

KEEPING YOU INFORMED

Capital Facilities Financing Plans

NBS is aware of the need for municipal governments to obtain funding for new major capital facilities for various operating purposes including expansion of and replacement of utility systems. A municipality may be aware of impending capital needs through engineering studies or common-sense management that identifies future needs. It is incumbent on each government to have a plan for funding future capital needs that identifies the amount of funding required and the timing of the expenditures. That basic knowledge then forms the basis for a Capital Facilities Financing Plan.

A Capital Facilities Financing Plan is a series of analyses using municipal finance expertise to determine the lowest cost of funds needed to pay for proposed capital improvements to a municipal system. The allocation of the costs of a particular capital expenditure among various funding sources may result in a more optimal cost of money. The Capital Facilities Financing Plan helps determine which funding sources are reasonably available to the municipality and which combination can be shown to be the most cost-effective.

The annual budget and utility rate schedules, if the capital facility is for a utility system, are used to determine sources of repayment of debt. A Capital Facilities Financing Plan is used in conjunction with a Utility Rate Study to determine the rates necessary to cover the capital and debt payments requirements of the facilities. It may be determined in the course of the studies that the proposed capital facilities are not cost-effective or financially feasible on the proposed schedule of implementation. That determination can be used to re-work engineering plans so that the proposed facilities can be developed or acquired on a reasonable schedule.

Ultimately, the Capital Facilities Financing Plan will show how the proposed new facilities can be funded from each funding source to the extent the municipality is qualified: state loan programs, state and federal grant programs, general obligation or revenue based debt issuance, and equity contributions through existing or new voter-approved taxes or utility rates.

The NBS approach helps determine the optimal timing of a funding program and the lowest reasonable cost of accomplishing the Capital Plan.

Cost Allocation Plans

A Cost Allocation Plan is an analysis and a series of methodologies designed to compute the costs that Central Services Departments in a municipal entity expend to provide support to the city departments that directly serve the public.

Typical Central Services Departments include Council, Manager, Finance, Human Relations, Information Technology and similar operations that are necessary to support the functioning of the Operating Departments. The Operating Departments are those that directly provide services to the public such as police, fire, public works, parks & recreation, community services, and community development. Municipal governments like cities and counties do not always have consistent organizational structures, so each one must be analyzed on its own structure. Also, some Central Services Departments have activities that provide direct services to the public and thus need to be treated partially as an Operating Department.

The allocation of the costs from a particular Central Services Department is based on a selected methodology that best represents the way in which that department supports the Operating Departments. For example, the finance department may consider that the best measure of its support is the comparable size of each department's annual budget or it may determine that its workload is better measured by the number of purchase orders it processes for each department.

Ultimately, each Central Service Department's operating costs are allocated out to all other departments based on an individually selected methodology. Using the Double Step-down method suggested by the federal Office of Management and Budget (OMB), the original allocation to

(Continued on page 3)

QUOTE:

"The quality of a person's life is in direct proportion to their commitment to excellence, regardless of their chosen field of endeavor."

Vince Lombardi
Football Hall of Fame, 1971

IN THE NEWS

Bighorn Decision Extends Prop. 218 to Utility Fees

Source: *Colantuono & Levin, PC-C&L Bulletin*

On July 24th, the California Supreme Court decided *Bighorn-Desert View Water Agency v. Beringson*, which involves the initiative and property-related-fee provisions of Proposition 218, ruling that metered rates for consumption of water are "property related fees" subject to the measure. The ruling also applies to sewer service charges and charges for refuse collection where the rate is set by a government agency, as opposed to a privately contracted waste hauler.

Article 13D of the California Constitution created a category of fees known as "property related fees." Such fees may not be imposed or increased unless a local government conducts a majority-protest proceeding 45 days after mailing notice to all fee payers. If no majority protest occurs (as is likely, given how difficult it will be to get a majority vote of property owners to participate), then the agency must submit the measure to a mailed-ballot, majority vote of property owners (voting one vote per parcel) or to an at-the-polls, 2/3- vote of registered voters. An exception to this second requirement applies to fees for water, sanitary sewer and trash services.

Source: *Legislative's Analyst's Office, dated 7/20/06*

This far-reaching measure amends the California Constitution to:

- Require government to pay property owners for substantial economic losses resulting from some new laws and rules.
- Limit government authority to take ownership of private property.

This measure applies to all types of private property, including homes, buildings, land, cars, and "intangible" property (such as ownership of business or patent). The measure's requirements apply to all state and local governmental agencies.

This measure requires government to pay property owners if it passes certain new laws or rules that result in substantial economic losses to their property.

If you would like to read more, please log onto the following link:

http://www.lao.ca.gov/ballot/2006/90_11_2006.pdf

Proposition 90 on November Ballot

Government Acquisition, Regulation of Private Property. Initiative Constitutional Amendment.

UPCOMING CONFERENCES

League of California Cities Annual Conference

September 6 - 9, 2006

San Diego

* *Tim Seufert, NBS Managing Director, along with Tiffany Allen from the City of Chula Vista and Scott Ferguson from the law firm of Jones Hall are presenting a revenue session at 8 AM on Thursday September 7th.*

University of California, Davis Extension - Special Assessment Proceedings

September 14 - 15, 2006

Greg Ghironzi and Sara Mares from NBS are part of the panel.

California Special District Association (CSDA) Annual Conference

September 25 - 28, 2006

Squaw Creek/Lake Tahoe

* *Have a cup of coffee on us at the NBS sponsored Wednesday Morning Coffee Break.*

California Downtown Association (CDA) Annual Conference

September 27 - 29, 2006

Monterey

KEEPING YOU INFORMED

Cost Allocation Plans

(Continued from page 1)

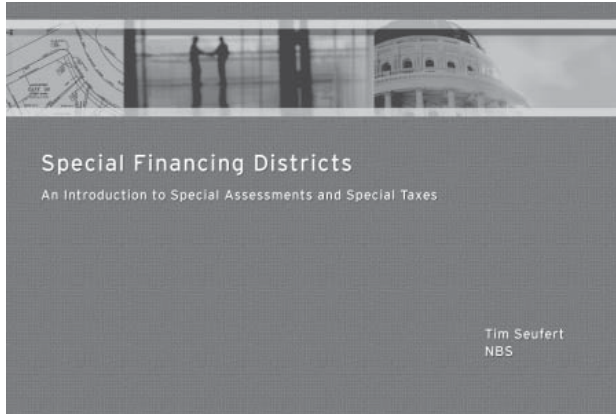
all departments is then spread from Central Services Departments to just the Operating Departments so that all overhead is fully allocated to the Operating Departments.

Under OMB Circular A-87 certain costs are not allowed to be allocated to Operating Department programs funded by federal grant or loan programs. This analysis is more complicated than a normal cost allocation plan since the A-87 plan includes and excludes many detailed and specific costs that are not normally identified in municipal budgets.

The NBS approach is to create a Plan and Cost Allocation Model that meets the objectives of client staff and, if required, meets the requirements of the OMB A-87 Circular and to make certain that the city can execute the OMB A-87 certificate with confidence and meet any possible challenges to its allocation methodology.

Special Financing Districts Primer is Now Available

Tim Seufert, Managing Director at NBS, has written a general introduction to Special Financing Districts (SFD), encompassing the full spectrum of special assessments and special tax mechanisms used in California. The book, entitled "Special Financing Districts: An Introduction to Special Assessments and Special Taxes," is now available.



To receive your free copy of the book, please contact us at 800.676.7516 or email your request and contact information, including your mailing address, to the following e-mail address: contactnbs@nbsgov.com. Please allow 3 - 5 days for shipping. Thank you for your interest.

NBS can provide a feasibility analysis and subsequent formation consulting services for any type of special financing district, including benefit assessment and special tax districts.

NBS NEWS

August 10, 2006 - We applaud our administration group for their efforts and hard work in submitting levies in 40 counties by the commensurate deadlines!

Proposition 218 Compliance - NBS has been at the forefront of compliance with Proposition 218 compliance, and can assist you and your agency with notices, outreach, balloting and related support.

Questions or comments?
We would love to hear from you!

e-mail: contactnbs@nbsgov.com



Pictured above: Danielle Wood, Manager at NBS, and Kimberly Boehler, Financial Analyst at NBS, make time to smile for the camera as they discuss their project.

NEWSLETTER HIGHLIGHTS**Capital Facilities Financing Plans****Cost Allocation Plans****Bighorn Decision Extends Prop. 218 to Utility Fees****Proposition 90 on November Ballot****Upcoming Conferences****NBS News****nbsgov.com**

In conjunction with our 10th year anniversary, NBS emailed invitations to our clients to participate in a Zoomerang generated online Client Care Survey. NBS thanks all those who took the time to complete this survey. Congratulations to Dan Lillin of AC Transit for being our winner of the travel voucher! We were pleased to receive the following feedback from our survey:

Sample Results:

Overall Satisfaction: 4.42 out of 5

Overall Value: 4.27 out of 5

Sample Comments:

"NBS has an outstanding staff of professional and technical folks that can handle the formation and ongoing administration of assessment districts and community facilities districts. It's one less thing I have to deal with."

"Staff at NBS are extremely personable and ready to assist."

"Our expectations are very high and NBS meets them consistently. I enjoy working with NBS staff because of the knowledge, professionalism, and personal attention I receive."

Thank you once again for helping us reach our 10th anniversary. We look forward to offering you services for many more years to come!

nbsgov.com**Administration | Consulting | Software**

Local Government Solutions
32605 Highway 79 South, Suite 110
Temecula, CA 92592

Presorted
First Class
U.S. Postage
PAID
Temecula, CA
Permit 1