



Santa Clara Valley Water District

File No.: 17-0237

Agenda Date: 5/9/2017

Item No.: 2.8.

BOARD AGENDA MEMORANDUM

SUBJECT:

Safe, Clean Water and Natural Flood Protection Special Tax Summary Report and Resolution Providing for Levy of the Special Tax Rates and Authorizing a Procedure for Correcting Special Tax Amounts for Fiscal Year 2017-2018 (FY 2017-18).

RECOMMENDATION:

- A. Accept the Fiscal Year 2017-18 Safe, Clean Water and Natural Flood Protection Special Tax Summary Report; and
- B. Adopt the Resolution PROVIDING FOR LEVY OF THE SPECIAL TAX PURSUANT TO THE SAFE, CLEAN WATER AND NATURAL FLOOD PROTECTION MEASURE IN THE COMBINED FLOOD CONTROL ZONE OF THE SANTA CLARA VALLEY WATER DISTRICT AND AUTHORIZING A PROCEDURE FOR CORRECTING SPECIAL TAX AMOUNTS FOR FISCAL YEAR 2017-2018.

SUMMARY:

Provisions of Resolution 12-62 (Providing for the continuation and levy of special tax to pay the cost of a Safe, Clean Water and Natural Flood Protection Program in the combined flood control zone of the Santa Clara Valley Water District subject, nevertheless, to specified limits and conditions) require the District's Chief Executive Officer to prepare a written report recommending rates for the Safe, Clean Water and Natural Flood Protection Special Tax, which was approved by voters on November 6, 2012. Rate limits as specified in the Safe, Clean Water ballot measure are indexed to the fiscal year 2016-17 rates plus the change in the Bay Area Consumer Price Index (CPI) or 3 percent, whichever is greater.

Based on projected costs of the Safe, Clean Water Program activities and reports released by the Bureau of Labor Statistics indicating that the change in CPI from February 2016 to February 2017 is 3.44 percent, staff recommends that the special tax rates for fiscal year 2017-18 be set at their maximum level which would reflect a 3.44 percent increase. Staff believes the recommendation is fiscally responsible when taking into account the uncertainty of receiving state funding, and the uncertainty associated with the future costs of proposed major capital projects.

Resolution 12-62 contains an emergency provision, which allows the District to increase the special tax rates to meet the repair cost of District facilities damaged by flooding or other natural disasters. For the purposes of the 15-year program, unanticipated disasters are those that are declared

disasters by the Governor of California or the President of the United States due to flooding or other natural disasters. As of the writing of this memo, the District has identified \$14.6 million of disaster related expenses due to the Presidents Day Flood event and January Storm event, of which roughly \$7.2 million is damage to District facilities. The District has submitted preliminary documentation for potential reimbursement by the federal and state government. The federal share of assistance is not less than 75 percent of eligible costs, and the state coverage is up to an additional 18.75 percent, with the District's share at roughly 6.25 percent. If desired, a special tax rate increase based on the emergency provision can be invoked for a maximum of three years after the disaster has occurred. The maximum special tax rate is the percentage increase in CPI plus 4.5 percent, as necessary to cover the repair cost of District facilities. Staff does not recommend invoking the emergency provision because the District's share of costs for damaged facilities would be less than \$1.0 million assuming the District is successful in obtaining federal and state assistance.

The senior exemption provided for in the ballot measure will continue to allow low-income parcel owners over the age of 65 to be exempt from paying the special tax consistent with Resolution 12-62. Staff has recently enhanced its outreach program to better inform the senior population of the tax exemption program.

The contemplated activities and rates in the proposed FY 2017-18 budget are consistent with the activities and rates identified in the July 24, 2012 District report. "Safe, Clean Water and Natural Flood Protection," that explained the voter approved program in detail. Planned future expenditures as currently forecasted reasonably indicate that the revenue raised next year will be spent according to the 2012 District Report.

FINANCIAL IMPACT:

Levy of the Safe, Clean Water and Natural Flood Protection Special Tax at the recommended level for fiscal year 2017-18 will generate an estimated total of \$42.5 million in net revenue that will fund budgeted expenditures consistent with the Report. The District's proposed Budget for fiscal year 2017-18 reflects this projected revenue. If the special tax is not increased by 3.44 percent, then \$1.46 million less revenue would be generated or a total of \$41.0. million in fiscal year 2017-18. If the Board does not approve special tax rates for FY 2017-18, the District would not receive the funding necessary to accomplish voter approved outcomes.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Staff Report
Attachment 2: Resolution
Attachment 3: Key Performance Indicators

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UNCLASSIFIED MANAGER:

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