COUNTY OF SAN BENITO

Report for:

Fiscal Impact and Service Level Analysis for a Joint CFD

July 2018

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TABLE OF CONTENTS

Section 1. INTRODUCTION **1**

Section 2. BACKGROUND **2**
Analysis Methodology 2
Persons Served 3
Proposed Project Area Development 4

Section 3. PROJECT AREA REVENUE ESTIMATE **6**
Property Tax Revenue 6
Property Tax in Lieu of Vehicle License Fee (“VLF”) Revenue 7
Documentary Transfer Tax 8
Sales Tax Revenue 8
Other County Revenue 9
Project Area Revenue Summary 10

Section 4. PROJECT AREA EXPENDITURES ESTIMATE **11**
County Expenditure Allocation 11
County Expenditures Per Person Served 12
Project Area Expenditure Summary 13

Section 5. PROJECT AREA FISCAL IMPACT **14**
Project Area Fiscal Impact Allocation 15

Section 6. COMMUNITY FACILITIES DISTRICT OPTION **16**
History of Community Facilities Districts (“CFDs”) 16
Project Area Specific Costs 16
CFD Special Tax Rates 17

Section 7. CONCLUSION **18**

LIST OF REPORT TABLES

Table 1. Residential Population 3
Table 2. Employee Population 3
Table 3. Persons Served 4
Table 4. Project Area Population 5
Table 5. 1% Ad Valorem Allocation 6
Table 6. Project Area Secured Property Tax Revenue 7
Table 7. Project Area Unsecured Property Tax Revenue 7
Table 8. Project Area Property Tax in Lieu of VLF 8
Table 9. Project Area Documentary Transfer Tax 8
Table 10. Project Area Sales Tax Revenue 9
Table 11. Other County Revenue 9
Table 12. Other County Revenue per Person 10
Table 13. Project Area Other Revenue 10
Table 14. Total Project Area Revenue 10
Table 15. County Expenditures Summary 11
Table 16. County Expenditures Allocated Per 12
Table 17. County Expenditures per Person Served 12
Table 18. Total Project Area Expenditures 13
Table 19. Project Area Fiscal Impact 14
Table 20. Fiscal Impact per Project Area Person 14
Table 21. Fiscal Impact per Project Area Single-Family Home 14
Table 22. Fiscal Impact for each Development in Project Area 15
Table 23. Project Specific Costs per Development 17
Table 24. Project Area CFD Special Tax Rates 17

Section 1. INTRODUCTION

The County of San Benito ("County") is undertaking a comprehensive review of the fiscal impact that would be placed on the County due to the proposed development of several areas within the County's unincorporated area. When reviewing the anticipated revenues to be generated from the development as compared to the additional cost burden placed upon the County to provide the public services, the development produces negative fiscal impacts. As a result, the County is considering the establishment of a special financing district to offset these negative fiscal impacts. Special financing districts are important tools for public agencies to use to accomplish financial goals such as generating revenue to fund new facilities and services, as well as complement existing revenue sources to reduce funding deficits resulting from development.

This report is laid out to provide a background of the project, financial information, potential special tax rates, and recommended actions for the County's consideration. To accomplish this objective, the report includes the following information:

- **Background information**. The introductory portion of the report focuses on the County, as well as the public services and operations under review. Proposed development information is also addressed in this section.
- **Revenues**. This section of the report identifies various revenue sources and the potential recurring revenues produced from the proposed development.
- **Expenditures**. The expenditure section of the report identifies the cost burden placed upon County operations as a result of the new development.
- **Fiscal Impact**. Using the previously identified revenues and allocated expenditures for the proposed development, this section of the report identifies the positive or negative fiscal impact to County operations as a result of the proposed development. Fiscal impacts are addressed in both aggregate and using a per unit factor. Depending on the objectives of the analysis, the per unit factor may be on a per person served, per dwelling unit, per parcel, and/or per acre basis.
- **Recommendations**. Finally, the report concludes with a summary of findings and recommendations for the County to consider. This section also includes potential special tax rates to mitigate any negative fiscal impacts and to fund project specific services, if any.

Section 2. BACKGROUND

New development can provide a significant benefit to a public agency. As part of the overall decision-making process to move forward with the new development, it is important to evaluate the contributions and demands that the new development will place upon the public agency's general fund. The County needs to ensure that developing property pays their fair share of any additional fiscal burdens placed upon the County's operational budget as a result of development. To determine the positive or negative fiscal impacts placed upon the County from the new development, this fiscal impact analysis is designed to quantify the approximate cost of services provided by the County in order to serve new development within the unincorporated area of the County. This fiscal impact analysis assumes that the new development will impact County services in a similar manner that existing development within the County impacts those public services.

To determine the proposed development's positive or negative fiscal impact, this fiscal analysis focuses on the recurring revenue produced from the development at full buildout, compared to the increased demands placed upon the County's operational budget. Revenue estimates for this fiscal analysis do not include one-time development impact fees that are paid to offset the additional burden placed upon public infrastructure. Similarly, the expenditures exclude any capital allocations to public infrastructure.

Analysis Methodology

The revenue portion of the fiscal impact analysis primarily focuses on various taxes, fees, and other County revenues. The expenditures portion of the fiscal impact analysis includes general government activities, public protection, community development, and other County expenditures.

There are several methods for allocating these revenues and expenditures to the proposed development. This analysis focuses on two industry standard approaches: the case study approach and the multiplier approach. Both approaches are summarized below.

CASE STUDY APPROACH

When data used in a fiscal impact analysis is specific to the analysis itself, and is not dependent upon a multiplier such as the number of residents, employees, etc., the case study approach is utilized. The case study approach relies on development-specific data to estimate the fiscal impacts of the proposed development of the project. Data used in the case study approach may include assessed valuations, estimated sales, property turnover rates, residential and employee populations, household incomes, and retail expenditures.

MULTIPLIER APPROACH

The multiplier approach is used in a fiscal impact analysis when the relationship of the revenue or expenditures generated from the proposed project are difficult to measure. This approach anticipates that certain revenues and expenditures are indicators of future anticipated revenues and expenditures, which can be quantified based upon changes in the number of persons served. To apply this approach, the analysis determines an average revenue or expenditure amount on a persons served basis. Depending on the type of revenue or expenditure, the persons served can include residents, employees, or both.

Persons Served

In order to best utilize the multiplier approach in the fiscal impact analysis, and to best allocate revenues and expenditures, the County's existing residential and employee service populations need to be identified.

RESIDENTIAL POPULATION

According to information obtained from the State of California's Department of Finance, the January 2017 total estimated population for the County is 56,854. This residential population is allocated throughout the County as follows:

TABLE 1. RESIDENTIAL POPULATION

Location	Residential Population
Hollister	36,677
San Juan Bautista	1,856
Unincorporated Area	18,321
Total Residential Population	**56,854**

Of the County's total population, 18,321 people are located throughout the unincorporated area of the County. This is an important distinction, as there are County services intended to serve the entire County population and there are certain County services that are intended to serve the population within the unincorporated area only. In cases where the County serves the unincorporated population, it is assumed that the incorporated cities are providing similar public services. There are two incorporated cities within the County, the City of Hollister and the City of San Juan Bautista, which are both tasked with providing various services to the residential population within their boundaries.

EMPLOYEE POPULATION

County employee population information was obtained from the State of California's Employment Development Department. According to the November 2017 preliminary estimates, the approximate total number of employees within the County is 28,400. This employment population is allocated throughout the County as follows:

TABLE 2. EMPLOYEE POPULATION

Location	Employee Population
Hollister	17,800
San Juan Bautista	900
Unincorporated Area	9,700
Total Employee Population	**28,400**

Of the County's estimated employee population, 9,700 employees are located throughout the unincorporated area of the County. Similar to the residential population, the City of Hollister and the City of San Juan Bautista are tasked with providing various services to their employee population, rather than the County providing these services.

PERSONS SERVED

To allocate certain revenues and expenditures, there are several persons served categories that need to be considered in this fiscal analysis. As previously noted, the City of Hollister and the City of San Juan Bautista are incorporated cities and will provide certain public services to their residents and employees. Therefore, this fiscal impact analysis will utilize the number of persons served in the County, the number of persons served in the unincorporated area only, or the number of residents, excluding employees, served in the County, depending on the revenue or expenditure under review.

County Persons Served

Using the residential population and employee population estimates established in Tables 1 and 2 above, the total number of persons served in the County is determined. It should be noted that the employee population does not have the same revenue and expenditure demands on a public agency when compared to the residential population. While the exact service demand relationship between an employee and a resident is often difficult to measure, an industry standard of one-half employee to one resident is common practice. This 50% adjustment suggests that a resident will have twice the demand on a public agency's services than that of an employee. Applying this percentage to the employee population, the total number of persons served within the County is provided in the table below.

TABLE 3. PERSONS SERVED

Location	Residential Population	Employee Population(1)	Persons Served
Hollister	36,677	8,900	45,577
San Juan Bautista	1,856	450	2,306
Unincorporated Area	18,321	4,850	23,171
Total Persons Served	**56,854**	**14,200**	**71,054**

(1) Adjusted to reflect 50% of the employee population identified in Table 2.

Based upon the County's residential and employee population, the total number of persons served within the County is 71,054 persons.

Unincorporated Area Persons Served

Based upon the unincorporated area's residential population and employee population identified in Table 3, the total number of persons served within the unincorporated area is 23,171 persons.

County Residents Served

Some County services are intended to serve the County's residential population only. Those County services include public assistance and education programs. To allocate the expenditures using the multiplier approach, employees are excluded from the total number of persons served within the County. Based upon the County's residential population identified in Table 3, the total number of County residents served is 56,854 persons.

Proposed Project Area Development

The County is currently considering three development projects ("Project Area"), which serve as the basis for this fiscal impact analysis. All three of the development projects in the Project Area are located within the unincorporated area of the County. The entire Project Area is anticipated to develop into single-family homes. There are no plans for any multi-family housing or non-residential development within the Project Area. A summary of the three development projects making up the Project Area is provided below.

1. Brigantino – The Brigantino development will include 200 single-family homes
2. Bennett Ranch – The Bennett Ranch development will include 84 single-family homes
3. Bluffs – The Bluffs development will include 90 single-family homes

PROJECT AREA POPULATION

To assign certain revenue and cost estimates to the Project Area, the estimated population for the Project Area needs to be determined. Referencing the 2017 population and housing information from the State of California's Department of Finance, the numbers of persons per household within the unincorporated area of the County is 2.86 persons per household. Applying this persons per household figure to the proposed total number of single-family homes, the total estimated population for the Project Area is 1,070 persons, as shown in Table 4 below.

TABLE 4. PROJECT AREA POPULATION

Description	Amount
Unincorporated Persons per Household	2.86
Number of Single-Family Homes in Project Area	374
Estimated Project Area Population	**1,070**

PROPOSED PROJECT SPECIFIC SERVICES

The primary goal of this fiscal impact analysis is to determine the overall fiscal impact that development of the Project Area will place upon existing County operations. However, certain developments within the Project Area anticipate providing additional services that are specific to each development. These services are unique to each development and are in addition to currently provided County services. Funding for these project-specific recurring public service costs, including repairs and replacements, are more fully addressed in Section 6 of this report.

Section 3. PROJECT AREA REVENUE ESTIMATE

To carry out the goals and objectives of County provided services, the County relies on revenues received from several difference sources. County revenue sources include property tax revenue, property tax in lieu of vehicle license fee, sales tax revenue, and other revenues from documentary transfer taxes, fines, forfeitures, and charges for services. To determine the estimated revenue to be generated from the development of the Project Area, the case study approach is primarily used. The multiplier approach is used to estimate those revenues when specific case study data is not readily available to assign revenue amounts to the Project Area.

Property Tax Revenue

Under California law, non-exempt property pays an ad valorem property tax equal to 1% of the assessed value of the property. Any additional voter approved taxes or assessments will result in a total property tax rate that exceeds 1%. The 1% ad valorem property tax rate is allocated to various entities based upon the percentage allocation for each tax rate area ("TRA") within the County. Property tax allocations are available for each TRA, but the percentages provided are prior to any Educational Revenue Augmentation Fund ("ERAF") revenue shifts. To determine the most accurate property tax revenue estimate, post-ERAF allocations are needed. Post-ERAF allocations are not available for each specific TRA, but are only available on a Countywide basis. Therefore, to determine the approximate amount of property tax revenue that the County will receive from the new development, the Countywide post-ERAF allocation percentages are used. The table below provides the pre-ERAF 2017/18 property tax allocation for each TRA, as well as the Countywide post-ERAF property tax allocation:

TABLE 5. 1% AD VALOREM ALLOCATION

Description	TRA 67-016 Pre-ERAF	TRA 67-065 Pre-ERAF	TRA 83-008 Pre-ERAF	Countywide Post-ERAF
General Fund	0.2196	0.2196	0.2573	0.1088
State Fire Contract	0.0252	0.0252	0.0295	0.0127
All Other Taxing Entities	0.7552	0.7552	0.7132	0.8785
Ad Valorem Allocation Total	**1.0000**	**1.0000**	**1.0000**	**1.0000**

Of the 1% ad valorem property tax, the County receives almost 11%, after any revenue shifts to ERAF, to fund County operations. In addition, the County receives the property tax revenue allocated to the State Fire Contract. In total, the County receives approximately 12% of the 1% ad valorem property tax revenue.

PROJECT AREA SECURED PROPERTY TAX REVENUE

The Project Area is proposed to include 374 single-family homes. Using median home sales information from Trulia.com, the approximate assessed value of the Project Area can be determined. According to Trulia.com, the average median sales price for single-family homes near the Project Area is $545,000. Using this home sales information, the estimated assessed value and secured property tax revenue is calculated in Table 6 below.

TABLE 6. PROJECT AREA SECURED PROPERTY TAX REVENUE

Description	Amount
Estimated Single-Family Home Sales Price	$545,000
Less: Homeowner's Exemption	(7,000)
Estimated Assessed Value per Single-Family Home	**$538,000**
Number of Single-Family Homes in Project Area	374
Total Project Area Assessed Value	**$201,212,000**
1% Ad Valorem Property Tax	$2,012,120
County Share of 1% Ad Valorem(1)	12.15%
Project Area Secured Property Tax Revenue	**$244,473**

(1) Includes the 10.88% County General Fund share and the 1.27% State Fire Contract share.

Based on the County's share of the 1% ad valorem property tax revenue, the Project Area will generate approximately $244,500 in secured property tax revenue to fund recurring County operations.

PROJECT AREA UNSECURED PROPERTY TAX REVENUE

In addition to secured property tax revenue, the Project Area will also generate a certain amount of unsecured property tax revenue. Unsecured property taxes apply to certain items including boats, planes, and various types of equipment found in both non-residential and home-based businesses. While a significant portion of unsecured property tax revenue is generated from non-residential land uses, it is anticipated that residential land uses will generate a certain amount of unsecured property tax revenue. To determine the potential amount of unsecured property tax revenue that may be generated from the Project Area, 1% of the Project Area's secured property tax revenue is used to provide a conservative estimate.

TABLE 7. PROJECT AREA UNSECURED PROPERTY TAX REVENUE

Description	Amount
Project Area Secured Property Tax Revenue	$244,473
Estimated Unsecured Property Tax Percentage	1.00%
Project Area Unsecured Property Tax Revenue	**$2,445**

The annual unsecured property tax revenue generated from the Project Area is estimated at approximately $2,400.

Property Tax in Lieu of Vehicle License Fee ("VLF") Revenue

Property tax in lieu of VLF is revenue that the County receives in addition to the County's share of property tax revenues. In 2004, the California Legislature permanently reduced the VLF rate from two percent to 0.65% and compensated cities and counties for their revenue loss with a like amount of property taxes, dollar-for-dollar. A public agency's property tax in lieu of VLF revenue allocation increases in proportion to the growth in gross assessed valuation for that public agency. Therefore, to determine the anticipated amount of property tax in lieu of VLF from the Project Area, the ratio of property tax in lieu of VLF to assessed value is identified. Using the County's 2016/17 information, the estimated property tax in lieu of VLF for the Project Area is determined below:

TABLE 8. PROJECT AREA PROPERTY TAX IN LIEU OF VLF

Description	Amount
2016/17 Total Secured Assessed Value	$6,802,914,769
2016/17 Property Tax in Lieu of VLF	5,125,000
Property Tax in Lieu of VLF Ratio	0.0753%
Project Area Estimated Assessed Value	$201,212,000
Project Area Property Tax in Lieu of VLF	**$151,513**

The Project Area will generate approximately $151,500 in property tax revenue in lieu of VLF.

Documentary Transfer Tax

When property is sold, a documentary transfer tax is charged. The transfer tax is charged at a rate of $1.10 per $1,000 of assessed value. The County collects the tax and allocates the proceeds, as needed. If the transfer occurs in the County's unincorporated area, the entire amount is transferred to the County. If the transfer occurs within one of the cities within the County, the transfer tax amount is split between the County and that city. Since the entire Project Area is located within the County's unincorporated area, the County will receive the entire amount. To determine the annual documentary transfer tax, the estimated property turnover rate must be considered. The industry standard for residential property to be sold is every seven years, which results in an annual turnover rate of approximately 14%. Therefore, 14% of the Project Area's assessed value is used to determine the annual amount of documentary transfer tax as shown below.

TABLE 9. PROJECT AREA DOCUMENTARY TRANSFER TAX

Description	Amount
Project Area Assessed Value	$201,212,000
Estimated Annual Turnover Rate	14.0%
Annual Turnover Assessed Value	$28,169,680
Annual Turnover Assessed Value / $1,000	$28,170
Documentary Transfer Tax Rate per $1,000	$1.10
Project Area Documentary Transfer Tax	**$30,987**

The documentary transfer tax will generate approximately $31,000 from the Project Area.

Sales Tax Revenue

The total revenue estimate needs to include the potential sales tax revenue generated from future residents within the Project Area. According to smartasset.com, the average amount of annual sales tax revenue generated by a household within the County is $1,769. This annual amount is then allocated to state and local jurisdictions, with the local jurisdictions receiving approximately $244 of the annual sales tax revenue per household. It should be noted that households typically do not conduct all of their shopping in one place and will most likely shop at stores located within the nearby City of Hollister. Therefore, this $244 sales tax revenue per household should be allocated between the County and the City of Hollister. Based on 2016/17 sales tax information obtained from the California Department of Tax and Fee Administration, approximately 30% of the total amount of sales tax revenue distributed to the County was allocated to the County itself, with the remaining amount allocated to the cities. Applying this 30% allocation to the $244 sales tax per household, the County will receive approximately $74 of sales tax revenue from each home in the Project Area. To determine the total amount of sales tax revenue generated from the Project Area, the County's portion of the sales tax revenue per each household is multiplied by the number of homes as provided below.

TABLE 10. PROJECT AREA SALES TAX REVENUE

Description	Amount
Count Portion of Sales Tax Revenue	$74
Number of Homes in Project Area	374
Project Area Sales Tax Revenue	**$27,676**

The Project Area will generate approximately $27,700 in sales tax revenue for the County.

Other County Revenue

The County also generates revenue from other sources not previously identified in this section. Those revenue sources include fees, fines, penalties, property rentals, charges for services, and other revenues. For purposes of this fiscal impact analysis, revenues that are not included in this analysis are aid from other governmental units and operating fund transfers. The table below summarizes the other County revenue sources used in this analysis.

TABLE 11. OTHER COUNTY REVENUE

Description	2017/18 Budgeted Amount
Licenses, permits and franchise fees	$1,576,650
Fines, forfeitures and penalties	1,079,060
Revenue from use of money and property	95,000
Charges for services	12,759,610
Other revenues	9,546,223
Total Other County Revenue	**$25,056,543**

To allocate these other County revenue amounts to the Project Area, the multiplier approach is utilized. As previously identified in Table 3, the total number of persons served within the County is 71,054 and the total number of persons served within the unincorporated area of the County is 23,171. This is important to note since there are some revenues that the County receives from the unincorporated service population and similar revenues that the incorporated Cities may also receive. As an example, franchise fees that utilities pay to provide services such as cable, electricity, and gas are paid to the County for services provided in the unincorporated area. When the utilities provide those services within a city, the franchise fees are paid to the city. To account for the persons served in the license, permits and franchise fee category, the revenues are allocated via the unincorporated area persons served approach instead of the County persons served.

The table below allocates the County's other revenues based upon the applicable persons served category.

TABLE 12. OTHER COUNTY REVENUE PER PERSON

Description	2017/18 Budgeted Amount	Persons Served Category	Persons Served	Amount per Person Served
Licenses, permits and franchise fees	$1,576,650	Unincorporated Area Persons	23,171	$68.04
Fines, forfeitures and penalties	1,079,060	County Persons	71,054	15.19
Revenue from use of money and property	95,000	County Persons	71,054	1.34
Charges for services	12,759,610	County Persons	71,054	179.58
Other revenues	9,546,223	County Persons	71,054	134.35
Totals	**$25,056,543**			**$398.50**

The total other revenue amount allocated to each person in the County's unincorporated area is $398.50. In order to determine the amount of other revenue allocated to the Project Area, the other revenue amount per person is multiplied by the estimated population of the Project Area. As previously determined in Table 4, the proposed population of the Project Area is 1,070 and results in a total other revenue amount of approximately $426,000 as shown in the table below.

TABLE 13. PROJECT AREA OTHER REVENUE

Description	Amount
Project Area Population	1,070
Other County Revenue per Person	$398.50
Project Area Other Revenue	**$426,395**

Project Area Revenue Summary

The Project Area generates County revenues from several different sources. Some of those revenues were calculated based upon the case study approach, while others were allocated on a multiplier approach. A summary of the estimated Project Area revenues is presented below:

TABLE 14. TOTAL PROJECT AREA REVENUE

Description	Amount
Secured Property Tax Revenue	$244,473
Unsecured Property Tax Revenue	2,445
Property Tax In Lieu of VLF	151,513
Documentary Transfer Tax Revenue	30,987
Sales Tax Revenue	27,676
Other Revenue	426,395
Total Project Area Revenue	**$883,489**

The Project Area is anticipated to generate almost $883,500 in revenue to cover County operations.

Section 4. PROJECT AREA EXPENDITURES ESTIMATE

The Project Area revenues identified in Section 3 of this report are used to pay for recurring expenditures related to general County services. For purposes of determining the overall net fiscal impact of the Project Area, County expenditures are allocated based upon the amounts presented in the County's 2017/18 adopted budget. There are various County expenditures that receive funding from revenues excluded from the analysis, such as aid from other governmental units and operating fund transfers. County expenditures have been adjusted to account for those excluded revenues. Also, for purposes of this fiscal impact analysis, County expenditures also exclude amounts budgeted for capital improvements. The County recurring expenditures are summarized in the table below.

TABLE 15. COUNTY EXPENDITURES SUMMARY

Description	2017/18 Budgeted Amount(1)	Excluded Revenue Adjustment(2)	Net 2017/18 Budgeted Amount
General Government	$11,729,331	($1,000)	$11,728,331
Public Protection	32,132,470	(6,701,457)	25,431,013
Public Ways and Facilities	3,496,367	(2,650,670)	845,697
Health and Sanitation	16,854,837	(13,409,537)	3,445,300
Public Assistance	34,045,213	(24,931,088)	9,114,125
Education	1,039,791	(22,855)	1,016,936
Recreation	206,533	0	206,533
Totals	**$99,504,542**	**($47,716,607)**	**$51,787,935**

(1) Excludes amounts budgeted for capital improvements. Capital improvements funded from revenues that are not included as part of this fiscal impact analysis.
(2) Excludes expenditures funded with revenue from aid from other governmental units and operating fund transfers.

After adjusting the County's 2017/18 approved budget, the net 2017/18 budgeted amount is approximately $51.8 million.

County Expenditure Allocation

County operations provide certain services to all citizens of the County, including the incorporated areas. When there is overlap, such as public protection, education, and recreation, the County funds operations to serve the unincorporated area and cities provide funding for those services within their jurisdiction. To determine the service population, each County expenditure is reviewed to determine whether the expenditures are intended to serve the entire County population or the unincorporated area population. As previously noted in Table 3, the number of persons served within the County is 71,054, the number of persons served within the unincorporated area is 23,171 and the number of residents served within the County is 56,854. The table below provides the persons served category for each expenditure.

TABLE 16. COUNTY EXPENDITURES ALLOCATED PER

Description	Expenditures Allocated per
General Government	County Persons Served
Public Protection	County Persons Served and Unincorporated Area Persons served
Public Ways and Facilities	County Persons Served
Health and Sanitation	County Residents Served
Public Assistance	County Residents Served
Education	County Residents Served
Recreation	County Persons Served

Expenditures in the public protection category are allocated on both a County persons served basis and an unincorporated area persons served basis. This category includes services that are intended to serve the entire County as well as services that are intended to serve the unincorporated population. When the service is provided to the County's unincorporated population, similar services are provided by the City of Hollister and the City of San Juan Bautista. Examples of services allocated to the County's unincorporated area include sheriff protection, fire protection, planning, animal control, and community development.

County Expenditures Per Person Served

The assigned persons served category is applied to the net 2017/18 budget information from Table 15 to determine the estimated County expenditure per person. The table below provides the expenditure per person for each summary expenditure budget category.

TABLE 17. COUNTY EXPENDITURES PER PERSON SERVED

Description	Expenditure per Person Served
General Government	$165.06
Public Protection	669.84
Public Ways and Facilities	11.90
Health and Sanitation	60.60
Public Assistance	160.31
Education	17.89
Recreation	2.91
Total Expenditures per Person Served	**$1,088.51**

It is worth noting that the total expenditure per person served of $1,088.51 is based upon a resident located within the County's unincorporated area. If the total expenditure per person were needed for a different population set such as employees or persons located in an incorporated city, this expenditure amount would need to be updated to exclude those expenditures that are inapplicable to that specific population.

Project Area Expenditure Summary

In order to determine the total amount of County expenditures allocated to the Project Area, the total expenditures per person served is multiplied by the estimated population of the Project Area. Since the Project Area is anticipated to include only residents located within the County's unincorporated area, the total expenditures per person served does not need to be updated to exclude any expenditures. As previously determined in Table 4, the proposed population of the Project Area is 1,070. Applying the total expenditures per person served amount of $1,088.51 to the population results in a total Project Area County expenditure amount of approximately $1.16 million as shown in the table below.

TABLE 18. TOTAL PROJECT AREA EXPENDITURES

Description	Amount
Estimated Project Area Population	1,070
Total Expenditures per Person	$1,088.51
Total Project Area Expenditures	**$1,164,706**

Section 5. PROJECT AREA FISCAL IMPACT

Based on the Project Area revenue estimate previously presented in Table 14 and the estimated Project Area expenditures from Table 18, the development of the Project Area will produce an overall negative fiscal impact for the County. The table below sets forth the total estimated negative fiscal impact.

TABLE 19. PROJECT AREA FISCAL IMPACT

Description	Amount
Total Project Area Revenue	$883,489
Total Project Area Expenditures	1,164,706
Total Project Area Fiscal Impact	**($281,217)**

The development of the Project Area will produce an overall negative fiscal impact of approximately $281,200. To determine the fiscal impact for each development, the fiscal impact per person is identified. Applying the negative fiscal impact amount to the estimated Project Area population, the negative fiscal impact is $262.82 per person.

TABLE 20. FISCAL IMPACT PER PROJECT AREA PERSON

Description	Amount
Total Project Area Fiscal Impact	($281,217)
Estimated Project Area Population	1,070
Fiscal Impact Per Project Area Person	**($262.82)**

As previously noted, the numbers of persons per household within the County's unincorporated area is 2.86 persons per household. Applying this person per household figure to the fiscal impact per person amount, the negative fiscal impact per single-family home in the Project Area is calculated at $751.67, as shown below.

TABLE 21. FISCAL IMPACT PER PROJECT AREA SINGLE-FAMILY HOME

Description	Amount
Fiscal Impact Per Project Area Person	($262.82)
Unincorporated Persons per Household	2.86
Fiscal Impact Per Project Area Single-Family Home	**($751.67)**

Project Area Fiscal Impact Allocation

The table below provides the fiscal impact for each development within the Project Area.

TABLE 22. FISCAL IMPACT FOR EACH DEVELOPMENT IN PROJECT AREA

Description	Brigantino	Bennett Ranch	The Bluffs
Number of Single Family Homes	200	84	90
Fiscal Impact per Single Family Home	($751.67)	($751.67)	($751.67)
Total Project Area Fiscal Impact	**($150,334.00)**	**($63,140.28)**	**($67,650.30)**

It is anticipated that property in the Project Area will establish a special financing district to cover the negative fiscal impact, as well as provide funding for any specific services to be provided to their development. The Project Area's development specific costs are further presented in Section 6 of this report.

Section 6. COMMUNITY FACILITIES DISTRICT OPTION

History of Community Facilities Districts ("CFDs")

A CFD, also referred to as a Mello-Roos District, is a type of special financing district that is established via the Mello-Roos Community Facilities District Act of 1982 ("1982 Act"). Through the levy and collection of a special tax, CFDs provide funding for authorized public improvements and/or public services. The CFD's Rate and Method of Apportionment sets forth the formula for calculating the annual special tax, the initial maximum special tax rates, and assigning the special tax to taxable property within the CFD.

Since CFDs authorize a special tax, as opposed to a special assessment, there is no requirement to make a finding of special benefit for the property being taxed. However, the special tax should be based on a benefit received by property, the cost of providing the facilities or services, or some other reasonable basis for assigning the special tax, as determined by the legislative body.

In order to establish a CFD, the 1982 Act requires a two-thirds approval of the registered voters, residing within the proposed CFD boundary, voting in the special tax election. If there are less than 12 registered voters within the proposed CFD boundaries, a landowner election can take place. In the case of a landowner election, a two-thirds approval is still required and each landowner receives one vote per acre or portion of an acre of land owned.

It should be noted that if a CFD is approved via a landowner election, the CFD is only authorized to fund additional services. The additional services funded by the CFD shall not replace services already available and provided within the boundaries of the CFD.

Project Area Specific Costs

In addition to funding negative fiscal impacts, each development area within the Project Area anticipates funding project specific costs. Due to the variation in the infrastructure planned for each development, the project specific costs are unique to each development area. Development specific services may include internal public streets, landscaping, detention basis and retention pond maintenance, park maintenance, signage, and utilities. The table below provides the proposed service, if applicable, and estimated annual costs for each development area within the Project Area. Further, based upon the total project specific costs for each development area, the proposed special tax rate per single-family home is identified.

TABLE 23. PROJECT SPECIFIC COSTS PER DEVELOPMENT

Description	Brigantino	Bennett Ranch	The Bluffs(1)
Public Streets	$41,301	$16,283	$25,111
Landscaping	4,000	7,929	2,810
Park Area	2,450	1,050	0
Lighting	240	220	350
Detention Basin / Retention Pond	15,300	17,924	10,437
Electricity	29,100	8,400	13,300
Signage	1,000	200	175
Street Sweeping	3,520	1,875	2,900
Subtotal Direct Service Costs	**$96,911**	**$53,881**	**$55,083**
Administration	$9,691	$5,388	$5,508
Reserves	9,691	5,388	5,508
Repairs and Replacements	24,228	13,470	13,771
Total Project Specific Costs	**$140,521**	**$78,127**	**$79,870**
Number of Single-Family Homes	200	84	90
Project Specific Special Tax Rate	**$702.61**	**$930.08**	**$887.44**

(1) The Bluffs development specific improvements will be maintained through a homeowners' association.

CFD Special Tax Rates

The Project Area anticipates establishing a CFD to fund the identified negative fiscal impact, as well as project specific costs for each development within the Project Area. Applying the negative fiscal impact per single-family home, identified in Table 21, to the project specific special tax rates identified in Table 23, the proposed CFD special tax rate for each development within the Project Area is as follows:

TABLE 24. PROJECT AREA CFD SPECIAL TAX RATES

Description	Brigantino	Bennett Ranch	The Bluffs(1)
Negative Fiscal Impact	$751.67	$751.67	$751.67
Project Specific Special Tax Rate	702.61	930.08	887.44
Total CFD Special Tax Rate	**$1,454.28**	**$1,681.75**	**$1,639.11**

(1) The CFD project specific special tax rate will only be levied should the homeowner's association be unable to pay the costs of services incurred.

The CFD special tax rates provided in Table 24 represent the 2018/19 maximum CFD special tax rates. The maximum CFD special tax rate for each development will escalate annually, beginning in 2019/20, by the percentage change from the previous year ending in April of the Consumer Price Index, All Urban Consumers (CPI-U), for the San Francisco-Oakland-San Jose area. In the case where an annual change in CPI-U is negative, the annual percentage increase shall be equal to zero. However, the County can levy a special tax amount that is less than or equal to the CFD maximum special tax in order to fund the annual special tax requirement for that particular fiscal year.

Section 7. CONCLUSION

In order for the County to continue providing necessary services to their service population, the County needs to ensure that developing property pays their fair share as a result of any additional fiscal burdens placed upon the County's operational budget as a result of development. It has been determined that the Project Area provides an overall negative fiscal impact of approximately $281,200. In addition to the negative fiscal impact, development within the Project Area intends to fund project specific services unique to each development. To mitigate the negative fiscal impact and provide project specific funding, the County should establish a CFD for the Project Area. The CFD special tax would generate revenue to cover both the Project Area's negative fiscal impact and fund project specific costs. Based on the fiscal impact special tax rate of $751.67 per single-family home and project specific special tax rates ranging from $702.61 to $930.08, depending on the development, the new CFD special tax rates, per zone, would need to range from $1,454.28 to $1,681.75.