the proposed assessment, the formation proceedings must be set aside for a period of one year. If these protests are only against a particular improvement or activity, the legislative body must delete that improvement or activity from the proposal. After a district has been established under this law, the legislative body must appoint an advisory board to make recommendations on the expenditure of revenues from the assessment. The advisory board may also be appointed prior to the adoption of a resolution of intention to make recommendations regarding that notice.

There's some ambiguity over whether Proposition 218 applies to the 1989 Law. Arguably, it does not apply since assessments are levied on businesses and are therefore not "a charge upon real property." Agencies should approach this assessment act with caution and a strong opinion from counsel before choosing not to comply with Proposition 218.

Property and Business Improvement District Law of 1994

(Streets and Highways Code section 36600 et seq.)

A city, county, or joint powers authority made up of cities and counties may adopt a resolution of intention to establish this type of district upon receiving a written petition signed by the property owners of the proposed district who would pay more than 50 percent of the assessments being proposed. The city, county, or JPA must appoint an advisory board within 15 days of receiving a petition which shall make recommendations to the legislative body regarding the proposed assessments (Streets and Highways Code section 36631).

The improvements which may be financed by these assessments include those enumerated under the Parking and Business and Improvement Area Law of 1989, as well as such other items as:

- closing, opening, widening, or narrowing existing streets,
- rehabilitation or removal of existing structures, and
- facilities or equipment, or both, to enhance security within the area.

Assessment revenues may finance the activities listed under the 1989 Law, as well as the following:

- marketing and economic development; and
- security, sanitation, graffiti removal, street cleaning, and other municipal services supplemental to those normally provided by the municipality.

No provision is made within this law for financing bonded indebtedness.

The property owners' petition is required to include a management district plan consisting of a parcel-specific map of the proposed district, the name of the proposed district, a description of the proposed boundaries, the improvements or activities being proposed over the life of the district and their cost, the total annual amount proposed to be expended in each year of the district's operation, the proposed method and basis of levying the assessment, the time and manner of collecting assessments, the number of years in which assessments will be levied (this is limited to five years maximum), a list of the properties being benefited, and other related matters (Streets and Highways Code 36622).

The legislative body's resolution must include the management district plan as well as the time and place for a public hearing on the establishment of the district and levy of assessments will be held (Streets and Highways Code 36621). This hearing must be held within 60 days after the adoption of the resolution. Hearing notice must be provided pursuant to Government Code section 54954.6. Both mailed and newspaper notice are required (Streets and Highways Code section 36623).

The proposal to form the district must be abandoned if written protests are received from the owners of real property within the proposed district who would pay 50 percent or more of the assessments (Streets and Highways Code section 36625). In addition, when a majority protest has been tendered, the legislative body is prohibited from reinitiating the assessment proposal for a period of one year.

The public notice and assessment procedures of the 1994 Law are similar to the provisions of Proposition 218. An agency proposing to use the Act should take care to ensure that they are proceeding in harmony with Proposition 218 and that the properties being assessed are receiving an actual special benefit. Where conflicts exist, the requirements of the initiative prevail.

No assessments under this law can be levied on residential properties or on land zoned for agricultural use (Streets and Highways Code section 36635).

This statute is an alternative to the Parking and Business and Improvement Area Law of 1989 and does not affect any districts formed under that law.

Pedestrian Mall Law of 1960

(Streets and Highways Code section 11000 et seq.)

This authorizes cities and counties to establish pedestrian malls, acquire land for such malls (including power of eminent domain), restrict auto traffic within the malls, and to levy benefit assessments to fund mall improvements. Improvements may include:

- street paving,
- water lines,
- sewer and drainage works,
- street lighting,
- fire protection,

- flood control facilities,
- parking areas,
- statues, fountains and decorations,
- landscaping and tree planting,
- child care facilities,
- improvements necessary to a covered air-conditioned mall, and
- relocation of city-owned facilities.

Assessments may also be used to pay damages awarded to a property owner as a result of the mall.

Establishment proceedings are similar to those found in other assessment acts. Accordingly, these provisions do not currently conform to the requirements of Proposition 218 and await reconciliation. Where conflicts exist, the requirements of the initiative prevail. Assessments and bonds are to be levied in accordance with the provisions of the Vehicle Parking District Law of 1943 (which provides for use of the 1911 and 1915 Acts, among others).

Permanent Road Divisions Law

(Streets and Highway Code sections 1160 et seq.)

This statute enables counties to establish areas of benefit (called "divisions" under this law) within which assessments may be levied in order to finance construction, improvement, or maintenance of any county road, public road easement, or private road or easement which contains a public easement (Streets and Highways Code section 1179.5). The statute also empowers a board of supervisors to levy special taxes for these purposes upon approval by 2/3 of the electorate within the division.

Proceedings for the formation of a road division may be initiated by either: (1) a resolution of the Board of Supervisors; or, (2) submittal to the Board of Supervisors of a petition containing either the signatures of a majority of the land owners within the proposed division or the owners of more than 50 percent of the assessed valuation. The public notice and assessment procedures of the Permanent Road Divisions Law conflict with the provisions of Proposition 218 by failing to provide for a property owners' ballot. The requirements of Proposition 218 must be followed in order to establish a division. Legislation is needed to reconcile the Act with Proposition 218.

Community Rehabilitation District Law of 1985

(Government Code section 53370 et seq.)

This act provides a means for cities and counties to finance the rehabilitation, renovation, repair or restoration of existing public infrastructure. It cannot, however, be used to pay for maintenance or services. A Community Rehabilitation District cannot be formed within a redevelopment project area.

A district established under the 1985 Act can rehabilitate public capital facilities such as:

- streets,
- sewer and water pipes,
- storm drains,
- sewer and water treatment plants,
- bridges and overpasses,
- street lights,
- public buildings,

- criminal justice facilities,
- libraries, and
- park facilities.

It can also finance the expansion of facility capacity or the conversion to alternative technology.

The 1985 Act allows a rehabilitation district to use any of the following financing tools:

- Special assessments under the Improvement Act of 1911 and the Municipal Improvement Act of 1913 and bonds under the Improvement Bond Act of 1915.
- Special taxes and bonds pursuant to the Mello-Roos Community Facilities Act of 1982.
- Fees or charges, provided that these do not exceed the amount reasonably necessary to cover the cost of the involved project.
- Senior obligation bonds under the 1985 Act's own provisions (Gov. Code section 53387 et seq.).

Certain of the public notice and assessment procedures of this act conflict with Proposition 218. An agency proposing to use the Community Rehabilitation District Law should take care to ensure that they are proceeding in harmony with Proposition 218 and that the properties being assessed are receiving a concrete special benefit. Under Proposition 218, a general enhancement of property value is not a special benefit.

Public notice must be provided over a period of 5 weeks prior to the district formation hearing. This notice must contain the text of the resolution of intent, the time and place of the hearing, and a statement that the hearing will be open to all interested persons in favor of or opposed to any aspect of the district. If the district will utilize any of the above special assessment or community facilities acts, it may combine the notices required by those acts with this notice.

A separate procedure exists for issuing, administering, and refunding senior obligation bonds pursuant to the 1985 Act (Gov. Code sections 53387 - 53594). Issuance involves adopting a resolution of intention and submitting the bond issue to the voters of the district. Affirmation by a simple majority of voters is necessary to approve issuance of the bonds.

Geologic Hazard Abatement District of 1979

(Public Resources Code section 26500 et seq.)

This statute authorizes a city or county to create an independent Geologic Hazard Abatement District (GHAD) empowered to finance the prevention, mitigation, abatement, or control of actual or potential geologic hazards through the levy and collection of special assessments. The statute broadly defines geologic hazards to include: landslides, land subsidence, soil erosion, earthquakes, or "any other natural or unnatural movement of land or earth."

A district can:

- acquire property by purchase, lease, gift, or eminent domain;
- construct improvements;
- maintain, repair, or operate any improvements; and
- use any of the assessment and bond procedures established in the Improvement Act of 1911, the Municipal Improvement Act of 1913, and the Improvement Bond Act of 1915.

Proceedings for forming a GHAD may be initiated by resolution of the city or county or by petition of the owners of at least 10% of affected property. A landowner petition must include signatures, legal descriptions, and a map of the proposed district boundaries. In addition, the city, county, or petitioners must include a "plan of control" prepared by an engineering geologist which describes the geologic hazard to be addressed, its location, the affected area, and a plan for the prevention, mitigation, abatement, or control of the hazard.

When forming a GHAD, the legislative body of the city or county can be the governing body of the district. Alternatively, the legislative body can appoint five land owners to act as the district's board of directors. Thereafter, board members will be elected every four years from within the district. Unlike most special assessment districts, the GHAD is an entity independent of the city or county.

The current procedure for forming a GHAD conflicts with Proposition 218 in that it does not provide for a property owners' ballot on the question of formation. When forming a GHAD, the city or county must conform its procedure to the engineer's report, public notice, balloting, and other requirements of Proposition 218.

The statute also provides for emergency formation of a GHAD upon the request of two-thirds of the affected property owners (Public Resources Code sections 26568-26597.7). This is invalid to the extent it conflicts with Proposition 218.

The statute does not describe the method for dissolving a GHAD. However, the California Court of Appeal has opined that dissolution of a GHAD is subject to the procedures of the Cortese-Knox Local Government Reorganization Act (Gov. Code 56000, et seq.) and cannot be unilaterally undertaken by a city (*Las Tunas GHAD v. Superior Court (City of Malibu)* (1995) 38 Cal.App.4th 1002). Under this interpretation, although district formation is undertaken by a city or county without the involvement of the county Local Agency Formation Commission (LAFCO), dissolving a district requires adherence to LAFCO procedures.

A GHAD has several advantages to recommend it. One, its boundaries need not be contiguous, so it can focus on just those properties subject to hazard. Second, it is an independent district with its own board of directors drawn from the affected property owners. Third, it is not limited to a single city or county; its boundaries can cross jurisdictional lines. Fourth, its formation proceedings are not subject to review by the Local Agency Formation Commission, thereby simplifying the process. Fifth, its formation is exempt from the California Environmental Quality Act.

Contra Costa County has formed GHADs in its Blackhawk and Canyon Lakes developments. In both, the County Board of Supervisors serves as the governing body.

Open Space Maintenance Act of 1974

(Government Code sections 50575 et seq.)

Cities and counties are empowered to spend public funds to acquire open space land for preservation (Government Code sections 6950-6954). The Open Space Maintenance Act provides a means to levy an ad valorem special assessment to pay for the following services related to such land:

- conservation planning;
- maintenance;

- improvements related to open space conservation; and
- reduction of fire, erosion, and flooding hazards through clearing brush, making fire protection improvements not otherwise provided the area, planting and maintaining trees and other vegetation, creating regulations limiting area use, and construction of general improvements.

The owners of lands representing 25% or more of the value of the assessable land within the proposed district may initiate district formation by filing a petition with the involved city or county. The local legislative body must then prepare a preliminary report containing a description of the proposed boundaries, the work to be done, an estimate of the cost of the assessment, and illustrating the parcels to be benefitted. The planning commission must review the report and make recommendation to the legislative body. Once the legislative body has reviewed the report, concluded that such a district is justified, and adopted an ordinance of intention to form an assessment district, it will set a time and place for hearing objections to the proposal. The ordinance of intention must specify the district boundaries, the proposed projects, the annual assessment, the maximum assessment, and the time of the protest hearing (Government Code section 50593). Notice must be placed in a newspaper of general circulation, mailed to involved property owners, and posted in a public place. The formation proceedings in current law conflict with the requirements of Proposition 218. A city or county must be careful to substitute the requirements of Proposition 218 for any conflicting provisions in the code. This statute needs to be amended to reconcile it with Proposition 218.

Fire Suppression Assessment of 1978

(Government Code section 50078 et seq.)

Special districts, county service areas, counties, and cities which provide fire suppression services (including those provided by contracting with other agencies) are authorized to levy assessments under this act. The resulting revenues may be used to obtain, furnish, operate, and maintain fire-fighting equipment and to pay salaries and benefits to firefighting personnel.

Unlike the other special assessment acts, invocation of fire suppression assessments does not require establishment of an assessment district. Instead, the jurisdiction levying the assessment specifies those parcels or zones within its boundaries that will be subject to assessment.

Assessments are based upon uniform schedules or rates determined by the risk classification of structures and property use. Agricultural, timber, and livestock land is assessed at a lower rate on the basis of relative risk to the land and its products. The local agency may establish zones of benefit, restricting the applicability of assessments. In addition, assessments may be levied on parcels, classes of improvement or property use or any combination thereof. Assessments are proportional to the fire protection benefits received by property and improvements, but may be levied whether or not the service is actually used.

The procedure for establishing a fire suppression assessment includes:

- filing of a report which details the land to be assessed, the initial amount of assessment, the maximum assessment, the duration of the assessment, and the schedule or rate of assessment;
- public notice and hearing;
- protest procedures; and
- adoption of an ordinance or resolution imposing the levy.

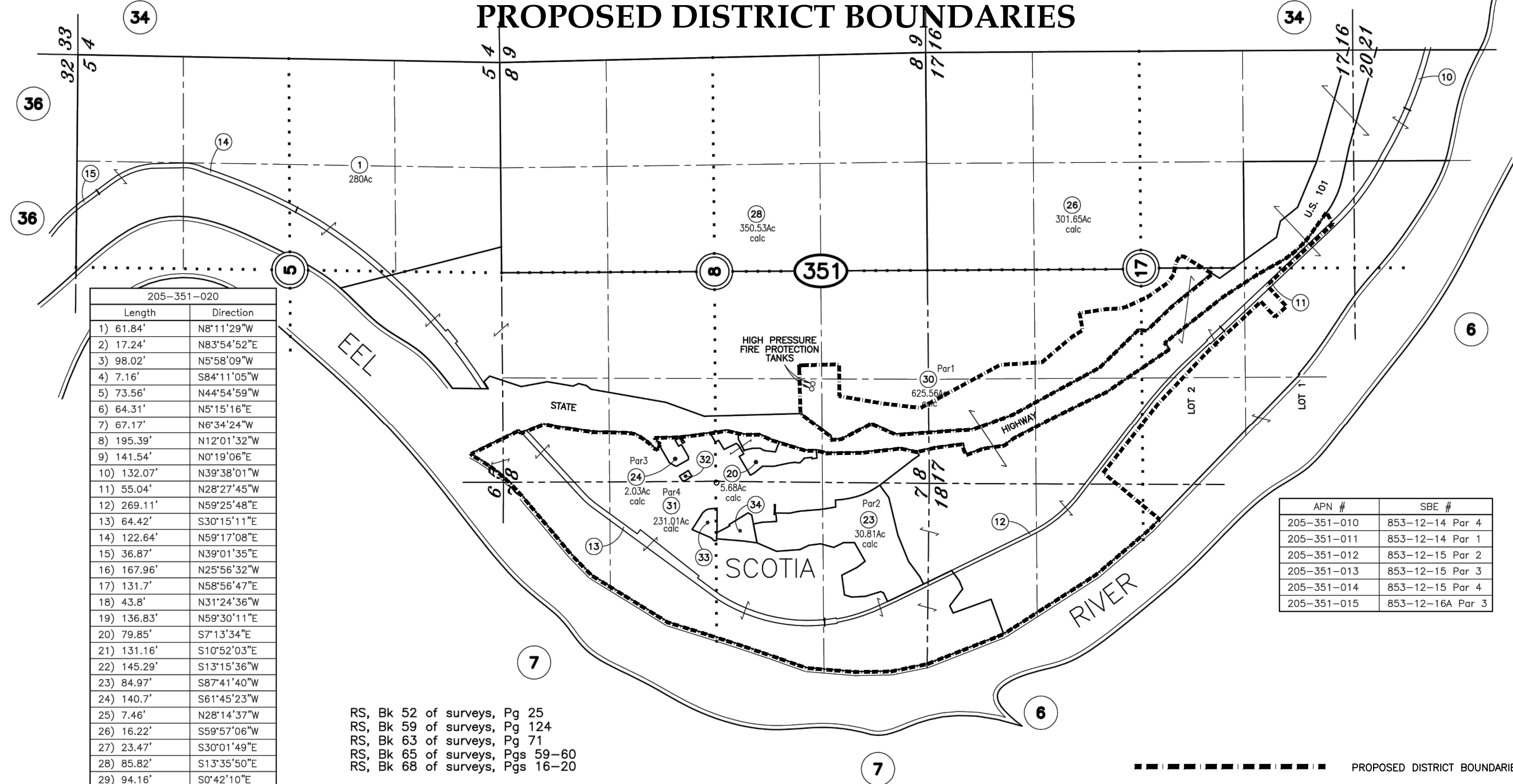
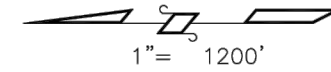
Proposition 218, with its strict definition of "special benefit," may pose a problem for new or increased assessments under this code. In fact, some jurisdictions, such as the Tamalpais Valley Fire District and the County of Los Angeles, have placed fire protection levies before the voters as special taxes (subject to two-thirds approval), effectively converting them from assessments.

The agency proposing to levy fire suppression assessments must be careful to document the special benefit (excluding any benefit to the general public and any general enhancement of property value) accruing to each parcel that is included in the assessment district. In addition, the formation proceedings in current law conflict with the requirements of Proposition 218. A city or county must substitute the requirements of Proposition 218 for all conflicting provisions in the code.

B

District Boundaries

SCOTIA CSD PROPOSED DISTRICT BOUNDARIES



RS, Bk 52 of surveys, Pg 25
RS, Bk 59 of surveys, Pg 124
RS, Bk 63 of surveys, Pg 71
RS, Bk 65 of surveys, Pgs 59–60
RS, Bk 68 of surveys, Pgs 16–20

Assessor's Map Bk. 205, Pg.35
County of Humboldt, CA.

SCOTIA CSD
PROPOSED DISTRICT BOUNDARIES

005161.400

Figure 1

C

Assessment Roll

Scotia Community Services District
Fire Protection Assessment
Fiscal Year 2016/17

Assessment Roll

Parcel identification for each lot or parcel within the District, shall be the parcel as shown on the Humboldt County Secured Roll for the year in which the report is prepared and reflective of the Assessor's parcel maps. A complete listing of the parcels within this District, along with each parcel's assessment amount to be levied for Fiscal Year 2016/2017 is provided below.

These assessments will be submitted to the County Auditor/Controller to be included on the property tax roll for fiscal year 2016/2017. If any parcel submitted for collection is identified by the County Auditor/Controller to be an invalid parcel number for the fiscal year, a corrected parcel number and/or new parcel numbers will be identified and resubmitted to the County. The assessment amount to be levied and collected for the resubmitted parcel or parcels shall be recalculated based on the method of apportionment and assessment rates as approved herein by the SCSD Board of Directors.

Assessor's Parcel Number	EBUs¹	Special Benefit Assessment
205-531-011-000 ²	0	\$0
205-531-012-000 ²	0	\$0
205-531-013-000 ²	0	\$0
205-531-020-000	35	\$5,143
205-531-023-000	119	\$17,487
205-531-024-000	13	\$1,910
205-531-026-000 ²	0	\$0
205-531-030-000	643	\$94,491
205-531-031-000	586	\$86,115
205-531-032-000	3	\$441
205-531-033-000	9	\$1,323
205-531-034-000	10	\$1,470
	Total	\$208,380
1. EBU: equivalent benefit units 2. Parcels did not meet applied criteria related to the methodology to warrant any assessment of special benefit.		

Parks and Recreation

Engineer's Report for Assessment of Benefits

Prepared for:

Scotia Community Services District



Engineers & Geologists

812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

005161.400

Parks & Recreation

Engineer's Report for Assessment of Benefits

Prepared for:

Scotia Community Services District

PO Box 245

Scotia, CA 95565-0245



Prepared by:



Engineers & Geologists

812 W. Wabash Ave.

Eureka, CA 95501-2138

707-441-8855

March 2016

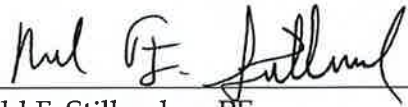
QA/QC: MKF


Scotia Community Services District Parks & Recreation

Engineer's Report Certificate

This report describes the Parks & Recreation Assessment including improvements, budgets, parcels, and assessments to be levied over the next five fiscal years beginning with FY 2016/2017. Reference is hereby made to Humboldt County Assessor's maps for a detailed description of the lines and dimensions of parcels within the District. The undersigned respectfully submits the enclosed report as directed by the District Board.

Dated this 29th day of March 2016.

By: 
Ronald F. Stillmaker, PE
Sr. Civil Engineer
SHN Engineers & Geologists

By: 
Mike Foget, PE, LEED AP
Civil Engineering Principal
SHN Engineers & Geologists

I hereby certify that the enclosed Engineer's Report, together with Assessment Roll and Assessment Diagram thereto attached, was approved and confirmed by the Scotia Community Services District Board of Directors, Scotia California, on the _____ day of _____, 2016.

By _____
Chairperson
Scotia Community Services District
Humboldt County, California

Table of Contents

	Page
Engineer's Report Certificate.....	i
Acronyms & Abbreviations.....	i
1.0 Introduction.....	1
1.1 Proposition 218.....	1
1.2 Purpose and Authorization.....	1
1.3 District Improvements.....	3
2.0 Improvement Costs.....	3
3.0 Method of Assessment.....	5
3.1 Background.....	5
3.2 Special Benefit.....	5
3.3 General Benefit.....	6
3.4 Apportionment.....	6
4.0 Duration of Assessment.....	9
5.0 Annual Escalators.....	9
6.0 Appeals and Interpretation.....	9
7.0 Summary.....	10

Appendices

- A. Assessment Acts
- B. District Boundary
- C. Assessment Roll

List of Illustrations

Tables	Page
1. Projected Expenses, Parks and Recreation Fund, SCSD.....	4
2. Assessment Factors.....	7
3. Parks and Recreation EBU Estimate.....	8

Acronyms & Abbreviations

CPI	consumer price index
EBU	equivalent benefit unit
FY	fiscal year
HRC	Humboldt Redwood Company
NPRA	National Parks and Recreation Association
O&M	operations and maintenance
SANDAG	San Diego Association of Governments Traffic Generators Study
SCSD	Scotia Community Services District
SHN	SHN Engineers & Geologists
TOS	Town of Scotia Company, LLC

1.0 Introduction

Located in the heart of California Redwood Country, Scotia was developed starting in the 1880s and has been maintained since then as a true company town. The entire town was developed and constructed by The Pacific Lumber Company. The residences were all constructed and maintained by the company for its employees. Industrial, commercial, and community structures were also developed by the company, creating a consistency in historical design. In 2008, Pacific Lumber Company was reorganized. Today, Scotia is owned and operated by the Town of Scotia Company, LLC (TOS); the sawmill is operated by Humboldt Redwood Company (HRC). TOS is in the process of subdividing the properties and selling them into private ownership. In 2014 the Scotia Community Services District (SCSD) was formed to provide the town with essential services associated with water, wastewater, streets and street lighting, storm drainage, parks and recreation, and Fire fighting. This report provides support and recommendations for establishment of benefit assessments to support the provision of those services by the SCSD.

This assessment was conducted by SHN Engineers & Geologists on behalf of the SCSD.

1.1 Proposition 218

On November 5, 1996, the electorate approved Proposition 218, Right to Vote on Taxes Act, which added Articles XIII C and XIII D to the California Constitution. The proposition affects all assessments upon real property for a special benefit conferred on the property. As written, Proposition 218 exempts assessments for street purposes from the voting requirement.

Proposition 218 establishes a strict definition of "special benefit." For the purposes of all assessment acts, special benefit means "a particular and distinct benefit over and above general benefits conferred on real property located in the district or the public at large. General enhancement of property value does not constitute 'special benefit.'" In a reversal of previous law, a local agency is prohibited by Proposition 218 from including the cost of any general benefit in the assessment apportioned to individual properties. Assessments are limited to those necessary to recover the cost of the special benefit provided the property.

In addition, assessments levied on individual parcels are limited to the "reasonable cost of the proportional special benefit conferred on that parcel."

Previously, assessments were seldom if ever levied on public property. Proposition 218 specifically requires assessments to be levied on public parcels within an assessment district, unless the agency that owns the parcel can "demonstrate by clear and convincing evidence" that its parcel will receive no special benefit.

A summary of other Assessment Acts is presented in Appendix A.

1.2 Purpose and Authorization

The boundaries of the Assessment District (District) are coterminous with the SCSD boundaries. The purpose of this District is to provide a stable revenue source, coupled with available grants and donations from other sources, to fund the ongoing operation, maintenance, expansion, enhancement, construction, renovation, and rehabilitation of the SCSD park and recreational

improvements, including parks, wilderness parklands, open space, trails, sports facilities, recreation and activity centers, and facilities (collectively referred to as “improvements”) that provide special benefits to properties within the SCSD, including incidental expenses and debt services for any bond(s), loans, or other repayment plans incurred to finance capital improvements.

Improvements Authorized by the 1972 Act

The 1972 Act permits assessments proceeds to be spent on the following:

- The installation or planting of landscaping
- The installation or construction of statuary, fountains, and other ornamental structures and facilities
- The installation or construction of public lighting facilities
- The installation or construction of any facilities that are appurtenant to any of the foregoing or that are necessary or convenient for the maintenance or servicing thereof, including, but not limited to, grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks, or paving, or water, irrigation, drainage, or electrical facilities
- The installation of park or recreational improvements, including, but not limited to, all of the following:
 - Land preparation, such as, grading, leveling, cutting and filling, sod, landscaping, irrigation systems, sidewalks, and drainage
 - Lights, playground equipment, play courts, and public restrooms
- The maintenance or servicing, or both, of any of the foregoing
- The acquisition of land for park, recreational, or open-space purposes
- The acquisition of any existing improvement otherwise authorized pursuant to this section
- The acquisition or construction of any community center, municipal auditorium or hall, or similar public facility for the indoor presentation of performances, shows, stage productions, fairs, conventions, exhibitions, pageants, meetings, parties, or other group events, activities, or functions, whether those events, activities, or functions are public or private
- Incidental expenses associated with the improvements including, but not limited to:
 - the cost of preparation of the report, including plans, specifications, estimates, diagram, and assessment;
 - the costs of printing, advertising, and the publishing, posting and mailing of notices;
 - compensation payable to the County for collection of assessments;
 - compensation of any engineer or attorney employed to render services;
 - any other expenses incidental to the construction, installation, or maintenance and servicing of the improvements;
 - any expenses incidental to the issuance of bonds or notes pursuant to Section 22662.5.
 - costs associated with any elections held for the approval of a new or increased assessment.

- Where the cost of improvements (other than O&M) is greater than can be conveniently raised from a single annual assessment, the 1972 Act permits an assessment to be levied and collected in annual installments. In that event, the governing body may choose to do any of the following:
 - Provide for the accumulation of the moneys in an improvement fund until there are sufficient moneys to pay all or part of the cost of the improvements.
 - Provide for a temporary advance to the improvement fund from any available and unencumbered funds of the local agency to pay all or part of the cost of the improvements and collect those advanced moneys from the annual installments collected through the assessments.
 - Borrow an amount necessary to finance the estimated cost of the proposed improvements. The amount borrowed, including amounts for bonds issued to finance the estimated cost of the proposed improvements.

1.3 District Improvements

The District assessments will fully or partially fund various improvements and activities that specially benefit properties within the District. It is the goal and intent for this District to provide a stable revenue source that will allow the SCSD to fund the ongoing maintenance of the various park and recreational facilities for the community and endeavors to improve the overall park and recreational system that directly affect the properties and quality of life for residents, tenants, employees and owners of properties within the SCSD. To the full extent permitted by the 1972 Act, the improvements, projects and expenditures to be funded by the assessments may include:

- Operation and Maintenance: operation and maintenance of park and recreational improvements throughout the District
- Acquisitions: The acquisition of land or facilities for park or recreational purposes
- Resource Development: The construction, installation, and/or expansion of various park sites, trails, open spaces, halls/activity centers (community centers) and related recreational facilities within the District
- Facility Enhancements/Rehabilitation: Periodic repairs and renovations of recreational sites and facilities (parks, trails, community centers) including, but not limited signage, playground, and tot-lot equipment; sports field fencing; portable soccer goals; ball fields; tennis courts; basketball courts; sports facility lighting; parking facilities; restrooms, kitchens and related equipment and amenities such electrical, irrigation and drainage systems, tables benches, etc.
- Capital Improvements: Major repairs of recreational buildings and facilities that may include repair or replacement roofs, interior building repairs, replacement of permanent fixtures, structural repairs, internal building remodels, as well as the construction and installation of new facilities

2.0 Improvement Costs

The projected five-year annual expenses for the Assessment District are presented in Table 1 (on the following page).

Table 1 Projected Expenses, Parks and Recreation Fund, SCSD					
	FY ¹ 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Personal Services					
Attorney	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082
Auditor (Annual Audit)	\$600	\$612	\$624	\$637	\$649
Board Stipend	\$300	\$300	\$300	\$300	\$300
Bookkeeping/CPA Consult	\$50	\$510	\$520	\$531	\$541
O&M ² Staff (Salaries & Benefits)	\$61,900	\$63,138	\$64,401	\$65,689	\$67,003
Total Personal Services	\$63,850	\$65,580	\$66,886	\$68,217	\$69,576
Materials and Services					
Bond, Dues, Publications	\$100	\$103	\$106	\$109	\$113
Supplies, Lab, Permitting & Monitoring	\$4,500	\$4,635	\$4,774	\$4,917	\$5,065
Utilities- water, sewer communications	\$4,800	\$4,944	\$5,092	\$5,245	\$5,402
General Maintenance & Repair	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Insurance	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Electrical	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Contracted Maintenance Services	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Total Materials and Services	\$17,400	\$17,922	\$18,460	\$19,013	\$19,584
Total O&M	\$81,250	\$83,502	\$85,345	\$87,231	\$89,160
Other Expenditures					
Annual Debt Service	\$925	\$925	\$26,625	\$26,625	\$44,105
Transfer to Equipment Replacement Fund	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Transfer to Reserve Fund	\$66,183	\$67,012	\$0	\$52,468	\$0
Total Other Expenditures	\$70,858	\$71,687	\$20,095	\$72,563	\$39,285
Capital Outlay					
SCSD Office Building	\$13,500	\$0	\$0	\$0	\$0
Winema Theater Improvements	\$0	\$0	\$375,000	\$0	\$0
Ball Fields/Bathroom Improvements	\$0	\$0	\$0	\$0	\$250,000
Museum Improvements	\$0	\$0	\$0	\$0	\$80,000
Office Equipment/Furnishings Start-up	\$1,000	\$0	\$0	\$0	\$0
Total Capital Expenditures	\$14,500	\$0	\$375,000	\$0	\$330,000
Total All Expenditures	\$166,608	\$155,189	\$480,440	\$159,794	\$458,445
1. FY: fiscal year 2. O&M: operations and maintenance					

The capital expenditures projected over the five-year period include debt financed projects consisting of purchase of an office building for the District, improvements to the Winema Theater, ball fields/bathrooms, and museum. FY 16-17 also includes a purchase of office equipment/furnishings (\$1,000). Expenses associated with annual debt services for the projected capital projects are reflected in the benefit assessment.

3.0 Method of Assessment

3.1 Background

The Benefit Assessment Act of 1982 provides that assessments may be apportioned upon all assessable lots or parcels of land within an assessment district in proportion to the estimated benefits to be received by each lot or parcel from the improvements. In addition, Proposition 218 requires that a parcel's assessment may not exceed the reasonable cost of the proportional special benefit conferred on that parcel. The proposition provides that only special benefits are assessable, and the District must separate the general benefits from the special benefits conferred on a parcel. A special benefit is a particular and distinct benefit over and above general benefits conferred on the public at large, including real property within the District. The general enhancement of property value does not constitute a special benefit.

3.2 Special Benefit

According to the industry-standard guidelines established by the National Park and Recreation Association (NPRA), neighborhood parks in urban areas have a service area radius of generally one-half mile and community parks have a service area radius of approximately two miles. The service radii for neighborhood parks and neighborhood green spaces were specifically established to give all properties within these service radii close proximity and easy walking access to such public land areas. Because proximate and accessible parks serve as an extension of the usable land area for property in the service radii, and because the service radii was specifically designed to provide close proximity and access, the parcels within this service area clearly receive a direct advantage and special benefit from the improvements; this advantage is not received by other properties or the public at large.

An analysis of the service radii for the park facilities within the District finds that all properties in the Assessment District enjoy the distinct and direct advantage of being close and proximate to the parks within the Assessment District. The benefiting properties in the Assessment District, therefore, uniquely and specially benefit from the improvements.

In absence of the assessments, the parks facilities would not be provided and the parks and recreation areas in the Assessment District would be degraded due to insufficient funding for maintenance, upkeep, and repair. Therefore, the assessments provide improvements that are over and above what otherwise would be provided. Improvements that are over and above what otherwise would be provided do not by themselves translate into special benefits, but when combined with the unique proximity and access enjoyed by parcels in the Assessment District, they provide a direct advantage and special benefit to property in the Assessment District.

In summary, real property located within the boundaries of the Assessment District distinctly and directly benefits from closer proximity, access and views of improved parks, recreation facilities, open space, landscaped corridors, and other public resources funded by the Assessments. The improvements are specifically designed to serve local properties in the Assessment District, not other properties or the public at large.

3.3 General Benefit

The Parks and Recreation facilities are located within and/or immediately adjacent to properties within the District, and were installed and are maintained particularly and solely to serve, and for the benefit of, the properties within the District. Any benefit received by properties outside of the District is inadvertent and unintentional. Therefore, any general benefits associated with the street and street lighting facilities of the District are merely incidental, negligible, and non-quantifiable.

3.4 Apportionment

In the process of determining the appropriate method of assessment, the Engineer considered various alternatives. For example, an assessment only for residential improved property was considered, but was determined to be inappropriate because commercial, industrial, and other property also receive direct benefits from the improvements.

Moreover, a fixed or flat assessment for all properties of similar type was deemed inappropriate, because larger properties receive a higher degree of benefit than other similarly used properties that are significantly smaller. (For two properties used for commercial purposes, there is clearly a higher benefit provided to the larger property in comparison to a smaller commercial property because the larger property generally supports a larger building and has higher numbers of employees, customers, and guests that would benefit from proximity and improved access to well-maintained and improved parks and recreational facilities. So the potential population of employees or residents is a measure of the special benefits received by the property.) Larger parcels, therefore, receive an increased benefit from the assessments.

Finally, the special benefits derived from the assessments are conferred on property and are not based on a specific property owner's use of the improvements, or a specific property owner's occupancy of property or the property owner's demographic status (such as, age or number of dependents). However, ultimately people value the special benefits described above and use and enjoy the Park District's park and recreational facilities. In other words, the benefits derived by property are related to the average number of people who could potentially live on, work at, or otherwise could use a property, not how the property is currently used by the present owner. Therefore, the number of people who could or potentially live on, work at or otherwise use a property is one indicator of the relative level of benefit received by a property.

In conclusion, the Assessment Engineer determined that the appropriate method of assessment apportionment should be based on the type and use of property, the relative size of the property, its relative population and usage potential, and its proximity to parks and recreational facilities. This method is further described below.

To assess benefits equitably it is necessary to relate each property's proportional special benefits to the special benefits of the other properties within the District. The method of apportionment established for most districts formed under the 1982 Act uses a weighted method of apportionment known as an equivalent benefit unit (EBU) methodology that uses the single-family home site as the basic unit of assessment. A single-family home site equals one EBU and the other land uses are converted to a weighted EBU based on an assessment formula that equates the property's specific characteristics associated with density factors to compare the proportional benefit of each property as compared to a single-family home site.

EBU values for commercial and industrial land uses are based on the equivalence of special benefit on a land area basis between single-family residential property and commercial property. The EBU values for other types of business and industrial land uses are established by using average employee densities, because the special benefit factors described previously can be measured by the average number of people who work at commercial/industrial properties.

In order to determine employee density factors, the findings from the San Diego Association of Governments Traffic Generators Study (the "SANDAG Study") are used because these findings were approved by the State Legislature for use in justifying commercial and industrial school facilities fees and are considered to be a good representation of the average number of employees per acre of land area for commercial and industrial properties. As determined by the SANDAG Study, the average number of employees per acre for commercial property is 24.

In comparison, the average number of people residing in a single-family home in the area is 3.2. Because the average lot size for a single family home in Scotia is approximately 0.1148 acres, the average number of residents per acre of residential property is 27.88.

Commercial and industrial properties in excess of 5 acres generally involve uses that are more land intensive relative to building areas and number of employees (lower coverage ratios). As a result, the benefit factors for commercial and industrial property land area in excess of 5 acres is determined to be the EBU rate per quarter acre for the first 5 acres and the relevant EBU rate per each additional acre over 5 acres.

Institutional properties that are used for residential, commercial or industrial purposes are also assessed at the appropriate residential, commercial or industrial rate.

The estimated EBU density assessment factor for each type of land use is presented in Table 2.

Table 2 Assessment Factors¹		
	Residence/Acre	EBU² Units
Single Family Residence	27.88	1
Type of Commercial/Industrial Land Use	Employee/Acre	EBU Units
Commercial	24	0.86
Office	68	2.44
Shopping Center	24	0.86
Industrial (First Five Acres)	24	0.86
Industrial (> Five Acres)	6 ³	0.22
Self Storage or Parking Lot	1	0.04
1. Source: San Diego Association of Governments Traffic Generators Study 2. EBU: equivalent benefit units 3. Relevant EBU Rate		

Table 3 (on the next page) presents the number of EBUs assigned to each user based on a per acre density evaluation within the District boundaries.

Table 3 Parks and Recreation EBU ¹ Estimate			
		Per Acre Density	
		Acres	EBUs
Parcel 1			
1	HRC ² Mill Facilities	120	220
Parcel 2			
2	Electrical Co-generation Facilities	30.81	53
Parcel 3			
3	Scotia Inn-Restaurant/Lounge	2.03	15
4	Scotia Inn		
Parcel 4			
5	Residential	0.115	270
Commercial			
6	Scotia Childe Enrichment Center (pre-school)	0.138	1.0
7	Vacant Offices, For Lease	0.848	6
8	US Bank		
9	Pharmacy		
10	Aqua Dam Offices	1.040	8
11	Hair Heaven & Post Office		
12	TOS ³ Office (New Constr. & CSD Offices)	0.523	11
13	Medical Center Billing	0.521	11
14	Scotia True Value Hardware Store	0.716	5
15	Gas Station	0.542	4
16	Hoby's Market	1.150	9
17	TOS Offices	0.095	2
18	HRC Offices	2.245	48
Industrial			
19	Aqua Dams	5.66	6
20	Hall's Sheet Metal		
21	Eel River Brewery		
22	HRC Repair Garage	0.341	3
23	Vacant Storage Building (Northern Mill A)	3	1
Institutional			
24	St. Patrick's Church	0.148	1
25	Scotia Union Church	0.278	2
26	Fire Station	0.858	6
27	Winema Theater	0.427	3
28	SCSD ⁴ Shops/Corporate Yard	0.780	6
29	Scotia Museum	0.525	4
30	Scotia Park (Fields & Picnic)	15.040	23
School District Parcel			
31	Scotia Union School District (K-8)	5.680	43
Total			761
1. EBU: equivalent benefit units			

With a total projected cost of services of \$152,110 for fiscal year (FY) 2016-2017 and estimated 761 EBUs, the annual benefit associated with one EBU is \$199.879 annually (\$16.66 monthly).

4.0 Duration of Assessment

It is proposed that the assessment be levied for fiscal year 2016-17 and continued every year thereafter, as long as the parks and recreational areas need to be improved and maintained and the SCSD requires funding from the assessments. The assessment can continue to be levied annually after the District Board of Directors approves an annually updated report, budget for the Assessment and other specifics of the assessment. In addition, the District Board of Directors must hold an annual public hearing to continue the assessment.

5.0 Annual Escalators

The District's proposed, initial five-year assessments are established with an annual 1.5% escalation factor. The proposed assessments may also be increased based on an indexed escalation, if the District chooses to use it. The maximum assessments may increase based on the annual change in the Consumer Price Index (CPI) if that amount exceeds the assumed 1.5% increase built into the initial five year budget projections. The assessment adjustment shall be based on CPI activity measured during the preceding year, for all urban consumers, west urban area, all items, published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index should the stated index be discontinued). Revenues collected which will exceed projected O&M, debt service and replacement expenses are to be placed in a capital reserve fund which will use accumulated funds for application toward principal costs of projected capital improvements related to the Parks and Recreation system upgrades and other planned capital expenditures.

Future increases shall also take into account the "pass through" costs of the purchase of uncontrolled, mandatory services (such as, utility costs). Increases or decreases in the purchase of uncontrolled mandatory services, outside of typical inflationary values, shall be passed through proportionally when considering all annual rate adjustments.

Indexing assessments annually to the CPI and adjusting for "pass through" costs, allows for minor increases for normal maintenance and operating cost escalation without incurring the costs of the Proposition 218 ballot proceedings. Any significant change in the assessments initiated by an increase in service provided or other significant changes to the District would still require the Proposition 218 proceedings and property owner approval.

6.0 Appeals and Interpretation

Any property owner who claims that the assessment levied on its property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the District Administrator or her or his designee. Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the District Administrator or his or her designee will promptly review the appeal and any information provided by the property owner. If the District Administrator or her or his designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County for collection, the District Administrator or his or her designee is

authorized to refund to the property owner the amount of any approved reduction. Any dispute over the decision of the District Administrator, or her or his designee, shall be referred to the Board of Directors of the Park District and the decision of the Board of Directors shall be final.

7.0 Summary

Assessment diagrams showing the boundaries of the Parks and Recreation District, as well as the assessed parcels are presented in Appendix B.

The lines and dimensions of each lot or parcel within the Assessment District are those lines and dimensions shown on the maps of the Assessor of the County of Humboldt for the fiscal year to which this Report applies. The Assessor's maps and records are incorporated by reference herein and made part of this Report.

An estimate of the costs of the services provided by the District is included in the text of this report.

The assessment methodology used is as described in the text of this report. Based on this methodology, the EBU's and FY 2016/17 District assessment for each parcel were calculated and are shown in the Assessment Roll (Appendix C). Parcels which show a special benefit assessment of \$0 did not meet applied criteria related to the methodology to warrant any assessment of benefit.

Each lot or parcel of land within the District has been identified by unique County Assessor's Parcel Number on the Assessment Roll and the Boundary Map and Assessment Diagram referenced herein. The net assessment for each parcel for Fiscal Year 2016/17 can be found on the Assessment Roll.

A

Assessment Acts

The Assessment Acts

Improvement Act of 1911

(Streets and Highways Code section 5000 et seq.)

The 1911 Act may be used by cities, counties, and "all corporations organized and existing for municipal purposes." Assessments under this Act may be used to fund a long list of improvements including:

- transportation systems (including acquisition, construction, maintenance, and operation costs related thereto);
- street paving and grading;
- sidewalks;
- parks;
- parkways;
- recreation areas (including necessary structures);
- sanitary sewers;
- drainage systems;
- street lighting;
- fire protection systems;
- flood protection;
- geologic hazard abatement or prevention;
- water supply systems;
- gas supply systems;
- retaining walls;
- ornamental vegetation;
- navigational facilities;
- land stabilization; and
- other "necessary improvements" to the local agency's streets, property, and easements.

The 1911 Act may also be used to create a maintenance district to fund the maintenance and operation of sewer facilities and lighting systems.

Pursuant to this act, improvements must be completed before their total cost is assessed against the properties within the district. Contractors are, in effect, reimbursed for their work from the proceeds of the district. This aspect of the 1911 Act requires that sufficient funds be available for the project before it is begun and is a major drawback of the legislation. Total costs may include acquisition, construction, and incidentals (including engineering fees, attorney's fees, assessment and collection expenses, and cost of relocating utilities). The uncertainty that results from Proposition 218's voting requirements will probably discourage the future use of the 1911 Act. Individual assessments constitute liens against specific parcels and are due within 30 days of confirmation. If assessments are not paid in full within this period, a bond in the amount due is issued to the installer of the improvements and assessments are collected from individual

properties to pay off the bond. The property owner receives a separate bill indicating the assessment due. Bonds may also be issued under the improvement Bond Act of 1915 even though the assessment repaying the bonds has been levied under the 1911 Act. Alternatively, for assessments of less than \$150, the assessment may be collected on the tax roll upon which general taxes are collected.

Since the parcel being assessed is the only security for any bonds issued, accurately estimating the value of the property is very important. The feasibility of the project will hinge on the value of the property involved.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile these differences in the statute.

Municipal Improvement Act of 1913

(Streets and Highways Code section 10000 et seq.)

The 1913 Act may be used by cities, counties, joint powers authorities, and certain special districts which are empowered to make any of the improvements authorized under the Act. It specifically authorizes the construction and maintenance of all the facilities authorized under the 1911 Act as well as the following:

- works and appliances for providing water service, electrical power, gas service, and lighting; and
- public transit facilities serving an area smaller than 3 square miles (including stations, structures, rolling stock, and land acquisition related thereto).

In addition, a municipality may enter into an agreement with a landowner to take over the operation and other activities of a sewer or water system owned by that landowner, and create a 1913 Act assessment district for the purpose of reimbursing the landowner. Such an assessment district may also include other land that can be served by the system, upon the written consent of the other affected landowners.

Unlike the 1911 Act, the total cost of improvements is assessed against the benefited properties before the improvements are completed. An assessment constitutes a lien against a specific parcel and is due within 30 days of recording the notice of assessment. If the landowner chooses not to pay the assessment in full at that time, bonds in the amount of the unpaid assessment may be issued under the 1911 Improvement Act or the 1915 Improvement Bond Act. Landowners will then be assessed payments over time.

A number of amendments to the Act enacted in 1992 have expanded its use to include certain building repairs and upgrades that are necessary to the public safety. For example, assessments may now finance work or loans to bring public and private real property or buildings into compliance with seismic safety and fire code requirements (Chapters 1197 and 832, Statutes of 1992.) Work is limited to that certified as necessary by local building officials. Revenues must be dedicated to upgrades; they cannot be used to construct new buildings nor dismantle an existing building. In addition, no property or building may be included within the boundaries of a 1913 Act district established for these purposes without the consent of the property owner. Furthermore,

when work is financed on residential rental units, the owner must offer a guarantee that the number of units in the building will not be reduced and rents will not be increased beyond an affordable level.

The 1913 Act can also be used to finance repairs to those particular private and public real properties or structures damaged by earthquake when located within a disaster area (as declared by the Governor) or an area where the Governor has proclaimed a state of emergency because of earthquake damage (Chapter 1197, Statutes of 1992). The kinds of work which may be financed include reconstruction, repair, shoring up, and replacement. A jurisdiction has seven years from the time a disaster area is declared or a state of emergency is proclaimed to establish a district under this statute.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative must be followed. Legislation is needed to reconcile the Act with Proposition 218.

Improvement Bond Act of 1915

(Streets and Highways Code section 8500 et seq.)

This legislation does not authorize assessments. Instead, it provides a vehicle for issuing assessment bonds (including variable interest bonds) for assessments levied under the 1911 and 1913 Acts as well as a number of other benefit assessment statutes. Under this legislation, the local legislative body may also issue "bond anticipation notes" prior to actual bond sale - in effect borrowing money against the assessment bonds being proposed for sale. The 1915 Act is available to cities, counties, public districts, and public agencies.

After assessments have been levied and property owners given the opportunity to pay them off in cash, the local government will issue bonds for the total amount of unpaid assessments. Assessments collected to pay off 1915 Act bonds appear on the regular tax bill and are collected in the same manner as property taxes.

Park and Playground Act of 1909

(Government Code section 38000 et seq.)

The Park and Playground Act is a method for cities to finance public park, urban open-space land playground, and library facilities. Pursuant to a 1974 revision, the act incorporates the procedures and powers of the improvement Act of 1911, the Municipal Improvement Act of 1913, and the improvement Act of 1915 to finance improvements. In addition to the power to levy assessments and issue bonds, the act provides that the city council may condemn land for improvements.

Tree Planting Act of 1931

(Streets and Highways Code section 22000 et seq.)

Pursuant to this act, cities may levy assessments to fund the planting, maintenance or removal of trees and shrubs along city streets and to pay employees to accomplish this work. Assessments for maintenance are limited to a period of 5 years.

These assessments are apportioned on the basis of street frontage. Work is to be administered by the city parks department or other agency as appointed by the city council.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218. A city contemplating the use of the Act should document that street frontage is a valid measure of "special benefit." If frontage is not a directly indicator of benefit, use of this Act may be difficult to defend.

Landscaping and Lighting Act of 1972

(Streets and Highways Code section 22500 et seq.)

This Act may be used by cities, counties, and special districts (including school districts). Alleged abuse of the Landscaping and Lighting Act by cities and school districts was one of the motivating forces behind Proposition 218. The initiative targeted the allegedly tenuous link between parks and recreation facilities and the benefit they provided to properties in the area. Prior to Proposition 218, the successful argument in favor of the Landscaping and Lighting Act was that parks, open space, and recreation facilities benefited properties by increasing their value. Because of the strict definition of special benefit created by Proposition 218 ("General enhancement of property value does not constitute 'special benefit.'"), that justification no longer exists and this Act will be much harder to use.

The 1972 Act enables assessments to be imposed in order to finance:

- acquisition of land for parks, recreation, and open space;
- installation or construction of planting and landscaping, street lighting facilities, ornamental structures, and park and recreational improvements (including playground equipment, restrooms and lighting); and
- maintenance and servicing of any of the above.

Amendments to the Act, effective January 1, 1993, exclude from the authorized improvements any community center, municipal auditorium or hall, or similar public facility, unless approved by the property owners owning 50 percent of the area of assessable lands within the proposed district. The election shall be conducted following the adoption of an ordinance or resolution at a regular meeting of the legislative body of the local agency and is in lieu of any public notice or hearing otherwise required by this part.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Benefit Assessment Act of 1982

(Government Code section 54703 et seq.)

This statute provides a uniform procedure for the enactment of benefit assessments to finance the maintenance and operation costs of drainage, flood control, and street light services and the cost of installation and improvement of drainage or flood control facilities. Under legislation approved in 1989 (SB 975, Chapter 1449), this authority is expanded to include the maintenance of streets, roads, and highways. As with most other assessment acts, it may be used by cities, counties, and special districts which are otherwise authorized to provide such services. It does, however, have some differences that set it apart.

Assessments can be levied on a parcel, a class of property improvement, use of property, or any combination thereof. Assessments for flood control services can be levied on the basis of proportionate stormwater runoff from each parcel rather than a strict evaluation of the flood protection being provided. The amount of assessment must be evaluated and re-imposed annually. Assessments are collected in the same manner as property taxes.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Also, the Act states that an assessment may be levied wherever service is available, regardless of whether the service is actually used - this may conflict with the initiative's definition of "special benefit." Where differences exist between statute and initiative, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Integrated Financing District Act

(Government Code section 53175 et seq.)

This legislation creates an alternate method for collecting assessments levied under the 1911, 1913, and 1915 Acts, the Landscaping and Lighting Act of 1972, the Vehicle Parking District Law of 1943, the Parking District Law of 1951, the Park and Playground Act of 1909, the Mello-Roos Community Facilities Act of 1982, the Benefit Assessment Act of 1982, and charter cities' facility benefit assessments. The Integrated Financing District Act applies to all local agencies insofar as those agencies have the authority to use any of the above listed financing acts. Assessments levied under this act can be used to pay the cost of planning, designing, and constructing capital facilities authorized by the applicable financing act, pay for all or part of the principle and interest on debt incurred pursuant to the applicable financing act, and to reimburse a private investor in the project.

The Integrated Financing District Act has two unique properties:

- (1) it can levy an assessment which is contingent upon *future* land development and payable upon approval of a subdivision map or zone change or the receipt of building permits;
- (2) it allows the local agency to enter into an agreement with a private investor whereby the investor will be reimbursed for funds advanced to the agency for the project being financed.

Because the assessment is not triggered until development is ready to begin, these features make the act an attractive option when development is to occur in phases. Payment of assessments will be deferred until such time as public improvements are needed.

The procedure for creating an integrated financing district, including entering into a reimbursement agreement, is in addition to the procedure required by the applicable assessment act. The resolution of intention must include a description of the rates and method of apportionment, the contingencies which will trigger assessment of the levy, the fixed dollar amount per unit of development for the contingent levy, and a description of any proposed reimbursement agreement. The assessment and entry into any agreement are effective upon approval of the legislative body.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Street Lighting Act of 1919

(Streets and Highways Code section 18000 et seq.)

This act allows cities to levy benefit assessments for the maintenance and operation of street lighting systems. Assessments may also finance the installation of such a system by a public utility. Assessments are liens against land and are due within 30 days of being recorded by the tax collector. The 1919 Act also establishes two alternate methods for collecting payments on an installment basis in the manner of property taxes. An assessment levied under this act must be evaluated and reapplied annually after a public hearing, and , pursuant to Proposition 218, a vote of the property owners.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Municipal Lighting Maintenance District Act of 1927

(Streets and Highways Code section 18600 et seq.)

This statute provides for the maintenance and operation (but not the installation) of street lighting systems within cities. Assessments are limited to a maximum of 5 years.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Street Lighting Act of 1931

(Streets and Highways Code section 18300 et seq.)

The 1931 Act is another means for cities to finance the maintenance and service (but not installation) of street lighting systems. Assessments under this act are levied annually and collected in installments in the manner of city taxes. The term of assessment is limited to 5 years.

As of this writing, the public notice and assessment procedure under the Act (which resembles the procedure under the 1919 Street Lighting Act) conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking District Law of 1943

(Streets and Highways Code section 31500 et seq.)

This act authorizes a city or county to levy assessments to finance:

- the acquisition of land for parking facilities;
- the construction, operation, and maintenance of parking facilities (including garages); and
- the costs of engineers, attorneys, or other people necessary to acquisition, construction, operations, and maintenance.

The Parking District Law incorporates the assessment procedures and powers of the 1911, 1913, and 1915 Acts discussed previously. It also authorizes the use of meters, user fees, and ad valorem taxes to raise funds.

Once parking facilities have been acquired, administration of the parking district is turned over to a "Board of Parking Place Commissioners" appointed by the city mayor or county board of supervisors. This board reports to the legislative body on the status of the district each year. Annual assessments are levied by the legislative body, in accordance with Proposition 218.

As mentioned earlier, the public notice and assessment procedures of the 1911, 1913, and 1915 Acts currently conflict with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking District Law of 1951

(Streets and Highways Code section 35100 et seq.)

Cities are authorized to finance the following activities under this act:

- acquisition of land for parking facilities (including the power of eminent domain),
- improvement and construction of parking lots and facilities,
- issuance of bonds, and
- employee salaries.

Special assessments under the 1911 Act may be levied to replace the use of fees and charges to repay outstanding bonds. Other revenue sources may include user fees, parking meter charges, and ad valorem taxes.

District formation proceedings are initiated upon petition of involved land owners and generally follow the pattern of other assessment acts. As in the 1943 Act, the district is to be administered by an appointed parking commission.

As with those other acts, the public notice and assessment procedure of the 1951 Act currently conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking and Business Improvement Area Law of 1989

(Streets and Highways Code section 36500 et seq.)

This act recodifies and supplants the 1979 law of the same name, now repealed. The Parking and Business Improvement Area Law of 1989 enables a city, county, or joint powers authority made up of any combination of cities and counties to establish areas of benefit and to levy assessments on businesses within those areas to finance the following improvements:

- parking facilities,
- parks,
- fountains, benches, and trash receptacles,
- street lighting, and
- decorations.

Assessment revenues may also be used for any of the following activities:

- promotion of public events benefiting area,
- businesses which take place in public places within the area,
- furnishing music to any public place in the area,
- promotion of tourism within the area, and
- any other activities which benefit businesses located in the area.

Assessments must be directly proportional to the estimated benefit being received by the businesses upon which they are levied. Furthermore, in an area formed to promote tourism, only businesses that benefit from tourist visits may be assessed. The agency creating the assessment district area is authorized to finance only those improvements or activities which were specified at the time the area is formed. An unusual feature of this law is that assessments may be apportioned differently among zones of benefit, in relation to the benefit being received by businesses within each zone. The agency should carefully document the special benefit which each assessed property will receive. Pursuant to Proposition 218, the assessment cannot finance improvements or services of general benefit.

Establishment proceedings may be initiated by either the legislative body of the city or county. The procedure is generally similar to other assessment acts and requires adoption of a resolution of intention and a noticed public hearing at which protests may be considered. If written protests are received from the owners of businesses which would pay 50 percent or more of the proposed assessment, the formation proceedings must be set aside for a period of one year. If these protests are only against a particular improvement or activity, the legislative body must delete that improvement or activity from the proposal. After a district has been established under this law, the legislative body must appoint an advisory board to make recommendations on the expenditure of revenues from the assessment. The advisory board may also be appointed prior to the adoption of a resolution of intention to make recommendations regarding that notice.

There's some ambiguity over whether Proposition 218 applies to the 1989 Law. Arguably, it does not apply since assessments are levied on businesses and are therefore not "a charge upon real property." Agencies should approach this assessment act with caution and a strong opinion from counsel before choosing not to comply with Proposition 218.

Property and Business Improvement District Law of 1994 (*Streets and Highways Code section 36600 et seq.*)

A city, county, or joint powers authority made up of cities and counties may adopt a resolution of intention to establish this type of district upon receiving a written petition signed by the property owners of the proposed district who would pay more than 50 percent of the assessments being proposed. The city, county, or JPA must appoint an advisory board within 15 days of receiving a petition which shall make recommendations to the legislative body regarding the proposed assessments (Streets and Highways Code section 36631).

The improvements which may be financed by these assessments include those enumerated under the Parking and Business and Improvement Area Law of 1989, as well as such other items as:

- closing, opening, widening, or narrowing existing streets;
- rehabilitation or removal of existing structures; and
- facilities or equipment, or both, to enhance security within the area.

Assessment revenues may finance the activities listed under the 1989 Law, as well as the following:

- marketing and economic development; and
- security, sanitation, graffiti removal, street cleaning, and other municipal services supplemental to those normally provided by the municipality.

No provision is made within this law for financing bonded indebtedness.

The property owners' petition is required to include a management district plan consisting of a parcel-specific map of the proposed district, the name of the proposed district, a description of the proposed boundaries, the improvements or activities being proposed over the life of the district and their cost, the total annual amount proposed to be expended in each year of the district's operation, the proposed method and basis of levying the assessment, the time and manner of collecting assessments, the number of years in which assessments will be levied (this is limited to five years maximum), a list of the properties being benefited, and other related matters (Streets and Highways Code 36622).

The legislative body's resolution must include the management district plan as well as the time and place for a public hearing on the establishment of the district and levy of assessments will be held (Streets and Highways Code 36621). This hearing must be held within 60 days after the adoption of the resolution. Hearing notice must be provided pursuant to Government Code section 54954.6. Both mailed and newspaper notices are required (Streets and Highways Code section 36623). The proposal to form the district must be abandoned if written protests are received from the owners of real property within the proposed district who would pay 50 percent or more of the assessments (Streets and Highways Code section 36625). In addition, when a majority protest has been tendered, the legislative body is prohibited from reinitiating the assessment proposal for a period of one year.

The public notice and assessment procedures of the 1994 Law are similar to the provisions of Proposition 218. An agency proposing to use the Act should take care to ensure that they are proceeding in harmony with Proposition 218 and that the properties being assessed are receiving an actual special benefit. Where conflicts exist, the requirements of the initiative prevail. No assessments under this law can be levied on residential properties or on land zoned for agricultural use (Streets and Highways Code section 36635).

This statute is an alternative to the Parking and Business and Improvement Area Law of 1989 and does not affect any districts formed under that law.

Pedestrian Mall Law of 1960

(Streets and Highways Code section 11000 et seq.)

This authorizes cities and counties to establish pedestrian malls, acquire land for such malls (including power of eminent domain), restrict auto traffic within the malls, and to levy benefit assessments to fund mall improvements. Improvements may include:

- street paving,
- water lines,
- sewer and drainage works,
- street lighting,
- fire protection,
- flood control facilities,
- parking areas,
- statues, fountains and decorations,
- landscaping and tree planting,
- child care facilities,
- improvements necessary to a covered air-conditioned mall, and
- relocation of city-owned facilities.

Assessments may also be used to pay damages awarded to a property owner as a result of the mall. Establishment proceedings are similar to those found in other assessment acts. Accordingly, these provisions do not currently conform to the requirements of Proposition 218 and await reconciliation. Where conflicts exist, the requirements of the initiative prevail. Assessments and bonds are to be levied in accordance with the provisions of the Vehicle Parking District Law of 1943 (which provides for use of the 1911 and 1915 Acts, among others).

Permanent Road Divisions Law

(Streets and Highway Code sections 1160 et seq.)

This statute enables counties to establish areas of benefit (called "divisions" under this law) within which assessments may be levied in order to finance construction, improvement, or maintenance of any county road, public road easement, or private road or easement which contains a public easement (Streets and Highways Code section 1179.5). The statute also empowers a board of supervisors to levy special taxes for these purposes upon approval by 2/3 of the electorate within the division.

Proceedings for the formation of a road division may be initiated by either: (1) a resolution of the Board of Supervisors; or, (2) submittal to the Board of Supervisors of a petition containing either the signatures of a majority of the land owners within the proposed division or the owners of more than 50 percent of the assessed valuation. The public notice and assessment procedures of the Permanent Road Divisions Law conflict with the provisions of Proposition 218 by failing to provide for a property owners' ballot. The requirements of Proposition 218 must be followed in order to establish a division. Legislation is needed to reconcile the Act with Proposition 218.

Community Rehabilitation District Law of 1985

(Government Code section 53370 et seq.)

This act provides a means for cities and counties to finance the rehabilitation, renovation, repair or restoration of existing public infrastructure. It cannot, however, be used to pay for maintenance or services. A Community Rehabilitation District cannot be formed within a redevelopment project area.

A district established under the 1985 Act can rehabilitate public capital facilities such as:

- streets,
- sewer and water pipes,
- storm drains,
- sewer and water treatment plants,
- bridges and overpasses,
- street lights,
- public buildings,
- criminal justice facilities,
- libraries, and
- park facilities.

It can also finance the expansion of facility capacity or the conversion to alternative technology. The 1985 Act allows a rehabilitation district to use any of the following financing tools:

- Special assessments under the improvement Act of 1911 and the Municipal Improvement Act of 1913 and bonds under the improvement Bond Act of 1915.

- Special taxes and bonds pursuant to the Mello-Roos Community Facilities Act of 1982.
- Fees or charges, provided that these do not exceed the amount reasonably necessary to cover the cost of the involved project.
- Senior obligation bonds under the 1985 Act's own provisions (Gov. Code section 53387 et seq.).

Certain of the public notice and assessment procedures of this act conflict with Proposition 218. An agency proposing to use the Community Rehabilitation District Law should take care to ensure that they are proceeding in harmony with Proposition 218 and that the properties being assessed are receiving a concrete special benefit. Under Proposition 218, a general enhancement of property value is not a special benefit.

Public notice must be provided over a period of 5 weeks prior to the district formation hearing. This notice must contain the text of the resolution of intent, the time and place of the hearing, and a statement that the hearing will be open to all interested persons in favor of or opposed to any aspect of the district. If the district will utilize any of the above special assessment or community facilities acts, it may combine the notices required by those acts with this notice.

A separate procedure exists for issuing, administering, and refunding senior obligation bonds pursuant to the 1985 Act (Gov. Code sections 53387 - 53594). Issuance involves adopting a resolution of intention and submitting the bond issue to the voters of the district. Affirmation by a simple majority of voters is necessary to approve issuance of the bonds.

Geologic Hazard Abatement District of 1979

(Public Resources Code section 26500 et seq.)

This statute authorizes a city or county to create an independent Geologic Hazard Abatement District (GHAD) empowered to finance the prevention, mitigation, abatement, or control of actual or potential geologic hazards through the levy and collection of special assessments. The statute broadly defines geologic hazards to include: landslides, land subsidence, soil erosion, earthquakes, or "any other natural or unnatural movement of land or earth."

A district can:

- acquire property by purchase, lease, gift, or eminent domain;
- construct improvements;
- maintain, repair, or operate any improvements; and
- use any of the assessment and bond procedures established in the improvement Act of 1911, the Municipal Improvement Act of 1913, and the improvement Bond Act of 1915.

Proceedings for forming a GHAD may be initiated by resolution of the city or county or by petition of the owners of at least 10% of affected property. A landowner petition must include signatures, legal descriptions, and a map of the proposed district boundaries. In addition, the city, county, or petitioners must include a "plan of control" prepared by an engineering geologist which describes the geologic hazard to be addressed, its location, the affected area, and a plan for the prevention, mitigation, abatement, or control of the hazard.

When forming a GHAD, the legislative body of the city or county can be the governing body of the district. Alternatively, the legislative body can appoint five land owners to act as the district's board of directors. Thereafter, board members will be elected every four years from within the district. Unlike most special assessment districts, the GHAD is an entity independent of the city or county. The current procedure for forming a GHAD conflicts with Proposition 218 in that it does not provide for a property owners' ballot on the question of formation. When forming a GHAD, the city or county must conform its procedure to the engineer's report, public notice, balloting, and other requirements of Proposition 218.

The statute also provides for emergency formation of a GHAD upon the request of two-thirds of the affected property owners (Public Resources Code sections 26568-26597.7). This is invalid to the extent it conflicts with Proposition 218.

The statute does not describe the method for dissolving a GHAD. However, the California Court of Appeal has opined that dissolution of a GHAD is subject to the procedures of the Cortese-Knox Local Government Reorganization Act (Gov. Code 56000, et seq.) and cannot be unilaterally undertaken by a city (*Las Tunas GHAD v. Superior Court (City of Malibu)* (1995) 38 Cal.App.4th 1002). Under this interpretation, although district formation is undertaken by a city or county without the involvement of the county Local Agency Formation Commission (LAFCO), dissolving a district requires adherence to LAFCO procedures.

A GHAD has several advantages to recommend it. One, its boundaries need not be contiguous, so it can focus on just those properties subject to hazard. Second, it is an independent district with its own board of directors drawn from the affected property owners. Third, it is not limited to a single city or county; its boundaries can cross jurisdictional lines. Fourth, its formation proceedings are not subject to review by the Local Agency Formation Commission, thereby simplifying the process. Fifth, its formation is exempt from the California Environmental Quality Act.

Contra Costa County has formed GHADs in its Blackhawk and Canyon Lakes developments. In both, the County Board of Supervisors serves as the governing body.

Open Space Maintenance Act of 1974

(Government Code sections 50575 et seq.)

Cities and counties are empowered to spend public funds to acquire open space land for preservation (Government Code sections 6950-6954). The Open Space Maintenance Act provides a means to levy an ad valorem special assessment to pay for the following services related to such land:

- conservation planning;
- maintenance;
- improvements related to open space conservation; and
- reduction of fire, erosion, and flooding hazards through clearing brush, making fire protection improvements not otherwise provided the area, planting and maintaining trees and other vegetation, creating regulations limiting area use, and construction of general improvements.

The owners of lands representing 25% or more of the value of the assessable land within the proposed district may initiate district formation by filing a petition with the involved city or county. The local legislative body must then prepare a preliminary report containing a description of the proposed boundaries, the work to be done, an estimate of the cost of the assessment, and illustrating the parcels to be benefitted. The planning commission must review the report and make recommendation to the legislative body. Once the legislative body has reviewed the report, concluded that such a district is justified, and adopted an ordinance of intention to form an assessment district, it will set a time and place for hearing objections to the proposal. The ordinance of intention must specify the district boundaries, the proposed projects, the annual assessment, the maximum assessment, and the time of the protest hearing (Government Code section 50593). Notice must be placed in a newspaper of general circulation, mailed to involved property owners, and posted in a public place. The formation proceedings in current law conflict with the requirements of Proposition 218. A city or county must be careful to substitute the requirements of Proposition 218 for any conflicting provisions in the code. This statute needs to be amended to reconcile it with Proposition 218.

Fire Suppression Assessment of 1978

(Government Code section 50078 et seq.)

Special districts, county service areas, counties, and cities which provide fire suppression services (including those provided by contracting with other agencies) are authorized to levy assessments under this act. The resulting revenues may be used to obtain, furnish, operate, and maintain firefighting equipment and to pay salaries and benefits to firefighting personnel.

Unlike the other special assessment acts, invocation of fire suppression assessments does not require establishment of an assessment district. Instead, the jurisdiction levying the assessment specifies those parcels or zones within its boundaries that will be subject to assessment. Assessments are based upon uniform schedules or rates determined by the risk classification of structures and property use. Agricultural, timber, and livestock land is assessed at a lower rate on the basis of relative risk to the land and its products. The local agency may establish zones of benefit, restricting the applicability of assessments. In addition, assessments may be levied on parcels, classes of improvement or property use or any combination thereof. Assessments are proportional to the fire protection benefits received by property and improvements, but may be levied whether or not the service is actually used.

The procedure for establishing a fire suppression assessment includes:

- filing of a report which details the land to be assessed, the initial amount of assessment, the maximum assessment, the duration of the assessment, and the schedule or rate of assessment;
- public notice and hearing;
- protest procedures; and
- adoption of an ordinance or resolution imposing the levy.

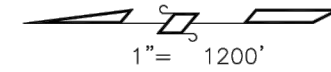
Proposition 218, with its strict definition of "special benefit," may pose a problem for new or increased assessments under this code. In fact, some jurisdictions, such as the Tamalpais Valley Fire District and the County of Los Angeles, have placed fire protection levies before the voters as special taxes (subject to two-thirds approval), effectively converting them from assessments.

The agency proposing to levy fire suppression assessments must be careful to document the special benefit (excluding any benefit to the general public and any general enhancement of property value) accruing to each parcel that is included in the assessment district. In addition, the formation proceedings in current law conflict with the requirements of Proposition 218. A city or county must substitute the requirements of Proposition 218 for all conflicting provisions in the code.

B

District Boundaries

SCOTIA CSD PROPOSED DISTRICT BOUNDARIES



205-351-020		
Length	Direction	
1) 61.84'	N8°11'29"W	
2) 17.24'	N83°54'52"E	
3) 98.02'	N5°58'09"W	
4) 7.16'	S84°11'05"W	
5) 73.56'	N44°54'59"W	
6) 64.31'	N5°15'16"E	
7) 67.17'	N6°34'24"W	
8) 195.39'	N12°01'32"W	
9) 141.54'	N0°19'06"E	
10) 132.07'	N39°38'01"W	
11) 55.04'	N28°27'45"W	
12) 269.11'	N59°25'48"E	
13) 64.42'	S30°15'11"E	
14) 122.64'	N59°17'08"E	
15) 36.87'	N39°01'35"E	
16) 167.96'	N25°56'32"W	
17) 131.7'	N58°56'47"E	
18) 43.8'	N31°24'36"W	
19) 136.83'	N59°30'11"E	
20) 79.85'	S7°13'34"E	
21) 131.16'	S10°52'03"E	
22) 145.29'	S13°15'36"W	
23) 84.97'	S87°41'40"W	
24) 140.7'	S61°45'23"W	
25) 7.46'	N28°14'37"W	
26) 16.22'	S59°57'06"W	
27) 23.47'	S30°01'49"E	
28) 85.82'	S13°35'50"E	
29) 94.16'	S0°42'10"E	
30) 58.87'	S29°15'32"W	
31) 143.08'	S7°23'08"W	
32) 134.43'	S69°59'51"E	
33) 356.42'	S17°17'49"W	
34) 2077.19'R	L=142.54'	Δ=3°55'54"
35) 103.75'	S85°00'00"W	

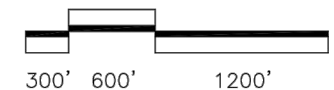
RS, Bk 52 of surveys, Pg 25
RS, Bk 59 of surveys, Pg 124
RS, Bk 63 of surveys, Pg 71
RS, Bk 65 of surveys, Pgs 59–60
RS, Bk 68 of surveys, Pgs 16–20

NOTE – Assessor's Block Numbers Shown in Ellipses
Assessor's Parcel Numbers Shown in Circles.

Assessor's Map Bk. 205, Pg.35
County of Humboldt, CA.

APN #	SBE #
205-351-010	853-12-14 Par 4
205-351-011	853-12-14 Par 1
205-351-012	853-12-15 Par 2
205-351-013	853-12-15 Par 3
205-351-014	853-12-15 Par 4
205-351-015	853-12-16A Par 3

PROPOSED DISTRICT BOUNDARIES



Jun 05, 2013

C

Assessment Roll

**Scotia Community Services District
Parks and Recreation Assessment
Fiscal Year 2016/17**

Assessment Roll

Parcel identification for each lot or parcel within the District, shall be the parcel as shown on the Humboldt County Secured Roll for the year in which the report is prepared and reflective of the Assessor's parcel maps. A complete listing of the parcels within this District, along with each parcel's assessment amount to be levied for Fiscal Year 2016/2017 is provided below.

These assessments will be submitted to the County Auditor/Controller to be included on the property tax roll for Fiscal Year 2016/2017. If any parcel submitted for collection is identified by the County Auditor/Controller to be an invalid parcel number for the fiscal year, a corrected parcel number and/or new parcel numbers will be identified and resubmitted to the County. The assessment amount to be levied and collected for the resubmitted parcel or parcels shall be recalculated based on the method of apportionment and assessment rates as approved herein by the SCSD Board of Directors.

Assessor's Parcel Number	EBUs¹	Special Benefit Assessment
205-531-011-000 ²	0	\$0
205-531-012-000 ²	0	\$0
205-531-013-000 ²	0	\$0
205-531-020-000	43	\$8,595
205-531-023-000	53	\$10,594
205-531-024-000	15	\$2,998
205-531-026-000 ²	0	\$0
205-531-030-000	220	\$43,974
205-531-031-000	377	\$75,355
205-531-032-000	2	\$400
205-531-033-000	48	\$9,594
205-531-034-000	3	\$600
Total	761	\$152,110
1. EBU: equivalent benefit units 2. Parcels did not meet applied criteria related to the methodology to warrant any assessment of special benefit.		

Storm Drainage

Engineer's Report for Assessment of Benefits

Prepared for:

Scotia Community Services District



Engineers & Geologists

812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

005161.400

Storm Drainage

Engineer's Report for Assessment of Benefits

Prepared for:

Scotia Community Services District

PO Box 245

Scotia, CA 95565-0245



Prepared by:



Engineers & Geologists

812 W. Wabash Ave.

Eureka, CA 95501-2138

707-441-8855

March 2016

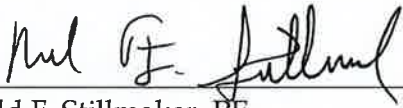
QA/QC: MKF [Signature]


Scotia Community Services District Storm Drainage

Engineer's Report Certificate

This report describes the Storm Drainage Assessment, including improvements, budgets, parcels, and assessments to be levied over the next five fiscal years, beginning with FY 2016/2017. Reference is hereby made to Humboldt County Assessor's maps for a detailed description of the lines and dimensions of parcels within the District. The undersigned respectfully submits the enclosed report as directed by the District Board.

Dated this 28th day of March 2016.

By: 
Ronald F. Stillmaker, PE
Sr. Civil Engineer
SHN Engineers & Geologists

By: 
Mike Foget, PE, LEED AP
Civil Engineering Principal
SHN Engineers & Geologists

I hereby certify that the enclosed Engineer's report, together with Assessment Roll and Assessment Diagram thereto attached, was approved and confirmed by the Scotia Community Services District Board of Directors, Scotia California, on the _____ day of _____, 2016.

By _____
Chairperson
Scotia Community Services District
Humboldt County, California

Table of Contents

	Page
Engineer's Report Certificate.....	i
Acronyms & Abbreviations.....	iii
1.0 Introduction.....	1
1.1 Proposition 218.....	1
1.2 Purpose and Authorization.....	2
1.3 District Improvements.....	2
2.0 Estimate of Costs.....	3
3.0 Method of Assessment.....	4
3.1 Background.....	4
3.2 Special Benefit.....	4
3.3 General Benefit.....	4
3.4 Apportionment.....	4
4.0 Duration of Assessment.....	7
5.0 Annual Escalators.....	7
6.0 Appeals and Interpretation.....	7
7.0 Summary.....	8

Appendices

- A. Assessment Acts
- B. District Boundary
- C. Assessment Roll

List of Illustrations

Tables	Page
1. Projected Expenses, Storm Drainage Fund, SCSD.....	3
2. Storm Drainage EBU Estimate.....	6

Acronyms & Abbreviations

ft ²	square feet
APN	Assessor's parcel number
CPI	consumer price index
EBU	equivalent benefit unit
FY	fiscal year
HRC	Humboldt Redwood Company
O&M	operations and maintenance
SCSD	Scotia Community Services District
SHN	SHN Engineers & Geologists
TOS	Town of Scotia Company, LLC

1.0 Introduction

Located in the heart of California Redwood Country, Scotia was developed starting in the 1880s and has been maintained since then as a true company town. The entire town was developed and constructed by The Pacific Lumber Company. The residences were all constructed and maintained by the company for its employees. Industrial, commercial, and community structures were also developed by the company, creating a consistency in historical design. In 2008 Pacific Lumber Company was reorganized. Today Scotia is owned and operated by the Town of Scotia Company, LLC (TOS); the sawmill is operated by Humboldt Redwood Company (HRC). All residences and businesses other than HRC are occupied by rental tenants; however, TOS is in the process of subdividing the properties and selling them into private ownership. To facilitate this transition to private ownership, in 2014 the Scotia Community Services District (SCSD) was formed to provide the town with essential services associated with water, wastewater, streets and street lighting, storm drainage, parks, and fire fighting. This report provides support and recommendations for establishment of user fees and benefit assessments to support the provision of those services by the SCSD.

This assessment was conducted by SHN Engineers & Geologists on behalf of the SCSD

1.1 Proposition 218

On November 5, 1996, the electorate approved Proposition 218, Right to Vote on Taxes Act, which added Articles XIII C and XIII D to the California Constitution. The proposition affects all assessments upon real property for a special benefit conferred on the property. As written, Proposition 218 exempts assessments for street purposes from the voting requirement.

Proposition 218 establishes a strict definition of "special benefit." For the purposes of all assessment acts, special benefit means "a particular and distinct benefit over and above general benefits conferred on real property located in the district or the public at large. General enhancement of property value does not constitute "special benefit." In a reversal of previous law, a local agency is prohibited by Proposition 218 from including the cost of any general benefit in the assessment apportioned to individual properties. Assessments are limited to those necessary to recover the cost of the special benefit provided the property.

In addition, assessments levied on individual parcels are limited to the "reasonable cost of the proportional special benefit conferred on that parcel."

Previously, assessments were seldom if ever levied on public property. Proposition 218 specifically requires assessments to be levied on public parcels within an assessment district, unless the agency which owns the parcel can "demonstrate by clear and convincing evidence" that its parcel will receive no special benefit.

The maintenance services in the SCSD's assessment are for storm drainage. Storm drainage facilities are engineered facilities that are designed to convey storm runoff, remove pollutants and to control flow rates. These facilities include pipes, ditches, swales, filters, ponds, underground tanks and vaults. These systems specifically designed to capture, treat, store, and convey storm water runoff downstream or into the ground.

In addition to helping prevent flooding and erosion, storm drain facilities help to protect water quality by incorporating features that filter or remove sediments, excess nutrients, and toxic chemicals.

A summary of other Assessment Acts is presented in Appendix A.

1.2 Purpose and Authorization

The boundaries of the District are coterminous with the SCSD boundaries. The purpose of this District is to provide a stable revenue source, coupled with available grants and donations from other sources, to fund the ongoing operation, maintenance, expansion, enhancement, construction, renovation, and rehabilitation of the SCSD storm drainage improvements and facilities (collectively referred to as “improvements”) that provide special benefits to properties within the CSD, including incidental expenses and debt services for any bond(s), loans, or other repayment plans incurred to finance capital improvements.

This report is prepared in compliance with the requirements of Article 4 of Chapter 6.4, of the Benefit Assessment Act of 1982, [Act]) of the California Government Code. Pursuant to the Act, the SCSD is the legislative body for the District and may levy annual assessments and act as the governing body for the operations and administration of the District. The Act provides for the levy of annual assessments after formation of an assessment district for the continued maintenance and servicing of the district improvements. The costs associated with the installation, maintenance, and service of the improvements may be assessed to those properties that are benefited by the installation, maintenance, and service.

1.3 District Improvements

The District assessments will fully or partially fund various improvements and activities that specially benefit properties within the District. It is the goal and intent for this District to provide a stable revenue source that will allow the SCSD to fund the ongoing maintenance of the various storm drainage facilities for the community and endeavors to improve the drainage system that directly affect the properties and quality of life for residents, tenants, employees and owners of properties within the CSD. To the full extent permitted by the Act of 1982, the improvements, projects and expenditures to be funded by the assessments may include:

- **Operation and Maintenance:** operation and maintenance of storm drainage system improvements throughout the District, which may include, but is not limited to inspection, repair and servicing of drainage basins, inlets, catch basins, manholes, outlets, drywells, pumps, filters, swales, ponds, storm drain pipes, and related drainage facilities in connection with the properties of the District, as well as any offsite improvements and facilities directly associated with the aforementioned infrastructure that is deemed necessary to service or protect the properties.
- **Acquisitions:** The acquisition of land or facilities for storm drainage purposes.
- **Resource Development:** The construction, installation and/or expansion of various drainage facilities, inlets, outlets, culverts, catch basins, drainage ditches and ways, underground piping, junction boxes and manholes and related drainage facilities within the District.

- Facility Enhancements/Rehabilitation: Periodic repairs and renovations of drainage facilities including but not limited underground piping and culvers, inlets, outlets, drainage related basins, junction boxes and manholes, ditches, gutters, and related equipment and amenities.
- Capital Improvements: Major repairs of storm drainage facilities that may include repair or replacement, replacement of permanent fixtures, structural repairs, as well as the construction and installation of new facilities.

2.0 Estimate of Costs

This section of the report provides an estimate of the annual costs to be collected and deemed appropriate for the operation, maintenance and servicing of the improvements for the District.

The projected five-year annual expenses for the Assessment District are presented in Table 1.

Table 1					
Projected Expenses, Storm Drainage Fund, SCSD					
	FY¹ 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Personal Services					
Attorney	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082
Auditor (Annual Audit)	\$600	\$612	\$624	\$637	\$649
Board Stipend	\$300	\$300	\$300	\$300	\$300
Bookkeeping/CPA Consult	\$50	\$51	\$52	\$53	\$54
O&M ² Staff (Salaries & Benefits)	\$19,100	\$19,482	\$19,872	\$20,269	\$20,674
Total Personal Services	\$21,050	\$21,465	\$21,888	\$22,320	\$22,760
Materials and Services					
Bond, Dues, Publications	\$200	\$206	\$212	\$219	\$225
Supplies, Lab, Permitting & Monitoring	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251
Utilities-Water, Sewer Communications	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814
General Maintenance & Repair	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Insurance	\$500	\$515	\$530	\$546	\$563
Electrical	\$0	\$0	\$0	\$0	\$0
Contracted Maintenance Services	\$0	\$0	\$0	\$0	\$0
Total Materials And Services	\$6,200	\$6,386	\$6,578	\$6,775	\$6,978
Total O&M	\$27,250	\$27,851	\$28,466	\$29,095	\$29,739
Other Expenditures					
Annual Debt Service	\$925	\$925	\$925	\$925	\$925
Transfer to Equipment Replacement Fund	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Transfer to Reserve Fund	\$18,459	\$18,927	\$18,964	\$19,204	\$19,429
Total Other Expenditures	\$23,134	\$23,602	\$23,639	\$23,879	\$24,104
Capital Outlay					
SCSD Office Building	\$13,500	\$0	\$0	\$0	\$0
Office Equipment/furnishings Start-up	\$3,000	\$0	\$0	\$0	\$0
Total Capital Expenditures	\$16,500	\$0	\$0	\$0	\$0
Total All Expenditures	\$66,884	\$51,453	\$52,105	\$52,974	\$53,843
1. FY: fiscal year					
2. O&M: operations and maintenance					

The capital expenditures projected for FY 16-17 include a debt financed purchase of an office building for the District (annual debt service of \$925) along with purchase of Office Equipment/furnishings (\$3,000). The \$925 annual debt services are reflected in the approximate \$50,000/year benefit assessment.

3.0 Method of Assessment

3.1 Background

The Benefit Assessment Act of 1982 provides that assessments may be apportioned upon all assessable lots or parcels of land within an assessment district in proportion to the estimated benefits to be received by each lot or parcel from the improvements. In addition, Proposition 218 requires that a parcel's assessment may not exceed the reasonable cost of the proportional special benefit conferred on that parcel. The proposition provides that only special benefits are assessable, and the District must separate the general benefits from the special benefits conferred on a parcel. A special benefit is a particular and distinct benefit over and above general benefits conferred on the public at large, including real property within the Districts. The general enhancement of property value does not constitute a special benefit.

3.2 Special Benefit

The installation and continued operation and maintenance of storm drainage improvements within the District area, (currently owned and operated by the Town of Scotia, LLC, sub-dividers of the land), is guaranteed through the establishment of a Storm Drainage Benefit Assessment Area. If installation of the improvements and the guaranteed maintenance did not occur, current lots would not have been established, and future lots would not be sold to any distinct and separate owner. Thus, the ability to establish each distinct and separate lot that permits the ownership and sale of the distinct lot in perpetuity, is a particular and distinct special benefit conferred only to the real property located in the District.

3.3 General Benefit

The storm drainage facilities are located within and/or immediately adjacent to properties within the District, and were installed and are maintained particularly and solely to serve, and for the benefit of, the properties within the District. Any benefit received by properties outside of the District is inadvertent and unintentional. Therefore, any general benefits associated with the street and street lighting facilities of the District are merely incidental, negligible and non-quantifiable.

3.4 Apportionment

To assess benefits equitably it is necessary to relate each property's proportional special benefits to the special benefits of the other properties within the District. The method of apportionment established for most districts formed under the 1982 Act uses a weighted method of apportionment known as an equivalent benefit unit (EBU) methodology that uses the single-family home site as the basic unit of assessment. A single-family home site equals one EBU and the other land uses are converted to a weighted EBU based on an assessment formula that equates the property's specific characteristics associated with impervious area (non-passable by water) to compare the proportional benefit of each property as compared to a single-family home site.

The impervious area methodology was chosen for determination of the stormwater EBU contribution as this method is commonly used nationally for such purposes. The average impervious area for residential properties in the District is represented by one EBU, which is calculated as 1,500 square feet (ft²). Note that impervious surfaces are those that prevent water from soaking into the soil such as rooftops, concrete or asphalt parking lots, sidewalks, driveways, etc.

The total cost for operating and maintaining storm drainage funded by the District will be assessed to the various parcels in proportion to the estimated EBUs assigned to a parcel, in relationship to the total EBUs of all the parcels in the District.

The word “parcel,” for the purposes of this report, refers to an individual property assigned its own Assessor’s parcel number (APN) by the Humboldt County Assessor’s Office. The County Auditor-Controller uses Assessor’s Parcel Numbers and specific Fund Numbers to identify properties to be assessed on the tax roll for the special benefit assessments.

An EBU is the average amount of impervious surface, expressed in square feet, on developed single family residential parcels in the District. All other developed parcels are assigned a storm drainage EBU number based on the number of EBUs on the parcel. The number of EBUs is established by measuring the amount of impervious surface on the parcel (in square feet) and dividing that amount by the average impervious surface per residential dwelling.

The estimated EBUs for each parcel, based upon impervious area, is presented in Table 2 on the following page.

Table 2 Storm Drainage EBU ¹ Estimate			
		Impervious Area	
		Area (ft ²) ²	EBUs
Parcel 1			
1	HRC Mill Facilities	1,358,439	906
Parcel 2			
2	Electrical Co-generation Facilities	335,693	225
Parcel 3			
3	Scotia Inn – Restaurant/Lounge	44,626	30
4	Scotia Inn		
Parcel 4			
5	Residential (1,500 ft² per dwelling unit)	405,000	270
Commercial			
6	Scotia Child Enrichment Center (pre-school)	2,200	1
7	Vacant Offices	35,250	24
8	US Bank		
9	Pharmacy		
10	Aqua Dam Offices	25,230	17
11	Hair Heaven & Post Office	13,740	9
12	TOS office (now constr. & CSD offices)		
13	Medical Center Billing	19,860	13
14	Scotia True Value Hardware Store	30,150	20
15	Gas Station	21,680	14
16	Hoby’s Market	47,000	31
17	TOS Offices	4,125	3
18	HRC Offices	36,849	25
Industrial			
19	Aqua Dams	565,446	377
20	Hall’s Sheet Metal		
21	Eel River Brewery		
22	HRC Repair Garage	118,818	79
23	Vacant Storage Building (Northern Mill A)	210,527	140
Institutional			
24	St. Patrick’s Church	1,836	1
25	Scotia Union Church	2,856	2
26	Fire Station	9,588	6
27	Winema Theater	12,220	8
28	SCD Shops/Corporate Yard	12,280	8
29	Scotia Museum	2,900	2
30	Scotia Park (Fields & Picnic)	1,730	1
School District Parcel			
31	Scotia Union School District (K-8)	76,647	51
Total			2,262
1. EBU: equivalent benefit units 2. ft²: square feet			

With a total operating cost for FY 2016-2017 of \$50,384, and with an estimated 2,262 EBUs, the annual benefit associated with one EBU is \$22.274 annually (\$1.86 monthly).

4.0 Duration of Assessment

It is proposed that the assessment be levied for FY 2016-17 and continued every year thereafter, so long as the storm drainage system needs to be improved and maintained and the SCSD requires funding from the assessments. The assessment can continue to be levied annually after the District Board of Directors approves an annually updated Engineer's report, operating budget for the District and other specifics of the assessment. In addition, the District Board of Directors must hold an annual public hearing to continue the assessment.

5.0 Annual Escalators

The District's proposed, initial-five year assessments are established with an annual 1.5% escalation factor. The proposed assessments may also be increased based on an indexed escalation, if the District chooses to use it. The maximum assessments may increase based on the annual change in the consumer price index (CPI) if that amount exceeds the assumed 1.5% increase built into the initial five-year budget projections. The assessment adjustment shall be based on CPI activity measured during the preceding year, for all urban consumers, west urban area, all items, published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if the stated index is discontinued). Revenues collected that will exceed projected O&M, debt service and replacement expenses are to be placed in a capital reserve fund, which will use accumulated funds for application toward principal costs of projected capital improvements related to the drainage system upgrades and other planned capital expenditures.

Future increases shall also take into account the "pass through" costs of the purchase of uncontrolled, mandatory services (such as, utility costs). Increases or decreases in the purchase of uncontrolled mandatory services, outside of typical inflationary values, shall be passed through proportionally when considering all annual rate adjustments.

Indexing assessments annually to the CPI and adjusting for "pass through" costs, allows for minor increases for normal maintenance and operating cost escalation without incurring the costs of the Proposition 218 ballot proceedings. Any significant change in the assessments initiated by an increase in service provided or other significant changes to the District would still require the Proposition 218 proceedings and property owner approval.

6.0 Appeals and Interpretation

Any property owner who claims that the assessment levied on its property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the District Administrator or her or his designee. Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the District Administrator or his or her designee will promptly review the appeal and any information provided by the property owner. If the District Administrator or her or his designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County for collection, the District Administrator or his or her designee is

authorized to refund to the property owner the amount of any approved reduction. Any dispute over the decision of the District Administrator, or her or his designee, shall be referred to the Board of Directors of the Assessment District and the decision of the Board of Directors shall be final.

7.0 Summary

Assessment Diagrams showing the boundaries of the Storm Drainage District as well as the assessed parcels is presented in Appendix B.

The lines and dimensions of each lot or parcel within the Assessment District are those lines and dimensions shown on the maps of the Assessor of the County of Humboldt for the fiscal year to which this Report applies. The Assessor's maps and records are incorporated by reference herein and made part of this Report.

An estimate of the costs of the services provided by the District is included in the text of this report.

The assessment methodology utilized is as described in the text of this report. Based on this methodology, the EBU's and FY 2016/17 District assessment for each parcel were calculated and are shown in the Assessment Roll (Appendix C). Parcels which show a special benefit assessment of \$0 did not meet applied criteria related to the methodology to warrant any assessment of benefit.

Each lot or parcel of land within the District has been identified by unique County Assessor's Parcel Number on the Assessment Roll and the Boundary Map and Assessment Diagram referenced herein. The net assessment for each parcel for FY 2016/17 can be found on the Assessment Roll.

A **Assessment Acts**

The Assessment Acts

Improvement Act of 1911

(Streets and Highways Code section 5000 et seq.)

The 1911 Act may be used by cities, counties, and "all corporations organized and existing for municipal purposes." Assessments under this Act may be used to fund a long list of improvements including:

- transportation systems (including acquisition, construction, maintenance, and operation costs related thereto);
- street paving and grading;
- sidewalks;
- parks;
- parkways;
- recreation areas (including necessary structures);
- sanitary sewers;
- drainage systems;
- street lighting;
- fire protection systems;
- flood protection;
- geologic hazard abatement or prevention;
- water supply systems;
- gas supply systems;
- retaining walls;
- ornamental vegetation;
- navigational facilities;
- land stabilization; and
- other "necessary improvements" to the local agency's streets, property, and easements.

The 1911 Act may also be used to create a maintenance district to fund the maintenance and operation of sewer facilities and lighting systems.

Pursuant to this act, improvements must be completed before their total cost is assessed against the properties within the district. Contractors are, in effect, reimbursed for their work from the proceeds of the district. This aspect of the 1911 Act requires that sufficient funds be available for the project before it is begun and is a major drawback of the legislation. Total costs may include acquisition, construction, and incidentals (including engineering fees, attorney's fees, assessment and collection expenses, and cost of relocating utilities). The uncertainty that results from Proposition 218's voting requirements will probably discourage the future use of the 1911 Act.

Individual assessments constitute liens against specific parcels and are due within 30 days of confirmation. If assessments are not paid in full within this period, a bond in the amount due is issued to the installer of the improvements and assessments are collected from individual properties to pay off the bond. The property owner receives a separate bill indicating the assessment due. Bonds may also be issued under the Improvement Bond Act of 1915 even though the assessment repaying the bonds has been levied under the 1911 Act. Alternatively, for assessments of less than \$150, the assessment may be collected on the tax roll upon which general taxes are collected.

Since the parcel being assessed is the only security for any bonds issued, accurately estimating the value of the property is very important. The feasibility of the project will hinge on the value of the property involved.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile these differences in the statute.

Municipal Improvement Act of 1913

(Streets and Highways Code section 10000 et seq.)

The 1913 Act may be used by cities, counties, joint powers authorities, and certain special districts which are empowered to make any of the improvements authorized under the Act. It specifically authorizes the construction and maintenance of all the facilities authorized under the 1911 Act as well as the following:

- works and appliances for providing water service, electrical power, gas service, and lighting; and
- public transit facilities serving an area smaller than 3 square miles (including stations, structures, rolling stock, and land acquisition related thereto).

In addition, a municipality may enter into an agreement with a landowner to take over the operation and other activities of a sewer or water system owned by that landowner and create a 1913 Act assessment district for the purpose of reimbursing the landowner. Such an assessment district may also include other land that can be served by the system, upon the written consent of the other affected landowners.

Unlike the 1911 Act, the total cost of improvements is assessed against the benefited properties before the improvements are completed. An assessment constitutes a lien against a specific parcel and is due within 30 days of recording the notice of assessment. If the landowner chooses not to pay the assessment in full at that time, bonds in the amount of the unpaid assessment may be issued under the 1911 Improvement Act or the 1915 Improvement Bond Act. Landowners will then be assessed payments over time.

A number of amendments to the Act enacted in 1992 have expanded its use to include certain building repairs and upgrades that are necessary to the public safety. For example, assessments may now finance work or loans to bring public and private real property or buildings into compliance with seismic safety and fire code requirements (Chapters 1197 and 832, Statutes of 1992.) Work is limited to that certified as necessary by local building officials. Revenues must be dedicated to upgrades; they cannot be used to construct new buildings nor dismantle an existing building. In addition, no property or building may be included within the boundaries of a 1913 Act

district established for these purposes without the consent of the property owner. Furthermore, when work is financed on residential rental units, the owner must offer a guarantee that the number of units in the building will not be reduced and rents will not be increased beyond an affordable level.

The 1913 Act can also be used to finance repairs to those particular private and public real properties or structures damaged by earthquake when located within a disaster area (as declared by the Governor) or an area where the Governor has proclaimed a state of emergency as a result of earthquake damage (Chapter 1197, Statutes of 1992). The kinds of work which may be financed include reconstruction, repair, shoring up, and replacement. A jurisdiction has seven years from the time a disaster area is declared or a state of emergency is proclaimed to establish a district under this statute.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative must be followed. Legislation is needed to reconcile the Act with Proposition 218.

Improvement Bond Act of 1915

(Streets and Highways Code section 8500 et seq.)

This legislation does not authorize assessments. Instead, it provides a vehicle for issuing assessment bonds (including variable interest bonds) for assessments levied under the 1911 and 1913 Acts as well as a number of other benefit assessment statutes. Under this legislation, the local legislative body may also issue "bond anticipation notes" prior to actual bond sale - in effect borrowing money against the assessment bonds being proposed for sale. The 1915 Act is available to cities, counties, public districts, and public agencies.

After assessments have been levied and property owners given the opportunity to pay them off in cash, the local government will issue bonds for the total amount of unpaid assessments. Assessments collected to pay off 1915 Act bonds appear on the regular tax bill and are collected in the same manner as property taxes.

Park and Playground Act of 1909

(Government Code section 38000 et seq.)

The Park and Playground Act is a method for cities to finance public park, urban open-space land playground, and library facilities. Pursuant to a 1974 revision, the act incorporates the procedures and powers of the Improvement Act of 1911, the Municipal Improvement Act of 1913, and the Improvement Act of 1915 to finance improvements. In addition to the power to levy assessments and issue bonds, the act provides that the city council may condemn land for improvements.

Tree Planting Act of 1931

(Streets and Highways Code section 22000 et seq.)

Pursuant to this act, cities may levy assessments to fund the planting, maintenance or removal of trees and shrubs along city streets and to pay employees to accomplish this work. Assessments for maintenance are limited to a period of 5 years.

These assessments are apportioned on the basis of street frontage. Work is to be administered by the city parks department or other agency as appointed by the city council.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218. A city contemplating the use of the Act should document that street frontage is a valid measure of "special benefit." If frontage is not a directly indicator of benefit, use of this Act may be difficult to defend.

Landscaping and Lighting Act of 1972

(Streets and Highways Code section 22500 et seq.)

This Act may be used by cities, counties, and special districts (including school districts). Alleged abuse of the Landscaping and Lighting Act by cities and school districts was one of the motivating forces behind Proposition 218. The initiative targeted the allegedly tenuous link between parks and recreation facilities and the benefit they provided to properties in the area. Prior to Proposition 218, the successful argument in favor of the Landscaping and Lighting Act was that parks, open space, and recreation facilities benefited properties by increasing their value. As a result of the strict definition of special benefit created by Proposition 218 ("General enhancement of property value does not constitute 'special benefit.'"), that justification no longer exists and this Act will be much harder to use.

The 1972 Act enables assessments to be imposed in order to finance:

- acquisition of land for parks, recreation, and open space;
- installation or construction of planting and landscaping, street lighting facilities, ornamental structures, and park and recreational improvements (including playground equipment, restrooms and lighting); and
- maintenance and servicing of any of the above.

Amendments to the Act, effective January 1, 1993, exclude from the authorized improvements any community center, municipal auditorium or hall, or similar public facility, unless approved by the property owners owning 50 percent of the area of assessable lands within the proposed district. The election shall be conducted following the adoption of an ordinance or resolution at a regular meeting of the legislative body of the local agency and is in lieu of any public notice or hearing otherwise required by this part.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Benefit Assessment Act of 1982

(Government Code section 54703 et seq.)

This statute provides a uniform procedure for the enactment of benefit assessments to finance the maintenance and operation costs of drainage, flood control, and street light services and the cost of installation and improvement of drainage or flood control facilities. Under legislation approved in 1989 (SB 975, Chapter 1449), this authority is expanded to include the maintenance of streets, roads, and highways. As with most other assessment acts, it may be used by cities, counties, and special districts which are otherwise authorized to provide such services. It does, however, have some differences that set it apart.

Assessments can be levied on a parcel, a class of property improvement, use of property, or any combination thereof. Assessments for flood control services can be levied on the basis of proportionate stormwater runoff from each parcel rather than a strict evaluation of the flood protection being provided. The amount of assessment must be evaluated and re-imposed annually. Assessments are collected in the same manner as property taxes.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Also, the Act states that an assessment may be levied wherever service is available, regardless of whether the service is actually used - this may conflict with the initiative's definition of "special benefit." Where differences exist between statute and initiative, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Integrated Financing District Act

(Government Code section 53175 et seq.)

This legislation creates an alternate method for collecting assessments levied under the 1911, 1913, and 1915 Acts, the Landscaping and Lighting Act of 1972, the Vehicle Parking District Law of 1943, the Parking District Law of 1951, the Park and Playground Act of 1909, the Mello-Roos Community Facilities Act of 1982, the Benefit Assessment Act of 1982, and charter cities' facility benefit assessments. The Integrated Financing District Act applies to all local agencies insofar as those agencies have the authority to use any of the above listed financing acts. Assessments levied under this act can be used to pay the cost of planning, designing, and constructing capital facilities authorized by the applicable financing act, pay for all or part of the principle and interest on debt incurred pursuant to the applicable financing act, and to reimburse a private investor in the project.

The Integrated Financing District Act has two unique properties:

1. it can levy an assessment which is contingent upon *future* land development and payable upon approval of a subdivision map or zone change or the receipt of building permits; and
2. it allows the local agency to enter into an agreement with a private investor whereby the investor will be reimbursed for funds advanced to the agency for the project being financed.

Because the assessment is not triggered until development is ready to begin, these features make the act an attractive option when development is to occur in phases. Payment of assessments will be deferred until such time as public improvements are needed.

The procedure for creating an integrated financing district, including entering into a reimbursement agreement, is in addition to the procedure required by the applicable assessment act. The resolution of intention must include a description of the rates and method of apportionment, the contingencies which will trigger assessment of the levy, the fixed dollar amount per unit of development for the contingent levy, and a description of any proposed reimbursement agreement. The assessment and entry into any agreement are effective upon approval of the legislative body.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Street Lighting Act of 1919

(Streets and Highways Code section 18000 et seq.)

This act allows cities to levy benefit assessments for the maintenance and operation of street lighting systems. Assessments may also finance the installation of such a system by a public utility.

Assessments are liens against land and are due within 30 days of being recorded by the tax collector. The 1919 Act also establishes two alternate methods for collecting payments on an installment basis in the manner of property taxes. An assessment levied under this act must be evaluated and reapplied annually after a public hearing, and , pursuant to Proposition 218, a vote of the property owners.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Municipal Lighting Maintenance District Act of 1927

(Streets and Highways Code section 18600 et seq.)

This statute provides for the maintenance and operation (but not the installation) of street lighting systems within cities. Assessments are limited to a maximum of 5 years.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Street Lighting Act of 1931

(Streets and Highways Code section 18300 et seq.)

The 1931 Act is another means for cities to finance the maintenance and service (but not installation) of street lighting systems. Assessments under this act are levied annually and collected in installments in the manner of city taxes. The term of assessment is limited to 5 years.

As of this writing, the public notice and assessment procedure under the Act (which resembles the procedure under the 1919 Street Lighting Act) conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking District Law of 1943

(Streets and Highways Code section 31500 et seq.)

This act authorizes a city or county to levy assessments to finance:

- the acquisition of land for parking facilities;
- the construction, operation, and maintenance of parking facilities (including garages); and
- the costs of engineers, attorneys, or other people necessary to acquisition, construction, operations, and maintenance.

The Parking District Law incorporates the assessment procedures and powers of the 1911, 1913, and 1915 Acts discussed previously. It also authorizes the use of meters, user fees, and ad valorem taxes to raise funds.

Once parking facilities have been acquired, administration of the parking district is turned over to a "Board of Parking Place Commissioners" appointed by the city mayor or county board of supervisors. This board reports to the legislative body on the status of the district each year. Annual assessments are levied by the legislative body, in accordance with Proposition 218.

As mentioned earlier, the public notice and assessment procedures of the 1911, 1913, and 1915 Acts currently conflict with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking District Law of 1951

(Streets and Highways Code section 35100 et seq.)

Cities are authorized to finance the following activities under this act:

- acquisition of land for parking facilities (including the power of eminent domain),
- improvement and construction of parking lots and facilities,
- issuance of bonds, and
- employee salaries.

Special assessments under the 1911 Act may be levied to replace the use of fees and charges to repay outstanding bonds. Other revenue sources may include user fees, parking meter charges, and ad valorem taxes.

District formation proceedings are initiated upon petition of involved land owners and generally follow the pattern of other assessment acts. As in the 1943 Act, the district is to be administered by an appointed parking commission.

As with those other acts, the public notice and assessment procedure of the 1951 Act currently conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking and Business Improvement Area Law of 1989

(Streets and Highways Code section 36500 et seq.)

This act recodifies and supplants the 1979 law of the same name, now repealed. The Parking and Business Improvement Area Law of 1989 enables a city, county, or joint powers authority made up of any combination of cities and counties to establish areas of benefit and to levy assessments on businesses within those areas to finance the following improvements:

- parking facilities;
- parks;
- fountains, benches, and trash receptacles;
- street lighting; and
- decorations.

Assessment revenues may also be used for any of the following activities:

- promotion of public events benefiting area,
- businesses which take place in public places within the area,
- furnishing music to any public place in the area,
- promotion of tourism within the area, and
- any other activities which benefit businesses located in the area.

Assessments must be directly proportional to the estimated benefit being received by the businesses upon which they are levied. Furthermore, in an area formed to promote tourism, only businesses that benefit from tourist visits may be assessed. The agency creating the assessment district area is authorized to finance only those improvements or activities which were specified at the time the area is formed. An unusual feature of this law is that assessments may be apportioned differently among zones of benefit, in relation to the benefit being received by businesses within each zone. The agency should carefully document the special benefit which each assessed property will receive. Pursuant to Proposition 218, the assessment cannot finance improvements or services of general benefit.

Establishment proceedings may be initiated by the legislative body of either the city or county. The procedure is generally similar to other assessment acts and requires adoption of a resolution of intention and a noticed public hearing at which protests may be considered. If written protests are received from the owners of businesses which would pay 50 percent or more of the proposed assessment, the formation proceedings must be set aside for a period of one year. If these protests are only against a particular improvement or activity, the legislative body must delete that improvement or activity from the proposal. After a district has been established under this law, the legislative body must appoint an advisory board to make recommendations on the expenditure of revenues from the assessment. The advisory board may also be appointed prior to the adoption of a resolution of intention to make recommendations regarding that notice.

There's some ambiguity over whether Proposition 218 applies to the 1989 Law. Arguably, it does not apply since assessments are levied on businesses and are therefore not "a charge upon real property." Agencies should approach this assessment act with caution and a strong opinion from counsel before choosing not to comply with Proposition 218.

Property and Business Improvement District Law of 1994

(Streets and Highways Code section 36600 et seq.)

A city, county, or joint powers authority made up of cities and counties may adopt a resolution of intention to establish this type of district upon receiving a written petition signed by the property owners of the proposed district who would pay more than 50 percent of the assessments being proposed. The city, county, or JPA must appoint an advisory board within 15 days of receiving a petition which shall make recommendations to the legislative body regarding the proposed assessments (Streets and Highways Code section 36631).

The improvements which may be financed by these assessments include those enumerated under the Parking and Business and Improvement Area Law of 1989, as well as such other items as:

- closing, opening, widening, or narrowing existing streets;
- rehabilitation or removal of existing structures; and
- facilities or equipment, or both, to enhance security within the area.

Assessment revenues may finance the activities listed under the 1989 Law, as well as the following:

- marketing and economic development; and
- security, sanitation, graffiti removal, street cleaning, and other municipal services supplemental to those normally provided by the municipality.

No provision is made within this law for financing bonded indebtedness.

The property owners' petition is required to include a management district plan consisting of a parcel-specific map of the proposed district, the name of the proposed district, a description of the proposed boundaries, the improvements or activities being proposed over the life of the district and their cost, the total annual amount proposed to be expended in each year of the district's operation, the proposed method and basis of levying the assessment, the time and manner of collecting assessments, the number of years in which assessments will be levied (this is limited to five years maximum), a list of the properties being benefited, and other related matters (Streets and Highways Code 36622).

The legislative body's resolution must include the management district plan as well as the time and place for a public hearing on the establishment of the district and levy of assessments will be held (Streets and Highways Code 36621). This hearing must be held within 60 days after the adoption of the resolution. Hearing notice must be provided pursuant to Government Code section 54954.6. Both mailed and newspaper notice are required (Streets and Highways Code section 36623).

The proposal to form the district must be abandoned if written protests are received from the owners of real property within the proposed district who would pay 50 percent or more of the assessments (Streets and Highways Code section 36625). In addition, when a majority protest has been tendered, the legislative body is prohibited from reinitiating the assessment proposal for a period of one year.

The public notice and assessment procedures of the 1994 Law are similar to the provisions of Proposition 218. An agency proposing to use the Act should take care to ensure that they are proceeding in harmony with Proposition 218 and that the properties being assessed are receiving an actual special benefit. Where conflicts exist, the requirements of the initiative prevail.

No assessments under this law can be levied on residential properties or on land zoned for agricultural use (Streets and Highways Code section 36635).

This statute is an alternative to the Parking and Business and Improvement Area Law of 1989 and does not affect any districts formed under that law.

Pedestrian Mall Law of 1960

(Streets and Highways Code section 11000 et seq.)

This authorizes cities and counties to establish pedestrian malls, acquire land for such malls (including power of eminent domain), restrict auto traffic within the malls, and to levy benefit assessments to fund mall improvements. Improvements may include:

- street paving,
- water lines,
- sewer and drainage works,
- street lighting,

- fire protection,
- flood control facilities,
- parking areas,
- statues, fountains and decorations,
- landscaping and tree planting,
- child care facilities,
- improvements necessary to a covered air-conditioned mall, and
- relocation of city-owned facilities.

Assessments may also be used to pay damages awarded to a property owner as a result of the mall.

Establishment proceedings are similar to those found in other assessment acts. Accordingly, these provisions do not currently conform to the requirements of Proposition 218 and await reconciliation. Where conflicts exist, the requirements of the initiative prevail. Assessments and bonds are to be levied in accordance with the provisions of the Vehicle Parking District Law of 1943 (which provides for use of the 1911 and 1915 Acts, among others).

Permanent Road Divisions Law

(Streets and Highway Code sections 1160 et seq.)

This statute enables counties to establish areas of benefit (called "divisions" under this law) within which assessments may be levied in order to finance construction, improvement, or maintenance of any county road, public road easement, or private road or easement which contains a public easement (Streets and Highways Code section 1179.5). The statute also empowers a board of supervisors to levy special taxes for these purposes upon approval by 2/3 of the electorate within the division.

Proceedings for the formation of a road division may be initiated by either: (1) a resolution of the Board of Supervisors; or, (2) submittal to the Board of Supervisors of a petition containing either the signatures of a majority of the land owners within the proposed division or the owners of more than 50 percent of the assessed valuation. The public notice and assessment procedures of the Permanent Road Divisions Law conflict with the provisions of Proposition 218 by failing to provide for a property owners' ballot. The requirements of Proposition 218 must be followed in order to establish a division. Legislation is needed to reconcile the Act with Proposition 218.

Community Rehabilitation District Law of 1985

(Government Code section 53370 et seq.)

This act provides a means for cities and counties to finance the rehabilitation, renovation, repair or restoration of existing public infrastructure. It cannot, however, be used to pay for maintenance or services. A Community Rehabilitation District cannot be formed within a redevelopment project area.

A district established under the 1985 Act can rehabilitate public capital facilities such as:

- streets,
- sewer and water pipes,
- storm drains,
- sewer and water treatment plants,
- bridges and overpasses,

- street lights,
- public buildings,
- criminal justice facilities,
- libraries, and
- park facilities.

It can also finance the expansion of facility capacity or the conversion to alternative technology.

The 1985 Act allows a rehabilitation district to use any of the following financing tools:

- Special assessments under the Improvement Act of 1911 and the Municipal Improvement Act of 1913 and bonds under the Improvement Bond Act of 1915
- Special taxes and bonds pursuant to the Mello-Roos Community Facilities Act of 1982
- Fees or charges, provided that these do not exceed the amount reasonably necessary to cover the cost of the involved project
- Senior obligation bonds under the 1985 Act's own provisions (Gov. Code section 53387 et seq.)

Certain of the public notice and assessment procedures of this act conflict with Proposition 218. An agency proposing to use the Community Rehabilitation District Law should take care to ensure that they are proceeding in harmony with Proposition 218 and that the properties being assessed are receiving a concrete special benefit. Under Proposition 218, a general enhancement of property value is not a special benefit.

Public notice must be provided over a period of 5 weeks prior to the district formation hearing. This notice must contain the text of the resolution of intent, the time and place of the hearing, and a statement that the hearing will be open to all interested persons in favor of or opposed to any aspect of the district. If the district will utilize any of the above special assessment or community facilities acts, it may combine the notices required by those acts with this notice.

A separate procedure exists for issuing, administering, and refunding senior obligation bonds pursuant to the 1985 Act (Gov. Code sections 53387 - 53594). Issuance involves adopting a resolution of intention and submitting the bond issue to the voters of the district. Affirmation by a simple majority of voters is necessary to approve issuance of the bonds.

Geologic Hazard Abatement District of 1979

(Public Resources Code section 26500 et seq.)

This statute authorizes a city or county to create an independent Geologic Hazard Abatement District (GHAD) empowered to finance the prevention, mitigation, abatement, or control of actual or potential geologic hazards through the levy and collection of special assessments. The statute broadly defines geologic hazards to include: landslides, land subsidence, soil erosion, earthquakes, or "any other natural or unnatural movement of land or earth."

A district can:

- acquire property by purchase, lease, gift, or eminent domain;
- construct improvements;
- maintain, repair, or operate any improvements; and

- use any of the assessment and bond procedures established in the Improvement Act of 1911, the Municipal Improvement Act of 1913, and the Improvement Bond Act of 1915.

Proceedings for forming a GHAD may be initiated by resolution of the city or county or by petition of the owners of at least 10% of affected property. A landowner petition must include signatures, legal descriptions, and a map of the proposed district boundaries. In addition, the city, county, or petitioners must include a "plan of control" prepared by an engineering geologist which describes the geologic hazard to be addressed, its location, the affected area, and a plan for the prevention, mitigation, abatement, or control of the hazard.

When forming a GHAD, the legislative body of the city or county can be the governing body of the district. Alternatively, the legislative body can appoint five land owners to act as the district's board of directors. Thereafter, board members will be elected every four years from within the district. Unlike most special assessment districts, the GHAD is an entity independent of the city or county.

The current procedure for forming a GHAD conflicts with Proposition 218 in that it does not provide for a property owners' ballot on the question of formation. When forming a GHAD, the city or county must conform its procedure to the engineer's report, public notice, balloting, and other requirements of Proposition 218.

The statute also provides for emergency formation of a GHAD upon the request of two-thirds of the affected property owners (Public Resources Code sections 26568-26597.7). This is invalid to the extent it conflicts with Proposition 218.

The statute does not describe the method for dissolving a GHAD. However, the California Court of Appeal has opined that dissolution of a GHAD is subject to the procedures of the Cortese-Knox Local Government Reorganization Act (Gov. Code 56000, et seq.) and cannot be unilaterally undertaken by a city (*Las Tunas GHAD v. Superior Court (City of Malibu)* (1995) 38 Cal.App.4th 1002). Under this interpretation, although district formation is undertaken by a city or county without the involvement of the county Local Agency Formation Commission (LAFCO), dissolving a district requires adherence to LAFCO procedures.

A GHAD has several advantages to recommend it. One, its boundaries need not be contiguous, so it can focus on just those properties subject to hazard. Second, it is an independent district with its own board of directors drawn from the affected property owners. Third, it is not limited to a single city or county; its boundaries can cross jurisdictional lines. Fourth, its formation proceedings are not subject to review by the Local Agency Formation Commission, thereby simplifying the process. Fifth, its formation is exempt from the California Environmental Quality Act.

Contra Costa County has formed GHADs in its Blackhawk and Canyon Lakes developments. In both, the County Board of Supervisors serves as the governing body.

Open Space Maintenance Act of 1974

(Government Code sections 50575 et seq.)

Cities and counties are empowered to spend public funds to acquire open space land for preservation (Government Code sections 6950-6954). The Open Space Maintenance Act provides a means to levy an ad valorem special assessment to pay for the following services related to such land:

- conservation planning;
- maintenance;
- improvements related to open space conservation; and
- reduction of fire, erosion, and flooding hazards through clearing brush, making fire protection improvements not otherwise provided the area, planting and maintaining trees and other vegetation, creating regulations limiting area use, and construction of general improvements.

The owners of lands representing 25% or more of the value of the assessable land within the proposed district may initiate district formation by filing a petition with the involved city or county. The local legislative body must then prepare a preliminary report containing a description of the proposed boundaries, the work to be done, an estimate of the cost of the assessment, and illustrating the parcels to be benefitted. The planning commission must review the report and make recommendation to the legislative body. Once the legislative body has reviewed the report, concluded that such a district is justified, and adopted an ordinance of intention to form an assessment district, it will set a time and place for hearing objections to the proposal. The ordinance of intention must specify the district boundaries, the proposed projects, the annual assessment, the maximum assessment, and the time of the protest hearing (Government Code section 50593). Notice must be placed in a newspaper of general circulation, mailed to involved property owners, and posted in a public place. The formation proceedings in current law conflict with the requirements of Proposition 218. A city or county must be careful to substitute the requirements of Proposition 218 for any conflicting provisions in the code. This statute needs to be amended to reconcile it with Proposition 218.

Fire Suppression Assessment of 1978

(Government Code section 50078 et seq.)

Special districts, county service areas, counties, and cities which provide fire suppression services (including those provided by contracting with other agencies) are authorized to levy assessments under this act. The resulting revenues may be used to obtain, furnish, operate, and maintain fire-fighting equipment and to pay salaries and benefits to firefighting personnel.

Unlike the other special assessment acts, invocation of fire suppression assessments does not require establishment of an assessment district. Instead, the jurisdiction levying the assessment specifies those parcels or zones within its boundaries that will be subject to assessment.

Assessments are based upon uniform schedules or rates determined by the risk classification of structures and property use. Agricultural, timber, and livestock land is assessed at a lower rate on the basis of relative risk to the land and its products. The local agency may establish zones of benefit, restricting the applicability of assessments. In addition, assessments may be levied on

parcels, classes of improvement or property use or any combination thereof. Assessments are proportional to the fire protection benefits received by property and improvements, but may be levied whether or not the service is actually used.

The procedure for establishing a fire suppression assessment includes:

- filing of a report which details the land to be assessed, the initial amount of assessment, the maximum assessment, the duration of the assessment, and the schedule or rate of assessment;
- public notice and hearing;
- protest procedures; and
- adoption of an ordinance or resolution imposing the levy.

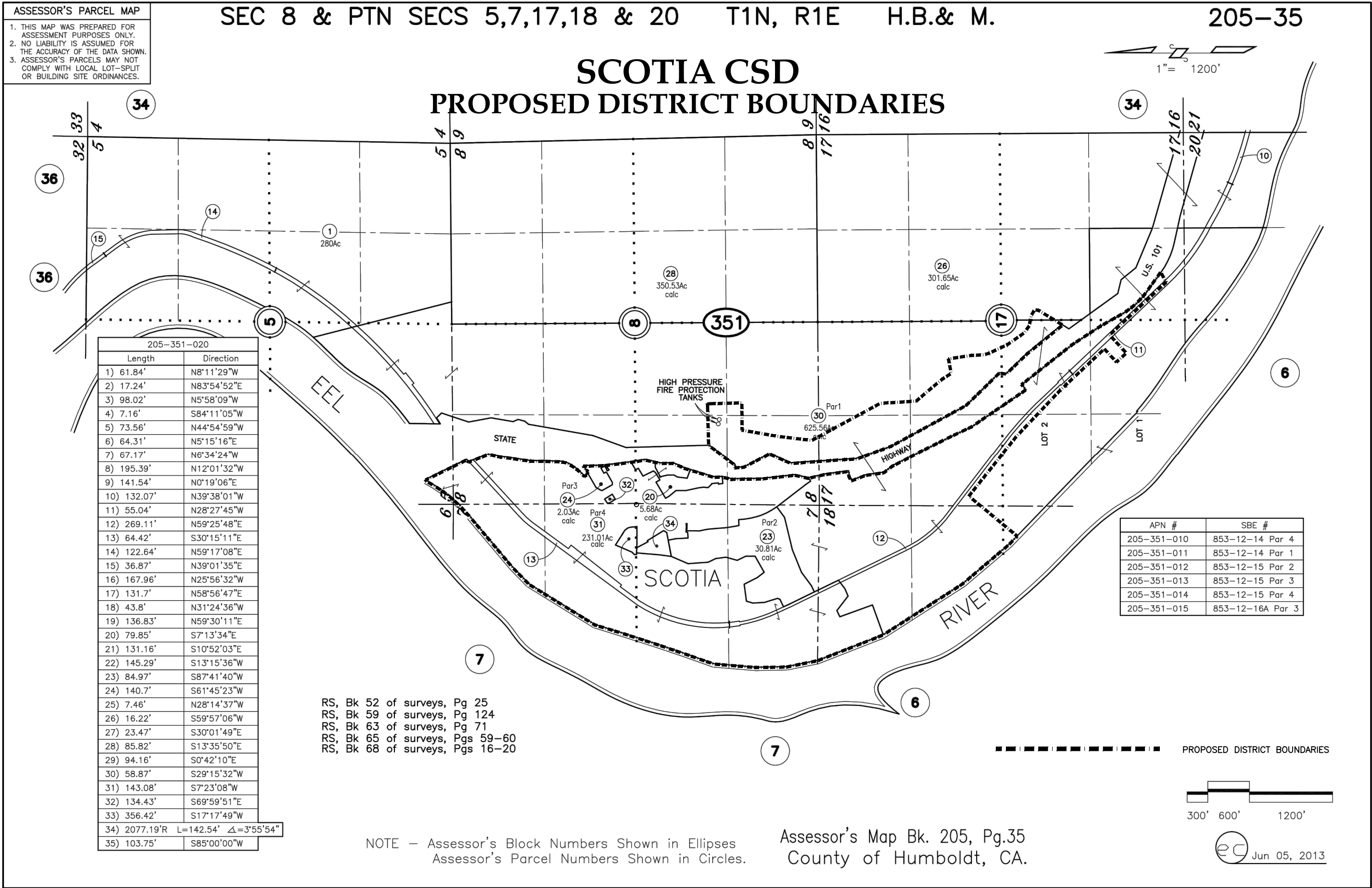
Proposition 218, with its strict definition of "special benefit," may pose a problem for new or increased assessments under this code. In fact, some jurisdictions, such as the Tamalpais Valley Fire District and the County of Los Angeles, have placed fire protection levies before the voters as special taxes (subject to two-thirds approval), effectively converting them from assessments.

The agency proposing to levy fire suppression assessments must be careful to document the special benefit (excluding any benefit to the general public and any general enhancement of property value) accruing to each parcel that is included in the assessment district. In addition, the formation proceedings in current law conflict with the requirements of Proposition 218. A city or county must substitute the requirements of Proposition 218 for all conflicting provisions in the code.

B

District Boundaries

U:\jstilla\maker\ 2005\ 005161 - Scotia\ Rate and Assessment Reports, SAVED: 2/23/2016 4:10 PM RSTILLMAKER, PLOTTED: 2/23/2016 4:11 PM, RON STILLMAKER



C

Assessment Roll

**Scotia Community Services District
Storm Drainage Assessment
Fiscal Year 2016/17**

Assessment Roll

Parcel identification for each lot or parcel within the District, shall be the parcel as shown on the Humboldt County Secured Roll for the year in which the report is prepared and reflective of the Assessor's parcel maps. A complete listing of the parcels within this District, along with each parcel's assessment amount to be levied for Fiscal Year 2016/2017 is provided below.

These assessments will be submitted to the County Auditor/Controller to be included on the property tax roll for Fiscal Year 2016/2017. If any parcel submitted for collection is identified by the County Auditor/Controller to be an invalid parcel number for the fiscal year, a corrected parcel number and/or new parcel numbers will be identified and resubmitted to the County. The assessment amount to be levied and collected for the resubmitted parcel or parcels shall be recalculated based on the method of apportionment and assessment rates as approved herein by the SCSD Board of Directors.

Assessor's Parcel Number	EBUs¹	Special Benefit Assessment
205-531-011-000 ²	0	\$0
205-531-012-000 ²	0	\$0
205-531-013-000 ²	0	\$0
205-531-020-000	51	\$1,136
205-531-023-000	224	\$4,989
205-531-024-000	30	\$668
205-531-026-000 ²	0	\$0
205-531-030-000	906	\$20,180
205-531-031-000	944	\$21,027
205-531-032-000	3	\$67
205-531-033-000	25	\$557
205-531-034-000	79	\$1,760
	Total	\$50,384
1. EBU: equivalent benefit units 2. Parcels did not meet applied criteria related to the methodology to warrant any assessment of special benefit.		

Streets and Street Lighting

Engineer's Report for Assessment of Benefits

Prepared for:

Scotia Community Services District



Engineers & Geologists

812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

005161.400

Streets and Street Lighting

Engineer's Report for Assessment of Benefits

Prepared for:

Scotia Community Services District

PO Box 245
Scotia, CA 95565-0245



Prepared by:



Engineers & Geologists
812 W. Wabash Ave.
Eureka, CA 95501-2138
707-441-8855

March 2016

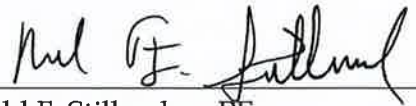
QA/QC: MKF 


Scotia Community Services District Street and Street Light Maintenance

Engineer's Report Certificate

This report describes the Street and Street lighting Maintenance Assessment, including improvements, budgets, parcels, and assessments to be levied over the next five fiscal years beginning with FY 2016/2017. Reference is hereby made to Humboldt County Assessor's maps for a detailed description of the lines and dimensions of parcels within the District. The undersigned respectfully submits the enclosed report as directed by the District Board.

Dated this 25th day of March 2016.

By: 
Ronald F. Stillmaker, PE
Sr. Civil Engineer
SHN Engineers & Geologists

By: 
Mike Foget, PE, LEED AP
Civil Engineering Principal
SHN Engineers & Geologists

I hereby certify that the enclosed Engineer's report, together with Assessment Roll and Assessment Diagram thereto attached, was approved and confirmed by the Scotia Community Services District Board of Directors, Scotia California, on the _____ day of _____, 2016.

By _____
Chairperson
Scotia Community Services District
Humboldt County, California

Table of Contents

	Page
Engineer's Report Certificate.....	i
Acronyms & Abbreviations.....	iii
1.0 Introduction.....	1
1.1 Proposition 218.....	1
1.2 Purpose and Authorization.....	2
1.3 District Improvements.....	2
2.0 Estimate of Costs.....	2
3.0 Method of Assessment.....	3
3.1 Background.....	3
3.2 Special Benefit.....	4
3.3 General Benefit.....	4
3.4 Apportionment.....	4
4.0 Duration of Assessment.....	6
5.0 Annual Escalators.....	6
6.0 Appeals and Interpretation.....	6
7.0 Summary.....	7

Appendices

- A. Assessment Acts
- B. District Boundary
- C. Assessment Roll

List of Illustrations

Tables	Page
1. Projected Expenses, Streets and Street Lighting Fund, SCSD.....	3
2. Street and Street Lighting EBU Estimate.....	5

Acronyms & Abbreviations

ft ²	square feet
CPI	consumer price index
EBU	equivalent benefit unit
FY	fiscal year
ITE	Institute of Transportation Engineers
O&M	operations and maintenance
SCSD	Scotia Community Services District
SHN	SHN Engineers & Geologists
TOS	Town of Scotia Company, LLC

1.0 Introduction

Located in the heart of California Redwood Country, Scotia was developed starting in the 1880s and has been maintained since then as a true company town. The entire town was developed and constructed by The Pacific Lumber Company. The residences were all constructed and maintained by the company for its employees. Industrial, commercial, and community structures were also developed by the company, creating a consistency in historical design. In 2008, Pacific Lumber Company was reorganized. Today, Scotia is owned and operated by the Town of Scotia Company, LLC (TOS); the sawmill is operated by Humboldt Redwood Company. TOS is in the process of subdividing the properties and selling them into private ownership. In 2014, the Scotia Community Services District (SCSD) was formed to provide the town with essential services associated with water, wastewater, streets and street lighting, storm drainage, parks, and fire fighting. This report provides support and recommendations for establishment of benefit assessments to support the provision of those services by the SCSD.

This assessment was conducted by SHN Engineers & Geologists on behalf of the SCSD.

1.1 Proposition 218

On November 5, 1996, the electorate approved Proposition 218, Right to Vote on Taxes Act, which added Articles XIII C and XIII D to the California Constitution. The proposition affects all assessments upon real property for a special benefit conferred on the property. As written, Proposition 218 exempts assessments for street purposes from the voting requirement.

Proposition 218 establishes a strict definition of "special benefit." For the purposes of all assessment acts, special benefit means "a particular and distinct benefit over and above general benefits conferred on real property located in the district or the public at large. General enhancement of property value does not constitute 'special benefit.'" In a reversal of previous law, a local agency is prohibited by Proposition 218 from including the cost of any general benefit in the assessment apportioned to individual properties. Assessments are limited to those necessary to recover the cost of the special benefit provided the property.

In addition, assessments levied on individual parcels are limited to the "reasonable cost of the proportional special benefit conferred on that parcel."

Previously, assessments were seldom if ever levied on public property. Proposition 218 specifically requires assessments to be levied on public parcels within an assessment district, unless the agency that owns the parcel can "demonstrate by clear and convincing evidence" that its parcel will receive no special benefit.

The maintenance services in the SCSD's assessment are for SCSD-owned streets, alleys, and streetlights. Streetlights are an integral part of the entire street, the same as curb gutters, pavement, signage and striping. They are the elements that provide a safe route for motorists and pedestrians. Streetlights are installed to make streets safer. Streetlights are installed to provide better visibility for drivers. Therefore, street lighting is considered a part of the streets assessment program.

A summary of other Assessment Acts is presented in Appendix A.

1.2 Purpose and Authorization

The boundaries of the District are coterminous with the SCSD boundaries. The purpose of this District is to provide a stable revenue source, coupled with available grants and donations from other sources, to fund the ongoing operation, maintenance, expansion, enhancement, construction, renovation and rehabilitation of the SCSD streets and street lighting improvements and facilities (collectively referred to as “Improvements”) that provide special benefits to properties within the CSD, including incidental expenses and debt services for any bond(s), loans, or other repayment plans incurred to finance capital improvements.

This assessment district is being formed in conformance with The Improvement Act of 1911 (Streets & Highways Code §5000 *et seq.*), which can be used by cities, counties, and other municipal governments to fund a wide range of public infrastructure projects. The 1911 Act can also fund maintenance of improvements.

1.3 District Improvements

The District assessments will fully or partially fund various improvements and activities that specially benefit properties within the District. It is the goal and intent for this District to provide a stable revenue source that will allow the SCSD to fund the ongoing maintenance of the various streets and street lighting facilities for the community and endeavors to improve the transportation system that directly affect the properties and quality of life for residents, tenants, employees, and owners of properties within the SCSD. To the full extent permitted by the Act of 1911, the improvements, projects, and expenditures to be funded by the assessments may include:

- **Operation and Maintenance:** operation and maintenance of streets and street lighting improvements throughout the District
- **Acquisitions:** The acquisition of land or facilities for transportation purposes
- **Resource Development:** The construction, installation and/or expansion of various streets, sidewalks, street lighting, and related transportation facilities within the District
- **Facility Enhancements/Rehabilitation:** Periodic repairs and renovations of streets and street lighting including but not limited to signage, traffic marking, streets, alleys, sidewalks, curb and gutters, and related equipment and amenities
- **Capital Improvements:** Major repairs of streets and street lighting facilities that may include repair or replacement, replacement of permanent fixtures, structural repairs, as well as the construction and installation of new facilities

2.0 Estimate of Costs

The projected five-year annual expenses for the Assessment District are presented in Table 1 on the following page.

Table 1 Projected Expenses, Streets and Street Lighting Fund, SCSD					
	FY¹ 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Personal Services					
Attorney	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082
Auditor (Annual Audit)	\$600	\$612	\$624	\$637	\$649
Board Stipend	\$300	\$300	\$300	\$300	\$300
Bookkeeping/CPA Consult	\$50	\$51	\$52	\$53	\$54
O&M ² Staff (Salaries & Benefits)	\$19,100	\$19,482	\$19,872	\$20,269	\$20,674
Total Personal Services	\$21,050	\$21,465	\$21,888	\$22,320	\$22,760
Materials and Services					
Bond, Dues, Publications	\$200	\$206	\$212	\$219	\$225
Supplies, Lab, Permitting & Monitoring	\$500	\$515	\$530	\$546	\$563
Utilities- water, sewer communications	\$4,000	\$4,120	\$4,244	\$4,371	\$4,502
General Maintenance & Repair	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753
Insurance	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Electrical	\$4,500	\$4,635	\$4,774	\$4,917	\$5,065
Contracted Maintenance Services	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Total Materials And Services	\$21,200	\$21,836	\$22,491	\$23,166	\$23,861
Total O&M	\$42,250	\$43,301	\$44,379	\$45,486	\$46,621
Other Expenditures					
Annual Debt Service	\$925	\$925	\$925	\$925	\$925
Transfer to Equipment Replacement Fund	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Transfer to Reserve Fund	\$21,575	\$21,792	\$21,590	\$21,651	\$21,684
Total Other Expenditures	\$25,500	\$25,717	\$25,515	\$25,576	\$25,609
Capital Outlay					
SCSD Office Building	\$13,500	\$0	\$0	\$0	\$0
Office Equipment/furnishings Start-up	\$3,000	\$0	\$0	\$0	\$0
Total Capital Expenditures	\$16,500	\$0	\$0	\$0	\$0
Total All Expenditures	\$84,250	\$69,018	\$69,894	\$71,062	\$72,230
1. FY: fiscal year 2. O&M: operations and maintenance					

The capital expenditures projected for fiscal year (FY) 16-17 include a debt financed purchase of an office building for the District (annual debt service of \$925) along with purchase of office equipment/furnishings (\$3,000). The \$925 annual debt services are reflected in the benefit assessment.

3.0 Method of Assessment

3.1 Background

The Benefit Assessment Act of 1982 provides that assessments may be apportioned upon all assessable lots or parcels of land within an assessment district in proportion to the estimated benefits to be received by each lot or parcel from the improvements. In addition, Proposition 218 requires that a parcel's assessment may not exceed the reasonable cost of the proportional special benefit conferred on that parcel. The proposition provides that only special benefits are assessable, and the District must separate the general benefits from the special benefits conferred on a parcel. A

special benefit is a particular and distinct benefit over and above general benefits conferred on the public at large, including real property within the District. The general enhancement of property value does not constitute a special benefit.

3.2 Special Benefit

The installation and continued operation and maintenance of streets and street lighting improvements within the District area, (currently owned and operated by TOS, sub-dividers of the land), is guaranteed through the establishment of a Streets and Street Lighting Benefit Assessment Area. If installation of the improvements and the guaranteed maintenance does not occur, current lots would not have been established and future lots would not be sold to any distinct and separate owner. Thus, the ability to establish each distinct and separate lot that permits the ownership and sale of the distinct lot in perpetuity is a particular and distinct special benefit conferred only to the real property located in the District.

3.3 General Benefit

The streets and street lighting facilities are located within and/or immediately adjacent to properties within the District, and were installed and are maintained particularly and solely to serve, and for the benefit of, the properties within the District. Any benefit received by properties outside of the District is inadvertent and unintentional. Therefore, any general benefits associated with the street and street lighting facilities of the District are merely incidental, negligible and non-quantifiable.

3.4 Apportionment

To assess benefits equitably it is necessary to relate each property's proportional special benefits to the special benefits of the other properties within the District. The method of apportionment established for most districts formed under the 1982 Act uses a weighted method of apportionment known as an equivalent benefit unit (EBU) methodology that uses the single-family home site as the basic unit of assessment. A single-family home site equals one EBU and the other land uses are converted to a weighted EBU based on an assessment formula that equates the property's specific characteristics associated with traffic generation to compare the proportional benefit of each property as compared to a single-family home site.

Operations and maintenance (O&M) of streets and street lighting provided by the District are primarily associated with the transportation within the community. Accordingly, trip generation rates for various land use categories (as established by the Institute of Transportation Engineers [ITE]) have been used as the primary basis for the development of EBUs. Although these trip generation rates strictly address only vehicular trips, they are also considered to approximately reflect relative trip generation for other modes of transportation (e.g., pedestrian trips, bicycle trips, etc.), and are considered the best available information for these other transportation modes.

The special benefits of street lighting and landscape improvements maintained and provided by the District are linked to trip generation primarily by the public safety and aesthetic enhancement enjoyed by travelers through the community. Trip generation rates provide the required nexus and basis for assigning ratios of maximum potential benefit to the various land use/zoning classifications as defined by the ITE.

One (1) EBU is as equivalent to 10 trips/day, which is also representative of traffic generated by a single-family dwelling unit. The estimated EBU count for each parcel, based upon land use driven trip generation, is presented in Table 2.

		Vehicle Trips/Day ²				
		Area (ft ²) ³	Trips/ Unit	Unit	Trips/ Day	EBUs
Parcel 1						
1	HRC Mill Facilities	963,887	3.4	Per 1,000 ft ² bldng area	3,277	328
Parcel 2						
2	Electrical Co-generation Facilities	178,376	3.4	Per 1,000 ft ² bldng area	606	61
Parcel 3						
3	Scotia Inn – Restaurant/Lounge	4,680	50.4	Per 1,000 ft ² bldng area	236	24
4	Scotia Inn	22	8.2	Per room	180	18
Parcel 4						
5	Residential	N/A	10.0	Per Dwelling Unit	2,700	270
Commercial						
6	Scotia Child Enrichment Center (pre-school)	8,540	37.0	Per 1,000 ft ² bldng area	316	32
7	Vacant Offices, For Lease	1,327	5.6	Per 1,000 ft ² bldng area	7	1
8	US Bank	4,800	78.5	Per 1,000 ft ² bldng area	377	38
9	Pharmacy	12,100	48.5	Per 1,000 ft ² bldng area	586	59
10	Aqua Dam Offices	11,700	3.2	Per 1,000 ft ² bldng area	37	4
11	Hair Heaven & Post Office	376	48.7	Per 1,000 ft ² bldng area	18	2
12	Office (now constr. & CSD offices)	2,227	5.6	Per 1,000 ft ² bldng area	12	1
13	Medical Center Building	8,509	36.1	Per 1,000 ft ² bldng area	307	31
14	Scotia True Value Hardware Store	11,900	23.4	Per 1,000 ft ² bldng area	278	28
15	Gas Station	6	79.3	Per fueling position	476	48
16	Hoby's Market	13,200	23.4	Per 1,000 ft ² bldng area	309	31
17	HRC Sales Offices	2,916	5.6	Per 1,000 ft ² bldng area	16	2
18	TOS Offices	13,849	5.6	Per 1,000 ft ² bldng area	77	8
Industrial						
19	Aqua Dams ⁴	246,495	3.2	Per 1,000 ft ² bldng area	790	79
20	Hall's Sheet Metal					
21	Eel River Brewery					
22	HRC Repair Garage	14,836	20.0	Per 1,000 ft ² bldng area	288	29
23	Vacant Storage Building (Northern Mill A)	114,729	3.2	Per 1,000 ft ² bldng area	368	37
Institutional						
24	St. Patrick's Church	1,836	8.7	Per 1,000 ft ² bldng area	16	2
25	Scotia Union Church	2,856	8.7	Per 1,000 ft ² bldng area	25	2
26	Fire Station	7,120	5.6	Per 1,000 ft ² bldng area	40	4
27	Winema Theater	50	1.8	Per seat	90	9
28	CSD Shops/Corporate Yard	12,280	3.4	Per 1,000 ft ² bldng area	42	4
29	Scotia Museum	2,900	68.1	Per 1,000 ft ² bldng area	198	20
30	Scotia Park (Fields & Picnic)	15	50.0	Per acre	752	75
School District Parcel						
31	Scotia Union School District (K-8)	231	1.3	Per student	298	30
Total						1,278
1. EBUs: equivalent benefit units 2. ITE Trip generation manual, daily rate less pass-by 3. ft ² : feet squared 4. Aqua Dams, Hall's Sheet Metal, and Eel River Brewery are in one building and EBU rate is assigned for all together.						

With a total projected cost of services of \$67,750 for Fiscal Year 2016-2017 and estimated 1,278 EBUs, the annual benefit associated with one EBU is \$53.013 annually (\$4.42 monthly).

4.0 Duration of Assessment

It is proposed that the assessment be levied for FY 2016-17 and continued every year thereafter, so long as the streets and street lights need to be improved and maintained, and the SCSD requires funding from the assessments. The assessment can continue to be levied annually after the District Board of Directors approves an annually updated report, budget for the assessment and other specifics of the assessment. In addition, the District Board of Directors must hold an annual public hearing to continue the Assessment.

5.0 Annual Escalators

The District's proposed, initial five-year assessments are established with an annual 1.5% escalation factor. The proposed assessments may also be increased based on an indexed escalation, if the District chooses to use it. The maximum assessments may increase based on the annual change in the consumer price index (CPI) if that amount exceeds the assumed 1.5% increase built into the initial five-year budget projections. The assessment adjustment shall be based on CPI activity measured during the preceding year, for all urban consumers, west urban area, all items, published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if the stated index is discontinued). Revenues collected that will exceed projected O&M, debt service and replacement expenses are to be placed in a capital reserve fund, which will use accumulated funds for application toward principal costs of projected capital improvements related to the streets and street lighting system upgrades and other planned capital expenditures.

Future increases shall also take into account the "pass through" costs of the purchase of uncontrolled, mandatory services (such as, utility costs). Increases or decreases in the purchase of uncontrolled mandatory services, outside of typical inflationary values, shall be passed through proportionally when considering all annual rate adjustments.

Indexing assessments annually to the CPI and adjusting for "pass through" costs, allows for minor increases for normal maintenance and operating cost escalation without incurring the costs of the Proposition 218 ballot proceedings. Any significant change in the assessments initiated by an increase in service provided or other significant changes to the District would still require the Proposition 218 proceedings and property owner approval.

6.0 Appeals and Interpretation

Any property owner who claims that the assessment levied on its property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the District Administrator or her or his designee. Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the District Administrator or his or her designee will promptly review the appeal and any information provided by the property owner. If the District Administrator or her or his designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County for collection, the District Administrator or his or her designee is

authorized to refund to the property owner the amount of any approved reduction. Any dispute over the decision of the District Administrator, or her or his designee, shall be referred to the Board of Directors of the Streets and Street Lighting District and the decision of the Board of Directors shall be final.

7.0 Summary

Assessment diagrams showing the boundaries of the Streets and Streetlighting Maintenance District, as well as the assessed parcels are presented in Appendix B.

The lines and dimensions of each lot or parcel within the Assessment District are those lines and dimensions shown on the maps of the Assessor of the County of Humboldt for the fiscal year to which this report applies. The Assessor's maps and records are incorporated by reference herein and made part of this report.

An estimate of the costs of the services provided by the District is included in the text of this report.

The assessment methodology used is as described in the text of this report. Based on this methodology, the EBU's and FY 2016/17 District assessment for each parcel were calculated and are shown in the Assessment Roll (Appendix C). Parcels which show a special benefit assessment of \$0 did not meet applied criteria related to the methodology to warrant any assessment of benefit.

Each lot or parcel of land within the District has been identified by unique County Assessor's Parcel Number on the Assessment Roll and the Boundary Map and Assessment Diagram referenced herein. The net assessment for each parcel for FY 2016/17 can be found on the Assessment Roll.

A

Assessment Acts

The Assessment Acts

Improvement Act of 1911

(Streets and Highways Code section 5000 et seq.)

The 1911 Act may be used by cities, counties, and "all corporations organized and existing for municipal purposes." Assessments under this Act may be used to fund a long list of improvements including:

- transportation systems (including acquisition, construction, maintenance, and operation costs related thereto);
- street paving and grading;
- sidewalks;
- parks;
- parkways;
- recreation areas (including necessary structures);
- sanitary sewers;
- drainage systems;
- street lighting;
- fire protection systems;
- flood protection;
- geologic hazard abatement or prevention;
- water supply systems;
- gas supply systems;
- retaining walls;
- ornamental vegetation;
- navigational facilities;
- land stabilization; and
- other "necessary improvements" to the local agency's streets, property, and easements.

The 1911 Act may also be used to create a maintenance district to fund the maintenance and operation of sewer facilities and lighting systems.

Pursuant to this act, improvements must be completed before their total cost is assessed against the properties within the district. Contractors are, in effect, reimbursed for their work from the proceeds of the district. This aspect of the 1911 Act requires that sufficient funds be available for the project before it is begun and is a major drawback of the legislation. Total costs may include acquisition, construction, and incidentals (including engineering fees, attorney's fees, assessment and collection expenses, and cost of relocating utilities). The uncertainty that results from Proposition 218's voting requirements will probably discourage the future use of the 1911 Act.

Individual assessments constitute liens against specific parcels and are due within 30 days of confirmation. If assessments are not paid in full within this period, a bond in the amount due is

issued to the installer of the improvements and assessments are collected from individual properties to pay off the bond. The property owner receives a separate bill indicating the assessment due. Bonds may also be issued under the Improvement Bond Act of 1915 even though the assessment repaying the bonds has been levied under the 1911 Act. Alternatively, for assessments of less than \$150, the assessment may be collected on the tax roll upon which general taxes are collected.

Since the parcel being assessed is the only security for any bonds issued, accurately estimating the value of the property is very important. The feasibility of the project will hinge on the value of the property involved.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile these differences in the statute.

Municipal Improvement Act of 1913 (*Streets and Highways Code section 10000 et seq.*)

The 1913 Act may be used by cities, counties, joint powers authorities, and certain special districts which are empowered to make any of the improvements authorized under the Act. It specifically authorizes the construction and maintenance of all the facilities authorized under the 1911 Act as well as the following:

- works and appliances for providing water service, electrical power, gas service, and lighting; and
- public transit facilities serving an area smaller than 3 square miles (including stations, structures, rolling stock, and land acquisition related thereto).

In addition, a municipality may enter into an agreement with a landowner to take over the operation and other activities of a sewer or water system owned by that landowner and create a 1913 Act assessment district for the purpose of reimbursing the landowner. Such an assessment district may also include other land that can be served by the system, upon the written consent of the other affected landowners.

Unlike the 1911 Act, the total cost of improvements is assessed against the benefited properties before the improvements are completed. An assessment constitutes a lien against a specific parcel and is due within 30 days of recording the notice of assessment. If the landowner chooses not to pay the assessment in full at that time, bonds in the amount of the unpaid assessment may be issued under the 1911 Improvement Act or the 1915 Improvement Bond Act. Landowners will then be assessed payments over time.

A number of amendments to the Act enacted in 1992 have expanded its use to include certain building repairs and upgrades that are necessary to the public safety. For example, assessments may now finance work or loans to bring public and private real property or buildings into compliance with seismic safety and fire code requirements (Chapters 1197 and 832, Statutes of 1992.) Work is limited to that certified as necessary by local building officials. Revenues must be dedicated to upgrades; they cannot be used to construct new buildings nor dismantle an existing building. In addition, no property or building may be included within the boundaries of a 1913 Act district established for these purposes without the consent of the property owner. Furthermore,

when work is financed on residential rental units, the owner must offer a guarantee that the number of units in the building will not be reduced and rents will not be increased beyond an affordable level.

The 1913 Act can also be used to finance repairs to those particular private and public real properties or structures damaged by earthquake when located within a disaster area (as declared by the Governor) or an area where the Governor has proclaimed a state of emergency as a result of earthquake damage (Chapter 1197, Statutes of 1992). The kinds of work which may be financed include reconstruction, repair, shoring up, and replacement. A jurisdiction has seven years from the time a disaster area is declared or a state of emergency is proclaimed to establish a district under this statute.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative must be followed. Legislation is needed to reconcile the Act with Proposition 218.

Improvement Bond Act of 1915

(Streets and Highways Code section 8500 et seq.)

This legislation does not authorize assessments. Instead, it provides a vehicle for issuing assessment bonds (including variable interest bonds) for assessments levied under the 1911 and 1913 Acts as well as a number of other benefit assessment statutes. Under this legislation, the local legislative body may also issue "bond anticipation notes" prior to actual bond sale - in effect borrowing money against the assessment bonds being proposed for sale. The 1915 Act is available to cities, counties, public districts, and public agencies.

After assessments have been levied and property owners given the opportunity to pay them off in cash, the local government will issue bonds for the total amount of unpaid assessments. Assessments collected to pay off 1915 Act bonds appear on the regular tax bill and are collected in the same manner as property taxes.

Park and Playground Act of 1909

(Government Code section 38000 et seq.)

The Park and Playground Act is a method for cities to finance public park, urban open-space land playground, and library facilities. Pursuant to a 1974 revision, the act incorporates the procedures and powers of the Improvement Act of 1911, the Municipal Improvement Act of 1913, and the Improvement Act of 1915 to finance improvements. In addition to the power to levy assessments and issue bonds, the act provides that the city council may condemn land for improvements.

Tree Planting Act of 1931

(Streets and Highways Code section 22000 et seq.)

Pursuant to this act, cities may levy assessments to fund the planting, maintenance or removal of trees and shrubs along city streets and to pay employees to accomplish this work. Assessments for maintenance are limited to a period of 5 years.

These assessments are apportioned on the basis of street frontage. Work is to be administered by the city parks department or other agency as appointed by the city council.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218. A city contemplating the use of the Act should document that street frontage is a valid measure of "special benefit." If frontage is not a directly indicator of benefit, use of this Act may be difficult to defend.

Landscaping and Lighting Act of 1972

(Streets and Highways Code section 22500 et seq.)

This Act may be used by cities, counties, and special districts (including school districts). Alleged abuse of the Landscaping and Lighting Act by cities and school districts was one of the motivating forces behind Proposition 218. The initiative targeted the allegedly tenuous link between parks and recreation facilities and the benefit they provided to properties in the area. Prior to Proposition 218, the successful argument in favor of the Landscaping and Lighting Act was that parks, open space, and recreation facilities benefited properties by increasing their value. As a result of the strict definition of special benefit created by Proposition 218 ("General enhancement of property value does not constitute 'special benefit.'"), that justification no longer exists and this Act will be much harder to use.

The 1972 Act enables assessments to be imposed in order to finance:

- acquisition of land for parks, recreation, and open space;
- installation or construction of planting and landscaping, street lighting facilities, ornamental structures, and park and recreational improvements (including playground equipment, restrooms and lighting); and
- maintenance and servicing of any of the above.

Amendments to the Act, effective January 1, 1993, exclude from the authorized improvements any community center, municipal auditorium or hall, or similar public facility, unless approved by the property owners owning 50 percent of the area of assessable lands within the proposed district. The election shall be conducted following the adoption of an ordinance or resolution at a regular meeting of the legislative body of the local agency and is in lieu of any public notice or hearing otherwise required by this part.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Benefit Assessment Act of 1982

(Government Code section 54703 et seq.)

This statute provides a uniform procedure for the enactment of benefit assessments to finance the maintenance and operation costs of drainage, flood control, and street light services and the cost of installation and improvement of drainage or flood control facilities. Under legislation approved in 1989 (SB 975, Chapter 1449), this authority is expanded to include the maintenance of streets, roads, and highways. As with most other assessment acts, it may be used by cities, counties, and special districts which are otherwise authorized to provide such services. It does, however, have some differences that set it apart.

Assessments can be levied on a parcel, a class of property improvement, use of property, or any combination thereof. Assessments for flood control services can be levied on the basis of

proportionate stormwater runoff from each parcel rather than a strict evaluation of the flood protection being provided. The amount of assessment must be evaluated and re-imposed annually. Assessments are collected in the same manner as property taxes.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Also, the Act states that an assessment may be levied wherever service is available, regardless of whether the service is actually used - this may conflict with the initiative's definition of "special benefit." Where differences exist between statute and initiative, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Integrated Financing District Act (*Government Code section 53175 et seq.*)

This legislation creates an alternate method for collecting assessments levied under the 1911, 1913, and 1915 Acts, the Landscaping and Lighting Act of 1972, the Vehicle Parking District Law of 1943, the Parking District Law of 1951, the Park and Playground Act of 1909, the Mello-Roos Community Facilities Act of 1982, the Benefit Assessment Act of 1982, and charter cities' facility benefit assessments. The Integrated Financing District Act applies to all local agencies insofar as those agencies have the authority to use any of the above listed financing acts. Assessments levied under this act can be used to pay the cost of planning, designing, and constructing capital facilities authorized by the applicable financing act, pay for all or part of the principle and interest on debt incurred pursuant to the applicable financing act, and to reimburse a private investor in the project.

The Integrated Financing District Act has two unique properties:

1. it can levy an assessment which is contingent upon *future* land development and payable upon approval of a subdivision map or zone change or the receipt of building permits; and
2. it allows the local agency to enter into an agreement with a private investor whereby the investor will be reimbursed for funds advanced to the agency for the project being financed.

Because the assessment is not triggered until development is ready to begin, these features make the act an attractive option when development is to occur in phases. Payment of assessments will be deferred until such time as public improvements are needed.

The procedure for creating an integrated financing district, including entering into a reimbursement agreement, is in addition to the procedure required by the applicable assessment act. The resolution of intention must include a description of the rates and method of apportionment, the contingencies which will trigger assessment of the levy, the fixed dollar amount per unit of development for the contingent levy, and a description of any proposed reimbursement agreement. The assessment and entry into any agreement are effective upon approval of the legislative body.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Street Lighting Act of 1919 (*Streets and Highways Code section 18000 et seq.*)

This act allows cities to levy benefit assessments for the maintenance and operation of street lighting systems. Assessments may also finance the installation of such a system by a public utility.

Assessments are liens against land and are due within 30 days of being recorded by the tax collector. The 1919 Act also establishes two alternate methods for collecting payments on an installment basis in the manner of property taxes. An assessment levied under this act must be evaluated and reapplied annually after a public hearing, and , pursuant to Proposition 218, a vote of the property owners.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Municipal Lighting Maintenance District Act of 1927

(Streets and Highways Code section 18600 et seq.)

This statute provides for the maintenance and operation (but not the installation) of street lighting systems within cities. Assessments are limited to a maximum of 5 years.

As of this writing, the public notice and assessment procedure under the Act conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Street Lighting Act of 1931

(Streets and Highways Code section 18300 et seq.)

The 1931 Act is another means for cities to finance the maintenance and service (but not installation) of street lighting systems. Assessments under this act are levied annually and collected in installments in the manner of city taxes. The term of assessment is limited to 5 years.

As of this writing, the public notice and assessment procedure under the Act (which resembles the procedure under the 1919 Street Lighting Act) conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking District Law of 1943

(Streets and Highways Code section 31500 et seq.)

This act authorizes a city or county to levy assessments to finance:

- the acquisition of land for parking facilities;
- the construction, operation, and maintenance of parking facilities (including garages); and
- the costs of engineers, attorneys, or other people necessary to acquisition, construction, operations, and maintenance.

The Parking District Law incorporates the assessment procedures and powers of the 1911, 1913, and 1915 Acts discussed previously. It also authorizes the use of meters, user fees, and ad valorem taxes to raise funds.

Once parking facilities have been acquired, administration of the parking district is turned over to a "Board of Parking Place Commissioners" appointed by the city mayor or county board of supervisors. This board reports to the legislative body on the status of the district each year. Annual assessments are levied by the legislative body, in accordance with Proposition 218.

As mentioned earlier, the public notice and assessment procedures of the 1911, 1913, and 1915 Acts currently conflict with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking District Law of 1951

(Streets and Highways Code section 35100 et seq.)

Cities are authorized to finance the following activities under this act:

- acquisition of land for parking facilities (including the power of eminent domain),
- improvement and construction of parking lots and facilities,
- issuance of bonds, and
- employee salaries.

Special assessments under the 1911 Act may be levied to replace the use of fees and charges to repay outstanding bonds. Other revenue sources may include user fees, parking meter charges, and ad valorem taxes.

District formation proceedings are initiated upon petition of involved land owners and generally follow the pattern of other assessment acts. As in the 1943 Act, the district is to be administered by an appointed parking commission.

As with those other acts, the public notice and assessment procedure of the 1951 Act currently conflicts with the provisions of Proposition 218. Where differences exist, the requirements of the initiative prevail. Legislation is needed to reconcile the Act with Proposition 218.

Parking and Business Improvement Area Law of 1989

(Streets and Highways Code section 36500 et seq.)

This act recodifies and supplants the 1979 law of the same name, now repealed. The Parking and Business Improvement Area Law of 1989 enables a city, county, or joint powers authority made up of any combination of cities and counties to establish areas of benefit and to levy assessments on businesses within those areas to finance the following improvements:

- parking facilities;
- parks;
- fountains, benches, and trash receptacles;
- street lighting; and
- decorations.

Assessment revenues may also be used for any of the following activities:

- promotion of public events benefiting area,
- businesses which take place in public places within the area,
- furnishing music to any public place in the area,
- promotion of tourism within the area, and
- any other activities which benefit businesses located in the area.

Assessments must be directly proportional to the estimated benefit being received by the businesses upon which they are levied. Furthermore, in an area formed to promote tourism, only businesses that benefit from tourist visits may be assessed. The agency creating the assessment district area is authorized to finance only those improvements or activities which were specified at

the time the area is formed. An unusual feature of this law is that assessments may be apportioned differently among zones of benefit, in relation to the benefit being received by businesses within each zone. The agency should carefully document the special benefit which each assessed property will receive. Pursuant to Proposition 218, the assessment cannot finance improvements or services of general benefit.

Establishment proceedings may be initiated by the legislative body of either the city or county. The procedure is generally similar to other assessment acts and requires adoption of a resolution of intention and a noticed public hearing at which protests may be considered. If written protests are received from the owners of businesses which would pay 50 percent or more of the proposed assessment, the formation proceedings must be set aside for a period of one year. If these protests are only against a particular improvement or activity, the legislative body must delete that improvement or activity from the proposal. After a district has been established under this law, the legislative body must appoint an advisory board to make recommendations on the expenditure of revenues from the assessment. The advisory board may also be appointed prior to the adoption of a resolution of intention to make recommendations regarding that notice.

There's some ambiguity over whether Proposition 218 applies to the 1989 Law. Arguably, it does not apply since assessments are levied on businesses and are therefore not "a charge upon real property." Agencies should approach this assessment act with caution and a strong opinion from counsel before choosing not to comply with Proposition 218.

Property and Business Improvement District Law of 1994

(Streets and Highways Code section 36600 et seq.)

A city, county, or joint powers authority made up of cities and counties may adopt a resolution of intention to establish this type of district upon receiving a written petition signed by the property owners of the proposed district who would pay more than 50 percent of the assessments being proposed. The city, county, or JPA must appoint an advisory board within 15 days of receiving a petition which shall make recommendations to the legislative body regarding the proposed assessments (Streets and Highways Code section 36631).

The improvements which may be financed by these assessments include those enumerated under the Parking and Business and Improvement Area Law of 1989, as well as such other items as:

- closing, opening, widening, or narrowing existing streets;
- rehabilitation or removal of existing structures; and
- facilities or equipment, or both, to enhance security within the area.
- Assessment revenues may finance the activities listed under the 1989 Law, as well as the following:
 - marketing and economic development; and
 - security, sanitation, graffiti removal, street cleaning, and other municipal services supplemental to those normally provided by the municipality.

No provision is made within this law for financing bonded indebtedness.

The property owners' petition is required to include a management district plan consisting of a parcel-specific map of the proposed district, the name of the proposed district, a description of the

proposed boundaries, the improvements or activities being proposed over the life of the district and their cost, the total annual amount proposed to be expended in each year of the district's operation, the proposed method and basis of levying the assessment, the time and manner of collecting assessments, the number of years in which assessments will be levied (this is limited to five years maximum), a list of the properties being benefited, and other related matters (Streets and Highways Code 36622).

The legislative body's resolution must include the management district plan as well as the time and place for a public hearing on the establishment of the district and levy of assessments will be held (Streets and Highways Code 36621). This hearing must be held within 60 days after the adoption of the resolution. Hearing notice must be provided pursuant to Government Code section 54954.6. Both mailed and newspaper notice are required (Streets and Highways Code section 36623).

The proposal to form the district must be abandoned if written protests are received from the owners of real property within the proposed district who would pay 50 percent or more of the assessments (Streets and Highways Code section 36625). In addition, when a majority protest has been tendered, the legislative body is prohibited from reinitiating the assessment proposal for a period of one year.

The public notice and assessment procedures of the 1994 Law are similar to the provisions of Proposition 218. An agency proposing to use the Act should take care to ensure that they are proceeding in harmony with Proposition 218 and that the properties being assessed are receiving an actual special benefit. Where conflicts exist, the requirements of the initiative prevail.

No assessments under this law can be levied on residential properties or on land zoned for agricultural use (Streets and Highways Code section 36635).

This statute is an alternative to the Parking and Business and Improvement Area Law of 1989 and does not affect any districts formed under that law.

Pedestrian Mall Law of 1960

(Streets and Highways Code section 11000 et seq.)

This authorizes cities and counties to establish pedestrian malls, acquire land for such malls (including power of eminent domain), restrict auto traffic within the malls, and to levy benefit assessments to fund mall improvements. Improvements may include:

- street paving;
- water lines;
- sewer and drainage works;
- street lighting;
- fire protection;
- flood control facilities;
- parking areas;
- statues, fountains, and decorations;
- landscaping and tree planting;
- child care facilities;
- improvements necessary to a covered air-conditioned mall; and
- relocation of city-owned facilities.

Assessments may also be used to pay damages awarded to a property owner as a result of the mall. Establishment proceedings are similar to those found in other assessment acts. Accordingly, these provisions do not currently conform to the requirements of Proposition 218 and await reconciliation. Where conflicts exist, the requirements of the initiative prevail. Assessments and bonds are to be levied in accordance with the provisions of the Vehicle Parking District Law of 1943 (which provides for use of the 1911 and 1915 Acts, among others).

Permanent Road Divisions Law

(Streets and Highway Code sections 1160 et seq.)

This statute enables counties to establish areas of benefit (called "divisions" under this law) within which assessments may be levied in order to finance construction, improvement, or maintenance of any county road, public road easement, or private road or easement which contains a public easement (Streets and Highways Code section 1179.5). The statute also empowers a board of supervisors to levy special taxes for these purposes upon approval by 2/3 of the electorate within the division.

Proceedings for the formation of a road division may be initiated by either: (1) a resolution of the Board of Supervisors; or, (2) submittal to the Board of Supervisors of a petition containing either the signatures of a majority of the land owners within the proposed division or the owners of more than 50 percent of the assessed valuation. The public notice and assessment procedures of the Permanent Road Divisions Law conflict with the provisions of Proposition 218 by failing to provide for a property owners' ballot. The requirements of Proposition 218 must be followed in order to establish a division. Legislation is needed to reconcile the Act with Proposition 218.

Community Rehabilitation District Law of 1985

(Government Code section 53370 et seq.)

This act provides a means for cities and counties to finance the rehabilitation, renovation, repair or restoration of existing public infrastructure. It cannot, however, be used to pay for maintenance or services. A Community Rehabilitation District cannot be formed within a redevelopment project area.

A district established under the 1985 Act can rehabilitate public capital facilities such as:

- streets,
- sewer and water pipes,
- storm drains,
- sewer and water treatment plants,
- bridges and overpasses,
- street lights,
- public buildings,
- criminal justice facilities,
- libraries, and
- park facilities.

It can also finance the expansion of facility capacity or the conversion to alternative technology. The 1985 Act allows a rehabilitation district to use any of the following financing tools:

- Special assessments under the Improvement Act of 1911 and the Municipal Improvement Act of 1913 and bonds under the Improvement Bond Act of 1915
- Special taxes and bonds pursuant to the Mello-Roos Community Facilities Act of 1982
- Fees or charges, provided that these do not exceed the amount reasonably necessary to cover the cost of the involved project
- Senior obligation bonds under the 1985 Act's own provisions (Gov. Code section 53387 et seq.)

Certain of the public notice and assessment procedures of this act conflict with Proposition 218. An agency proposing to use the Community Rehabilitation District Law should take care to ensure that they are proceeding in harmony with Proposition 218 and that the properties being assessed are receiving a concrete special benefit. Under Proposition 218, a general enhancement of property value is not a special benefit.

Public notice must be provided over a period of 5 weeks prior to the district formation hearing. This notice must contain the text of the resolution of intent, the time and place of the hearing, and a statement that the hearing will be open to all interested persons in favor of or opposed to any aspect of the district. If the district will utilize any of the above special assessment or community facilities acts, it may combine the notices required by those acts with this notice.

A separate procedure exists for issuing, administering, and refunding senior obligation bonds pursuant to the 1985 Act (Gov. Code sections 53387 - 53594). Issuance involves adopting a resolution of intention and submitting the bond issue to the voters of the district. Affirmation by a simple majority of voters is necessary to approve issuance of the bonds.

Geologic Hazard Abatement District of 1979

(Public Resources Code section 26500 et seq.)

This statute authorizes a city or county to create an independent Geologic Hazard Abatement District (GHAD) empowered to finance the prevention, mitigation, abatement, or control of actual or potential geologic hazards through the levy and collection of special assessments. The statute broadly defines geologic hazards to include: landslides, land subsidence, soil erosion, earthquakes, or "any other natural or unnatural movement of land or earth."

A district can:

- acquire property by purchase, lease, gift, or eminent domain;
- construct improvements;
- maintain, repair, or operate any improvements; and
- use any of the assessment and bond procedures established in the Improvement Act of 1911, the Municipal Improvement Act of 1913, and the Improvement Bond Act of 1915.

Proceedings for forming a GHAD may be initiated by resolution of the city or county or by petition of the owners of at least 10% of affected property. A landowner petition must include signatures, legal descriptions, and a map of the proposed district boundaries. In addition, the city, county, or petitioners must include a "plan of control" prepared by an engineering geologist which describes the geologic hazard to be addressed, its location, the affected area, and a plan for the prevention, mitigation, abatement, or control of the hazard.

When forming a GHAD, the legislative body of the city or county can be the governing body of the district. Alternatively, the legislative body can appoint five land owners to act as the district's board of directors. Thereafter, board members will be elected every four years from within the district. Unlike most special assessment districts, the GHAD is an entity independent of the city or county.

The current procedure for forming a GHAD conflicts with Proposition 218 in that it does not provide for a property owners' ballot on the question of formation. When forming a GHAD, the city or county must conform its procedure to the engineer's report, public notice, balloting, and other requirements of Proposition 218.

The statute also provides for emergency formation of a GHAD upon the request of two-thirds of the affected property owners (Public Resources Code sections 26568-26597.7). This is invalid to the extent it conflicts with Proposition 218.

The statute does not describe the method for dissolving a GHAD. However, the California Court of Appeal has opined that dissolution of a GHAD is subject to the procedures of the Cortese-Knox Local Government Reorganization Act (Gov. Code 56000, et seq.) and cannot be unilaterally undertaken by a city (*Las Tunas GHAD v. Superior Court (City of Malibu)* (1995) 38 Cal.App.4th 1002).

Under this interpretation, although district formation is undertaken by a city or county without the involvement of the county Local Agency Formation Commission (LAFCO), dissolving a district requires adherence to LAFCO procedures.

A GHAD has several advantages to recommend it. One, its boundaries need not be contiguous, so it can focus on just those properties subject to hazard. Second, it is an independent district with its own board of directors drawn from the affected property owners. Third, it is not limited to a single city or county; its boundaries can cross jurisdictional lines. Fourth, its formation proceedings are not subject to review by the Local Agency Formation Commission, thereby simplifying the process. Fifth, its formation is exempt from the California Environmental Quality Act.

Contra Costa County has formed GHADs in its Blackhawk and Canyon Lakes developments. In both, the County Board of Supervisors serves as the governing body.

Open Space Maintenance Act of 1974

(Government Code sections 50575 et seq.)

Cities and counties are empowered to spend public funds to acquire open space land for preservation (Government Code sections 6950-6954). The Open Space Maintenance Act provides a means to levy an ad valorem special assessment to pay for the following services related to such land:

- conservation planning;
- maintenance;
- improvements related to open space conservation; and
- reduction of fire, erosion, and flooding hazards through clearing brush, making fire protection improvements not otherwise provided the area, planting and maintaining trees and other vegetation, creating regulations limiting area use, and construction of general improvements.

The owners of lands representing 25% or more of the value of the assessable land within the proposed district may initiate district formation by filing a petition with the involved city or county. The local legislative body must then prepare a preliminary report containing a description of the proposed boundaries, the work to be done, an estimate of the cost of the assessment, and illustrating the parcels to be benefitted. The planning commission must review the report and make recommendation to the legislative body. Once the legislative body has reviewed the report, concluded that such a district is justified, and adopted an ordinance of intention to form an assessment district, it will set a time and place for hearing objections to the proposal. The ordinance of intention must specify the district boundaries, the proposed projects, the annual assessment, the maximum assessment, and the time of the protest hearing (Government Code section 50593). Notice must be placed in a newspaper of general circulation, mailed to involved property owners, and posted in a public place. The formation proceedings in current law conflict with the requirements of Proposition 218. A city or county must be careful to substitute the requirements of Proposition 218 for any conflicting provisions in the code. This statute needs to be amended to reconcile it with Proposition 218.

Fire Suppression Assessment of 1978

(Government Code section 50078 et seq.)

Special districts, county service areas, counties, and cities which provide fire suppression services (including those provided by contracting with other agencies) are authorized to levy assessments under this act. The resulting revenues may be used to obtain, furnish, operate, and maintain firefighting equipment and to pay salaries and benefits to firefighting personnel.

Unlike the other special assessment acts, invocation of fire suppression assessments does not require establishment of an assessment district. Instead, the jurisdiction levying the assessment specifies those parcels or zones within its boundaries that will be subject to assessment.

Assessments are based upon uniform schedules or rates determined by the risk classification of structures and property use. Agricultural, timber, and livestock land is assessed at a lower rate on the basis of relative risk to the land and its products. The local agency may establish zones of benefit, restricting the applicability of assessments. In addition, assessments may be levied on parcels, classes of improvement or property use or any combination thereof. Assessments are proportional to the fire protection benefits received by property and improvements, but may be levied whether or not the service is actually used.

The procedure for establishing a fire suppression assessment includes:

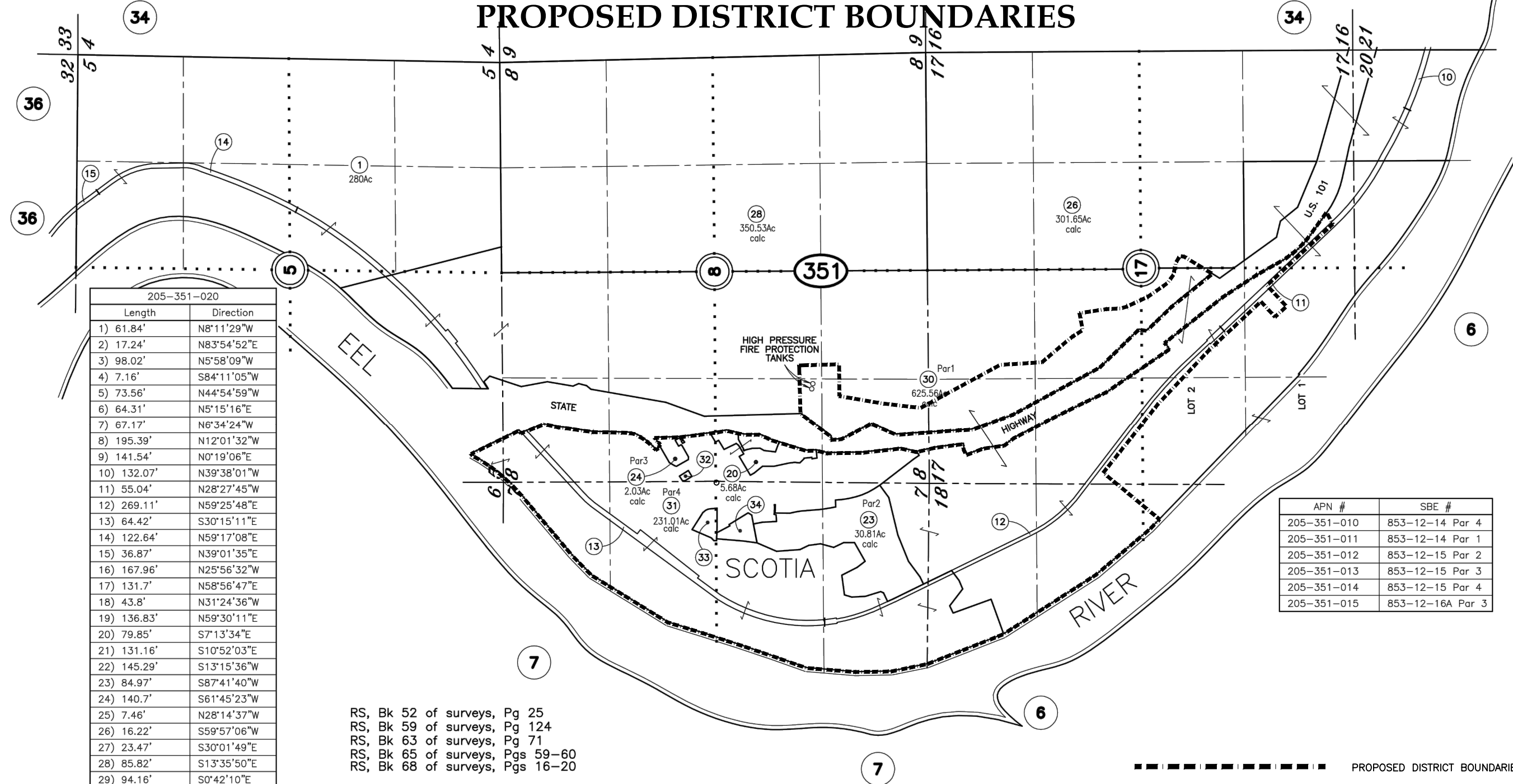
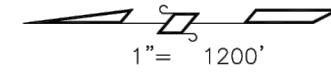
- filing of a report which details the land to be assessed, the initial amount of assessment, the maximum assessment, the duration of the assessment, and the schedule or rate of assessment;
- public notice and hearing;
- protest procedures; and
- adoption of an ordinance or resolution imposing the levy.

Proposition 218, with its strict definition of "special benefit," may pose a problem for new or increased assessments under this code. In fact, some jurisdictions, such as the Tamalpais Valley Fire District and the County of Los Angeles, have placed fire protection levies before the voters as special taxes (subject to two-thirds approval), effectively converting them from assessments. The agency proposing to levy fire suppression assessments must be careful to document the special benefit (excluding any benefit to the general public and any general enhancement of property value) accruing to each parcel that is included in the assessment district. In addition, the formation proceedings in current law conflict with the requirements of Proposition 218. A city or county must substitute the requirements of Proposition 218 for all conflicting provisions in the code.

B

District Boundaries

SCOTIA CSD PROPOSED DISTRICT BOUNDARIES



RS, Bk 52 of surveys, Pg 25
RS, Bk 59 of surveys, Pg 124
RS, Bk 63 of surveys, Pg 71
RS, Bk 65 of surveys, Pgs 59–60
RS, Bk 68 of surveys, Pgs 16–20

Assessor's Map Bk. 205, Pg.35
County of Humboldt, CA.

SCOTIA CSD
PROPOSED DISTRICT BOUNDARIES

005161.400

Figure 1

C

Assessment Roll

**Scotia Community Services District
Streets and Street Lighting Assessment
Fiscal Year 2016/17**

Assessment Roll

Parcel identification for each lot or parcel within the District, shall be the parcel as shown on the Humboldt County Secured Roll for the year in which the Report is prepared and reflective of the Assessor's Parcel Maps. A complete listing of the parcels within this District, along with each parcel's assessment amount to be levied for Fiscal Year 2016/2017 is provided below.

These assessments will be submitted to the County Auditor/Controller to be included on the property tax roll for Fiscal Year 2016/2017. If any parcel submitted for collection is identified by the County Auditor/Controller to be an invalid parcel number for the fiscal year, a corrected parcel number and/or new parcel numbers will be identified and resubmitted to the County. The assessment amount to be levied and collected for the resubmitted parcel or parcels shall be recalculated based on the method of apportionment and assessment rates as approved herein by the Scotia CSD Board of Directors.

Assessor's Parcel Number	EBUs¹	Special Benefit Assessment
205-531-011-000 ²	0	\$0
205-531-012-000 ²	0	\$0
205-531-013-000 ²	0	\$0
205-531-020-000	30	\$1,590
205-531-023-000	61	\$3,234
205-531-024-000	42	\$2,226
205-531-026-000 ²	0	\$0
205-531-030-000	331	\$17,547
205-531-031-000	774	\$41,032
205-531-032-000	2	\$106
205-531-033-000	8	\$424
205-531-034-000	30	\$1,590
	Total	\$67,750
1. EBU: equivalent benefit units		
2. Parcels did not meet applied criteria related to the methodology to warrant any assessment of special benefit.		