



MEMORANDUM

DATE: April 15, 2015

TO: Governing Board
San Francisco Bay Restoration Authority

FROM: Sam Schuchat
Executive Officer
State Coastal Conservancy

SUBJECT: Current Options for Revenue-Raising Mechanisms

Attachment: March 2014 Draft list and map of examples of projects anticipated to be eligible for Restoration Authority grants

Introduction

This memo provides revised projections of the revenue-generating potential of a parcel tax and a general obligation bond measure and presents information about several issues affecting the feasibility and implications of a bond measure. The memo is provided for information and discussion. The Governing Board may wish to provide direction regarding further research, reporting and outreach.

The attached March 2014 Draft list and map of examples of projects anticipated to be eligible for Restoration Authority grants were prepared for the parcel tax measure option and are provided for your reference.

Current Options for Revenue-Raising Mechanisms

1. Revised Projections of the Revenue-Generating Potential of a Parcel Tax and a Bond Measure

Based upon their recent review of Bay Area county assessors' data, Save The Bay's technical consultants, NBS, estimate there to be approximately 2.1 million taxable parcels in the nine-county Bay Area. This is significantly greater than SCI's 2009 estimate of approximately 1.7 million taxable parcels, upon which the Restoration Authority's 2014 revenue projections were based. The "Regional Revenue" projections in Table 1 below assume the updated NBS figures. For other assumptions, see the notes that follow Table 1.

Table 1. Revised Projections of Regional Revenue

	\$12 Parcel Tax	\$18 Parcel Tax	\$500 million G.O. Bond	\$750 million G.O. Bond
Term	20 year	20 year	30 year	30 year
Regional Revenue	\$500M	\$750M	\$500M	\$750M
Annual Tax Levy	\$12 per parcel	\$18 per parcel	\$3.22 per \$100K of assessed value	\$4.83 per \$100K of assessed value

Table 1 notes:

- a. All “Regional Revenue” figures in the table are based on 2015 NBS estimates of the total number of taxable parcels throughout the nine-county Bay Area and their total assessed value, as derived from county assessors’ data. These figures were provided to the Restoration Authority by Save The Bay.
- b. *Ad valorem* taxes associated with potential 30-year bond measures are based additionally upon current interest rates for public agencies with average bond ratings.

2. Comparison of additional issues affecting the suitability of a parcel tax measure and a municipal general obligation bond measure.

Pending advice to the Restoration Authority from bond counsel and other municipal finance professionals, the comparisons in Table 2 below may assist in evaluating the benefits and challenges of a parcel tax measure and a bond measure.

Table 2. Further comparison of parcel tax measure and G.O. bond measure

Issue	Parcel Tax Measure	G.O. Bond Measure
Higher levy for higher-value property?	No	Yes
Total capital funding for Bay restoration ^a	Up to \$750,000,000 plus unrestricted earnings, minus county and unrestricted Restoration Authority administrative costs	Up to \$750,000,000, plus earnings if needed to service bond debt, minus county and bond-administration costs
Schedule for availability of funding for Bay Restoration following passage of June 2016 revenue measure	At \$18/parcel: ~\$37,800,000 per year for 20 years beginning in FY 2017 (total \$750 m) ^b	Assuming 4 bond sales in equal increments: ~\$187,500,000 every 4 years beginning in FY 2017 (total \$750 m) ^c
Schedule for disbursement of funds	As needed for Bay restoration	To maintain tax exempt status of bonds, must spend 85% of amount of proceeds within 3 years of given bond sale
Eligible uses of funds	Acquisition and improvement of real property; operation, maintenance and monitoring; Restoration Authority administration	Acquisition and improvement of real property; significant deferred maintenance of qualified improvements; bond-related costs
Need additional source of funding for Restoration Authority administration?	No	TBD ^d
Need amendment of enabling legislation per AB 746? ^e	Yes: extension of SFBRA sunset to enable a 20-year measure	Yes, to provide authority for issuing G.O. bonds, removing limit on amount of bonding authority, and extension of SFBRA sunset to enable 30-year bonds
Need to update Draft Expenditure Plan?	Yes: Update associated list and map of potentially eligible projects ^f	Yes: Revise to comport with bond measure provisions, eliminate ineligible activities, and update associated list of potentially eligible projects

Table 2 notes:

- a. Assumes the highest tax rates shown in Table 1.
 - b. Assumes that 2016-17 tax bills reflect parcel tax measure.
- [Notes continued on Page 4]

c. Based upon the experience and projected schedule of the Midpeninsula Open Space District for its first bond sale following June 2014 passage of its Measure AA.

d. The advice of bond professionals will be needed to determine the types of Restoration Authority administrative costs that would be eligible for payment from the proceeds of Restoration Authority bond sales.

e. If AB 647 is enacted with the necessary amendments and signed by the Governor by October 2015, then it appears that the Restoration Authority will be in a position to adopt either parcel tax or bond measure resolutions in time for the June 2016 ballot.

f. The existing draft list and map of potentially eligible projects prepared for a 2014 parcel tax measure are attached for reference.