

Corrected FY 2024–25 Safe, Clean Water & Natural Flood Protection Special Tax Summary Report

SUMMARY:

Applicable laws and provisions of Resolution 20-64 require Valley Water’s Chief Executive Officer to prepare a written report recommending the rates for the Safe, Clean Water and Natural Flood Protection Special Tax, which was approved by voters on November 3, 2020. Rate limits as specified in the Safe, Clean Water ballot measure are indexed to the fiscal year (FY) 2023–24 rates plus an increase based on the Consumer Price Index for all urban consumers (or CPI-U) for San Francisco-Oakland-San Jose in the preceding year or 2 percent, whichever is greater. The CPI-U for San Francisco-Oakland-San Jose from February 2023 to February 2024 was 2.4%. Staff recommends that the special tax rates for FY 2024–25 be set at their maximum level, which would reflect a 2.4% percent increase versus FY 2023–24.

The rate trend for the Single Family Residential and Small Multiples (2-4 units) group, referred to as Group C, is summarized below:

Fiscal Year	Group C Rate	Annual % Increase
2001–02	\$39.00	N/A
2002–03	\$40.16	3.0%
2003–04	\$41.36	3.0%
2004–05	\$42.60	3.0%
2005–06	\$43.88	3.0%
2006–07	\$45.26	3.16%
2007–08	\$46.76	3.32%
2008–09	\$48.16	3.0%
2009–10	\$49.61	3.0%
2010–11	\$51.10	3.0%
2011–12	\$52.64	3.0%
2012–13	\$54.22	3.0%
2013–14	\$55.84	3.0%
2014–15	\$57.52	3.0%
2015–16	\$59.24	3.0%
2016–17	\$61.01	3.0%
2017–18	\$63.11	3.44%
2018–19	\$65.36	3.56%
2019–20	\$67.67	3.53%
2020–21	\$67.67	0.0%
2021–22	\$69.02	2.0%
2022–23	\$72.60	5.19%
2023–24	\$76.45	5.3%
2024–25	\$78.29	2.4%

STAFF ANALYSIS:

Introduction

This Summary Report is prepared in accordance with the voter-approved Santa Clara Valley Water District (Valley Water) Resolution 20-64. It presents the uniform rates for the special tax in the combined flood control zone to generate revenue for designated voter approved purposes.

The revenue generated by the special tax will be used to continue meeting the Safe, Clean Water program commitments and to produce the following program renewal enhanced outcomes:

- Priority A: Ensure a safe, reliable water supply.
- Priority B: Reduce toxins, hazards and contaminants in our waterways.
- Priority C: Protect our water supply and dams from earthquakes and other natural disasters.
- Priority D: Restore wildlife habitat and provide open space.
- Priority E: Provide Flood Protection to homes, businesses, schools, streets and highways.
- Priority F: Support public health and public safety for our community

Attachment 3 of the Board Agenda Memo shows a further breakdown of the activities under each of the Safe, Clean Water program outcomes. This report has been reviewed and approved by District Counsel as meeting the requirements of applicable laws. Information on the special tax levy for an individual parcel, as well as the detailed Valley Water report describing the purpose of the special tax: "Safe, Clean Water and Natural Flood Protection, Community Preferred Program Report", are available for review on <https://www.valleywater.org/safecleanwater>.

Passage of Clean, Safe Creeks and Natural Flood Protection

The June 2000 sunset of benefit assessments for Valley Water's flood protection program decreased revenue available to Valley Water to provide additional flood protection capital improvements. Beginning in 1996, Valley Water implemented a program to solicit community input, conduct needs assessments, and propose and refine a comprehensive plan to preserve the quality of life in Santa Clara County as it relates to water resources. Valley Water evaluated available funding alternatives authorized by applicable laws, and determined that a uniform, special tax throughout the combined zone that overlays Valley Water's five flood control zones was the appropriate funding mechanism for the adopted plan. Valley Water placed the Clean, Safe Creeks and Natural Flood Protection measure on the November 7, 2000 ballot and received more than the necessary two-thirds approval by the electorate voting.

In 2011, Valley Water began an intensive outreach effort to reassess community priorities and formulate an updated program because Valley Water could not continue to provide services that the community demanded beyond the sunset of the program in June, 2016. At that time, all of the many high priority projects under the 2000 measure had been completed or exceeded, or were on track to be completed or exceeded.

Passage of 2012 Safe, Clean Water and Natural Flood Protection Program

An 18-month period of public input and program refinement resulted in the Safe, Clean Water program, which includes new projects based on stakeholder input, as well as the continuation of important services provided by the old program. The Safe, Clean Water program received the necessary two-thirds approval by voters on November 6, 2012.

Passage of Safe, Clean Water and Natural Flood Protection Measure S

On November 3, 2020, voters in Santa Clara County overwhelmingly approved Measure S, a renewal of Valley Water's Safe, Clean Water and Natural Flood Protection Program that was approved in 2012. The renewed Safe, Clean Water Program identifies six key community priorities, established in collaboration with tens of thousands of residents and stakeholders. It will also continue to honor prior commitments made under the 2012 Safe, Clean Water Program in carrying forward all active projects and meeting associated KPI's.

Under current authorization, the program renewal will be funded by a combination of debt financing and pay-as-you-go funding from annual revenues supplemented by reserves from unspent funds, and state and federal funding. The use of debt financing will help fund the Safe Clean Water capital program, rather than waiting for reserves to build up. Valley Water will track the revenues and expenses for the special tax, and as the program progresses, the rates will be evaluated each year to determine what, if any, annual increase is needed.

General Rate Provisions

The special tax revenues estimated to meet the projected costs of the program are based on an initial set of rates for FY 2023–24 in which the residential rate was \$76.45.

Future rate limits are indexed to the annual San Francisco-Oakland-San Jose Consumer Price Index for all urban users in the immediate preceding year (Bay Area Consumer Price Index) or 2 percent, whichever is greater. Should declaration of a state or federal disaster area by reason of flooding or other natural disaster occur, the maximum rates will be indexed to the Bay Area Consumer Price Index plus up to 4.5 percent for the three years following the disaster.

The special tax is levied on a parcel by parcel basis according to proportionate storm water runoff. Each assessment is computed by determining the area of a parcel (in acres or fractions thereof) and applicable land use category (as hereinafter defined) and then multiplying the area by the special tax rate applicable to land in such land use category. The land use categories are as follows:

- Group A: Land used for commercial or industrial purposes
- Group B: Land used for institutional purposes such as churches and schools or multiple dwellings in excess of four units, including apartment complexes, mobile home parks, recreational vehicle parks, condominiums and townhouses.
- Group C: (1) Land used for single family residences and multiple family units up to four units. (2) The first 0.25 acre of a parcel of land used for single family residential purposes.
- Group D: (1) Disturbed agricultural land, including irrigated land, orchards, dairies, field crops, golf courses and similar uses. (2) The portion of the land, if any, in excess of 0.25 acre of a parcel used for single family residential purposes.

- Group E: Vacant undisturbed land (1) in urban areas; and (2) in rural areas including dry farmed land, grazing and pasture land, forest and brush land, salt ponds and small parcels used exclusively as well sites for commercial purposes.
- Group F: Parcels used exclusively as well sites for residential uses are exempt from the special tax.

A minimum special tax is levied on each parcel of real property having a land area up to 0.25 acre for Groups A, B, and C, and up to 10 acres for Groups D and E Urban. For Group E Rural, the minimum Special Tax is as calculated for the E Urban category, but applies to parcels of 80 acres or less. A minimum special tax is also levied on condominiums and townhouses without regard to parcel size. Parcels owned by federal, state, or local agencies are exempt from this special tax.

Transition from Clean, Safe Creeks to Safe, Clean Water

Approximately \$162.4 million in reserves were set aside at year end FY 2012–13 from unspent funds of the Clean, Safe Creeks program. Most of this accumulated amount is from set-aside revenue designated for capital project construction, and some is from cost savings. These funds will help construct and maintain the capital projects continued from the Clean, Safe Creeks plan. In FY 2024-25, capital spending is projected to continue on several projects carried forward from Clean, Safe Creeks that will provide flood protection including Berryessa Calaveras/Old Piedmont, Llagas Creek, San Francisco Bay Shoreline, and San Francisquito Creek.

2024–2025 Special Tax Rates

For FY 2024–25 staff proposes that the Safe, Clean Water and Natural Flood Protection Special Tax be levied at the maximum level to generate \$53.5 million to meet the program outcomes. Projected capital design and construction appropriations are \$127.7 million. Projected operations, operating projects, debt service and transfer appropriations are \$29.8 million. The operating and capital reserve is projected to be \$58.3 million by the end of FY 2024–25.

The proposed special tax rates at the rate limits are indicated below and reflect a 2.4% increase over last year's rates under the Safe, Clean Water Program:

- Group A: Land used for commercial or industrial purposes: \$626.59 per acre, \$156.63 minimum for parcels up to 0.25 acre.
- Group B: (1) apartment complexes, mobile home parks, recreational vehicle parks: ~~\$446.29~~\$469.94 per acre, \$117.49 minimum for parcels up to 0.25 acre; and (2) condominiums and townhouses: \$38.12 per unit.
- Group C: Parcels up to 0.25 acres used for single family residences and multiple family units up to four units: \$78.29. The first 0.25-acre of a parcel of land used for single family residential purposes: \$78.29.
- Group D: (1) Disturbed agricultural land, including irrigated land, orchards, dairies, field crops, golf courses and similar uses: \$4.02 per acre, \$40.15 minimum on parcels less than 10 acres. (2) The portion of the parcel, if any, in excess of 0.25 acre of a parcel used for single family residential purposes: \$4.02 per acre.
- Group E: Vacant undisturbed land (1) in urban areas: \$1.18 per acre, \$11.83 minimum on parcels less than 10 acres; and (2) in rural areas: \$0.16 per acre, \$11.83 minimum equal to the Group E urban category minimum.

A summary comparing the current year rates with the proposed FY 2024–25 rates is shown in Figure 1.

FIGURE 1
Actual FY 2023–24 Versus Proposed FY 2024–25
Safe, Clean Water and Natural Flood Protection Special Tax Rates

Land Use Categories	Actual FY 2023-24	Proposed FY 2024-25
A – Commercial, Industrial		
Rate (\$/Acre)	\$611.91	\$626.59
Minimum Assessment ⁽¹⁾	\$152.96	\$156.63
B – Apartment, Schools, Churches, Condominiums & Townhouse		
Rate (\$/Acre)	\$435.83 458.93	\$446.29 469.94
Minimum Assessment ⁽¹⁾	\$114.73	\$117.49
Condominiums & Townhouses (\$/unit)	\$37.23	\$38.12
C – Single Family Residential, Small Multiples (2-4 units) ⁽²⁾		
Minimum Assessment ⁽¹⁾	\$76.45	\$78.29
D – Utilized Agriculture ⁽²⁾		
Rate (\$/Acre)	\$3.92	\$4.02
Minimum Assessment ⁽¹⁾	\$39.21	\$40.15
E – Urban – Nonutilized Agricultural, Grazing Land, Salt Ponds, Well Site in Urban Areas		
Rate (\$/Acre)	\$1.16	\$1.18
Minimum Assessment ⁽¹⁾	\$11.55	\$11.83
E – Rural – Nonutilized Agricultural, Grazing Land, Well Sites in Rural Areas		
Rate (\$/Acre)	\$0.16	\$0.16
Minimum Assessment ⁽¹⁾	\$11.55	\$11.83
⁽¹⁾ The minimum assessments shown for Categories A, B, and C apply to parcels ¼ acre or less in size. Category C parcels larger than ¼ acre pay the minimum assessment for the first ¼ acre and the remaining acreage is assessed at the Category D rate. For Category D, the minimum assessment applies to parcels less than 10 acres. The minimum assessment for Group E parcels is the amount charged for 10 acres of urban undeveloped land; the minimum assessment is the same for both the Urban Category and the Rural Category parcels, however the Rural Category applies to parcels of 80 acres or less.		
⁽²⁾ Residential land in excess of ¼ acre is assessed at the “D” rate.		

Senior Exemption

Legislation was passed in July 2001 to provide Valley Water with the discretion to exempt low-income parcel owners over 65 from the special tax consistent with Resolution 20-64. The exemption program was put in place for FY 2001–02. In 2018, Valley Water reformed the parcel tax exemption process through Assembly Bill 1889. This bill clarifies the need for Valley Water to confirm low income only once, making it easier for the seniors to stay on the exemption rolls. To date in FY 2023–24, 4,897 households have received the exemption, totaling approximately \$331,000. Exemptions and refunds total approximately \$5 million to date since program inception.

Staff continues its outreach program to inform the senior population of the tax exemption program, which includes a four (4)-step approach.

Step 1: Identify ways to collect existing data on homeownership and household income for seniors to estimate the potential number of qualified senior exemptions in the county. By utilizing targeted marketing, staff is able to reach those seniors that meet the program’s exemption requirements.

Step 2: Develop outreach strategies to provide program information directly to seniors and/or other agencies and organizations that provide senior services. The outreach steps include:

- a. Update program materials annually (flyers, website content, mailers, press releases, newsletters etc.) to provide more information and be more senior-oriented.
- b. Partner with Sourcewise, the designated Area Agency on Aging for Santa Clara County to disseminate the program specifics through their varied community contacts.
- c. Identify geographic areas that are underrepresented to ensure potential applicants are educated with appropriate marketing materials. If there are areas where seniors could potentially qualify for the exemption, staff will target outreach efforts in those areas.

Step 3: Implement the outreach strategies once the informational materials are complete. The open enrollment period for the Senior Parcel Tax Exemption Program is April 15 to June 30, 2024. Staff will field phone calls, emails from a dedicated email address, provide in-person support for those who need additional information or assistance with the enrollment, attend resource fairs and community collaborative meetings to conduct presentations and help train/inform staff from other organizations about the exemption program so they can also help disseminate the information, and drop off information packets and enrollment applications at Senior Centers and other community based organizations throughout the county.

Step 4: Monitor the exemption program to ensure that accurate information is being disseminated throughout the county and that seniors are receiving the adequate support they need to enroll in the program if they qualify. Staff will also collect data on how participants learn about the program in order to track which outreach strategies are most effective in reaching the senior population.

Special Tax Levy Rolls and Collection

Applicable law provides that the special tax may be levied and collected by the County Tax Collector at the same time and in the same manner as the general tax levy. Following adoption of the special tax rates and receipt of updated assessor parcel data for FY 2024–25, Valley Water will prepare a Special Tax Roll identifying each parcel of land subject to the special tax and the associated tax amount. This information will be made available for review at Valley Water through the Clerk of the Board. The

Special Tax Roll showing parcel number and levy amount will be forwarded to the County Tax Collector in August 2024 to facilitate County collection of the special tax.

FINANCIAL IMPACT:

Setting the Safe, Clean Water and Natural Flood Protection special tax rates at staff recommended level for FY 2024–25 would provide adequate funding to meet operations, operating projects, debt service and transfer costs of \$29.8 million, as well as a projected capital appropriation of approximately \$127.7 million. Planned future expenditures reasonably indicate that the revenue raised next year will be spent according to the Safe, Clean Water and Natural Flood Protection program renewal report.

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