

Local Governance Structure and Funding Strategy to support the Salt River Ecosystem Restoration Project

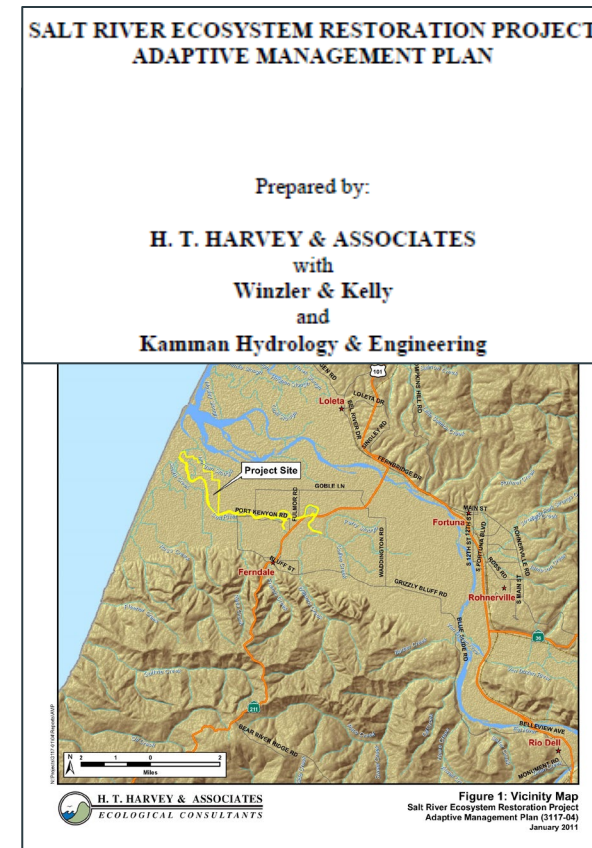


Special Meeting
HCRCDD Board & Ferndale City Council
September 25, 2024



Focus of Tonight's Meeting

- ▶ **Planning Project Scope and Overview**
- ▶ **Organizational Model Evaluation**
- ▶ **Funding Strategy Evaluation**
- ▶ **Important Planning Considerations**
- ▶ **Potential Next Steps**



Planning Project Scope and Overview



Project Overview

- ▶ HCRCDC asked Planwest Partners, Inc. in early 2023 to prepare an outline for a local governance structure that could establish a funding source to support the Salt River project
- ▶ Planwest supplemented prior research completed by the Salt River Watershed Council regarding possible local organization types and funding sources
- ▶ Planwest prepared:
 - ▶ Salt River Maintenance Strategy - Summary of Initial Findings
 - ▶ Local Governance Structure and Funding Strategy with Additional Next Steps Planning Details relating to partners/cooperators and strategic planning
 - ▶ Salt River Project - Tool for Evaluating Potential Revenue
 - ▶ Preliminary Salt River Project Sub-Zone Boundary

Organizational Model Evaluation

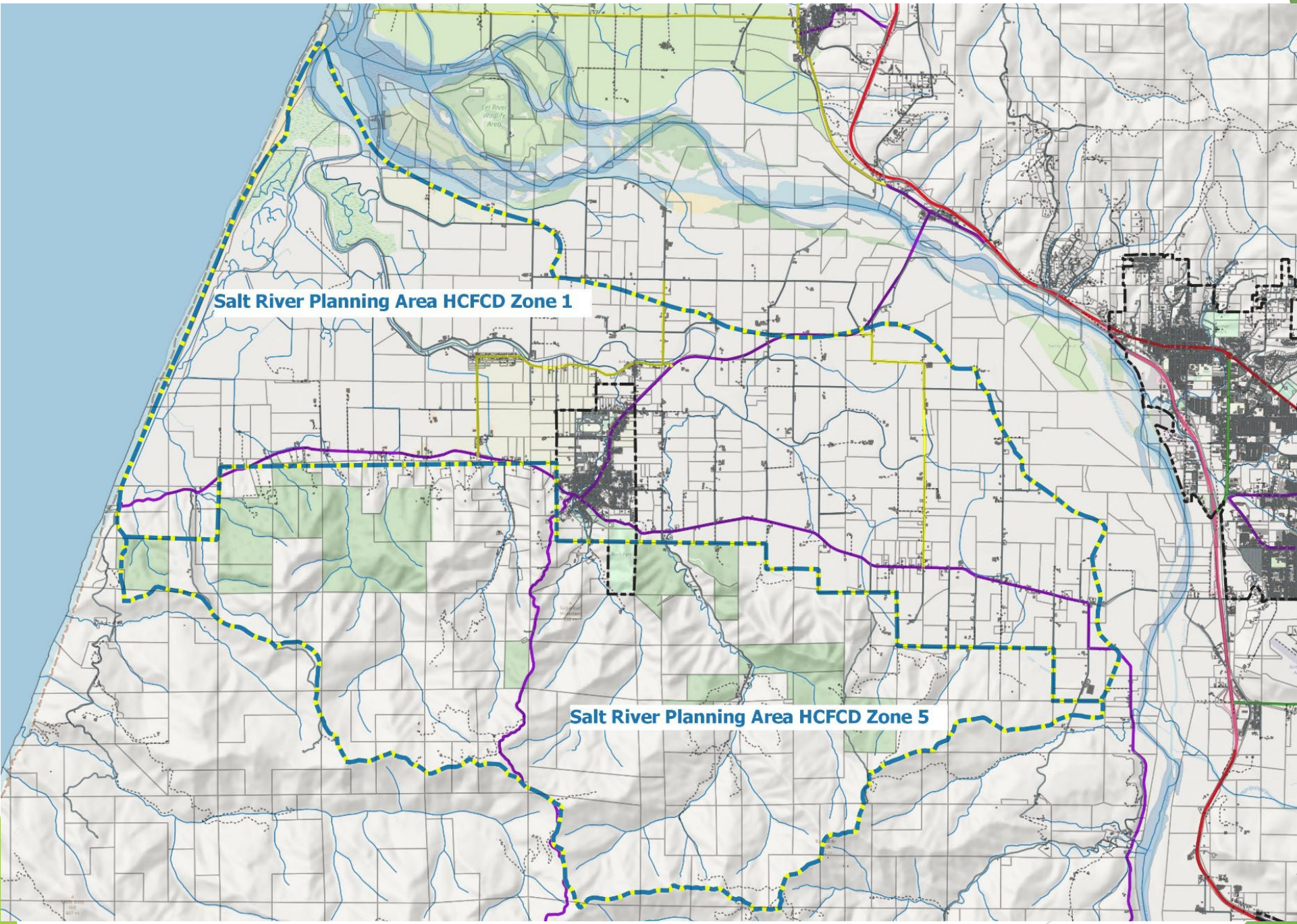
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Organizational Model Evaluation

- ▶ Essential criteria for an appropriate organizational type:
 - ▶ Has the authority to construct, operate, and maintain flood control facilities or watershed restoration projects
 - ▶ Has the authority to establish special taxes, assessments, or revenue bonds
 - ▶ Clear and feasible formation process
- ▶ Organizational Types Considered:
 - ▶ Community Services District (CSD)
 - ▶ County Service Area (CSA)
 - ▶ Sub-Zone of the Humboldt County Flood Control District (HCFCD)
 - ▶ Joint Powers Authority (JPA)

Suggested Organization Model

- ▶ A Sub-Zone of the HCFCD is likely the most suitable option
 - ▶ HCFCD exists to support flood control within established Sub-Zones
 - ▶ The entire Salt River Watershed is within HCFCD
 - ▶ HCFCD has authority to establish new Sub-Zones and revenue sources
 - ▶ The formation process is clear and does not require LAFCo approval
- ▶ What is the HCFCD?
 - ▶ Board of Supervisors is the governing Board
 - ▶ Established through special act in 1945, covering the entire County with five Zones
 - ▶ The HCFCD is administered by the Environmental Services Division of the County Public Works Department
 - ▶ One Sub-Zone (No. 1-1) was established in 1956 to finance maintenance of the Rohner and Strongs Creek drainages in Fortuna



Salt River Planning Area HCFC Zone 1

Salt River Planning Area HCFC Zone 5

Steps to Forming a Sub-Zone

- ▶ A request to the County is submitted, and the Board must...
 - ▶ provide notice of the hearing in a paper of general
 - ▶ consider all written and oral objections
 - ▶ upon the conclusion of the hearing the board may abandon or proceed with the project, unless sufficient written protests are received
 - ▶ adopt a resolution of intent to undertake a project and to form a subzone containing a clear description and approve subzone projects for the specific benefit of the subzone.
 - ▶ call an election for the approval of the subzone and special tax and post specific information in a prominent place in the county courthouse for public inspection for at least thirty (30) before the election.

Funding Options Evaluation

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Funding Options Evaluation

- ▶ Special Taxes and Special Assessments
 - ▶ Special Assessment – assessment levied based on benefit
 - ▶ Requires the preparation of an engineer's report that ascertains the total project cost and allocates that cost based on the proportion of benefit received to property
 - ▶ The assessment to property may only be imposed for “special benefit” to each property from an improvement or services (no “general benefits”)
 - ▶ Approval requires a public hearing to determine whether a majority protest exists (weighted according to the proportional financial obligation of affected properties)
 - ▶ Special Tax – flexibility in spreading costs
 - ▶ A tax can be broadly applied within a Sub-Zone and be based on a reasonable relationship between the improvement or services and the tax amount
 - ▶ Requires 2/3rds vote in favor by registered voters voting in an election

Suggested Funding Mechanism

- ▶ A Special Tax is likely the most suitable option
 - ▶ The special tax amount(s) can be defined based on what is *likely* to be approved
 - ▶ Total tax revenue can be defined as an achievable amount to support a level of ongoing management for the Salt River Ecosystem Restoration Project
 - ▶ Grants or in-kind contributions are the likely sources of project planning and implementation funds
 - ▶ HCFCD and the HCRCO are eligible to apply for grant funds for state and federal sources
 - ▶ However, grant funding is not a source of base ongoing revenue for project support

Special Tax Evaluation Tool

- ▶ A basic special tax calculator was created using Microsoft Excel
 - ▶ Assessor's parcels are compiled for the full Salt River watershed according to the 12-digit hydrologic unit code (HUC), which is shown on Slide 8
 - ▶ The calculator uses the Assessor's Parcel data, primarily Assessor's Use Code, to determine if the parcel is taxable and whether it is vacant or improved
 - ▶ The calculator uses two simple methods to estimate potential revenue based on hypothetical tax amounts
 - ▶ A simple flat tax applied to all taxable parcels
 - ▶ A variable tax based on whether parcels are improved or vacant
 - ▶ There are many other methodologies that can be considered, including parcel use characteristics, size, location, etc., which have implications for the level of effort in special tax implementation and maintenance

Important Planning Considerations

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Important Planning Considerations

- ▶ Pre-Planning should be conducted, potentially a simple strategic plan, to...
 - ▶ Broadly define the projects and functions of the potential HCFCD Sub-Zone
 - ▶ Identify partners and cooperators including potential benefits to each and what partners can contribute
 - ▶ Identify and evaluate the expectations/obligations/responsibilities/risks of Sub-Zone and how to address liabilities, obligations, and funding shortfalls
 - ▶ Consider memorandums of agreement or similar documents with partners and cooperators to commemorate understandings and agreements
 - ▶ Identify likely grant funds and other potential funding sources
 - ▶ Identify the timing and approach for the special tax
 - ▶ Consider an advisory body
 - ▶ Consider using the Local Plan of Flood Protection format as a guiding tool

Potential Next Steps

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Next Steps

- ▶ Consider using the Local Plan of Flood Protection Strategy as a guiding tool
- ▶ The HCFCD is a good candidate for establishing an organizational structure for Salt River Adaptive Management
- ▶ Consider broadly defining the projects/functions of the potential HCFCD Sub-Zone
- ▶ Evaluate the expectations/obligations/responsibilities/risks of a subzone and the cooperators
- ▶ Evaluate Potential Revenue options, including a special tax and future grant applications
- ▶ Identify and engage local champions to help lead implementation