REDUCING GENERAL FUND EXPENDITURES
STORMWATER IN WEST SACRAMENTO, CALIFORNIA

A Thesis

Presented to the faculty of the Department of Public Policy & Administration
California State University, Sacramento

Submitted in partial satisfaction of
the requirements for the degree of

MASTER OF PUBLIC POLICY AND ADMINISTRATION

by

William Thomas Wetzel

SPRING
2013
REDUCING GENERAL FUND EXPENDITURES
STORMWATER IN WEST SACRAMENTO, CALIFORNIA

A Thesis

by

William Thomas Wetzel

Approved by:

__________________________________, Committee Chair
Mary Kirlin, D.P.A.

__________________________________, Second Reader
Peter M. Detwiler, M.A.

__________________________________
Date

iii
Student: William Thomas Wetzel

I certify that this student has met the requirements for format contained in the University format manual, and that this thesis is suitable for shelving in the Library and credit is to be awarded for the thesis.

__________________________, Department Chair
___________________
Robert Wassmer, Ph.D.
Date

Department of Public Policy & Administration
Abstract

of

REDUCING GENERAL FUND EXPENDITURES

STORMWATER IN WEST SACRAMENTO, CALIFORNIA

by

William Thomas Wetzel

Nobody wants to repeat Hurricane Katrina’s aftermath. However, even in a region historically prone to flooding, the City of West Sacramento must provide more than stormwater and flood protection. There are many competing interests for the funds in the City of West Sacramento's General Fund. This all-purpose pool of money funds programs, infrastructure, salaries, and benefits across many functional areas of city government. While the City needs to buy fire engines and pay police officers to patrol the streets, the stormwater infrastructure quietly siphons money from the same pool used to fund those critical services. The City wants to reduce or eliminate this competition for funding, without reducing the protection the stormwater system provides.

The City’s financial and planning documents, Yolo LAFCO Municipal Service Reviews, and stormwater industry documents provided me likely alternatives, but no clear framework for deciding what option best suits the City of West Sacramento. In this project, I evaluate four alternatives against four criteria, using a qualitative criterion
alternatives matrix.

Ultimately, I believe efficiency and equity considerations make creating a stormwater utility the best alternative for the City. However, I recommend that the City begin a four-step plan to have an appropriately funded stormwater system. First, the City needs a good accounting of the stormwater needs and expenditures. Next, the City needs to update the assessment district rates. The third step is implementing the stormwater utility, and finally the City needs to consolidate flood protection and stormwater protection.

Although these recommendations will carry the City a long way with its stormwater funding, the complicated local governance structure and previous failure of a reclamation district mean the City likely has more stormwater problems ahead.

_______________________, Committee Chair
Mary Kirlin, D.P.A.

_______________________
Date
ACKNOWLEDGEMENTS

To all of my friends, family, and coworkers that supported, or at least pretended to, my choice to return to school, especially those individuals that took me in during my times of greatest need, I say thank you: Mike, Ellen, Jared, Joyce and Terry, Chris, Dave, Jerry, Kathleen, AJ, Johnny and my best friend, Jon.

To Peter Detwiler and Mary Kirlin and their patience and persistence during this long, arduous process, I am forever grateful.
# TABLE OF CONTENTS

Acknowledgements ........................................................................................................... vii

List of Tables ....................................................................................................................... x

Chapter

1. INTRODUCTION ........................................................................................................... 1

2. WHAT ARE WE DOING NOW? ....................................................................................... 5
   Capital Improvement Funding .......................................................................................... 6
   Maintenance Funding ....................................................................................................... 6
   Flood Protection Funding ................................................................................................. 8
   Public Infrastructure Financing ......................................................................................... 10
   California Municipal Financing ....................................................................................... 12
   A Special Type of Assessment District and LAFCO ....................................................... 14
   LAFCO and the Municipal Service Review (MSR) ......................................................... 15

3. USING A CRITERION ALTERNATIVES MATRIX TO IDENTIFY OPTIONS ...... 18
   An Introduction to the Criterion Alternatives Matrix .................................................... 18
   Deciding on Criteria ......................................................................................................... 18
   Selecting the Criteria ....................................................................................................... 19
   Excluded Criteria ............................................................................................................... 20
   Included Criteria ............................................................................................................... 21
   CAM Matrix Construction .............................................................................................. 23
Moving On ...........................................................................................................23

4. THE ANALYSIS ......................................................................................................24
   What are the Options? .........................................................................................24
   MSR Options .......................................................................................................25
   Consolidated Planning .........................................................................................27
   Stormwater Utility ................................................................................................27
   Assessment District ...............................................................................................28
   Bond .....................................................................................................................29
   Excluded Alternatives .........................................................................................31
   The Included Alternatives ....................................................................................32
   The Qualitative Criterion Alternatives Matrix ....................................................33
   The Effective Options ...........................................................................................36
   The Ineffective Option ..........................................................................................41

5. WHERE DO WE GO FROM HERE? .......................................................................45
   My Recommendations ..........................................................................................46
   Beyond the Goal ....................................................................................................47

Works Cited .............................................................................................................49
LIST OF TABLES

<table>
<thead>
<tr>
<th>Tables</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 West Sacramento Stormwater Accounts</td>
<td>6</td>
</tr>
<tr>
<td>2.2 West Sacramento Flood Protection Accounts</td>
<td>8</td>
</tr>
<tr>
<td>2.3 Municipal Financing Options</td>
<td>16</td>
</tr>
<tr>
<td>2.4 West Sacramento Accounts</td>
<td>17</td>
</tr>
<tr>
<td>3.1 Criteria</td>
<td>20</td>
</tr>
<tr>
<td>4.1 Alternatives</td>
<td>30</td>
</tr>
<tr>
<td>4.2 CAM Analysis</td>
<td>35</td>
</tr>
<tr>
<td>4.3 Stormwater Utility</td>
<td>36</td>
</tr>
<tr>
<td>4.4 Consolidate Planning and Funding</td>
<td>38</td>
</tr>
<tr>
<td>4.5 Parcel Assessment</td>
<td>40</td>
</tr>
<tr>
<td>4.6 Consolidate RDs Into City</td>
<td>42</td>
</tr>
</tbody>
</table>
CHAPTER 1
INTRODUCTION

Most people do not spend a lot of time worrying about flooding. Instead, they expect their governments to take care of them, until they do not. Local governments in places like New Orleans and Sacramento take that responsibility seriously - especially after a disaster like Hurricane Katrina. On the other hand, local governments everywhere deal with limited financial resources and competing demands. The opportunity cost of funding one program often means another program goes unfunded; a police department with old patrol cars but a parks department with new picnic benches, or a new fire engine but reduced library hours.

My goal with this thesis is to help the City of West Sacramento have its cake and eat it too – pay for those new fire engines without increasing flood risk. When a city’s general fund – that multipurpose pool of money – pays for stormwater protection stormwater services must compete with other general-funded programs. While the citizens of flood-prone areas do not want a dangerous stormwater system to remain broken, they still want services like parks, libraries, and fire protection. This balancing act between preparing for infrequent but disastrous events and programs useful every day means making tough choices.

The City of West Sacramento’s stormwater system is a series of canals, pipes, and pumps that protect the City from flooding during rainstorms. The stormwater system is also part of the larger flood protection system that includes the levee system surrounding the City. In the event of a flood, the pumps would help remove flood water from the city.
There are several layers of government agencies, with varying responsibilities and transparency, operating the stormwater system. The flood protection system includes additional government layers.

Different government agencies operate the various stormwater infrastructure elements within the City. Responsibility for operating and funding the system varies by location within the City. The system transports the stormwater to different locations for pumping over the levees and out of the City. The system pumps water into the Sacramento River to the east, the Yolo Bypass to the north, and the Main Ship Channel for the City’s western area. Although independent agencies operate the system’s various parts, the parts must all work together to protect the city from flooding.

The City of West Sacramento is responsible for maintenance and capital improvement for some of the canals and piping throughout the City, and jointly operates some of the pump stations with other government agencies. Much of the City’s stormwater infrastructure has no dedicated revenue source for its operation, maintenance, or eventual replacement.

The City of West Sacramento does flood protection and stormwater planning separately, and the two programs compete for funding – along with the rest of the City’s programs. The 2008 advisory Measure U for the use of Measure V sales tax revenues mentions flood protection, but not stormwater protection. Nationally, there is precedent for combining these two functions into a single program that encompasses all of the functions of the two. The Sacramento Area Flood Control District says the Sacramento area (Sacramento Area Flood Control Agency, 2008) is at the greatest flood risk in the
United States, and flood protection is a high priority for the City of West Sacramento. West Sacramento depends on its levee system to prevent flooding from the Sacramento River and other surrounding waters, but flooding is about more than just overtopping or failing of levees. Without adequate stormwater protection, heavy rains can flood areas of the City in hours, even if the levees perform flawlessly.

This project started as a request to identify funding sources for the City’s stormwater system. After reviewing various documents that alternate between finding faults and praising the robustness of the infrastructure, I believe the City’s real concern is reducing or eliminating the City’s General Fund stormwater expenditure without reducing the effectiveness of the stormwater system. A complicating factor is that the City’s budget documents are unclear about how much money the City is spending on stormwater operations and capital investment either from the General Fund or in total. Equally unclear are the system’s needs. Knowing neither the needs nor the current allocations makes identifying alternatives more challenging.

In this thesis, I will look at how the City of West Sacramento can reduce current General Fund expenditures on capital improvements and operating costs for the City’s stormwater system, and instead use an appropriate alternate funding method. This project is an information synthesis to help the City consider courses of action that would free up General Fund monies, without affecting the stormwater system. I qualitatively assess several alternatives, against clearly defined criteria, using a criterion alternatives matrix (CAM) analysis. This project forgoes the traditional quantified CAM, and deals with the uncertainty of the stormwater situation by working with generalized concepts.
In Chapter 2, I provide more detailed background information, including the City’s stormwater and flood protection financing, what led to some of the problems the City appears to be facing, and an overview of some of the processes that might affect the viability of alternatives.

Chapter 3 explains the CAM methodology and the criteria I use. I discuss why I chose certain criteria and excluded others.

Chapter 4 is the analysis itself. First, I introduce some of the alternative policies and funding sources that the City might employ in this situation. The City identified most of these alternatives while others are from Yolo Local Agency Formation Commission (LAFCO) documents discussing water in Yolo County. Then I identify and explain my criteria and their justification.

Chapter 5 brings this project back to the underlying problem: paying for stormwater protection without using general fund money. Once I present the background information and complete my analysis, I discuss my findings and observations. I also discuss some actions that the City might take to address the issue.
CHAPTER 2

WHAT ARE WE DOING NOW?

Stormwater system and flood protection discussions are not new to the City of West Sacramento. The FY2009-11 budget even places flood protection as the City’s highest priority (City of West Sacramento, 2009). But are flood protection and stormwater equal in the eyes of the City? Right now, the answer appears to be “no.” For example, the 2008 Measure U specifies flood protection without including stormwater. The apparent funding disparity between stormwater and flood protection is another clue that there is a clear preference for flood protection. However, the City still cares about stormwater protection. The General Plan (City of West Sacramento, 2004) and the recent independent assessment (HDR, City of West Sacramento, & West Sacramento Area Flood Control Agency, 2010) both contain clear evidence that the City takes stormwater protection seriously.

How much does the City spend on stormwater? Although City officials do not know the exact general fund amounts spent on stormwater, the problem of finding alternatives remains the same. Determining the exact revenue and expenditure amounts is difficult because of the complexity of the City’s budget and a lack of detail in three important accounts. While it is counterintuitive to solve the City’s big picture problem by looking at micro level information, these accounts directly relate to this project. Even if the City cannot account for all expenditures from these accounts, a good approximation of the general fund expenditures would help determine with the decision making process for creating new revenue to replace it. I think of this search in three functional areas:
stormwater capital improvement, stormwater maintenance, and flood protection. The table below shows the three accounts that fund stormwater operations, and I explain each of them in more detail in the next section.

Table 2.1 - West Sacramento Stormwater Accounts

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Funding Source</th>
<th>Purpose</th>
<th>Capital Improvement, Maintenance, or both?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund 201 – Road Fund</td>
<td>Mixed funding</td>
<td>Pump maintenance labor costs</td>
<td>Maintenance</td>
</tr>
<tr>
<td>Fund 227 – Storm Drain Main</td>
<td>Special Assessment</td>
<td>Capital Improvement</td>
<td>Capital Improvement</td>
</tr>
<tr>
<td>Fund 215 – Stormwater</td>
<td>Special Assessment</td>
<td>Funding for 100 acre area around Raley Landing</td>
<td>Both</td>
</tr>
<tr>
<td>Maintenance Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Capital Improvement Funding

The Capital Improvement Plan (City of West Sacramento, 2006) identifies five different funding sources for stormwater capital improvement projects: drainage impact fees, facilities district assessments, Lighthouse Assessment District, Raley's Landing Assessment District, and grants. Most of these capital improvement revenues flow into a single account, Fund 227, simplifying the accounting process. Fund 227’s projected cash balance at the end of FY2010-11 is $286,198 (City of West Sacramento, 2009).

Maintenance Funding

Stormwater maintenance funding is more complex. There are at least two accounts for maintenance funding, Fund 201 and Fund 215. Fund 201, the “Road Fund,” funds pump maintenance by the City’s Public Works crews, while Fund 215, “The Stormwater Maintenance Fund,” is specifically dedicated to stormwater maintenance.
The City financial reports do not specifically account for the time or Fund 201 money spent on pump maintenance. More importantly, this account’s blend of money that funds stormwater maintenance is unknown. City staff told me they believe this fund’s stormwater expenditure is low, but budget documents show no stormwater expenditures. Fund 215 is the funding mechanism for stormwater facilities and infrastructure covering about 100 acres in the old town of Washington, the area of the Lighthouse Marina project, and Storm Drainage Maintenance District #1 that covers Raley’s Landing (Hayden, n.d.). Funding is through parcel assessments and special taxes. Revenue has covered maintenance and operations, but repair, replacement, and improvements to facilities and infrastructure remain unfunded (Sacramento, 2009, p.307). Because special funds, not general fund dollars, pay for the area’s infrastructure, there is limited benefit to be gained by exploring this fund and its funding sources in great detail here, except to note that Fund 215’s projected cash balance at the end of FY2010-11 is $35,380 (City of West Sacramento, 2009).

I looked at a capital improvement account that has several funding sources and essentially covers the whole City, and two maintenance accounts; one covering a small portion of the City and the other the whole City, but without any stormwater accounting. However, the third functional area, flood protection, remains. Flood protection and stormwater planning is done separately and the two programs compete for funding, so the accounts are also separate. I discuss flood protection funding here because it is important in the next chapter when I discuss the stormwater/flood protection relationship further; but for now I look at the current state of those accounts and their funding mechanisms.
Flood Protection Funding

There are two flood protection accounts; Fund 229 “Developer Fees / Flood Protection In-Lieu”, and Fund 870 “Drainage Impact Fee.” Each fund has only one revenue source and the two source types are different. Fund 229 is a developer fee exacted against new development, while Fund 870 is a parcel assessment approved by property owners. The details of these two accounts are not central to this project, but it is worth noting that Fund 229’s projected cash balance at the end of FY2010-11 is $460,628 (City of West Sacramento, 2009). The table below summarizes these two accounts and Fund 108, which I discuss immediately after the table.

Table 2.2- West Sacramento Flood Protection Accounts

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Funding Source</th>
<th>Purpose</th>
<th>Capital Improvement, Maintenance, or both?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund 229 – Flood Protection In-Lieu</td>
<td>Developer Fee</td>
<td>Various Flood Protection</td>
<td>Both</td>
</tr>
<tr>
<td>Fund 870 – Drainage Impact fee</td>
<td>Parcel Assessment</td>
<td>Various Flood Protection</td>
<td>Both</td>
</tr>
<tr>
<td>Fund 108 - Measure V</td>
<td>½ cent Sales Tax</td>
<td>Fund citywide general government and capital improvement</td>
<td>Capital improvement</td>
</tr>
</tbody>
</table>

Perhaps the most relevant account connected to flood protection funding is Fund 108, the ½-cent sales tax, shown in the last row of the table above. In 2002, West Sacramento voters approved Measure K, a ½-cent sales tax for funding specified general government services. The ½-cent sales tax consisted of two ¼-cent parts, one for capital projects and the other for services. The ¼ cent for capital projects was for ten years, after
which it would expire. The ¼ cent for general government lasts indefinitely (Sacramento, 2009, p.177). In 2008, the local voters approved Measures U and V. Measure U extended the ¼-cent capital portion of Measure K for another 20 years beyond its 2012 expiration. Measure U, an advisory measure, asked voters if they wanted the resulting funds to go to streetcar operations and flood protection. Measure V, the actual funding measure, was more general. This sales tax will take effect in 2013 and will sunset in 2030. By making Measure V a general tax, rather than a specific tax, the voter approval threshold was lower, and the City has more flexibility in spending choices.

The City’s complicated funding for stormwater and flood protection highlights the importance of understanding municipal financing in California. These two programs use the general fund, parcel assessments, developer fees, special taxes, and sales taxes for funding. What exactly are these funding mechanisms, and how can the City implement them? If the City can use them for part of the system, can the City use them for the rest of the system? The answer lies partially in the development and layout of the City, and partially in the limitations of municipal funding in California.

The northern part is the oldest part of the City. Nearly completely built-out, the lack of new development opportunities limits the possibility of expanding some of the funding mechanisms used in other parts of the city, to fund stormwater and flood protection here. Unfortunately, the City has identified problems and has difficulty properly funding the stormwater system (City of West Sacramento, 2004) in this area.

This northern part of the City differs drastically from the area south of the Main Ship Channel, known as Southport. This southern area developed more recently and
developers included stormwater infrastructure during development, primarily by using Mello-Roos Districts. The proper stormwater planning in the Southport area and the appropriate funding mechanism means the area has properly funded adequate protection, and does not need to be included in the search for general fund money replacement.

Fitting the local stormwater financing structure into the larger workings of the California municipal financing structure shows the difficulties the City faces, and limited solutions available. Voter initiatives like Proposition 13 and Proposition 218 mean the City cannot increase taxes or impose fees without complying with constitutional procedures and limits.

Public Infrastructure Financing

The City of West Sacramento is not alone in its struggle to fund services, including the stormwater protection, much less finding ways to fund it without competing for other high priority services. The quote below highlights the problem the City faces and the environment helping cause this problem:

Four forces have emerged and combined to make it harder for public officials and private investors to accumulate the public capital needed to build infrastructure:

- Persistent population growth and the associated demand for public works
- Cuts in federal and state public works spending
- New constitutional limits on governments
- Ambiguous reactions by voters and their elected officials

One result is that it is much harder for state departments and local agencies to raise public capital for water projects, transportation improvements, sewer systems, parks, recreation facilities, schools, universities, and the other public amenities that make life in the Golden State so attractive. A second result is that it now requires even more managerial skill and political leadership to plan, finance, build, and operate public works. (Detwiler, 2010)
While it may be harder for governments to raise revenue, it is not impossible. However, it requires skill to navigate the complicated environment in California. Citizens often view governments as generally wasteful and inefficient, making user rate and tax increases generally unpopular. A high unemployment rate and existing tax burden compared to other states do nothing to abate this cynicism (Feldman, 2010).

Three key voter initiatives strike at the heart of the distrust of government. The first was Proposition 13. In 1978, California voters turned public financing on its head. In a move to offset high inflation rates and high tax bills, as well as control government spending (Detwiler), voters rolled tax assessments back to 1975 rates, capped property tax at 1% of the assessed value, and limited inflation of tax assessments to 2% per year (Cal. Const. art. XIIA). The resulting 57% drop in revenue (Barbour, 2007) left local government officials searching for funding alternatives.

In 1996, voters again brought their frustrations to the ballot with Proposition 218, to prevent government officials circumventing Proposition 13's ideals. Government officials, policy entrepreneurs, and consultants were circumventing Proposition 13 by placing assessments on property without voter approval. As the effective property tax rose, so did the ire of property owners. Proposition 218's brought three major changes: new special taxes require 2/3 voter approval, general taxes require majority-voter approval, and special assessments require weighted ballot approval. For the City of West Sacramento, Proposition 218 is a major hurdle to stable funding for its infrastructure needs.
The third key was Proposition 26’s increased requirements that the tie between payer and benefit tighten more than what Proposition 218 did. The true extent of Proposition 26’s repercussions will not be known for a while, but already local governments are questioning how to fund programs where the benefit is to society as a whole rather than the individual paying for the program (Colantuono, 2010).

An example of Proposition 26’s heightened requirements would be a water quality project that treats wastewater before pumping it away, with the property owner paying for the project but receiving no direct benefit. Proposition 218 only required that voters approve the tax, but Proposition 26 added the requirement of tying benefit to payer. In this instance, no matter how valuable the project may be to society as a whole, the project must also directly benefit the payer.

California Municipal Financing

What funding mechanisms are available in California? I identified several types in the discussion about capital improvement and maintenance funding, and asked what exactly these funding mechanisms are, and how do local governments implement them? I return to those questions now.

One of the standard financing tools is the bond. Bonds raise capital by borrowing money from investors and repaying them with future dedicated revenue sources. There is more than one classification of bond and they differ in several ways. For this project, the most relevant bond types are the Mello-Roos bond and general obligation bond. They
differ primarily in the sources used to repay the bond and the purposes they can be used for (Fulton & Shigley, 2005).

User fees are a financing mechanism appropriate where an individual or property pays for the benefit they receive. Common examples of user fees are electric and water utilities where customers pay electrical bills and water rates linked to their consumption. Many stormwater systems operate as utilities. Proposition 218 and Proposition 26’s push to link costs and benefits is a sign to local governments of the need to justify costs incurred by individual taxpayers to their individual benefit. Even where a stormwater service and infrastructure is not operated as a utility, the cost incurred by an individual property needs to be closely tied to the benefit it receives.

Developer fees relate to new development, and the government can only impose them in relation to the impact new development creates on the infrastructure needs. Because the primary focus of this project is the mostly built-out northern area, where new construction and development is less likely to occur, developer fees will not be a significant source of revenue for the stormwater system.

Assessment districts are financing mechanisms where the property owners pay based on the benefit they receive from the infrastructure construction (Fulton & Shigley, 2005). Because assessment districts affect the property owners in a geographic area, they are the ones who decide whether to levy the assessment against their properties. The north area of the city already has several assessment districts for both stormwater and flood protection, but district boundary expansion requires property owner approval.
Mello-Roos Districts use special taxes to pass the cost of new infrastructure to the property owners who will occupy the development in the future. Levying an assessment against property within the district reimburses the local government for the cost of building infrastructure for future residents (Fulton & Shigley, 2005).

Taxes are an important financing tool for local governments in California. Taxes are generally for revenue generation rather than a specific purpose or program. Special taxes require 2/3 voter approval while general taxes require majority approval. That higher threshold for special taxes means that governments only pursue special tax measures for the most popular programs.

A Special Type of Assessment District and LAFCO

I introduced the assessment district in the previous section. There are several assessment districts within the city, but the reclamation district (RD) is a special type of assessment district the City government must also deal with. There are two reclamation districts, Reclamation District 537 and Reclamation District 900, within the city’s borders. The City of West Sacramento absorbed a third district, Reclamation District 811, in 2010.

Reclamation districts are assessment districts formed to provide drainage, levee maintenance or irrigation services. These districts are created by approval of the majority of property owners within the district boundary, and can collect fees for the provided service (Yolo County LAFCO, 2011).
Although reclamation districts have a special name, they appear to function very similarly to other assessment districts. Because the districts’ function is so close to this discussion, and City and LAFCO documents identify the reclamation districts as separate government entities, it is important for me to explain their role.

LAFCO and the Municipal Service Review (MSR)

LAFCO has a special function in local government that is critical to this project. LAFCO is a county commission that reviews, recommends, and approves formation of special districts, city incorporations, annexations, consolidations of districts, and mergers of districts with cities. LAFCOs encourage orderly government by controlling urban sprawl and the fierce competition for raw land. LAFCOs regulate all city and most special district boundaries, including reclamation districts (Bui & Ihrke, 2003). LAFCOs update their MSRs every five years. An MSR is a regional analysis of the municipal services that evaluates existing services and identifies any constraints or challenges that may affect service delivery in the future.

The options that the Yolo LAFCO identified in the Municipal Service Reviews (MSRs) need to consideration for possible incorporation into whatever solutions the City might pursue. I will discuss the MSR options in detail in Chapter 4 when I identify and select the rest of the alternatives I will analyze. However, LAFCO views the stormwater problem from the efficient delivery of services, which is different from the City’s view – how to pay for the service in a small section of the city. Solving those problems may involve the reorganization of government agencies, and the LAFCO process.
The fiscalization of land use decision making means that land use decisions directly impact financial decisions related to growth. Conventional wisdom says growth should pay for itself. But how to finance infrastructure improvement and maintenance when there is no growth? That is the difficult question facing the City of West Sacramento.

The two tables below, Table 2.3 and Table 2.4, review the municipal financing options available in California that I discussed in this chapter.

### Table 2.3 - Municipal Financing Options

<table>
<thead>
<tr>
<th>Funding Mechanism</th>
<th>Purpose</th>
<th>Shortcoming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment District</td>
<td>Property owners pay for the benefit they receive</td>
<td>Requires a weighted majority of property owner approval</td>
</tr>
<tr>
<td>Bond</td>
<td>Funds capital improvement projects by borrowing against future revenue</td>
<td>Not useful for ongoing maintenance costs</td>
</tr>
<tr>
<td>Mello-Roos District</td>
<td>Transfers costs of infrastructure construction to future residents</td>
<td>Only applies to new development</td>
</tr>
<tr>
<td>User Fee</td>
<td>User pays for the use of a specific service</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>General taxes can be used for general government, but special taxes are for specific purposes</td>
<td>General taxes require majority voter approval while special taxes require 2/3 voter approval</td>
</tr>
</tbody>
</table>

Table 2.4 consolidates table 2.1 and table 2.2, and shows the important stormwater and flood protection account the City uses in a single table.
Table 2.4- West Sacramento Accounts

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Funding Source</th>
<th>Purpose</th>
<th>Capital Improvement, Maintenance, or both?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund 201 – Road Fund</td>
<td>Mixed funding</td>
<td>Pump maintenance labor costs</td>
<td>Maintenance</td>
</tr>
<tr>
<td>Fund 227 – Storm-Drain Main</td>
<td>Special Assessment</td>
<td>Capital Improvement</td>
<td>Capital Improvement</td>
</tr>
<tr>
<td>Fund 215 – Stormwater</td>
<td>Special Assessment</td>
<td>Funding for 100 acre area around Raley Landing</td>
<td>Both</td>
</tr>
<tr>
<td>Maintenance Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund 229 – Flood Protection</td>
<td>Developer Fee</td>
<td>Various Flood Protection</td>
<td>Both</td>
</tr>
<tr>
<td>In-Lieu Developer Fee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund 870 – Drainage Impact</td>
<td>Parcel Assessment</td>
<td>Various Flood Protection</td>
<td>Both</td>
</tr>
<tr>
<td>fee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund 108 - Measure V</td>
<td>½ cent Sales Tax</td>
<td>Fund citywide general government and capital improvement</td>
<td>Capital improvement</td>
</tr>
</tbody>
</table>

In this chapter, I reviewed the City’s current funding mechanisms, explained their role in California municipal financing, and tried to show how voter initiatives limit the City’s options. Chapter 3 is the CAM methodology, where I explain the analysis matrix construction and select the criteria for the analysis.
CHAPTER 3

USING A CRITERIA ALTERNATIVES MATRIX TO IDENTIFY OPTIONS

An Introduction to the Criterion Alternatives Matrix

Determining which option or combination of options best suits the City’s needs requires a systematic method of evaluating alternatives. One common evaluation tool is the criterion alternatives matrix (CAM). Munger (2000) and Bardach (2005) describe the CAM evaluative process wherein a select list of alternatives are evaluated according to a set of criterion selected for their likely ability to measure the feasibility of a policy's implementation and the achievement of the intended outcomes.

I start this section with my criteria selection. As I identify the criterion, I provide a brief justification for their inclusion in this project. I finish this section by discussing the comprehensive list of available options, and then identify the select group of options for analysis. The purpose for discussing the evaluation process and its individual components is helping the reader understand how I arrived at the recommendations I discuss later in this chapter.

Deciding on Criteria

How do governments decide what the best course of action is? I first looked to the available West Sacramento stormwater documents to find criteria used in other West Sacramento stormwater documents. I did not find any clear criteria in the Yolo County LAFCO Municipal Service Reviews (MSR) or the proposal from City of West Sacramento Public Works to dissolve Reclamation District 811. My review of other
stormwater systems and guidance documents did not locate a framework to evaluate funding mechanisms, or even explicitly state the criteria used in various analyses. Many of the stormwater reports focus on an individual agency’s situation, so there is no generalized framework for other agencies facing a similar situation. Absent these other options, I must articulate appropriate criteria based on the needs of the City.

Selecting the Criteria

The Guidance for Municipal Stormwater Funding (National Association of Flood and Stormwater Management Agencies, 2006) contains criteria for evaluating and selecting service fee rate structures. Criteria commonly used to evaluate and select fee rate structures are; legality, equity, revenue sufficiency, flexibility, balance of rates with level of service, data requirements, compatibility with data processing systems, consistency with other local funding and rate policies, and revenue stability and sensitivity.

The fundamental objective of a service fee/utility is attainment of equity. Service fee rate methodologies are designed to attain a fair and reasonable apportionment of cost of providing services and facilities (National Association of Flood and Stormwater Management Agencies, 2006).

Bardach (2005) also provides some commonly used policy analysis criterion; efficiency, equity, legality, political acceptability, and improvability. Some of these criteria mirror those found in the Guidance for Municipal Stormwater Funding document.
The table below identifies possible criteria, their definitions for this project, and whether or not each is included in the Chapter 4 analysis. I discuss each criterion in more detail after the table.

Table 3.1 - Criteria

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Definition</th>
<th>Included or Excluded?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>Treat all groups and individuals fairly</td>
<td>Included</td>
</tr>
<tr>
<td>Revenue Sufficiency</td>
<td>Ability to generate the required new revenue.</td>
<td>Excluded uncertainty of needed revenue</td>
</tr>
<tr>
<td>Flexibility</td>
<td>The ability to use the funding source in various way, and room for creative rate determination.</td>
<td>Included</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Bang for the Buck. Maximum benefit for a given cost.</td>
<td>Included</td>
</tr>
<tr>
<td>Legality</td>
<td>Meeting legal mandates and procedural requirements, to lessen legal challenges</td>
<td>Excluded due to all reasonable options are legal in CA</td>
</tr>
<tr>
<td>Political Acceptability</td>
<td>Too much opposition, or not enough support.</td>
<td>Included</td>
</tr>
<tr>
<td>Improvability</td>
<td>How well the alternative lends itself to innovation</td>
<td>Excluded due focus on objectives beyond the goal of this project</td>
</tr>
</tbody>
</table>

Excluded Criteria

My analysis only uses four of the criteria I identified in Table 3.1. The three criteria I am excluding are revenue sufficiency, legality, and improvability. Practicality requires limiting the number of criteria and alternatives used in the analysis and I chose what I believe are the four best criterion for this analysis. As I explain later, I only analyze four alternatives despite identifying nine for consideration.

Revenue sufficiency is a test of the ability of an alternative to generate enough revenue to provide adequate service levels and avoid opposition. The difficulty with this criterion is the uncertainty the City has regarding current stormwater expenditures, and
how much revenue must be generated to replace it. That uncertainty makes evaluating against this criterion difficult, and is the primary reason I excluded it. However, as information becomes available I urge the City to incorporate it into their considerations.

The analysis does not include the legality criterion for two reasons. First, all reasonable alternatives that I felt could meet the goal of this project were legal under California law. Second, this criterion’s definition focuses on complying with legal mandates during the implementation process. All of these alternatives face a nearly identical set of hurdles in that regard, so there would be little variation among the alternatives in terms of this criterion.

Bardach’s (2005) definition of improvability focuses on the ability to improve an option after implementation, because policy planners cannot account for every eventuality and implementations are not always perfect. In this project, each alternative is a step towards a properly funded stormwater system. To improve some of these alternatives, the City must implement the next step closer to a properly funded stormwater system. For that reason, analyzing the improvability of a specific option is of limited use.

Included Criteria

Because the Guidance for Municipal Stormwater Financing document aligns closely to this project’s goal, I tried to give preference to its suggested criteria in the hopes that this analysis could also be useful in stormwater funding discussions beyond
just this project. Below, I explain why I chose the criteria of efficiency, equity, flexibility, and political feasibility for this project.

Efficiency is the “bang for the buck” test, or the maximum benefit for a given cost. In this project, a higher efficiency means the alternative frees up more stormwater general fund money. This is the primary criterion in this project, and receives the greatest consideration in my analysis. Because the goal of this project is to free up general fund money, but the exact amount needed is unknown, I will work to free up as much as possible.

Equity is the idea that the government should treat all groups and individuals fairly (Walton, Stearns, & Crespy, 1997). In this project, there are two primary groups directly affected by the alternatives, the individual property owner and local government agencies. In instances where a government agency is an affected property owner, I treat that agency like an individual property owner. West Sacramento’s citizens are a third important group, although in most instances these alternatives only significantly affect property owners in the alternative’s implementation area. However, if there was a significant cost to implement a change, some citizens may receive unfair treatment if the general fund pays for changes that only benefit certain groups.

Flexibility refers to the ability of the City to use the funds in various ways, such as the ability to fund capital improvement and ongoing maintenance costs, as well as the ability to issue bonds against a dedicated revenue stream. Another issue related to flexibility is the City’s ability to increase any revenue streams to reflect current costs.
Finally, flexibility also measures the ability of city officials to be creative in creating rate structures, such as incentives for property owners to reduce water runoff from properties.

California’s complicated political environment and funding mechanisms almost mandate that the political feasibility be a consideration. In this project, the requirements to implement some of the LAFCO options and the long history of the reclamation districts, coupled with the property owners’ control over the district, mean some of the options may be very contentious. Within this project, the primary political factor is the property owners and reclamation districts response. Because property owners throughout the city have different needs and current positions, I will account for those differences where possible. For example, one property owner may be within a reclamation district while another is not, and different options will affect them differently.

CAM Matrix Construction

The CAM has alternatives occupying the first column and the criteria occupying the first row. Each cell is an analysis of the corresponding alternative in terms of the criteria. Each cell rates high, moderate, or low for how well the alternative meets the goal of this project, in terms of the specific criterion.

Moving On

Chapter 4 is my analysis. I begin the chapter by identifying and choosing the analysis alternatives. After I build the CAM matrix and complete the cell analysis, I discuss each alternative in terms of each criterion.
CHAPTER 4

THE ANALYSIS

Even as I look to free up general fund money within the City, there remains a potentially larger stormwater issue facing the City of West Sacramento and other local governments. The City has direct control over its accounting and some of the funding choices, but other governments operate stormwater infrastructure in the City. Those agencies have experienced problems funding their infrastructure as well. Nobody has yet tied the larger problem directly to the City’s attempt to solve both of them at the same time.

In Chapter 2, I reviewed various municipal funding mechanisms used in California. This chapter looks at which of these mechanisms are viable possibilities for freeing up West Sacramento general fund money. The Guidance for Municipal Stormwater Funding (National Association of Flood and Stormwater Management Agencies, 2006) and Financing Green Stormwater Management with Impervious Surface Charges (Smith, 2010) both recommend funding blends where appropriate. Keeping in mind that more than one funding type may be viable and appropriate, I begin building the analysis of the general fund spending.

What Are the Options?

I will identify each of the options that I will analyze in the next section and group them by how they work to achieve the goal of reducing general fund monies. Some of the
funding mechanisms available will produce new sources of revenue, while other courses of action might simply cut general fund spending. However, city government is more than just taxes, fees, and assessments. The organization of local governments can also affect the revenue available to provide services.

**MSR Options**

The Yolo County LAFCO’s 2009 Municipal Service Review/Sphere of Influence Study (MSR/SOI) (Yolo County LAFCO & Winzler & Kelly, 2009) discusses the relationship between the City of West Sacramento and the Reclamation Districts, while the 2005 MSR/SOI Study for Yolo County Public Water and Reclamation Districts (Yolo County LAFCO & Dudek & Associates Inc., 2005) provides the groundwork for stormwater and drainage issues in the City. I was unable to determine why the 2005 MSR recommends changing the governance structures of the Reclamation Districts, while the 2009 MSR only discusses the possible alternative structures previously identified in the 2005 MSR. LAFCO never advocated a specific alternative, but did recommend that reorganization take place. The reasons for the recommendation are LAFCO’s goal of efficient delivery of services by reducing the governance complexity, the insolvency of RD 811, and the financial struggles of RD 537. I did not find any evidence LAFCO stopped supporting the previous recommendations, so I believe the exclusion may only be an oversight in the 2009 MSR. I. Yolo LAFCO identified some possible alternatives to the current stormwater governance structure:

- Status Quo;
• Dissolve Reclamation Districts 537, 811, and 900 and reorganize into one agency;
• Create single-purpose flood control agency;
• Dissolve Reclamation District 811 and reassign functions to city;
• Dissolve Reclamation District 900 and reassign functions to city; or
• Separate Reclamation District 537 and reassign a portion of its functions to city
(Yolo County LAFCO & Dudek & Associates Inc., 2005; Yolo County LAFCO & Winzler & Kelly, 2009).

While the MSRs identified several options, that does not mean the list is exhaustive, or these options are even appropriate to solve the City’s problem. All of the MSR options relate to governance structure, rather than internal operations. They may solve the problem from LAFCO’s standpoint, but they are not necessarily at the heart of this project.

Although structural changes to the local government agencies may not seem a clear solution to the City’s problem, there is a strong connection between the funding mechanisms and the layering of governments. The reclamation districts and special assessment districts must generate revenue through parcel assessments, while the City has other available revenue sources. Some of the MSR’s suggested structural changes would allow areas of the city where the general fund currently pays for stormwater protection to be brought into an assessment district or reclamation district, and the City’s general fund would no longer bear the burden.
Consolidated Planning

The next option I consider in this analysis is the consolidation of stormwater and flood protection planning. City of West Sacramento staff expressed interest in considering this option as an alternative for this project. When I considered the funding efforts put into flood protection, the General Plan’s priorities, and the relative simplicity of the changes, I believed this could free up general fund money by instead using dedicated flood protection revenue, which is not part of the general fund.

Stormwater Utility

Another option gaining popularity is creating stormwater utility systems. Stormwater utilities operate on the premise that the cost of the service should be borne by the person creating the demand. While there are various rate structures possible in a stormwater utility, one common type is the impervious cover rate structure. This rate structure uses a formula to determine the parcel’s rate based on the area that cannot absorb water. Depending on the methodology, this rate structure can also prevent the exclusion of tax-exempt entities from paying for their stormwater impact. Given the high number of tax-exempt properties in West Sacramento, the stormwater utility may be an important option.

According to the National Association of Flood and Stormwater Management Agencies (2006), stormwater utility systems can help achieve three key concepts:

- “consolidating or coordinating responsibilities previously dispersed among several departments;
• generating funding that is adequate, stable, equitable and dedicated solely to the stormwater function; and
• developing programs that are comprehensive, cohesive and consistent year-to-year.”

Sacramento County uses a stormwater utility to provide stormwater infrastructure to a large portion of the County, including the Cities of Elk Grove and Citrus Heights, along with the unincorporated County. The utility finances design, operation and maintenance of the stormwater system, as well as stormwater quality controls through revenue collected by utility billings (County of Sacramento, 2013).

Assessment District

As described in Chapter 2, property owners approve assessment districts, placing an assessment against their property to provide a specific service. Several assessment districts already exist in West Sacramento. Because these assessment districts revenues fund only services and infrastructure that directly benefit the property owners, the assessment district revenue is not a general fund source. Property owners could expand the assessment districts to fund stormwater infrastructure without general fund expenditures. The rate structure must adjust to assure assessment revenue covers expenditures and future improvements, so general fund money does not make up the deficit.
Bond

Bonds often fund capital improvement projects. West Sacramento has used bonds to fund stormwater capital improvements where specific revenue streams exist. However, in a large part of the northern part of the city there is no specific stormwater revenue stream. Because the general fund does not repay bonds, and there is no appropriate revenue stream, bonds are not worth considering in the context of this project.

Table 4.1 summarizes the alternatives presented.
<table>
<thead>
<tr>
<th>Funding Type</th>
<th>Definition</th>
<th>Scope</th>
<th>Included or Excluded in Analysis?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status Quo</td>
<td>No change from current governance structure or funding mechanisms</td>
<td>Citywide, RD 537, and RD 900 areas</td>
<td>Excluded</td>
</tr>
<tr>
<td>Dissolve Reclamation Districts 537, 811, and 900 and reorganize into one agency</td>
<td>LAFCO dissolves RD 537 and RD 900 and makes City responsible for their services and collection of revenue</td>
<td>City within previous RD 537 and RD 900 areas</td>
<td>Included</td>
</tr>
<tr>
<td>Create single-purpose flood control agency</td>
<td>LAFCO dissolves RD 537, RD 900, and WSFCA, and makes City Public Works responsible for all stormwater and flood protection within the city</td>
<td>Citywide because WSFCA is responsible for levee protection</td>
<td>Excluded</td>
</tr>
<tr>
<td>Dissolve Reclamation District 811 and reassign functions to city</td>
<td>LAFCO dissolves RD 811 and makes City responsible for services</td>
<td>City within previous RD 811 area</td>
<td>Excluded</td>
</tr>
<tr>
<td>Separate Reclamation District 537 and reassign a portion of its functions to city</td>
<td>LAFCO dissolves RD 537 and makes City responsible for services</td>
<td>City within previous RD 537 area. Unknown what happens to RD 537 area outside the city.</td>
<td>Excluded</td>
</tr>
<tr>
<td>Dissolve Reclamation District 900 and reassign functions to city</td>
<td>LAFCO dissolves RD 900 and makes City responsible for services</td>
<td>City within previous RD 900 area</td>
<td>Excluded</td>
</tr>
<tr>
<td>Consolidated Planning</td>
<td>Cooperatively plan and fund stormwater and flood protection</td>
<td>Citywide</td>
<td>Included</td>
</tr>
<tr>
<td>Stormwater Utility</td>
<td>Implement a stormwater utility based on user fee rate structure</td>
<td>Citywide</td>
<td>Included</td>
</tr>
<tr>
<td>Assessment District</td>
<td>Add parcel assessment to properties not paying for stormwater</td>
<td>City outside RD 537, RD 900, or a current parcel assessment</td>
<td>Included</td>
</tr>
<tr>
<td>Bond</td>
<td>Issue bonds to borrow money to pay for stormwater infrastructure</td>
<td>City outside RD 537, RD 900, or a current parcel assessment</td>
<td>Excluded</td>
</tr>
</tbody>
</table>
Excluded Alternatives

As I did in the criteria discussion in Chapter 3, I will review the alternatives I am excluding, with a short discussion about why I excluded each option in the analysis later in this chapter.

The status quo is not a consideration in this analysis as the City of West Sacramento already absorbed Reclamation District 811 in 2010. Clearly, the City is willing to address this issue, and with LAFCO’s findings in multiple MSRs, the pressure to take some action is unlikely to stop.

I excluded creating a single-purpose flood control agency because it is essentially the same as dissolving all of the reclamation districts into the City government. The difference between the two options is the dissolution of the districts into the City does not deal with the West Sacramento Area Flood Control Agency (WSAFCA), as I believe that analysis is too complex for this project. My analysis discusses steps towards a single-purpose agency, but I cannot effectively analyze the complexity of a complete overhaul of the complicated local governance structure and process in a single step.

Eliminating RD 811 and consolidating its functions occurred in 2009, so no analysis is necessary.

Dissolving RD 900 and RD 537 into the City is not an option I analyze. I am already analyzing the dissolution of both of them into the City so analyzing each of them individually is redundant.
Using bonds to free general fund money is not an option because bonds require a dedicated revenue stream and the city does not have the general fund money to do so. Thus, I excluded this alternative.

The Included Alternatives

The remaining four alternatives are included in the analysis. The first alternative is the City of West Sacramento creating a stormwater utility. This stormwater utility could be citywide, or added to the mixture of funding methods already employed around the city. Either implementation will have hurdles to overcome, but I can analyze the alternative without choosing.

The next alternative is consolidating the City’s stormwater and flood protection planning. This alternative includes treating the stormwater and flood protection as a singular threat to the city, and using all funding sources to address the larger system rather than the individual components. This alternative primarily affects the flood protection parcel assessment and the levee system surrounding the city. I chose to include this alternative because City staff showed interest in the possibility. Additionally, the planning and funding consolidation of the two programs is in the spirit of the MSR alternative for creating a single-purpose flood agency. This option also has great potential to reduce general fund stormwater spending by instead replacing it with the flood protection parcel assessment funding.

My next alternative is the expansion of the existing stormwater assessment districts to include those properties not already within an assessment district, or
consolidating the assessment districts into a single larger district. This alternative requires property owner approval to modify the boundaries of the assessment districts. This option pays for infrastructure with a dedicated revenue stream rather than general fund money.

The final alternative is the consolidation of the remaining two reclamation districts into the City of West Sacramento. Yolo LAFCO’s MSRs focus on the reclamation districts and RD 811’s absorption into the City, making this a logical choice. This alternative does not clearly focus on reducing stormwater expenditures, especially general fund money. However, the local governance structure and the MSR recommendation mean this option would be conspicuous by its absence if it were not included.

The Qualitative Criterion Alternatives Matrix

The analysis matrix places the criterion as column headings and the alternative as the row heading in the grid. Each cell contains my expected outcome of the alternative in terms of the criterion.

I begin with the City of West Sacramento creating a stormwater utility. I consider the utility’s boundaries to be the area outside the reclamation districts, but within the city limits, including the existing stormwater assessment districts. Because consolidating the reclamation districts into the City government is another alternative I am analyzing, including the consolidation in this alternative would complicate the analysis of the viability of a stormwater utility. These two alternatives are also not exclusive of each other.
The next alternative I consider is the consolidation of flood and stormwater planning. Consolidating these two currently competing programs would be both planning and implementation, including revenue and expenditure consolidation. There are other more limited implementations of this idea, but because the goal of the project is reducing general fund expenditures, revenue and expenditure consolidation is included as part of the alternative.

The third alternative is a parcel assessment for stormwater protection. Implementation could take various forms, but would likely be a flat rate per parcel, regardless of impervious cover or size. The new assessment district needs to cover at least those areas that are not already within a reclamation district, assessment district, or Mello-Roos district. This alternative essentially adds to the city’s funding methods patchwork.

The last alternative I consider is the City of West Sacramento following the LAFCO’s MSR recommendations, and consolidating the remaining two reclamation districts into the City government. The Public Works Department would take over any tasks and continue collecting fees that were in force under the reclamation districts. For purposes of this project, I assume the City will provide property owners services equal to the reclamation district, as there is no indication the City would reduce the service to those property owners.
<table>
<thead>
<tr>
<th>Alternative</th>
<th>Efficiency</th>
<th>Equity</th>
<th>Flexibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a stormwater utility with user fee rate structure</td>
<td>High. Creates revenue stream that replaces general fund. High “bang for the buck”</td>
<td>High. Very equitable for all property owners. Property owners can control their costs by adjusting impervious cover on property</td>
<td>Moderate. Funding must provide benefit to the payer, so only those covered by general fund relevant. Retains problem of funding projects that benefit society vs. payer. Creates a revenue stream for bonds.</td>
<td>Moderate. Expect opposition from land owners not already paying assessments. Well within the spirit of Propositions 218 and 26</td>
</tr>
<tr>
<td>Consolidate flood and stormwater planning</td>
<td>Moderate. Efficiency is murky, as funding could still be from discretionary spending accounts, although pool of money to draw from is likely to be larger</td>
<td>Moderate. Depending on how funding is spent, especially with revenues collected in past, need to make sure benefit goes to those who paid</td>
<td>High. Would allow City and JPA to address most pressing problems regardless of whether they are considered stormwater or flood protection</td>
<td>Low. City staff may be divided over this policy. Reclamation districts and those associated with JPA may see as shifting spotlight from their issues as well.</td>
</tr>
<tr>
<td>Parcel assessment</td>
<td>Low. Adds another area with another funding method, without addressing the patchwork and funding structure problems.</td>
<td>Low. Publicly owned land does not pay property taxes. If exempted, their contribution to stormwater system places higher demand on private property</td>
<td>Moderate. Retains problem of funding projects that benefit society vs. payer. Creates a revenue stream for bonds.</td>
<td>Moderate. Expect opposition from land owners not already paying assessments. Tough times and distrust of government spending make new costs unpopular</td>
</tr>
<tr>
<td>Consolidate RDs Into COWS</td>
<td>Moderate. Fewer levels of government mean likely lower administrative costs, but larger bureaucracy takes their place. Consolidation would cost more city general fund money if revenue streams are eliminated.</td>
<td>Low. Property owners likely to have less direct input with more complex layers of government. Reclamation district was more focused, while City has many responsibilities.</td>
<td>Moderate. No more flexibility than some other options and property assessment needs to continue and be current to meet demands. Depending on implementation, may create a revenue stream for bonds.</td>
<td>Low. May be difficult to convince affected land-owners to give up autonomy and the long history of RDs in West Sacramento, and convince them the funding won’t get “lost” in City government</td>
</tr>
</tbody>
</table>
The Effective Options

I begin by looking at the three alternatives that I believe might be successful. As I discuss each alternative, I include just the relevant row from the CAM. The first alternative is creating a citywide stormwater utility.

Table 4.3 - Stormwater Utility

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Efficiency</th>
<th>Equity</th>
<th>Flexibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a stormwater utility with user fee rate structure</td>
<td>High. Creates revenue stream that replaces general fund. High “bang for the buck”</td>
<td>High. Very equitable for all property owners. Property owners can control their costs by adjusting impervious cover on property.</td>
<td>Moderate. Funding must provide benefit to the payer, so only those covered by general fund relevant. Retains problem of funding projects that benefit society vs. payer. Creates a revenue stream for bonds.</td>
<td>Moderate. Expect opposition from land owners not already paying assessments. Well within the spirit of Propositions 218 and 26</td>
</tr>
</tbody>
</table>

The matrix shows that a stormwater utility rates fairly well across all four criteria and better than some of the other alternatives in equity, efficiency, and flexibility.

The stormwater utility is highly efficient at reducing general fund stormwater costs. Because the utility collects revenue based on a specific formula, creating a dedicated revenue stream, the properties within the utility are directly financing the infrastructure they need. Because the rates can change to guarantee revenue sufficiency when the system faces increasing costs, general fund money does not supplement insufficient revenue.
Including all of the properties in a citywide stormwater utility would more equally distribute infrastructure costs and create a highly equitable stormwater cost distribution in the city. In contrast to a parcel assessment, the utility would include publicly owned properties such as the California State Teachers Retirement System (CalSTRS) and the California Highway Patrol (CHP) Academy paying for stormwater protection. Those agencies pay no property tax and thus do not currently pay for their burden to the stormwater system. General fund or assessment district money must make up the difference to maintain service levels, and private property owners are unequally burdened by the tax exempt properties. A stormwater utility would create a highly equitable distribution of costs for the stormwater system.

A citywide utility would provide moderate flexibility to pool money and fund specific projects by eliminating the patchwork funding that exists, but the City government would need to dissolve the Mello-Roos districts, assessment districts, and reclamation districts that already exist. A stormwater utility allows property owners to have some cost control if impervious cover determines the fee rate. The City could also incentivize stormwater-reducing features such as catch basins, which may help build public support for the new stormwater utility.

Although the stormwater utility is likely to face some opposition from property owners that are not paying anything explicitly for stormwater protection, the city’s dedication to flood protection and its vulnerability makes me believe this idea is politically feasible and would likely enjoy public support. Sacramento County’s
stormwater utility gives West Sacramento evidence that stormwater utilities work and the city would benefit from a similar arrangement.

The next alternative I believe would be successful for the city is consolidating stormwater and flood protection planning.

Table 4.4 – Consolidate Planning and Funding

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Efficiency</th>
<th>Equity</th>
<th>Flexibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated flood and stormwater planning</td>
<td>Moderate. Efficiency is murky, as funding could still be from discretionary spending accounts, although pool of money to draw from is likely to be larger</td>
<td>Moderate. Depending on how funding is spent, especially with revenues collected in past, need to make sure benefit goes to those who paid</td>
<td>High. Would allow City and JPA to address most pressing problems regardless of whether they are considered stormwater or flood protection</td>
<td>Low. City staff may be divided over this policy. Reclamation districts and those associated with JPA may see as shifting spotlight from their issues as well.</td>
</tr>
</tbody>
</table>

That change may not necessarily generate a new revenue stream but it is moderately efficient at freeing up general fund money, by forcing the city to use the existing flood protection revenue for stormwater protection. Unfortunately, I think this could turn into a “shell game” with stormwater protection robbing flood protection. Depending on the revenue source, the City could eliminate general fund stormwater expenditures, only to replace them with flood protection general fund expenditures.

My primary equity concern with this alternative is the disposition of revenue collected prior to the consolidation. Avoiding certain properties or groups benefitting from revenue collected from other people will prevent an inequitable redistribution of
revenue after the consolidation. The expenditures would likely be locked into the same
distribution are they currently are for some time. This concern for trying costs and
benefits together is more than just the legal ramification, but from an ethical standpoint, if
someone paid for a specific program, they should not have that money taken away
because of reorganization. The benefit they receive could be from another program than
what they originally paid for, but it should be equal in value.

This alternative might place stormwater protection under the flood protection
assessment district. Local government agencies would have high flexibility to locate
deficiencies and focus resources to ensure the safety of the residents from flooding.
Consolidating stormwater and flood protection planning and funding would provide
dedicated funding to protecting the city from stormwater flooding, at the expense of flood
protection funding. However, the increased coordination between the two projects would
probably be good for the city as it would address the flooding dangers from a more
comprehensive view.

The political feasibility of this alternative varies by audience. Because property
owners are unlikely to see significant changes in service levels or costs, and the public is
unlikely to take a strong position either direction, property owners would likely approve
this alternative in a revote of the modified flood and stormwater assessment districts. I
believe most of the opposition is likely to come from reclamation district and City staff
currently involved in flood protection, while support is likely to come from those
involved in stormwater, especially when the issue of expenditures is involved.
The third option I believe will reduce the City’s general fund stormwater expenditures is to establish a parcel assessment for those properties that are currently not paying for stormwater infrastructure.

**Table 4.5 - Parcel Assessment**

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Efficiency</th>
<th>Equity</th>
<th>Flexibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parcel assessment</td>
<td>Low. Adds another area with another funding method, without addressing the patchwork and funding structure problems.</td>
<td>Low. Publicly owned land does not pay property taxes. If exempted, their contribution to stormwater system places higher demand on private property</td>
<td>Moderate. Retains problem of funding projects that benefit society vs. payer. Creates a revenue stream for bonds.</td>
<td>Moderate. Expect opposition from land owners not already paying assessments. Tough times and distrust of government spending make new costs unpopular</td>
</tr>
</tbody>
</table>

This option would reduce the City’s general fund stormwater expenditures, but has some shortcomings. Adding another assessment district will increase the stormwater funding complexity. While the general fund will be relieved from paying for stormwater infrastructure in those areas that are added into the assessment districts, there is no guarantee that every eligible property would be included.

This alternative continues the inequity of publicly owned property exemption from paying for stormwater infrastructure, placing that burden on private property owners. This option is otherwise equitable in that the property owner paying for the infrastructure benefits from its construction and maintenance.
This option does provide moderate flexibility by creating a new revenue stream for issuing bonds for capital improvement. The problem of tying the benefit to payer remains, however, so project types are limited with this funding mechanism.

The political feasibility of this project is moderate. Property owners are used to seeing property assessments ballots and there are numerous assessment districts in West Sacramento and the surrounding region. The distrust of government and desire to keep money in their own pockets mean property owners may need to be convinced through public outreach by the City, LAFCO, and reclamation districts. I believe the property owners would approve a parcel assessment for those properties not currently explicitly paying for stormwater protection.

The Ineffective Option

The CAM analysis shows that the consolidation of the reclamation districts may be an ineffective choice.
Table 4.6 - Consolidate RDs Into City

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Efficiency</th>
<th>Equity</th>
<th>Flexibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidate RDs Into COWS</td>
<td>Moderate.</td>
<td>Low.</td>
<td>Moderate.</td>
<td>Low.</td>
</tr>
<tr>
<td></td>
<td>Fewer levels of government mean likely lower administrative costs, but larger bureaucracy takes their place. Consolidation would cost more city general fund money if revenue streams are eliminated.</td>
<td>Property owners likely to have less direct input with more complex layers of government. Reclamation district was more focused, while City has many responsibilities.</td>
<td>No more flexibility than some other options and property assessment needs to continue and be current to meet demands. Depending on implementation, may create a revenue stream for bonds.</td>
<td>May be difficult to convince affected landowners to give up autonomy and the long history of RDs in West Sacramento, and convince them the funding won’t get “lost” in City government.</td>
</tr>
</tbody>
</table>

Although this alternative rates moderately efficient, implemented alone, the consolidation could make the City responsible for more potentially unfunded infrastructure. Even though efficiency is the highest priority criterion, and reclamation district consolidation rates higher than parcel assessment against this alternative, I believe that the increased possibility of general fund exposure tips this to an ineffective option, versus the parcel assessment’s low rating which does not expose the general fund to increased expenditures risk. One complication with this alternative is that it may be effective if undertaken in conjunction with other alternatives, most notably the stormwater utility creation. If the assessment district revenue streams continue or are replaced by the stormwater utility fees, the City may be able to operate the reclamation district stormwater infrastructure without using general fund money.
The equity for property owners within the previous reclamation districts will be lower due to the decreased in clear accountability the individual property owner had to the reclamation district. The City of West Sacramento is a much larger and complex bureaucracy than the reclamation districts. The reclamation districts were small organizations with only a few employees, and a property owner could likely meet all employees of the district if they visited the office at the right time. With that increasing complexity, the City cannot realistically account for every property owner’s concern and ensure the same level of consideration the owner received prior to consolidation.

The flexibility of this option rates moderate because it is comparable to some of the other alternatives in terms of this criterion, and depending on the implementation, may create a new revenue stream for issuing bonds for some areas. However, this alternative would rate low if the revenue streams did not continue or were not kept current with demands.

The political feasibility rates low because the reclamation districts and the property owners they serve are potential opponents to this alternative. The situation here differs from RD 811’s absorption, as that district was defunct and not collecting revenue for some time. Although the MSRs focus on this alternative, LAFCO approaches the flood protection issue with different goals than this project, so including this alternative in the MSR does not necessarily mean it fits the goal of this project.

In this chapter, I introduced the criterion alternatives matrix, selected four criterion, and analyzed four alternatives I believe the may reduce general fund
stormwater expenditures. The discussion about how each alternative fares when looked at through the lens of a criterion leads me to Chapter 5 where I tie the alternatives back to Chapter 1 and make recommendations for the City of West Sacramento.
CHAPTER 5
WHERE DO WE GO FROM HERE?

I began this project by discussing the City of West Sacramento’s general fund stormwater spending. In Chapter 2, I identified the various propositions and other political frameworks that guide local government operations in California and the options available to those governments. I also discussed situations specific to the City of West Sacramento, including its general fund expenditures and the reclamation districts. In Chapter 4, I introduced nine options and ended by assessing four options available to the City. That analysis rested on a criterion alternatives matrix (CAM) framework, and various expected outcomes of each alternative against specific criterion.

In this chapter, I make specific recommendations to the city officials. The final section of this chapter deals with the larger stormwater issue facing the city, beyond the goals of this project.

I now review Chapter 1’s problem and Chapter 4’s analysis together. How do these alternatives reduce or eliminate the stormwater protection’s competition for discretionary general fund dollars? While I believe that the City ultimately needs to implement several of these alternatives to create efficient government and prevent flooding, I argue that the City can reduce its general fund expenditures by creating a stormwater utility and consolidating the planning of flood protection and stormwater protection.
My Recommendations

In the previous section, I discussed the three options I believe will bring the city success. I analyzed each option in terms of the criteria and discussed the benefits and shortcomings of each option. I turn now to discussing the actions the City of West Sacramento officials need to take to turn those generalized alternatives into three actionable steps.

The City needs to do four things to set it on the path of an appropriately funded stormwater system. First, the City must get a good accounting of the stormwater needs and a complete accounting of the general fund stormwater expenditures. At the beginning of Chapter 2, I discussed the complexity in the City’s budget and the lack of detail in some accounts. The lack of clearly defined needs makes decision making difficult.

Because they are internal problems, the City has complete control over the ability to fix them.

Next, the City needs to verify that the assessment districts are collecting adequate revenue for the infrastructure needs. Whether or not the City is able to establish the stormwater utility, these assessment districts should be completely funding their infrastructure. Moving forward, these assessment districts could provide historical models for the new stormwater utility revenue rates and expenditures.

Third, the City needs to form a citywide stormwater utility. The stormwater utility is the best tool the City has available to properly fund the stormwater system in the city. Building public support for the stormwater utility will require financial transparency, and
complex accounting and the lack of clear needs could undermine the effort to establish the stormwater utility.

Finally, the City needs to consolidate the flood protection and stormwater protection functions. Whether the City consolidates both functions into an all-purpose agency or keeps them separate, this will affect the West Sacramento Flood Control Agency (WSAFCA) and the reclamation districts as well. If the City implemented all of these recommendations, flood protection and stormwater protection would exist as a single all-purpose agency. For maximum effectiveness, there need to be accurate cost estimates, honest prioritization of needs, and cooperation between the two previously competing programs.

My recommendations for the City to verify the assessment districts revenue adequacy and begin the stormwater utility formation may appear at odds with each other. However, I believe the City will require time and effort to build public support for the stormwater utility. During that public outreach time, the City still needs to pay for the infrastructure under its responsibility. Because the assessment districts are already in place, ensuring the collected revenue is sufficient should require little effort compared to the benefit.

Beyond the Goal

Beyond the scope of this project, the City has larger problems related to stormwater and flood protection that it must deal with. Even though the reclamation district consolidation may not be a good choice for reducing general fund expenditures,
there are compelling reasons for the City to consider the MSR recommendations. The complicated governance structure and previous failure of RD 811 both suggest the City has more stormwater problems ahead.

The City of West Sacramento has many available options. In most of the scenarios I envision, the City moves forward with several options along a strategic timeline. While I did not recommend the MSR consolidation in this project, the future of the reclamation districts and the patchwork funding is probably the biggest challenge facing stormwater protection in West Sacramento.
WORKS CITED


City of West Sacramento. (2004). City of West Sacramento General Plan.


