

## AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made and entered into on 10/28/2025 by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and NHA Advisors, LLC, ("Consultant"), whose address is 4040 Civic Center Drive, Suite 200, San Rafael CA 94903. This Agreement is made with reference to the following facts.

### I. RECITALS

- 1.1 The Town desire to engage Consultant to provide fiscal condition analysis, fiscal impact analysis, and asset liability management studies.
- 1.2 The Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.
- 1.3 Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain Consultant.

### II. AGREEMENTS

- 2.1 Scope of Services. Consultant shall provide services as described in that certain proposal sent to the Town on 09/22/2025 and as required under the Town of Los Gatos Request for Proposal issued (08/20/2025), which are both hereby incorporated by reference and attached as Exhibit A.
- 2.2 Term and Time of Performance. This contract will remain in effect for six months after execution date.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.
- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and

the Consultant shall not make any of these documents or information available to any individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.

- 2.6 Compensation. Compensation for Consultant's professional services **shall not exceed \$191,000**, inclusive of all costs. Payment shall be based upon Town approval of each task. See breakdown below. Any change of scope to include optional items not currently approved by this agreement will require a written amendment.

<b>Study/Task</b>	<b>Cost</b>
Study 1: Fiscal Conditional Analysis	\$105,500
Study 2: Fiscal Impact Analysis	\$18,000
Study 3: Asset Liability Management	\$50,000
Team Management for Studies 1 & 2	\$17,500
<b>Total Cost:</b>	<b>\$191,000</b>

- 2.7 Billing. Billing shall be monthly by invoice within forty-five (45) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:

Invoices:  
 Town of Los Gatos  
 Attn: Accounts Payable  
 P.O. Box 655  
 Los Gatos, CA 95031-0655  
 Email preferred: [ap@losgatosca.gov](mailto:ap@losgatosca.gov)

- 2.8 Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.

- 2.9 Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.
- 2.10 Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor, he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.
- 2.11 Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 Equal Employment Opportunity. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

### III. INSURANCE AND INDEMNIFICATION

- 3.1 Minimum Scope of Insurance:

- i. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: two million dollars (\$2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
- ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.
- iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements affecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the Town before work commences.
- iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

- i. The Town, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.
- ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
- iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or volunteers.
- iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

- 3.2 All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.
- 3.3 Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.
- 3.4 Indemnification. The Consultant indemnify the Town its elected and appointed officials, employees and volunteers from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by any act or omissions of the Consultant, or any of the Consultant's officers, employees, or agents or any subconsultant. Consultant shall defend the Town against any such claims.

#### IV. GENERAL TERMS

- 4.1 Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.
- 4.2 Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.
- 4.3 Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.
- 4.4 Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.

4.5 Disputes. In any dispute over any aspect of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, including costs of appeal.

4.6 Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:

Town of Los Gatos  
Attn: Town Clerk  
110 E. Main Street  
Los Gatos, CA 95030

NHA Advisors, LLC  
4040 Civic Center Drive Suite 200  
San Rafael, CA 94903

or personally delivered to Consultant to such address or such other address as Consultant designates in writing to Town.


4.7 Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement with respect to the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.


4.8 Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

IN WITNESS WHEREOF, the Town and Consultant have executed this Agreement.

Town of Los Gatos by:

Consultant, by:

Signed by:  
  
11/10/2025  
3EF03F232F1B428...  
Chris Constantin, Town Manager

DocuSigned by:  
  
11/5/2025  
7142F3127D05468...  
Mark Northcross, Principal, NHA Advisors LLC

Recommended by:

Signed by:  
  
11/5/2025  
0007F92FD1004FF...  
Gitta Ungvari, Finance Director

\_\_\_\_\_

Approved as to Form:

Signed by:  
*Gabrielle Whelan* 11/10/2025  
EFD6738A5534428...  
\_\_\_\_\_  
Gabrielle Whelan, Town Attorney

Attest:

Signed by:  
*Wendy Wood* 11/10/2025  
20A728C4AE6A4D8...  
\_\_\_\_\_  
Wendy Wood, CMC, Town Clerk

SEPTEMBER 22,  
2025

# TOWN OF LOS GATOS

## *PROPOSAL FOR STUDIES 1 AND 2: FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST AND FISCAL IMPACT ANALYSIS*

### PROVIDED IN RESPONSE TO:

**REQUEST FOR PROPOSALS DATED AUGUST 20, 2025:  
*FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-  
TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET  
LIABILITY MANAGEMENT STUDY***



### SUBMITTED BY



**EXHIBIT A**



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# 1. COVER LETTER

September 22, 2025

Attn: Gitta Ungvari, Finance Director

[Finance@losgatosca.gov](mailto:Finance@losgatosca.gov)

Town of Los Gatos  
 110 E. Main Street  
 Los Gatos, CA 95030

RE: Proposal to Provide Study 1 (Fiscal Condition Analysis) and Study 2 (Fiscal Impact Analysis)

Dear Ms. Ungvari,

NHA Advisors, LLC (“NHA”) is very pleased to submit this proposal to deliver Study 1 Fiscal Condition Analysis and Study 2 Fiscal Impact Analysis to the Town of Los Gatos (the “Town”). Our proposal represents a collaborative effort among three very well-qualified firms:

Proposing Firm	Proposed Role
NHA Advisors LLC	Lead Advisor: Overall Project Management for Studies 1 and 2 <i>Independent Proposal for Study 3 Submitted Separately</i>
Raftelis Financial Consultants Inc	Subconsultant: Study 1
Willdan	Subconsultant: Study 2

NHA Advisors has worked with both Raftelis and Willdan Finance before in other California cities and special districts. As a municipal advisor, the NHA team has coordinated many complex teams of both consultants and multiple stakeholders to deliver funding for major projects. Raftelis is a management consulting firm for local and regional governments with a national practice. Willdan is a civil engineering firm whose practice includes the delivery of key financial information, including fiscal impact analysis, for both local governments and land developers. Their practice is also national.

**Collaboration is key to our approach:** The fiscal condition analysis and forecast model will both inform and be informed by the fiscal impact analysis and the asset liability management work. A truly responsive multi-year forecasting model needs to address variables such as recessions, changes in the real estate market, major new real estate developments, and the ups and downs of CalPERS. "Black swan" events are also key to a good forecast model. For example, how does the Town respond to a black swan such as a major wildfire?

**A Practical Sustainable Tool:** We recognize that a financial model only has lasting value if it becomes part of the Town's management tool kit. Our team commits to delivering a model that is both detailed and user-friendly, enabling Town staff to update and apply it independently - without the need for consultants.

**Real World Scenario Design:** The partnership of all three firms enables us to design scenarios reflecting real-world assumptions about development patterns, service demands, long-term liabilities and "Black Swan" events. This ensures the Town can evaluate the fiscal and service-level implications of multiple scenarios, as well as understand the trade-offs between different policies and investment choices.

**Communication Skills:** Our team members have extensive and long-term experience in the public sector. We know how to translate technical analysis into decision support packages that are clear, actionable and



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accessible to governing bodies and the public. Just as important, we have extensive experience facilitating the tough conversations that local governments face when aligning resources with community priorities.

The stand-alone NHA proposal for Study 3 also includes an optional module for a “Task 4” – a long-term funding plan for wildfire risk reduction for the Los Gatos community.

As requested in the RFP, NHA provides the following statements as part of this cover letter:

- Mark Northcross is the primary contact authorized to bind the firm.
- NHA Advisors confirms acceptance of the Town’s Sample Consultant Services Agreement

While we emphasize our team commitment to collaboration, we also will accommodate the Town individually selecting one of our team members for a particular task but not selecting other team members for their assigned tasks.

We are again very pleased to deliver this proposal for the kind of integrated financial management work that we see as integral and pivotal for the future of Los Gatos, as well as so many other local governments in our team's collective client base.

Please feel free to contact us directly with any questions regarding this proposal.

Thank you for your consideration,

Mark Northcross  
Principal  
NHA Advisors LLC  
[Mark@NHAadvisors.com](mailto:Mark@NHAadvisors.com)  
(415) 785-2025 x2002

Jonathan Ingram  
Vice President  
Raftelis  
[jingram@raftelis.com](mailto:jingram@raftelis.com)  
(513) 221-0500

Mike Medve  
Principal Consultant  
Willdan  
[mmedve@willdan.com](mailto:mmedve@willdan.com)  
(949) 392-0678





## 2. COMPLETED CERTIFICATION FORMS

### Conflict of Interest Statement (NHA Advisors)

#### ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

#### **FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I/We NHA Advisors LLC (Insert Name) have the following financial, business, or other relationship with Town of Los Gatos that may have an impact upon the outcome of the contract. If none, please specify that no other relationships may have an impact on this contract or Project.

No other relationships may have an impact on this contract or Project.

I/We NHA Advisors LLC (Insert Name) have the following current clients who may have a financial interest in the outcome of this contract. If none, please specify that no other clients may have a financial interest with an impact on this contract or Project.

To our knowledge, no other clients have a financial interest with an impact on this contract or Project.

Pursuant to Government Code section 1090 and any other laws, rules and regulations that may apply, the Proposer covenants that neither it, its subcontractors nor employees presently have an interest, and shall not acquire any interest, direct or indirect, financial or otherwise that would conflict in any manner or degree with contract awarded from this RFP. Proposer certifies that to the best of its knowledge, no one who has or will have any financial interest in the contract awarded from this RFP is an officer or employee of the Town. Through its submittal of a proposal, Proposer acknowledges that it is familiar with Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California and will immediately notify the Town if it becomes aware of any facts concerning the contract to be awarded that constitute a violation of said provisions.

Furthermore, if there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-proposal to a Proposer, or who has quoted prices on materials to a Proposer, is not thereby disqualified from submitting a sub-proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is






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interested in more than one proposal for the same work will cause the rejection of all proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. Proposers shall submit as part of their proposals documents the completed Non-Collusion Declaration provided herein.

I, on behalf of the Proposer, declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on September 22, 2025 [date], at San Rafael [city], California [state].

<u>NHA Advisors LLC</u>	<u>Principal</u>
Proposer Name (Person, Firm, Corp.)	Title of Authorized Representative
<u>4040 Civic Center Drive, Suite 200</u>	<u>Mark Northcross</u>
Address	Name of Authorized Representative
<u>San Rafael, CA 94903</u>	
City, State, Zip	(Signed)
<u>9/22/2025</u>	
(Date)	



**Conflict of Interest Statement (Raftelis)**

**ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I/We Raftelis Financial Consultants, Inc. (Insert Name) have the following financial, business, or other relationship with Town of Los Gatos that may have an impact upon the outcome of the contract. If none, please specify that no other relationships may have an impact on this contract or Project.

No other relationships have an impact on the contract or Project.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I/We Raftelis Financial Consultants, Inc. (Insert Name) have the following current clients who may have a financial interest in the outcome of this contract. If none, please specify that no other clients may have a financial interest with an impact on this contract or Project.

No other clients have a financial interest with an impact on this contract or Project.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Pursuant to Government Code section 1090 and any other laws, rules and regulations that may apply, the Proposer covenants that neither it, its subcontractors nor employees presently have an interest, and shall not acquire any interest, direct or indirect, financial or otherwise that would conflict in any manner or degree with contract awarded from this RFP. Proposer certifies that to the best of its knowledge, no one who has or will have any financial interest in the contract awarded from this RFP is an officer or employee of the Town. Through its submittal of a proposal, Proposer acknowledges that it is familiar with Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California and will immediately notify the Town if it becomes aware of any facts concerning the contract to be awarded that constitute a violation of said provisions.

Furthermore, if there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-proposal to a Proposer, or who has quoted prices on materials to a Proposer, is not thereby disqualified from submitting a sub-proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is





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interested in more than one proposal for the same work will cause the rejection of all proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. Proposers shall submit as part of their proposals documents the completed Non-Collusion Declaration provided herein.

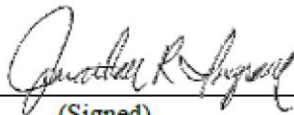
I, on behalf of the Proposer, declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on September 22, 2025 [date], at Cincinnati [city], Ohio [state].

Rafelis Financial Consultants, Inc. Vice President  
Proposer Name (Person, Firm, Corp.) Title of Authorized Representative

19 Garfield Place, Suite 500 Jonathan Ingram  
Address Name of Authorized Representative

Cincinnati, OH 45202  
City, State, Zip

09/22/2025  
(Date)

  
(Signed)



**Conflict of Interest Statement (Willdan)**

**ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I/We Willdan Financial Services (Insert Name) have the following financial, business, or other relationship with Town of Los Gatos that may have an impact upon the outcome of the contract. If none, please specify that no other relationships may have an impact on this contract or Project.

Willdan Financial Services has no financial, business, or other relationships with the Town of Los Gatos that may have an impact on the outcome of this contract or project.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I/We Willdan Financial Services (Insert Name) have the following current clients who may have a financial interest in the outcome of this contract. If none, please specify that no other clients may have a financial interest with an impact on this contract or Project.

Willdan Financial Services has no current clients with a financial interest that may impact or influence the outcome of this contract or project.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Pursuant to Government Code section 1090 and any other laws, rules and regulations that may apply, the Proposer covenants that neither it, its subcontractors nor employees presently have an interest, and shall not acquire any interest, direct or indirect, financial or otherwise that would conflict in any manner or degree with contract awarded from this RFP. Proposer certifies that to the best of its knowledge, no one who has or will have any financial interest in the contract awarded from this RFP is an officer or employee of the Town. Through its submittal of a proposal, Proposer acknowledges that it is familiar with Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California and will immediately notify the Town if it becomes aware of any facts concerning the contract to be awarded that constitute a violation of said provisions.

Furthermore, if there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-proposal to a Proposer, or who has quoted prices on materials to a Proposer, is not thereby disqualified from submitting a sub-proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is





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interested in more than one proposal for the same work will cause the rejection of all proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. Proposers shall submit as part of their proposals documents the completed Non-Collusion Declaration provided herein.

I, on behalf of the Proposer, declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on 09-22-2025 [date], at Temecula [city], CA [state].

Willdan Financial Services Vice President/Director  
Proposer Name (Person, Firm, Corp.) Title of Authorized Representative

27368 Via Industria, Suite 200 Chris Fisher  
Address Name of Authorized Representative

Temecula, CA 92590  
City, State, Zip

09/22/2025  
(Date)

  
(Signed)





**Non-Collusion Declaration (NHA Advisors)**

**ATTACHMENT 2 – NON-COLLUSION DECLARATION**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I am the Principal [Insert Title] of NHA Advisors LLC [Insert name of company, corporation, LLC, partnership or joint venture] the party making the foregoing proposal.

The proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The proposal is genuine and not collusive or sham. The Respondent has not directly or indirectly induced or solicited any other respondent to put in a false or sham proposal. The Respondent has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or to refrain from responding. All statements contained in the proposal are true.

Any person executing this declaration on behalf of a respondent that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the respondent.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on 9/22/2025[date], at San Rafael [city], CA[state].

By: 

Name: Mark Northcros

Title: Principal



**Non-Collusion Declaration (Raftelis)**

**ATTACHMENT 2 – NON-COLLUSION DECLARATION**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I am the Vice - President [Insert Title] of RAFTELIS, [Insert name of company, corporation, LLC, partnership or joint venture] the party making the foregoing proposal.

The proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The proposal is genuine and not collusive or sham. The Respondent has not directly or indirectly induced or solicited any other respondent to put in a false or sham proposal. The Respondent has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or to refrain from responding. All statements contained in the proposal are true.

Any person executing this declaration on behalf of a respondent that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the respondent.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on 9/22/25 [date], at CINCINNATI [city], OH [state].

By: 

Name: JONATHAN INGRAM

Title: VICE - PRESIDENT



**Non-Collusion Declaration (Willdan)**

**ATTACHMENT 2 – NON-COLLUSION DECLARATION**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I am the Vice President/Director [Insert Title] of Willdan Financial Services [Insert name of company, corporation, LLC, partnership or joint venture] the party making the foregoing proposal.

The proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The proposal is genuine and not collusive or sham. The Respondent has not directly or indirectly induced or solicited any other respondent to put in a false or sham proposal. The Respondent has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or to refrain from responding. All statements contained in the proposal are true.

Any person executing this declaration on behalf of a respondent that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the respondent.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on 09-22-2025 [date], at Temecula [city], CA [state].

By: 

Name: Chris Fisher

Title: Vice President/Director



**References**

*Please refer to Section 9 of this Proposal for more detail; the following contains an excerpt for each proposing firm.*

**ATTACHMENT 3 - REFERENCES**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

List three (3) references for work of a similar nature to the Services performed within the last five (5) years. Use additional sheets as necessary.

1.	Tahoe Douglas Visitors Authority	4114 Lake Tahoe Blvd. South Lake Tahoe, CA 96150
Name of Agency	Carol Chaplin	Agency Address President & CEO
Contact Name	(775) 589 - 2055	Contact Title carol@visitlaketahoe.com
Contact Telephone	2017 - Present (most work was completed in 2020)	Contact Email Address \$309,788 (2+ year engagement)
Contract Period		Contract Amount

NHA Advisors Reference: Coordination between multiple consulting teams, legal counsel, and public agency staff to finance a \$100 million events center in Stateline Nevada.

**Description of services performed including costs.**

2.	Commerce City	7887 E. 60th Ave. Commerce City, CO 80022
Name of Agency	Theresa Wilson	Agency Address CFO
Contact Name	(303) 289 - 3627	Contact Title twilson@c3gov.com
Contact Telephone		Contact Email Address \$153,610
Contract Period		Contract Amount

Raftelis Reference: a thorough assessment of the City's financial condition, analysis of historical and projected revenues and expenditures, evaluation of debt capacity and reserve policies, and review of the City's CIP.

**Description of services performed including costs.**

3.	City of Alameda	
Name of Agency	Jennifer Ott	Agency Address City Manager
Contact Name	(510) 747 - 4700	Contact Title manager@alamedaca.gov
Contact Telephone		Contact Email Address \$75,800
Contract Period		Contract Amount

Willdan Reference: preparing a fiscal impact analysis of the planned development, a facilities financing plan, and a feasibility analysis to evaluate whether projected development could sustain the infrastructure needed to rehabilitate the base.



Please see the previous page; See also Section 9 of our Proposal for more detail

**Description of services performed including costs.**

I hereby certify that the **Proposers** performed the work listed above.

Signature of Proposer

Mark Northcross, Principal, NHA Advisors

Name

9/22/2025

Date

**Statement Regarding Insurance Coverage and Worker’s Compensation Insurance Acknowledgement Certificate (NHA Advisors)**

**ATTACHMENT 4 - STATEMENT REGARDING INSURANCE COVERAGE AND WORKER’S COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the RFP. Should the Proposer be awarded a contract for Services, Proposer further certifies that the Proposer can meet the specified requirements for insurance, including insurance coverage of any subcontractors, and agrees to name the Town as additional insured for the Services specified.

By certifying this form, the Proposer also understands the Worker’s Compensation insurance requirement per the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker’s compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Mark Northcross, NHA Advisors LLC

Name of Proposer (Person, Firm, or Corporation)

Signature of Proposer's Authorized Representative

Mark Northcross, Principal

Name & Title of Authorized Representative

September 22, 2025

Date of Signing



**Statement Regarding Insurance Coverage and Worker’s Compensation Insurance Acknowledgement Certificate (Raftelis)**

**ATTACHMENT 4 - STATEMENT REGARDING INSURANCE COVERAGE AND WORKER’S COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

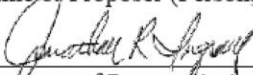
**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the RFP. Should the Proposer be awarded a contract for Services, Proposer further certifies that the Proposer can meet the specified requirements for insurance, including insurance coverage of any subcontractors, and agrees to name the Town as additional insured for the Services specified.

By certifying this form, the Proposer also understands the Worker’s Compensation insurance requirement per the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

**Raftelis Financial Consultants, Inc.**  
Name of Proposer (Person, Firm, or Corporation)

  
Signature of Proposer's Authorized Representative

**Jonathan Ingram, Vice President**  
Name & Title of Authorized Representative

**09/22/2025**  
Date of Signing



**Statement Regarding Insurance Coverage and Worker’s Compensation Insurance Acknowledgement Certificate (Willdan)**

**ATTACHMENT 4 - STATEMENT REGARDING INSURANCE COVERAGE AND WORKER’S COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the RFP. Should the Proposer be awarded a contract for Services, Proposer further certifies that the Proposer can meet the specified requirements for insurance, including insurance coverage of any subcontractors, and agrees to name the Town as additional insured for the Services specified.

By certifying this form, the Proposer also understands the Worker’s Compensation insurance requirement per the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker’s compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Willdan Financial Services  
Name of Proposer (Person, Firm, or Corporation)

  
Signature of Proposer’s Authorized Representative

Chris Fisher, Vice President/Director  
Name & Title of Authorized Representative

09-22-2025  
Date of Signing



### 3. SCOPE COMMENTS AND METHODOLOGY

#### Introduction: How This Proposal is Organized

This proposal, in response to the requirements of the Town's RFP, is organized as two separate proposal documents. The first proposal document (this document) contains the material required by the RFP for Study 1 and Study 2. The second proposal document (submitted separately from this document) contains the material for Study 3, and our proposed optional Study 4 for Wildfire Risk Mitigation.

Raftelis, a public sector management consulting firm with a national practice, is responsible for Study 1. Willdan, a public sector focused civil engineering and financial consulting firm, also with a national practice, is responsible for Task 2. NHA Advisors, a municipal advisor with a statewide practice, is responsible for Study 3. We believe that all three (and potentially four) studies are integrated and inform each other. The outputs from both Study 2 and the Study 3 will inform Study 1. Furthermore, we see the best way of delivering Study 3, Task 3 ("Reserves Guidance") is through careful scenario design for outputs of the Study 1 fiscal condition analysis model.

Consequently, we have added to this Study 1 and Study 2 proposal document an additional task, "Task 0: Team Management." We see this as key to delivering the outcomes that the Town wants from this work. This also means that the bulk of the background information and certifications required for NHA Advisors is in the second proposal document for Study 3, not in this Study 1 and Study 2 proposal document.

We acknowledge that our team's combined cost for all three studies is large. The Town is asking for a lot. We believe our team is capable of delivering everything the Town is requesting. With respect to cost, please consider this: public agencies pay amounts greater than our combined proposal cost for engineering/design for major public works projects. The Town's RFP is analogous to the Town retaining a team to engineer and design a major project. In this case, the major project is a financial management structure designed to work for years into the future. That is the ultimate deliverable for our combined proposals for Studies 1, 2 and 3. We commit to delivering this financial management tool and structure within the proposed costs for both the Study 1 and Study 2 proposal, and the Study 3 proposal.

#### Task 0: NHA's Role as Team Manager

We see team management as crucial to delivering the outcomes that the Town wants from this effort. As explained in "Scope and Methodology", we see two key elements for team management:

- Communication amongst all team members, Town staff and other stakeholders
- Careful scenario design for the outputs of the Study 1 Fiscal Condition Analysis

NHA's qualifications to take the role of Team Manager for this assignment are robust:

- As a municipal advisor to multiple public agencies bringing large projects out of the ground we have learned how to coordinate and collaborate with multiple consultants and stakeholders to deliver funding for these projects. We know how to manage complex and disparate teams to deliver money. We believe this experience is very analogous to what the Town needs through their RFP.



- NHA staff has comparable experience to what both Raftelis and Willdan are responsible for. NHA does a much lighter version of the Study 1 fiscal condition analysis for our client base. While we do not typically do the granular, comprehensive modeling that Raftelis will deliver, we understand how such models work. With respect to Willdan's analysis for Study 2, Mark Northcross, our proposed team manager, spent 5 years at the beginning of his career preparing fiscal impact analysis for Environmental Impact Reports on new development. He has a fundamental understanding of Willdan's deliverable for Study 2.
- NHA's core expertise is in delivering funding for public projects, including operational needs. We understand the constraints and opportunities available to local government in California for raising new funding - whether grants, taxes through ballot measures, impact fees or public/private partnerships. We believe that Mark Northcross' expertise is important in outlining potential long-term financial management practices and strategies for the Town.

**Scope and Methodology:** We see two core functions for NHA's role in Team Management, as described below:

1. **Facilitating Good Communication.** Based on long experience, we believe that the best way of facilitating good communication for the team is to have pre-scheduled standing Teams/Zoom calls on a regular basis. It does not matter whether the call is very short, or goes on for an hour. Regular calls ensure that we keep momentum going and keep everyone fully informed on what other team members are doing. In that spirit, we suggest the following protocol for standing calls:
  - Town staff and NHA Advisors - once per week
  - Town staff, NHA Advisors, Raftelis and Willdan - biweekly
  - Town staff, NHA Advisors, Raftelis, Willdan and other potential stakeholders - once per month.
2. **Scenario Design.** Once both Raftelis and Willdan have completed their work, we see Scenario Design as the key next step in delivering what the Town wants. Scenario Design is a key component for Activity 3 in the Raftelis Study 1 proposal. We also see the Task 3 deliverables of both Funding Needs & Risk Reduction and Reserve Guidance as being integral to Scenario Design. As Team Manager, NHA will facilitate the dialogue between Town staff, team members and other stakeholders to develop multiple scenarios for the fiscal condition model.

**Cost:** NHA's incremental cost for serving as Team Manager is not-to-exceed \$17,500, whether or not NHA is selected for the Task 3 work. This will be billed on a time and materials basis, providing the Town control over this expense.



**Study 1: Fiscal Condition Analysis – Raftelis**

*The following material is provided by Raftelis for Study 1. As required by the RFP, this material can be considered as a stand-alone proposal for Raftelis to prepare Study 1, should the Town choose to retain Raftelis, but not Willdan and/or NHA.*

**Fiscal Condition Assessment Methodology**

The Town of Los Gatos is seeking a consultant to conduct a Fiscal Condition Analysis with Five-Year and Long-Term Forecast. This effort will provide a transparent assessment of the Town’s current fiscal health, develop projections of future revenues and expenditures, and identify risks and opportunities that could impact long-term financial sustainability. The resulting forecast will serve as a living tool for Town staff, elected officials, and the Finance Commission to evaluate fiscal strategies, plan for uncertainty, and communicate clearly with the public.

Our team brings extensive experience working with local governments in California and across the country to develop long-term financial forecasts and plans. We understand that the most effective solutions are those that are practical, implementable, and aligned with the culture and capacity of the organization. Innovative recommendations only add value if they can be put into practice and embraced by both staff and the community.

We pride ourselves on our ability to listen, analyze, and collaborate with our clients to develop actionable solutions. Our prior engagements have resulted in the adoption of recommendations that were not only technically sound but also politically and operationally feasible. We do not bring a pre-packaged approach; instead, we tailor our methodology to the specific needs and priorities of each client.

Los Gatos, like many California communities, faces a challenging fiscal outlook. Rising costs of public services, increasing pension and OPEB obligations, and infrastructure demands place ongoing pressure on limited resources. At the same time, State housing mandates and the broader economic environment introduce uncertainty in both revenues and expenditures. The Town has long demonstrated sound fiscal management, but to maintain that strength in the years ahead requires careful planning, transparent forecasting, and proactive risk assessment.

Our approach builds on the Town’s existing capacity, while providing the tools, analysis, and training necessary for staff to sustain the forecasting model into the future. By combining rigorous financial analysis with stakeholder engagement and scenario testing, we will deliver a forecast that is not only technically robust but also aligned with the Town’s decision-making needs.

We are excited about the opportunity to assist Los Gatos in strengthening its fiscal planning capacity. Our intentional approach — grounded in respect for the staff who serve the community and focused on collaboration — ensures that the results of this project will be meaningful, actionable, and sustainable.





### Activity 1: Project Initiation

We will begin this engagement by facilitating a virtual kick-off meeting with the Town’s project team to review the details and expectations of this effort and to finalize the project schedule. During this session, we will confirm deliverables, establish communication protocols, and identify milestones for internal staff review, Finance Commission briefings, and Town Council presentations. We will also discuss the Town’s objectives for the long-term financial planning process, the anticipated uses of the model, and any initial concerns or issues that may shape the work.

We will conduct one-on-one meetings with the Town Manager and Finance Director to understand their perspectives on fiscal priorities, risks, and the intended role of the forecasting model in the Town’s planning and policy discussions. To ensure elected leadership perspectives are fully incorporated, we will also meet individually with the Mayor and Town Council members. These conversations will provide valuable insights into fiscal priorities, service expectations, and community needs, helping to shape assumptions and test scenarios later in the process.

We will request and review all relevant background information, such as budgets, audited financial statements, financial policies, actuarial reports, capital improvement plans, previous studies, and other supporting documentation. Early review of these materials will provide a foundation for the Fiscal Condition Assessment and help ensure the forecasting model is built on accurate and comprehensive information.

Throughout the project, we will provide the Town with regular status reports designed to maintain project progress and budget, identify and resolve emerging issues, and review interim work products. In addition to formal reporting, we anticipate numerous informal opportunities for Town staff to raise questions, share updates, or clarify assumptions with our project team. We welcome this open communication, as it will contribute to a more effective and successful project.

<p><b>Meetings:</b> Kick-off meeting with Town’s project team</p>	<p><b>Deliverables:</b> Kick-off meeting agenda Draft and final project schedule Data/document request</p>
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### Activity 2: Assess Fiscal Condition

Following the kick-off, we will conduct a comprehensive assessment of the Town’s current fiscal condition to establish the baseline for the long-term financial forecast. This activity begins with a detailed review of financial data to identify historical trends and current pressures, followed by structured engagement with Town staff and external partners to validate assumptions and incorporate operational and capital planning needs. The result will be a complete and transparent understanding of Los Gatos’ fiscal health that can serve as the foundation for modeling and scenario analysis.



- **Financial Data Review** – Examine audited financial statements, budgets, interim financial reports, reserve policies, actuarial valuations, and cash flow records to identify revenue and expenditure trends, assess structural balance, and capture major fiscal pressures.
- **Finance & Budget Staff Sessions** – Conduct **two full days of virtual meetings** with Finance and Budget staff to validate our interpretation of trends, confirm assumptions, and understand the Town’s forecasting methodologies and internal budget processes.
- **Department Director Discussions** – Facilitate **two full days of virtual meetings** with department directors to gather insights on operational pressures, long-term service delivery needs, capital planning requirements, and other anticipated budget drivers.
- **External Agency Interviews** – Meet with agencies such as the Fire District and Sewer District to incorporate intergovernmental obligations and cost-sharing arrangements into the fiscal assessment.
- **Capital Improvement Program Review** – Analyze the Town’s CIP to evaluate funded and anticipated projects, align infrastructure investment needs with available resources, and identify future fiscal pressures.
- **Debt and Reserve Assessment** – Evaluate the Town’s debt structure, repayment schedules, debt ratios, and reserve adequacy to determine capacity and resilience.
- **Unfunded Liability Analysis** – Identify long-term obligations such as pensions, OPEB, and labor costs, along with structural cost drivers that could impact sustainability.
- **Environmental Scan** – Review regional economic conditions, demographic trends, and State mandates (e.g., housing requirements, revenue shifts) that may influence future fiscal outlook.
- **Benchmarking Against Peers** – Compare Los Gatos’ fiscal condition to comparable California municipalities using State Controller and GFOA data to highlight areas of strength and vulnerability.

We will prepare a draft Fiscal Condition Assessment memorandum that synthesizes these analyses into a clear picture of the Town’s current fiscal position. This draft will be reviewed virtually with the Town’s project team, allowing staff to validate assumptions, suggest refinements, and ensure accuracy. Following these discussions, we will make necessary adjustments and finalize the memorandum. This finalized assessment will serve as the **baseline understanding** of Los Gatos’ fiscal position — the foundation for the long-term financial forecasting model and a reference point for evaluating future policy scenarios.

<p><b>Meetings:</b></p> <ul style="list-style-type: none"> <li>Two days of virtual meetings with Finance and Budget staff</li> <li>Two days of virtual meetings with department directors</li> <li>Interviews with external partners (e.g., Fire District, Sewer District)</li> <li>Virtual review session with the Town’s project team on draft Fiscal Condition Assessment</li> </ul>	<p><b>Deliverables:</b></p> <ul style="list-style-type: none"> <li>Draft and Final Financial Condition Assessment memoranda</li> </ul>
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### Activity 3: Develop Forecasting Model

In this Activity, the project team will develop a robust but user-friendly financial model that projects revenues and expenditures across a ten-year horizon for the Town’s General Fund, while also accounting for interrelationships with other funds and external obligations. The model will build directly on the Fiscal Condition Assessment and will serve as both a technical forecasting tool and a decision-support resource for Town leadership. It will be detailed enough to capture the complexity of Los Gatos’ fiscal structure, yet designed to be intuitive and easy to use for staff and policymakers.

The baseline projections will assume continuation of existing policies, programs, and obligations, and will then test how the projections may change under alternative conditions. As appropriate, the analyses will integrate socio-economic and demographic factors that shape revenue capacity and service demands. The model will be dynamic, allowing for flexible consideration of changing conditions and providing the Town with a range of projection scenarios.



This activity will accomplish the following goals:

- **Financial Model Goal 1 – Baseline**

**Projections:** Identify reasonable baseline assumptions based on historical revenue and expenditure trends, validated with Finance and Budget staff. This ensures the model accurately forecasts the Town’s fiscal trajectory and provides a reliable foundation for comparison.

- **Financial Model Goal 2 – Projection Scenarios:** Develop alternative scenarios that reflect a range of revenue growth and expenditure pressures. These will allow the Town to compare impacts across varying conditions and evaluate the implications of policy and investment choices. Initial scenarios will include:

- *Probable Scenario:* Reflecting historical trends adjusted for known economic and demographic factors.
- *Policy Scenario:* Based on assumptions in the Town’s existing Financial Plan and adopted budgets.
- *Constrained Scenario:* Illustrating conservative revenue conditions to stress-test sustainability.

- **Financial Model Goal 3 – Sensitivity Analysis:** Create a functional and dynamic tool that can be used to test the fiscal impact of policy alternatives and external conditions in real time. The model will visually illustrate the impact of service, capital, or revenue decisions, enabling informed choices by Town leadership and the governing body.

- **Financial Model Goal 4 – Integration with Related Studies:** Work closely with Wildan and NHA Advisors, our proposed partners on Studies 2 and 3, to incorporate their concurrent findings into



the model. This collaboration ensures that long-term forecasts reflect both fiscal impact analyses and asset/liability considerations.

- Financial Model Goal 5 – Usability and Staff Training:** Ensure the model produces clear, usable dashboards and outputs that support Finance Commission discussions, Town Council deliberations, and public communication. We will train Finance staff on the model, tailor its functionality to staff preferences, and provide documentation so that the tool can be maintained as a living resource into the future.

Our team will prepare a draft model and review its structure, presentation, and functionality with Finance staff and the Town’s project team. We will then develop and vet recommended assumptions under each scenario with staff before incorporating them into the model. Once validated, we will project the Town’s fiscal condition and review results with staff.

The finalized model will be shared in a presentation that highlights the key dashboards, findings, and implications for long-term fiscal sustainability. This will not only meet internal forecasting needs but also provide elected officials and the public with a clear, transparent tool for understanding the Town’s fiscal future.

<b>Meetings:</b>	<b>Deliverables:</b>
Workshops with Finance and Budget staff to review draft model and assumptions Coordination meetings with Wildan and NHA Advisors Review sessions with the Town’s project team	Draft 10-year financial forecasting model Final 10-year financial forecasting model with scenario dashboards Validated scenario assumptions and outputs Training sessions and documentation for Finance staff

### Activity 4: Final Reporting and Knowledge Transfer

As the culmination of the Fiscal Condition Assessment and financial modeling process, the project team will prepare a comprehensive Long-Term Financial Plan (LTFP) Report. This report will synthesize the findings of the condition assessment, incorporate the validated assumptions and scenarios from the forecasting model, and present a clear roadmap for sustaining the Town’s financial health over the next decade.

The report will not only document the technical analyses completed during the project, but also translate them into actionable strategies that Town staff, elected officials, and community stakeholders can use to guide decision-making. The document will emphasize clarity, accessibility, and alignment with Los Gatos’ fiscal priorities and policy objectives.

This activity will accomplish the following goals:



- **Report Integration:** Summarize the findings of the Fiscal Condition Assessment, baseline projections, and scenario analysis into a single, cohesive document that provides context and direction for the Town’s financial future.
- **Policy Implications:** Highlight the long-term implications of current fiscal trends and alternative scenarios, clearly identifying where risks may emerge and where opportunities exist to strengthen sustainability.
- **Strategies and Recommendations:** Present recommended fiscal strategies, including reserve policies, debt management approaches, and expenditure prioritization, that support sustainable long-term planning.
- **Alignment with Related Studies:** Integrate findings from Wildan’s Fiscal Impact Analysis and NHA Advisors’ Asset Liability Study to ensure consistency across all three efforts and provide Town leadership with a unified financial planning framework.
- **Accessibility and Communication:** Develop a report that includes clear charts, tables, and dashboards drawn from the model, designed for use by both internal staff and external audiences such as the Finance Commission, Town Council, and the public.
- **Leadership Work Session:** Facilitate a dedicated work session with the Town Council to review long-term fiscal trends, discuss key decision points identified in the model, and explore the policy trade-offs that will shape the Town’s financial future. This session will provide elected leaders with the opportunity to engage directly with the analysis and consider how best to align fiscal strategies with community priorities.

The draft Long-Term Financial Plan will be reviewed with Town staff to confirm accuracy and relevance. Following revisions based on staff feedback, the final report will be produced and presented to Town leadership. A summary presentation will also be provided for the Town Council to ensure findings are communicated effectively and transparently.

<p><b>Meetings:</b></p> <ul style="list-style-type: none"> <li>Virtual review session of the draft Long-Term Financial Plan with Town staff</li> <li>Work session with the Town Council on trends and decision points</li> <li>Presentation and discussion with the Town Council on the final report</li> </ul>	<p><b>Deliverables:</b></p> <ul style="list-style-type: none"> <li>Draft Long-Term Financial Plan Report</li> <li>Final Long-Term Financial Plan Report</li> <li>Presentation materials summarizing findings, trends, and strategies</li> </ul>
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## Optional Activity 5: Develop Gap Closure Strategies

This optional activity is designed to connect long-term financial planning directly to the operating and capital realities of each department. Its core value is enabling department directors to develop long-term budget adjustment strategies that are explicitly tied to **service levels, workload growth, and capital needs** emerging from the development patterns identified in **Study 2**.

### Department-Level Strategy Sessions

Before convening the broader workshop, Raftelis will conduct **individual strategy sessions with each department director and their key staff**. These sessions will:

- **Identify Development-Driven Impacts:** Discuss how the land use and growth assumptions in Study 2 will translate into service demand increases and operational pressures.
- **Preliminary Costing:** Work with each department to outline anticipated operating and staffing needs, as well as capital investment requirements, that may emerge over the 10-year planning horizon.
- **Service-Level Implications:** Pair anticipated investments and budget needs with expected impacts on service levels, customer outcomes, and workload capacity.
- **Scenario Development:** Begin to frame potential strategies (cost containment, service delivery adjustments, or new revenue sources) that can be tested in the financial model.

### Cross-Department Gap Closure Workshop

Following these department-level sessions, Raftelis will facilitate a **one-day in-person workshop** with Town leadership, division managers, and program managers to:

- **Synthesize Department Input:** Integrate operating and capital estimates across departments into a shared view of Townwide financial needs.
- **Develop Coordinated Strategies:** Refine cost and revenue strategies to address identified structural gaps, ensuring they reflect service-level tradeoffs and cross-department interdependencies.



- **Link to Financial Model:** Incorporate these strategies into the Town’s financial model, testing feasibility under multiple projection scenarios.
- **Assign Ownership:** Confirm departmental ownership of strategies for continued refinement and validation, supported by Raftelis’ technical expertise.

**Value for Leadership and Council**

The outcome of this activity is not just a set of abstract fiscal strategies, but a **grounded, department-driven understanding** of how to align operating and capital budgets with development-driven service demands. These strategies will be presented to the Town Council in a structured format during the financial model review, enabling Councilmembers to make informed decisions about fiscal sustainability in the context of community growth and service expectations.

<p><b>Meetings:</b></p> <ul style="list-style-type: none"> <li>Department strategy sessions (virtual, with each director)</li> <li>One-day Gap Closure Strategies Workshop</li> <li>Presentation of refined strategies to the Town Council</li> </ul>	<p><b>Deliverables:</b></p> <ul style="list-style-type: none"> <li>Department-level service impact and cost estimate memos</li> <li>Workshop facilitation and support materials</li> <li>Gap closure strategies linked to service levels and workload expansions</li> <li>Refined scenarios integrated into the financial model</li> </ul>
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**Optional Activity 6: Facilitated Decision-support for Town Council**

The Town may also find it prudent to engage with a broader group than Town staff and the governing body by forming a stakeholder review committee. A critical step in ensuring the long-term usefulness of the financial plan is helping the Town Council directly connect technical analysis with actionable policy decisions. This optional activity is designed to guide the governing body through a structured decision-making process that translates financial trends, gap-closure strategies, and cross-study findings into clear and publicly digestible choices.

**Facilitated Council Workshop**

Raftelis will facilitate a **dedicated decision-making workshop with the Town Council** that will:

- **Integrate Cross-Study Findings:** Bring together the results of the financial model (Study 1), fiscal impact analysis (Study 2), and asset/liability review (Study 3) to ensure Councilmembers are considering the full picture of the Town’s long-term fiscal outlook.
- **Present Gap-Closure Strategies:** Summarize the department-driven strategies developed in Optional Activity 5, highlighting associated service-level tradeoffs, capital requirements, and fiscal outcomes.



- **Decision Support Tools:** Provide structured “decision packages” that synthesize technical analysis into accessible formats, ensuring elected officials and the public understand the trade-offs, risks, and opportunities associated with each option.
- **Prioritization Process:** Facilitate discussions that allow the Council to evaluate and prioritize options, ensuring clear alignment between fiscal capacity, policy goals, and community expectations.
- **Direction Setting:** Capture Council decisions and provide Town staff with clear, documented guidance to support long-term planning, budgeting, and implementation efforts.

**Value for Leadership and the Community**

This workshop represents an opportunity to bridge detailed technical analysis with strategic decision-making. By translating the results of Studies 1, 2, and 3 into actionable choices and providing facilitation expertise, Raftelis will ensure that the Town Council is empowered to set a clear direction for staff and communicate trade-offs effectively to the community.

<p><b>Meetings:</b> Governing Body Decision-Making Workshop</p>	<p><b>Deliverables:</b> Council workshop agenda and facilitation materials Decision-support packages synthesizing financial, service level, and workload trade-offs Summary of Council decisions and direction for staff Budget Task Force recommendations</p>
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## Study 2: Fiscal Impact Analysis - Willdan

*The following material is provided by Willdan for Study 2. As required by the RFP, this material can be considered as a stand-alone proposal for Willdan to prepare Study 2, should the Town choose to retain Willdan, but not Raftelis and/or NHA.*

### Project Understanding

The Town of Los Gatos (“Town”) is seeking a Fiscal Impact Analysis (FIA) to evaluate the potential fiscal effects of multiple large development proposals on the Town’s General Fund. The analysis will estimate recurring revenues and costs under best-case, baseline and worst-case scenarios through 2040.

The team members assembled for this engagement have extensive experience with financial modeling in Excel for a broad range of financial analyses. Stemming from the team’s experience managing long-term financial models of all types for cities, counties, school districts, toll road agencies, port authorities and other public entities, Willdan uses a modified version of the F1F9 financial modeling style to allow for the analysis of just about any type of cost or revenue, from the simplest to the most complex. Using the principles of structured design, transparency, robust annotation and adherence to sound financial modeling principles, our models are built to be flexible, auditable and easy to maintain and adjust to match the needs of the client.

Quality Control/Quality Assurance (QA/QC) is integrated into our team’s process. However, when dealing with large, complex financial models, the importance of adhering to time-tested financial modeling principles cannot be underestimated. This makes the initial modeling process less likely to result in errors and also makes errors easier to identify and fix during the QA/QC process.

The core of the financial model is a “back-end” simply formatted horizontal cash flow worksheet that contains all necessary calculations, assumptions and formulas. The formula-based back-end model can be easily audited and reviewed for assumptions and consistency. From there, we transpose the data into a more readable vertical format so that it can be presented in the report and/or the presentation. These tables will be robustly annotated and formatted for visual appeal and readability.

The draft report will be provided to the City in MS Word format. For each round of comments/edits, clean and redline versions will be distributed. When the report is finalized, a final Word file and PDF will be provided so that text and tables can be added to staff reports and/or other City documents, as needed.

Willdan uses Enterprise Artificial Intelligence (AI) occasionally and sparingly when developing work products. Examples may include the following:

- To accelerate the process of finding a specific law or industry best practice.
- To receive suggestions for word choice, formatting and/or visual presentation of results.
- Discovering lesser-used functions in Excel or save time developing regular expressions, conditional formatting formulas or similarly complex tasks.

Willdan does not use AI output directly in reports or use any suggestion provided by AI without first verifying, validating and/or auditing the results. Furthermore, the Enterprise AI software that we use does not share, store, or train on our data, ensuring complete confidentiality and compliance with client privacy requirements.



## Work Plan

If selected, Willdan will provide fiscal impact analysis consulting services for the Town of Los Gatos. This scope of services is designed to directly respond to the Town’s request and will remain flexible in collaboration with Town staff as the project evolves.

Willdan’s scope of services and project approach incorporates the following:

- Regular meetings, email communication, and telephone conversations with Town staff as needed during the course of the engagement.
- Review and synthesis of all available financial, entitlement, and planning documentation.
- Development of fiscal impact scenarios, including baseline, optimistic, and conservative cases, projecting through 2040.
- Inclusion of both recurring and specified one-time revenues, operating and capital costs, and net fiscal results.
- Preparation of a clear, accessible final report and presentation materials for Town staff, elected officials, and the community.

### Task 1: Data Collection and Review

**Description:** Obtain the following data associated with the proposed fiscal impact analysis, as well as review the documentation.

- Town budget, CAFRs, and other relevant financial data.
- Current and planned land uses, zoning, and development schedules.
- Demographic and employment data related to residential and commercial growth.
- Assessor parcel data and tax rate area information.
- Service level data, departmental cost information, and historical capital investment records.
- Selected project plans, entitlement documents, and construction timelines.
- Anticipated construction schedules and occupancy timelines related to the selected projects.

**Meeting:** Kick-off meeting with Town staff to confirm assumptions, communication protocols, and project deliverables.

**Deliverables:** Initial data request and meeting summary.

### Task 2: Develop Fiscal Revenue and Cost Inputs

**Description:** Develop fiscal model inputs using a per capita and/or case study approach based on the Town’s revenue and service structure.

- Calculate recurring revenue assumptions (property tax, sales tax, TOT, utility users tax, franchise fees, licenses, permits, fines, and other sources). Revenue modeling will generally be calculated using project-specific assumptions in a case study format.
- Estimate service costs for major departments, including police, fire, parks, public works, and general government. Cost models will generally be growth-based.
- Incorporate service population assumptions, using weighted employment equivalents where appropriate.



- Incorporate other locally controlled revenues (e.g. from third-party partners) at City's request.

**Deliverables:** Revenue and cost input, formatted in summary tables.

### Task 3: Fiscal Modeling and 20-Year Impact Analysis

**Description:** Produce a fiscal impact model using the assumptions and revenue/cost inputs. The model will analyze the fiscal impacts of growth through 2040 using three scenarios.

- Best-case, baseline, and conservative scenarios will be produced.
- Capital cost estimates based on discussions with Public Works staff and review of historical investments. Willdan will discuss assumptions incorporated into capital cost estimates and confirm with City staff to arrive at preferred methodology.
- Sensitivity testing will consider range of possibilities for service-population growth, property values, cost escalation and revenue volatility to highlight fiscal risks and ranges of potential outcomes.

**Deliverables:** Tables and visualizations showing net fiscal impacts, breakdowns of revenue and cost categories, and scenario results through 2040.

### Task 4: Report Preparation and Presentation

**Description:** Prepare administrative draft report that updates and explains the results, description of approach and assumptions. Based on discussions with project team and City staff, a final report and presentation will be produced. The report will contain the following elements:

- Annual fiscal impact model that estimates revenues, costs and net impacts for each year through 2040 for each scenario.
- Charts and tables that present the data and assumptions clearly and in a visually appealing manner.
- Qualitative analysis of the fiscal impacts of each type of development and level of density.

**Meeting:** Presentation of results to Town staff, Council, or designated commissions, as needed.

**Deliverables:** Fiscal Impact Analysis Report and presentation materials (PowerPoint or similar).

Willdan will rely on the validity and accuracy of Town and developer data and documentation to complete the analysis. The capital cost analysis will be based on discussions with staff and past investment levels, not an engineering or infrastructure capacity analysis.

Willdan will not independently verify the accuracy of data provided by the Town or third parties and will not be responsible for errors that result from inaccurate data.

## Client Responsibilities

To complete our tasks on schedule, we will need the cooperation of Town staff. We suggest that the Town assign a key individual as project manager. We will expect the Town's project manager to:

- Help resolve policy issues;
- Coordinate responses to requests for information; and



- Coordinate review of work products.

## Project Disclaimer

Willdan is a registered municipal advisory firm with the U.S. Securities and Exchange Commission (“SEC”), as such the Town of Los Gatos represents, acknowledges, and agrees that Willdan is not acting as a “municipal advisor” (as defined by the SEC), to the Town, in any capacity as it relates to the project proposed in this Fiscal Analysis proposal.

- (i) The Town uses, or may use, the services of one or more municipal advisors registered with the SEC to advise it in connection with municipal financial products and the issuance of municipal securities;
- (ii) The Town is not looking to Willdan to provide, and the Town shall not otherwise request or require Willdan to provide any advice or recommendations with respect to municipal financial products or the issuance of municipal securities (including any advice or recommendations with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues);
- (iii) The provisions of this proposal and the services to be provided hereunder as outlined in the scope of services are not intended (and shall not be construed) to constitute or include any municipal advisory services within the meaning of Section 15B of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations adopted thereunder;
- (iv) For the avoidance of doubt and without limiting the foregoing, in connection with any revenue projections, cash-flow analyses, feasibility studies and/or other analyses Willdan may provide the Town with respect to financial, economic or other matters relating to a prospective, new or existing issuance of municipal securities of the Town , (A) any such projections, studies and analyses shall be based upon assumptions, opinions or views (including, without limitation, any assumptions related to revenue growth) established by the Town , in conjunction with such of its municipal, financial, legal and other advisers as it deems appropriate; and (B) under no circumstances shall Willdan be asked to provide, nor shall it provide, any advice or recommendations or subjective assumptions, opinions or views with respect to the actual or proposed structure, terms, timing, pricing or other similar matters with respect to any municipal financial products or municipal securities issuances, including any revisions or amendments thereto; and
- (v) Notwithstanding all of the foregoing, the Town recognizes that interpretive guidance regarding municipal advisory activities is currently quite limited and is likely to evolve and develop during the term of the potential engagement and, to that end, the Town will work with Willdan throughout the term of the potential Agreement to ensure that the Agreement and the services to be provided by Willdan hereunder, is interpreted by the parties, and if necessary amended, in a manner intended to ensure that the Town is not asking Willdan to provide, and Willdan is not in fact providing or required to provide, any municipal advisory services.



## 4. EXPERIENCE AND EXPERTISE

### Firm Qualifications – NHA Advisors

<https://nhaadvisors.com/>

NHA Advisors, LLC is an Independent Registered Municipal Advisor registered with the SEC and MSRB and headquartered in San Rafael, California. NHA has been providing municipal advisory services (like the size and scope requested by the Town’s RFP) to California cities, special districts, and other public agencies since 2000 (formerly known as Northcross Hill & Ach, Inc. from 2000-2011). NHA has provided comprehensive financial and consulting services to over 170 public agencies throughout California, with a primary focus on California cities and special districts.

NHA’s experience with California cities spans from rural, small cities to major metropolitan agencies, which informs NHA of the problems facing public agencies across the State and *allows NHA to bring creative examples and solutions to our clients.* We understand the time and staff resource constraints required to develop funding strategies and financing plans and believe our holistic approach allows us to be an “extension of staff” that will integrate with Town staff to provide the best solution and process for projects.

### NHA Clients Served\*



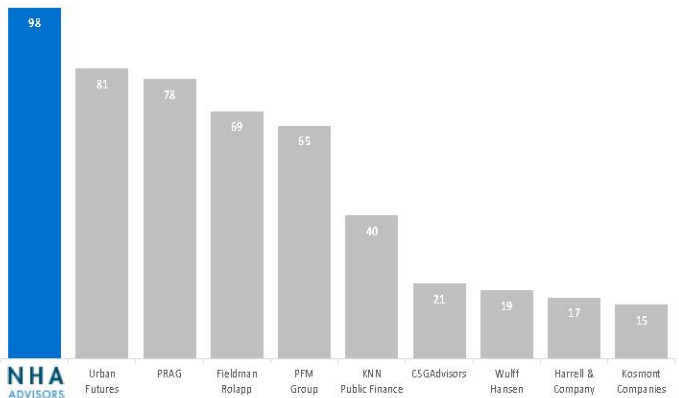
\*Dots represent client engagements from 2012 - Present



With an eye toward providing un-matched service levels, NHA has developed eight specialized practice groups that focus on key areas within municipal finance. These groups enable us to provide guidance on a wide range of municipal finance issues.

Since 2020, NHA has been the top municipal advisor, by number of bond transactions for **California cities** (Source: California State Treasurer as of July 15, 2025; excludes commercial paper and conduit financings; January 2020-present).

### MUNICIPAL ADVISOR RANKINGS FOR CALIFORNIA CITIES Transactions (January 2020 - Present)



\*Source: California State Treasurer as of 7/15/2025; excludes commercial paper and conduit financings



**Firm Qualifications – Raftelis**

<https://www.raftelis.com/>



Since our founding in 1993, local government and utility leaders have partnered with Raftelis to transform their organizations by enhancing performance, planning for the future, identifying top talent, improving their financial condition, and telling their story. At Raftelis, we know that the people who lead local governments and utilities are constantly seeking ways to provide better service to the communities that rely on them. That’s why we provide the best insights and expertise, exceptional talent, and trusted advice and experience—so your organization and your community can thrive. Local government leaders partner with Raftelis to

transform their organizations by improving their financial condition, enhancing performance, planning for the future, identifying top talent, and telling their story. With more than 190 consultants, we’ve worked with more than 1,700 local governments and utilities across the country.

**Raftelis: HELPING LOCAL GOVERNMENTS AND UTILITIES THRIVE.**

Raftelis is a subchapter S-Corporation incorporated in the state of North Carolina on April 23, 2004. The predecessor to Raftelis, Raftelis Environmental Consulting Group, Inc., was established by George A. Raftelis to provide financial and management consulting services of the highest quality to public-sector clients. In 1999, the firm’s name was changed to Raftelis Financial Consulting, PA. Following the sale of a portion of the firm to a group of employees on April 22, 2004, the firm’s name changed to Raftelis Financial Consultants, Inc., which remains the firm’s legal name. We currently do business as Raftelis and are headquartered in Charlotte, NC, with 15 offices nationwide. This project will be managed from our Los Angeles office.

**We believe that Raftelis is the *right fit* for this project. We provide several key factors that will benefit Town and help to make this project a success.**

**RESOURCES AND EXPERTISE:** This project will require the resources necessary to effectively staff the project and the skillsets to complete all required components. With more than 190 consultants, Raftelis has one of the largest local government management and financial consulting practices in the nation. Our depth of resources will allow us to provide the Town with the technical expertise necessary to meet your objectives. In addition to having many of the industry’s leading management and financial consultants, we also have experts in key related areas, like stakeholder engagement and data analytics, to provide additional insights as needed.

**DECADES OF COLLECTIVE EXPERIENCE:** Our associates and subject matter experts have decades of experience strengthening local municipalities and nonprofit organizations. They’ve served in a wide range of positions, from city manager to budget manager to fire chief.

**PERSONAL SERVICE FROM SENIOR-LEVEL CONSULTANTS:** You appreciate it when deadlines are met, phone calls are returned, and your challenges are given in-depth, out-of-the-box thinking. While other firms may assign your business to junior-level people, our approach provides exceptional service from senior-level consultants.

**NICHE EXPERTISE:** Our expertise lies in strengthening public-sector organizations. We’re consulting specialists rather than generalists, focusing our strengths to do a highly effective job for a specific group of clients.





**RAFTELIS FIRM CAPABILITIES**



**FINANCE: Promote financial integrity and the equitable recovery of costs to achieve your objectives**

- Rate, charge, and fee studies
- Financial and capital planning
- Cost of service and cost allocation
- Customer assistance programs
- Affordability analysis
- Utility valuation
- Budget development
- Financial condition assessments
- Debt issuance support
- Economic feasibility and analysis
- Regulated utility support



**COMMUNICATION: Inform and engage with your stakeholders to build understanding and support**

- Strategic communication planning
- Public involvement and community outreach
- Public meeting facilitation
- Graphic design and marketing materials
- Media and spokesperson training
- Risk and crisis communication
- Social media strategy
- Visual facilitation
- Virtual engagement
- Technical writing and content development



**STRATEGIC PLANNING/FACILITATION: Plan for the future to guide your organization to success**

- Organization, department, and community-based strategic planning
- Climate action planning
- Effective Board / Commission / Council governance
- Retreat planning and facilitation



**STORMWATER UTILITY SERVICES: Implement sustainable financial practices to equitably fund your stormwater program**

- Stormwater utility development and implementation support



**ORGANIZATIONAL ASSESSMENT: Identify needs, plan for the future, and implement positive changes**

- Organizational and operational assessments
- Performance measurement
- Staffing analysis
- Sustainability
- Organizational climate and culture
- Asset management and operations
- Regional collaboration and service sharing



**TECHNOLOGY: Gain insights from your data and develop tools to increase effectiveness and engagement**

- Cybersecurity services
- Strategic technology planning services
- Financial management technology services
- Customer management technology services
- Maintenance and asset management technology services
- Data management, analytics, and visualization
- Custom software solutions



**EXECUTIVE SERVICES: Identify and develop top talent to lead local governments and utilities**

- Executive recruitment
- Executive coaching
- Executive performance evaluations



**SOLID WASTE SERVICES: Deliver effective solid waste services while ensuring financial sustainability and customer engagement**

- Solid waste plans & sustainable materials management planning & implementation
- Grant application assistance
- Billing technology planning and implementation
- Collection/routing and disposal/processing planning, procurement, and implementation
- Rates and financial modeling
- Benchmarking and best practices
- Regulation and compliance
- Communications and public engagement



## Firm Qualifications – Willdan

<https://www.willdan.com/index>

### Fiscal Impact Analysis Project Experience

Willdan has completed fiscal and economic impact analyses for a variety of projects and public agencies across California. The team proposed for this engagement has prepared dozens of such studies to support planning efforts, development reviews, incorporations, and annexations. A representative selection of project examples is provided below.

- **Gilead, Chess-Hatch, Mirabella, and Pilgrim-Triton Fiscal Impact Studies, City of Foster City** – evaluated the fiscal impact of three specific plans in the City, analyzing the effect of these plans on services, anticipated new revenues and expenditures, and the necessity for new public facilities to serve each proposed project.
- **Hayward Highway 238 Sites Analysis, City of Hayward** – analyzed parcels available to the City for purchase from CalTrans under a number of development assumptions (such as housing or a commercial center) to determine residual land values and the possible use of public finance mechanisms for infrastructure.
- **Monterey Downs Fiscal and Economic Impact Analysis, County of Monterey** – prepared an analysis of the fiscal and economic impacts of the Monterey Downs project on the City of Seaside and the County of Monterey. Project included residential, retail, hotel and an equestrian facility that includes an event arena.
- **Imperial Valley Solar Economic Impact Analyses, County of Imperial** – evaluated the fiscal and economic impacts of a series of proposed solar voltaic facilities (or “solar farms”) on land near the City of Calipatria. Calculated the tax revenues and service expenditures accruing to the County from development of the project, and estimated the economic impacts, including the impact of the construction and ongoing operation of the solar farm, along with the negative impact of the removal of the project site from agricultural production.
- **Alameda Point Conceptual Plan Fiscal Impact Analysis, City of Alameda** – prepared an estimate of the fiscal impact of the development to provide guidance specific to the range of negotiation of incentives for development. Examined expected project revenues and expenditures required to provide municipal services.
- **Napa Pipe Specific Plan Analysis, County of Napa** – analyzed the fiscal and economic impact of the project on Napa County, as well the City of Napa, and prepared an urban decay analysis.
- **Loma Rica Specific Plan, City of Grass Valley** – prepared a market study, fiscal impact study, and implementation plan for the Loma Rica Specific Plan.
- **Newark Dumbarton Station Area Plan, City of Newark (CA)** – prepared a market study, economic impact analysis, fiscal impact analysis, and infrastructure implementation plan.
- **Revenue Enhancement Options Study, City of Duarte** – examined options to seek additional revenue as well as realize savings on City services. Analyzed the feasibility and approximate revenue from several sources, including parcel taxes, special taxes, utility user fees, sales tax measures, and others.
- **Downtown Revitalization Plan, City of Salinas** – prepared a market study for the downtown area to identify opportunities for development. Provided advice on fiscal impact issues and financing tools available to assist with construction and rehabilitation of infrastructure in the downtown area.



## 5. KEY PERSONNEL AND RESUMES

### NHA Advisors (Team Manager)

NHA’s Mark Northcross will serve as Team Manager to coordinate the efforts on Studies 1 and 2, facilitate good communication among the teams, and provide oversight on scenario design for the studies. A summary of Mark’s bio is provided below and full **resume is provided in Appendix A.**



**Mark Northcross, Principal. Role: Team Manager**

Mr. Northcross has more than 40 years of public finance experience in California. He is a leading advisor on climate change infrastructure and leads NHA’s alternative financing practice that focuses on “holistic” funding solutions, with special emphasis on SRF, WIFIA, Federal and State grants. Mr. Northcross has also managed the formation of CFDs for P3’s throughout the State since 1987 and is a leader in California in negotiating both public-private partnerships for both land-secured debt and redevelopment. He holds a B.A. in Social Sciences from the University of California, Irvine. He maintains his MSRB Series 50 License.

### Raftelis (Study 1)

A summary of the Raftelis Team assigned to perform the scope of work for study 1 is provided in the organizational chart below. **Full resumes for the assigned Raftelis team are provided in Appendix B.**



### Willdan (Study 2)

In order to perform the scope of services for Study 2 (Fiscal Impact Study), Willdan proposes to assign the following team to the Town:

Name	Title
James Edison	Managing Principal
Mike Medve	Principal Consultant
Jasper Andrade	Lead Analyst

**Complete resumes for the Willdan team assigned to the Study 2 project are included in Appendix C.**

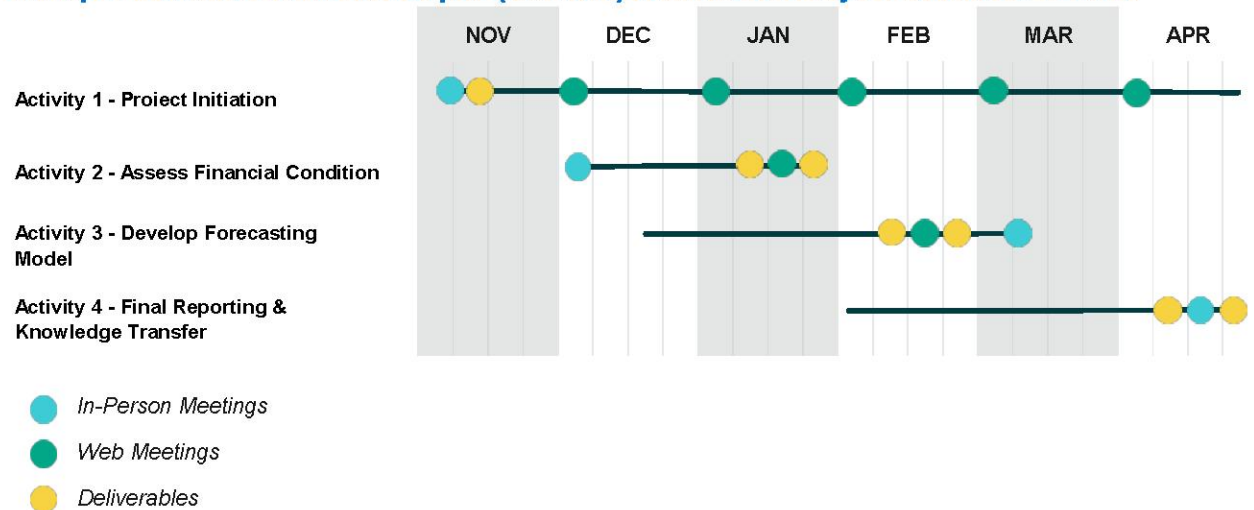


## 6. TIMELINE AND WORK PLAN

Based on the scope of services discussed under Section 3 of this combined Study 1 and Study 2 proposal, our team proposes the timeline in the table below. Based on the schedule in the RFP, we understand that the Town intends to begin the contracting process with its selected consultants the week of September 2029.

Months After Contract Execution	Study 1: Fiscal Condition Analysis and Five-Year Forecast	Study 2: Fiscal Impact Analysis	Study 3: Asset Liability Management <i>(NHA Proposal Provided Under A Separate Cover)</i>
1	Project Initiation	Project Initiation	Project Initiation
2		Data Collection and Review	Inventory and Evaluate Liabilities
3	Assess Financial Condition		
4	Develop Forecasting Model	Develop fiscal revenue and cost inputs	Funding Needs and Risk Reduction Analysis
5		Complete 20-Year Fiscal Impact Analysis	ALM Modeling
6	Final Reporting and Knowledge Transfer	Finalize Fiscal Impact Model	Reserves Guidance
7			

### Study 1: Fiscal Condition Analysis (Raftelis) Additional Project Schedule Details





## 7. SAMPLES OF COMPARABLE PROJECTS

### Study 1: Fiscal Condition Analysis (Raftelis)

#### Waukesha County Wisconsin

Waukesha County (County) contracted with Raftelis in early 2024 to conduct analyses related to County budget forecasting, gap identification and closure, and facilitation of a Budget Task Force comprised of community leaders to advise on gap closure recommendations. The goal of this engagement was to develop the information and understanding necessary to identify opportunities for improved efficiency and effectiveness of operations, staffing, structure, technology, processes, and policies necessary to provide desired services while operating within the County's financial constraints. Raftelis completed detailed financial modeling and analysis and facilitated four budget task force meetings comprised of over 30 community members, stakeholders, and municipal and public safety leaders. The Budget Task Force Report for Waukesha County is included in Appendix D to this proposal.

### Study 2: Fiscal Impact Study (Willdan)

#### Richards Ranch Fiscal Impact Study

The City of Santa Maria and the County of Santa Barbara engaged Willdan in 2025 to perform a fiscal impact study for a mixed-use Richards Ranch Project on the border of the City of Santa Maria in the unincorporated community of Orcutt. The analysis reviewed potential impacts of the Richards Ranch project on the city of Santa Maria General Fund and the County of Santa Barbara general fund. The fiscal impact analysis report is included in Appendix E to this proposal.

## 8. DISCLOSURE OF ABSENCE OF LITIGATION OR DISCIPLINE OVER LAST FIVE YEARS

### NHA Advisors (Team Manager)

There have been no instances in the last five years where NHA Advisors has been terminated in providing advisory services. There are no pending legal actions alleging violations of law against the firm, any partner of the firm, or any employee of the firm by any Federal or State regulatory agency.

Additionally, NHA does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Town may electronically access NHA' most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html)

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.

### Raftelis (Study 1)

**Description:** Raftelis has been joined as a third-party defendant in a lawsuit filed by local developers against the Town of Fuquay-Varina, North Carolina. The subject of this currently pending litigation is development impact fees assessed by the town and developed by Raftelis. This is the only legal case in which Raftelis has been joined as a party in the history of our firm. Raftelis intends to vigorously defend the allegations and claim.



**Willdan (Study 2)**

Willdan Financial Services has not been involved in any litigation, arbitration, regulatory proceeding, or disciplinary action within the past five (5) years that would affect its ability to perform the services described in this proposal. Willdan is not subject to any conditions (e.g., bankruptcy, pending litigation, planned office closures, impending merger) that would impede completion of this engagement.

**9. REFERENCES**

**NHA Advisors References (Team Manager)**

Reference For Team Manager Services: Tahoe Douglas Visitors Authority	
<b>Contact:</b>	Carol Chaplin, President & CEO
<b>Contact Address:</b>	4114 Lake Tahoe Blvd. South Lake Tahoe, CA 96150
<b>Contact Phone &amp; Email Address:</b>	(775) 589 - 2055   <a href="mailto:carol@visitlaketahoe.com">carol@visitlaketahoe.com</a>
<b>Start &amp; End Date of Services:</b>	2017 - Present
<b>Description of Services:</b>	<p>Coordination between multiple consulting teams, legal counsel, and public agency staff to finance a \$100 million events center in Stateline Nevada.</p> <p>NHA’s role in this project was Municipal Advisor to the Tahoe Douglas Visitors Authority. However, that role included a project/team manager component to coordinate efforts from consultants (preparation of multiple studies to support the financing), legal counsel (efforts among TDVA’s general counsel, bond counsel, and disclosure counsel firms), construction contractors and engineers, and public agency staff at multiple public agencies.</p> <p><b>Fee Charged:</b> \$309,788 (total fee charged over 2+ year engagement)</p>

**Raftelis References (Study 1)**

**Commerce City CO**

**Reference:** Theresa Wilson, CFO  
 P: 303.289.3627 / E: [twilson@c3gov.com](mailto:twilson@c3gov.com)  
**Cost:** \$153,610

Raftelis was engaged by the City of Commerce City, Colorado, to develop a comprehensive 10-year Long-Term Financial Plan. Our work included a thorough assessment of the City’s financial condition, analysis



of historical and projected revenues and expenditures, evaluation of debt capacity and reserve policies, and review of the City’s Capital Improvement Program. We developed a robust yet user-friendly financial model that enabled staff to test multiple projection scenarios and evaluate the fiscal impact of different policy and investment choices. The model was designed not only to serve as a forecasting tool but also as a decision-support resource for City leadership and the governing body.

Through a collaborative process that included staff interviews, department-level engagement, and workshops with the City Council and the public, we ensured that the plan reflected both operational realities and community priorities. The final Long-Term Financial Plan provided a clear roadmap for fiscal sustainability, equipping the City with the tools and strategies needed to balance service delivery expectations with underlying revenue growth. The project demonstrated our ability to integrate technical analysis with facilitation and decision-making support—helping Commerce City leadership make informed, transparent, and actionable fiscal choices.

### **Waukesha County WI**

**Reference:** Shawn Lundie, Chief of Staff

P: 262.548.7902 / E: [Slundie@waukeshacounty.gov](mailto:Slundie@waukeshacounty.gov)

**Cost:** \$124,550

Waukesha County (County) contracted with Raftelis in early 2024 to conduct analyses related to County budget forecasting, gap identification and closure, and facilitation of a Budget Task Force comprised of community leaders to advise on gap closure recommendations. The goal of this engagement was to develop the information and understanding necessary to identify opportunities for improved efficiency and effectiveness of operations, staffing, structure, technology, processes, and policies necessary to provide desired services while operating within the County’s financial constraints. Raftelis completed detailed financial modeling and analysis and facilitated four budget task force meetings comprised of over 30 community members, stakeholders, and municipal and public safety leaders.

### **City of Irvine CA**

**Reference:** Dahle Bulosan, Director of Administrative Services

P: 949.724.6263 / E: [dbulosan@cityofirvine.org](mailto:dbulosan@cityofirvine.org)

**Cost:** \$65,000

In 2025 the City of Irvine engaged Raftelis to perform an assessment of its funding for fire services from the Orange County Fire Authority (OCFA). The City believed that its special district tax dollars were in excess of services received and sought an independent review and determination. Project work included meeting with City and OCFA leadership, and an extensive and detailed review of OCFA expenditures and revenues, including capital improvement expenditures in particular.

Raftelis concurred with the City that its contributions to OCFA exceeded services received and outlined the pros and cons of various models and alternatives for fire service provision, including estimates for standing up a City-run department and creating a City-specific fire district, among others. The City is undergoing internal discussions as to which method or methods to pursue going forward.



### City of Centennial CO

**Reference:** Jeff Cadiz, Finance Director

P: 303.754.3440 / E: [fcadiz@centennialco.gov](mailto:fcadiz@centennialco.gov)

**Cost:** \$38,800

The City of Centennial (City) engaged Raftelis to develop an interactive, dynamic, and sustainable model to support a better understanding of past resource availability and resource use, as well as provide mechanisms to forecast future requirements over a 10-year period. The model supports the use of both historical and current information as a basis for projecting revenues, expenditures, and fund balances in the major operating funds. The model is based on budgeted and actual revenue, expenditure, and fund balance data provided by the City of Centennial. Projections are based on a variety of factors, including historical data, the projected future cost of living increases, and other operating information provided by the City. The model is intended to serve as a living document and support updates by the City over time.

### City of Loveland CO

**Reference:** Tim Sendelbach, Fire Chief

P: 970.962.2827 / E: [Tim.Sendelbach@lfra.org](mailto:Tim.Sendelbach@lfra.org)

**Cost:** \$59,800

The Loveland Fire and Rescue Authority (LFRA) engaged Raftelis to assist the organization and its supporting partners, the City of Loveland and the Loveland Rural Fire Protection District, with the development of a comprehensive financial plan in the form of an interactive, eight-year financial sustainability model. The model will be used to evaluate the financial environment for the LFRA under current service levels, as well as testing assumptions regarding future impacts from growing service demands and initiatives.

In addition to the comprehensive model, the effort includes an assessment of financial impacts on the baseline and forecasting operating levels, including the following: developing a recommended property tax mill levy for the Loveland Rural Fire Protection District, investigating a proposed Fire Safety Tax, and reviewing the LFRA fee schedule for recommended changes and additions. The result is a comprehensive understanding of LFRA operations and services supported by a sustainable financial approach in order to support executive and Board decisions, as well as incorporation into the intergovernmental agreement for fire and rescue services.

### The Woodlands Township TX

**Reference:** Monique Sharp, President and CEO

P: 281.210.3831 / E: [msharp@thewoodlandstowship-tx.gov](mailto:msharp@thewoodlandstowship-tx.gov)

**Cost:** \$333,300

The firm has enjoyed a 20-year history of engagements in The Woodlands (Township), with the former Woodlands Community Service Corporation and The Woodlands Township. Our previous experience with The Woodlands includes strategic planning, Board retreat facilitation, development of customer service standards, and the establishment of a performance evaluation system.



The Novak Consulting Group, now Raftelis, conducted a detailed financial analysis of incorporation alternatives for the Township. The Township selected us as the sole consulting firm to facilitate its incorporation process. Service sharing—contracting with local municipal utility districts and Montgomery County —was a critical part of the incorporation assumptions. In 2020, we completed a report on governance planning in anticipation of an upcoming ballot measure on incorporation. This included extensive work on development review and land use plans and forecasts as the community moves forward.

**City of Boulder CO**

**Reference:** Jane Brautigam, Former City Manager (retired)

P: 720.425.9757 / E: [jcbrautigam@gmail.com](mailto:jcbrautigam@gmail.com)

**Cost:** \$114,500

The City of Boulder (City) has engaged the firm for a variety of services since 2010. Part of that effort included the development of a dynamic, user-friendly 10-year financial model to anticipate revenue and expenses and prioritize investments within the context of their long-term financial impact. This effort was later followed by the development of detailed financial and cost-allocation analysis of technology and facilities.

**Willdan References (Study 2)**

**City of Lancaster, CA**

**Special Tax Consultant and Community Facilities District Formation Services**

Willdan assisted the City of Lancaster with a cost of service and fiscal study, and subsequent CFD formation, to fund maintenance services associated with new development projects in the City. The City requested that the special tax rates be lower in the City center to account for the existing availability of resources and lower demand for services within that region. Areas external to the City center generally would require the construction of new public facilities (community centers, corporation yards, parks, trails, etc.) and would incur greater maintenance demand. Only limited guaranteed revenues were considered in the fiscal analysis. The CFD was formed in early 2021.

Willdan completed special tax analysis and cash flow pro forma analysis for the project, developed a taxing methodology that suited anticipated development, and which apportioned the tax burden among the types of development expected in the areas proposed for inclusion in the CFD, and we prepared the Rate and Method of Apportionment and CFD Report. The first annexation to the CFD took place in Summer 2022.

**Fees Charged:** \$45,000

**Client Contact:** George N. Harris II, MPA, Director of Finance  
Tel #: (661) 723-5988 | Email: [gharris@cityoflanasterca.org](mailto:gharris@cityoflanasterca.org)

**City of Alameda, CA**

**Fiscal & Economic Impact Analysis**



## LOS GATOS – PROPOSAL FOR STUDY 1 (FISCAL CONDITION) AND STUDY 2 (FISCAL IMPACT)

The City of Alameda engaged Willdan to support the redevelopment of Alameda Point, a former naval air station comprising roughly 1,400 acres. Willdan’s work included preparing a fiscal impact analysis of the planned development, a facilities financing plan, and a feasibility analysis to evaluate whether projected development could sustain the infrastructure needed to rehabilitate the base. The team also assisted the City in negotiations with developers of the first two parcels and presented findings at several public meetings.

Willdan’s fiscal analysis modeled anticipated General Fund revenues (property tax, sales tax, and other sources) and expenditures (public safety, maintenance, and park services) at full buildout and for an initial phase. The infrastructure financing plan assessed potential funding sources—including developer equity, assessments, and special taxes—and phased infrastructure costs. The feasibility analysis then evaluated the tax and assessment burden relative to projected land values to determine whether development could reasonably support the City’s long-term financing strategy.

**Fees Charged:** \$75,800

**Client Contact:** Jennifer Ott, Alameda City Manager  
Tel #: (510) 747-4700 | Email: [manager@alamedaca.gov](mailto:manager@alamedaca.gov)

## City of Hayward, CA Fiscal Impact Analysis

The City of Hayward had an option to acquire several parcels from CalTrans that had been purchased as right of way for the expansion of Highway 238, connecting Interstate 580 and Interstate 880 through the City. The plan was stopped and CalTrans began the process of selling the land. Hayward reserved an option on certain parcels and needed assistance with the understanding the development potential of the parcels, including fiscal impacts, public finance, land uses, and residual value. This project is ongoing as Willdan assists the City and its elected officials in understanding each parcel and its potential, along with the tradeoffs inherent in City policy goals such as the provision of affordable housing or fostering a vital downtown.

To date Willdan has analyzed five of the parcels under a number of development assumptions to determine residual land value and the possible use of public finance mechanisms for infrastructure. As part of this effort Willdan has provided a sensitivity analysis showing the tradeoffs of various development and policy scenarios (primarily the effect on residual land value and project feasibility).

**Fees Charged:** \$118,230

**Client Contact:** Nicole Gonzales, Finance Director, City of San Leandro (Formerly City of Hayward Finance Director)  
Tel #: (510) 577-3376 | Email: [ngonzales@sanleandro.org](mailto:ngonzales@sanleandro.org)



## 10. PRELIMINARY FEE SCHEDULES

### NHA Advisors (Team Manager)

For work as Team Manager facilitating Studies 1 and 2 described in this proposal, NHA proposes to be compensated based on time and materials required at the hourly rate schedule shown below. We propose a not-to-exceed budget for these services of \$17,500. This budget equates to approximately 50 hours of time serving in this capacity.

Fixed Fee	Fee
Engagement/Administrative Setup (Contract, Insurance, etc.)	\$500

Professional Services (Hourly)	2025 Rates <sup>(1)(2)</sup>
Principal	\$360
Director / Senior Vice President	\$335
Vice President	\$310
Assist. Vice President / Sr. Associate	\$285
Associate	\$260
Senior Analyst	\$230
Analyst	\$205
Administrative	\$130

- 1) Hourly rates will escalate by 3% annually each January 1st (rounded to the nearest five dollars based on the prior year's rounded amount).
- 2) Effective hourly rates shown in invoices may be reduced to incorporate non-billable time.



**Raftelis Proposed Fees for Study 1**

A breakdown of costs for Study 1 by project activity is provided in the table below.

<b>Activity</b>	<b>Description</b>	<b>Consultant Labor</b>	<b>Expenses</b>	<b>Total Cost</b>
1	Project Initiation	\$9,100	\$1,250	\$10,350
2	Assess Financial Condition	\$24,250	\$4,900	\$29,150
3	Develop Forecasting Model	\$39,250	\$3,200	\$42,450
4	Final Reporting & Knowledge Transfer	\$20,750	\$2,800	\$23,550
<b>BASE SUBTOTAL</b>		<b>\$93,350</b>	<b>\$12,150</b>	<b>\$105,500</b>
5	OPTIONAL – Develop Gap Closure Strategies	\$26,450	\$3,600	\$29,750
6	OPTIONAL – Decision-Support for Town Council	\$24,750	\$5,280	\$29,750
<b>TOTAL WITH BOTH OPTIONS</b>		<b>\$144,550</b>	<b>\$21,030</b>	<b>\$165,000</b>



### Willdan Proposed Fees for Study 2

Based on the Scope of Services presented herein, we propose a **fixed fee of \$18,000**. This fee includes attendance at a total of two meetings with Town staff and/or a Town Council meeting. Attendance at more than two meetings will require additional billing at the applicable hourly rate identified in the table below. Additionally, comprehensive written responses to resolve conflicts, and preparation of more than one set of major revisions to the report, will be classified as additional services, and may require additional billing at the stated hourly rates. These additional fees shall only take effect once the fixed fee stated above has been exceeded.

Town of Los Gatos					
Fiscal Impact Analysis					
WFS Fee Proposal					
	J. Edison Principal-in- Charge	M. Medve Project Manager	J. Andrade Lead Analyst	Total	
	\$ 310	\$ 270	\$ 120	Hours	Cost
<b>Scope of Services</b>					
<b>Task 1:</b> Data Collection and Review	4.0	8.0	12.0	24.0	\$ 4,840
<b>Task 2:</b> Develop Fiscal Revenue and Cost Inputs	2.0	8.0	14.0	24.0	4,460
<b>Task 3:</b> Fiscal Modeling and 20-Year Impact Analysis	4.0	10.0	12.0	26.0	5,380
<b>Task 4:</b> Report Preparation and Presentation	2.0	6.0	9.0	17.0	3,320
<b>Total – Fiscal Impact Analysis</b>	<b>12.0</b>	<b>32.0</b>	<b>47.0</b>	<b>91.0</b>	<b>\$ 18,000</b>

### Hourly Rates/Additional Services

Willdan’s hourly rates are listed below.

Willdan Financial Services Hourly Rate Schedule		
Position	Team Member	Hourly Rate
Vice President / Director		\$310
Managing Principal	James Edison	\$300
Principal Consultant	Mike Medve	\$270
Senior Project Manager		\$250
Project Manager		\$210
Senior Project Analyst		\$150
Senior Analyst		\$135
Analyst II	Jasper Andrade	\$120
Analyst I		\$110



## 11. STATEMENT OF INSURANCE COVERAGE

The tables below summarize each member of our team’s insurance coverage compared to the Town’s Sample Consultant Services Agreement. Each team member will maintain the required coverage for the term of the contract if selected by the Town for this engagement.

### NHA’s Insurance Coverage

Coverage Type	Town’s Requirements in Sample CSA	NHA’s Coverage
<b>Carriers</b>	N/A	<ul style="list-style-type: none"> <li>Valley Forge Insurance Company</li> <li>Hartford Casualty Insurance Company</li> <li>Underwriters at Lloyd’s, London</li> </ul>
<b>General Liability (per occurrence)</b>	\$2M	\$2M
<b>General Liability (aggregate)</b>	Not specified	\$4M
Auto Liability	\$1M (per accident)	\$1M (per accident)
<b>Worker’s Comp (per occurrence)</b>	\$1M	\$1M
<b>Professional Liability</b>	\$1M per occurrence	\$1M per occurrence / \$2M aggregate

### Raftelis’ Insurance Coverage

Coverage Type	Town’s Requirements in Sample CSA	Raftelis’ Coverage
<b>Carriers</b>	N/A	<ul style="list-style-type: none"> <li>Federal Insurance Company</li> <li>Chubb National Insurance Company</li> <li>ACE American Insurance Company</li> <li>Hanover Insurance Company</li> </ul>
<b>General Liability (per occurrence)</b>	\$2M	\$1M
<b>General Liability (aggregate)</b>	Not specified	\$2M
Auto Liability	\$1M (per accident)	\$1M (per accident)
<b>Worker’s Comp (per occurrence)</b>	\$1M	\$1M
<b>Professional Liability</b>	\$1M per occurrence	\$5M
<b>Additional Coverage</b>		\$5M Excess Liability (Umbrella Coverage)



### Willdan’s Insurance Coverage

Coverage Type	Town’s Requirements in Sample CSA	Willdan’s Coverage
<b>Carriers</b>	N/A	<ul style="list-style-type: none"> <li>Travelers Property Casualty Company of America</li> <li>Allied World Surplus Lines Insurance Company</li> </ul>
<b>General Liability (per occurrence)</b>	\$2M	\$1M
<b>General Liability (aggregate)</b>	Not specified	\$2M
Auto Liability	\$1M (per accident)	\$1M (per accident)
<b>Worker’s Comp (per occurrence)</b>	\$1M	\$1M
<b>Professional Liability</b>	\$1M per occurrence	\$1M per claim

## 12. TOOLS, DATA SOURCES, AND USE OF AI

### Raftelis’ Response for Study 1 (Fiscal Condition Analysis)

The fiscal condition assessment and financial projections will be developed using a flexible Excel-based model, which will be transmitted to the City. The model will be built on the City’s existing revenue and expenditure data, both current and historical. Artificial intelligence will not be used in the development of this model.

### Willdan’s Response for Study 2 (Fiscal Impact Analysis)

The team members assembled for this engagement have extensive experience with financial modeling in Excel for a broad range of financial analyses. Stemming from the team’s experience managing long-term financial models of all types for cities, counties, school districts, toll road agencies, port authorities and other public entities, Willdan uses a modified version of the F1F9 financial modeling style to allow for the analysis of just about any type of cost or revenue, from the simplest to the most complex. Using the principles of structured design, transparency, robust annotation and adherence to sound financial modeling principles, our models are built to be flexible, auditable and easy to maintain and adjust to match the needs of the client.

Quality Control/Quality Assurance (QA/QC) is integrated into our team’s process. However, when dealing with large, complex financial models, the importance of adhering to time-tested financial modeling principles cannot be underestimated. This makes the initial modeling process less likely to result in errors and also makes errors easier to identify and fix during the QA/QC process.

The core of the financial model is a “back-end” simply formatted horizontal cash flow worksheet that contains all necessary calculations, assumptions and formulas. The formula-based back-end model can be



easily audited and reviewed for assumptions and consistency. From there, we transpose the data into a more readable vertical format so that it can be presented in the report and/or the presentation. These tables will be robustly annotated and formatted for visual appeal and readability.

The draft report will be provided to the City in MS Word format. For each round of comments/edits, clean and redline versions will be distributed. When the report is finalized, a final Word file and PDF will be provided so that text and tables can be added to staff reports and/or other City documents, as needed.

Willdan uses Enterprise Artificial Intelligence (AI) occasionally and sparingly when developing work products. Examples may include the following:

- To accelerate the process of finding a specific law or industry best practice.
- To receive suggestions for word choice, formatting and/or visual presentation of results.
- Discovering lesser-used functions in Excel or save time developing regular expressions, conditional formatting formulas or similarly complex tasks.

Willdan does not use AI output directly in reports or use any suggestion provided by AI without first verifying, validating and/or auditing the results. Furthermore, the Enterprise AI software that we use does not share, store, or train on our data, ensuring complete confidentiality and compliance with client privacy requirements.

The following is a list of resources commonly used in fiscal impact studies:

- Microsoft Excel
- County Auditor data related to AB8 apportionment factors for each Tax Rate Area
- ParcelQuest for Assessed Values and other property information
- Bureau of Labor Statistics data related to the number of jobs within the City
- Census and/or American Community Survey data
- California Department of Finance population and persons per household data
- Other data points originating from government, NGO and qualified private sources as needed.



## **APPENDIX A: NHA RESUMES**



**Public Finance  
Professional Since:  
1981**

### Expertise

- Public Policy
- Utility Financing
- Climate Change Infrastructure
- Development/Land-Secured Financing
- Economic Development
- Developer Negotiations
- Pension Financing

### Education



- B.A. Social Sciences

### Licenses & Registrations

- Registered with the SEC and MSRB
- Series 50 License

## Mark Northcross, *Principal*

During a California public finance career that spans back to 1981, Mark Northcross has structured debt for nearly every kind of issuer and nearly every kind of revenue source legally available in the State.

Mr. Northcross is a leader in statewide work on climate change adaptation. He managed the delivery of a comprehensive funding guide for Resilience by Design, a Rockefeller Foundation funded program for the Bay Area. He works with the Bay Conservation and Development Commission, Bay Area Regional Collaborative, the Southern California Association of Governments and the Resources Legacy Fund on climate change adaptation issues. Mr. Northcross also serves on special climate change committees under the aegis of the City of Sacramento, the West County Wastewater District and the Coastal Hazards Adaptation Resiliency Group. With expertise in wildfire risk mitigation and funding, Mr. Northcross was invited by the Federal Reserve Bank of San Francisco to prepare an article on that subject for their Community Development Innovation Review publication, which was published in October 2019. A link to that article is available here: <https://www.frbsf.org/community-development/publications/community-development-investment-review/2019/october/rebuild-to-fail-or-rebuild-to-adapt-how-cra-lending-can-guide-climate-change-disaster-response/>

Mr. Northcross was an integral team member for the California Resilience Challenge project in the Town of Paradise. That project was completed in April 2023 and featured groundbreaking work quantifying potential reductions in fire related losses and in insurance premiums in the wildland-urban Interface through fire mitigation methods. More detail about that project can be found here: <https://www.bayareacouncil.org/press-releases/new-study-shows-how-communities-in-the-wildland-urban-interface-can-dramatically-reduce-fire-risk-and-reduce-insurance-premiums/>

Mr. Northcross is also leader in negotiating both public-private partnerships and the workout of defaulted debt. He has negotiated public-private partnerships for the successful development of major mixed-use projects, including such diverse communities as Davis, Fort Ord Reuse Authority, Hemet, Mammoth Lakes, Palmdale, Rocklin, South Lake Tahoe, and West Covina. He is also a leader in negotiating joint ventures between different public agencies – with notable success in putting together bond funded risk sharing programs for cities, counties, and school districts in California.

With a practice in water and sewer financing dating back to 1983, Mr. Northcross is very active in water and sanitation policy issues in California. He presently serves on the California Association of Sanitation Agencies SRF committee.

Mr. Northcross also has hands-on experience as a CFO, serving since 2001 as treasurer for the West Point Inn Association, which runs a 117-year-old hike-in hotel in the parklands of Marin County.



## **APPENDIX B: RAFTELIS RESUMES**

# Jonathan Ingram

## PROJECT MANAGER / PRINCIPAL IN CHARGE / LEAD FACILITATOR

Vice President

### ROLE

Jonathan will manage the day-to-day aspects of the project ensuring it is within budget, on schedule, and effectively meets the City's objectives. He will also lead the consulting staff in conducting analyses and preparing deliverables for the project. Jonathan will serve as the City's main point of contact for the project.

### PROFILE

Jonathan has 20 years of experience in management consulting and local government management, most recently as budget manager in the City of Cincinnati, Ohio, budget office. Before that, Jonathan served as a management consultant and worked in the city manager's office for the City of Highland Park, Illinois.

Jonathan is a skilled financial analyst in the areas of budget and revenue analysis and has led our work with fiscally distressed communities, supporting their efforts to restore operational and financial sustainability. Additionally, he has extensive experience as a management and operations consultant to local governments in the United States and abroad.

As a consultant, Jonathan has completed operations reviews for over 200 local governments and has helped to improve service delivery for a broad range of departments – from police to public works. He has developed staffing and deployment plans for city operating departments, analyzed and facilitated intergovernmental consolidations, helped local governments develop custom performance management systems, and facilitated the development of long-term strategic plans and financial models.

Jonathan's areas of expertise are in local government budgeting and finance, operations analysis, project management, public safety staffing analysis, process improvement, and performance measurement. He is adept at quickly assessing strengths and opportunities within a municipality, analyzing and developing actionable recommendations for improvement, and communicating findings and next steps to a wide variety of audiences, including staff, elected officials, and the public. During his tenure with the City of Cincinnati, Jonathan managed the development and administration of a \$1 billion operating budget. He also conducted special analysis projects, served on the City's collective bargaining team, and co-managed the implementation of an enterprise budget system.

Jonathan earned a bachelor's degree in political science from Aurora University and a master's degree in public administration from Northern Illinois University. He is a member of the International City/County Management Association and the Ohio City/County Management Association.



### Professional History

- Raftelis: Vice President (2024-present); Senior Manager (2021-2023); Manager (2020-2021); Senior Associate, The Novak Consulting Group (2012-2020)
- City of Cincinnati, Ohio: Budget Manager (2010-2012)
- Management Partners: Senior Management Advisor (2005-2010)

### Education

- Master of Public Administration - Northern Illinois University (2005)
- Bachelor of Arts in Political Science - Aurora University (2003)

### Professional Memberships

- International City/County Management Association (ICMA)
- Ohio City/County Management Association (OCMA)

# Nancy Hetrick

## FACILITATION SUPPORT

### Vice President

#### ROLE

Nancy will work at the direction of Jonathan in assisting with facilitation of meetings and workshops.

#### PROFILE

Nancy has nearly 30 years of experience as a local government management consultant and practitioner. Her lifelong commitment to the value and importance of public service underscores her work with local government clients. She invests time to understand both the human dynamic and the systems and culture within an organization to ensure project outcomes that will best service the unique needs of the organization.

Nancy has extensive experience as a facilitator and trainer. She has worked with both elected and appointed officials from jurisdictions throughout the western United States to conduct goal-setting, develop strategic plans, and prioritize service delivery. She has led engaging strategic planning processes that sharpen focus while strengthening teamwork. The strategic plans that are developed offer a meaningful and implementable road map for the organizations she serves. In addition, Nancy has worked with leadership teams in all local government service areas to improve team effectiveness.

In addition to her work in organizational development and strategic planning, Nancy has led hundreds of local government consulting engagements spanning all areas of general management consulting support, including executive recruitment, organization assessment, workforce and succession planning, performance management system design, and financial sustainability planning.

Nancy is active in professional associations that support the advancement of local government professionals. She served as the President of the Municipal Management Association of Northern California (MMANC), founded the Women's Leadership Summit, and sits on the board of Cal-ICMA, where she chairs the Cal-ICMA Talent Initiative.

Nancy studied political science with a concentration in public administration as an undergraduate and continued her studies in a Master of Public Administration program. She has participated in an executive leadership program and received certifications in leadership and style assessment tools such as the Myers-Briggs Type Indicator (MBTI), DiSC, and the CPI 260 Psychological Inventory.



#### Professional History

- Raffelis: Vice President (2023-present)
- Baker Tilly LLC: Managing Director (through acquisition) 2022-2023
- Management Partners: Vice President, Partner, Senior Manager, Senior Management Advisor (2006-2022)
- County of San Mateo, County Manager's Office: Principal Management Analyst, Management Analyst III (2001-2006)
- Management Partners: Management Advisor (1996-2001)
- Norman Roberts and Associates (Executive Recruiters): Research Associate (1995-1996)

#### Education

- Coursework complete toward Master of Public Administration, California State University, San Francisco (1996-1997)
- Bachelor of Arts, Political Science with concentration in Public Administration, California State University, Chico (1994)

#### Certifications

- Myers-Briggs Type Indicator
- DiSC
- CPI 260 California Psychological Inventory

#### Professional Memberships

- ICMA
- Cal-ICMA
- Women Leading Government
- Municipal Management Association of Northern California, Past President, founder, Women's Leadership Summit

# Emily Uselton

## FINANCIAL MODEL DEVELOPMENT

### Senior Manager

#### ROLE

Emily will work at the direction of Jonathan in developing the financial model for the City.

#### PROFILE

Emily joined Raftelis in 2023 after more than seven years of direct service to the City of Norfolk, Virginia. Emily has over 15 years of finance experience in both the private and public sectors. As Norfolk's Budget Director and Assistant Director, Emily was responsible for overseeing the City's strategic financial and policy planning, including managing the development and administration of a \$1 billion operating budget. Her leadership helped provide effective resource recommendations, leading to better performance outcomes and the ability to solve challenging policy issues. Emily led several citywide initiatives, including public workforce recruiting and retention strategies, the development of a program budget, as well as budget development public engagement efforts. Emily's direct service experience and breadth of exposure to relevant local government and utility policy issues make her skillful at asking thought-provoking questions, inspiring innovation and creativity in the problem-solving process, and yielding results that are as pragmatic as they are valuable. During her time in local government, she presented to a variety of stakeholders, including the City Council, executive leadership teams, community groups, and a cross-section of department-level staff.

Since joining Raftelis, Emily has continued to assist utility and local government clients across an array of focus areas, encompassing strategic planning, facilitation, and organizational assessments. Emily's areas of expertise are in budgeting and finance, workforce planning, operations analysis, internal service functions, project management, and performance measurement. She is a quick study of organizational context, providing relevant and achievable recommendations that appreciate the unique considerations of each organization.

Previously, Emily worked in private-sector finance and accounting. She began her career as an auditor for mid-size financial institutions before transitioning to a commercial healthcare real estate company, where she built a team of accountants responsible for overseeing multiple mergers and acquisitions between the company and seniors housing operators across the U.S. and abroad.

Emily earned a master's degree in Public Policy from the College of William and Mary, and a Bachelor of Science with concentrations in Accounting and Finance from Xavier University – Cincinnati. Since 2009, she has held a certified public accountant, CPA certification (inactive).



#### Professional History

- Raftelis: Senior Manager (2025-present); Manager (2023-2024)
- City of Norfolk, Virginia; Interim Budget Director (2022); Assistant Budget Director (2021-2022); Budget and Policy Manager (2019-2021); Budget Analyst / Senior Analyst (2015-2019)
- Welltower (formerly Healthcare REIT): Director Relationship Accounting (2010-2013)
- Crowe Horwath LLP: External Auditor, Financial Institutions Group (2008-2010)

#### Education

- Master of Public Policy – College of William and Mary (2015)
- Bachelor of Science in Accounting and Finance – Xavier University (2008)

#### Certifications

- Certified Public Accountant, CPA (inactive – 2009)

#### Professional Memberships

- Government Finance Officers Association (GFOA)
- International City/County Management Association (ICMA)
- Engaging Local Government Leaders (ELGL)

# Chad Cowan

## FINANCIAL MODEL DEVELOPMENT

Senior Manager



### ROLE

Chad will work at the direction of Jonathan in developing the financial model for the City.

### PROFILE

Chad joined Raftelis in August of 2023. Chad has over 24 years of experience working with local governments, utilities, non-profits and Higher Education clients. He spent the majority of his career working as a municipal advisor, investment banker and local government official and has executed over \$5 billion in financing. During this time, he has assisted clients in evaluating their long-term financial needs and the impact that current decisions have on their long-term financial health.

Through his work and education, Chad has developed a broad knowledge of long-term financial planning for his clients, including building unique models for his clients to help facilitate the decision-making process. As a Consultant with Raftelis, Chad is responsible for delivering client services across a range of activities, including long-term financial planning, feasibility studies, and other studies.

Chad earned a Master of Public Administration from the University of Southern California. He also earned a Bachelor of Science in Planning, Public Policy and Management.

### KEY PROJECT EXPERIENCE

#### North Carolina DEQ (NC): Regional Water and Wastewater Infrastructure Concept Plan

Chad served on the team that developed a methodology to evaluate the overall financial strength of the entities identified for approximately 40 individual utilities within the Study Area. The team developed a Utility Health Scorecard which provides a high-level overview of the health of each entity, considering various system characteristics and both financial and affordability metrics. Specifically, the Scorecard developed for this study leveraged the Environmental Protection Agency's (EPA) Financial Capability Assessment (FCA) Guidance as well as commonly used financial metrics and metrics related to the overall strength of the subject utilities.

#### Piedmont Triad Regional Water Authority (NC): Long-term Financial Planning Model

Chad served as the project manager for the development of a new long-term financial planning model for PTRWA in 2023 and 2024 to assist in the evaluation of significant expansion of the water treatment plant and implementation of new capital projects to deal with the treatment PFAs. Through the evaluation of the model in 2023 and 2023, the Authority worked with partners to evaluate the issuance of a significant increase in the Authority's debt and adjustments to rates that support the Authority.

### Professional History

- Raftelis: Senior Manager (2023-Present)
- DebtBook: Director (2022-2023)
- HilltopSecurities, Inc.: Managing Director (2022-2023); Director 2016-2022
- City of Durham, NC: Treasurer (2013-2016); Treasury Manager (2011-2013)
- D.A. Davidson: Vice President (2008-2011)

### Education

- Master of Public Administration - University of Southern California (1999)
- Bachelor of Science in Planning, Public Policy & Management - University of Oregon (1996)

### Certifications

- Series 50 Municipal Advisor Representative

### **City of Bartow (FL): General Fund Development Study**

Chad served as the project manager for the development of the General Fund Sustainability model for the City of Bartow in 2023 and 2024. The long-term financial plan leveraged Raftelis' Decision Panel Model, which allowed the City to evaluate multiple millage rates, capital funding plans, and staffing options. Through the evaluation of the model in 2023, the City Council voted to increase its millage rate to fund long-overdue capital projects throughout the City. In 2024, the City hired Raftelis to update the analysis. The update confirmed the course set forth in the prior year's review and allowed the City to move forward with the implementation of its plan.

### **Village of Palm Springs (FL): Utility Rate Studies, General Fund Sustainability Model, CRA Sustainability Model**

Chad served on the team that developed multiple models for the Village of Palm Springs. Throughout the summer and fall of 2024, Raftelis partnered with the Village to complete four separate long-term models, including General Fund Sustainability, a CRA Fund Sustainability Model, a Stormwater Rate Study, and a Water and Sewer Rate Study. The team leveraged Raftelis' Decision Panel Model for each of the models, which allowed the Village to evaluate multiple solutions for each fund. The project is ongoing and expected to be completed in the next several weeks.

### **City of Valdosta (GA): Water and Sewer Rate Studies**

Chad led the Raftelis effort on the creation of a new Water and Sewer Rate Study and Bond Feasibility analysis for the City of Valdosta (City) in 2023 and 2024. He conducted a 10-year revenue sufficiency analysis update for the water and sewer system including evaluating the City's upcoming capital plans and drafted the bond feasibility report related to the City's 2024 Bond issuance.

### **Mecklenburg County (NC): Development of Long-term Financial Models for Solid Waste and Storm Water Departments**

In a prior position, Chad served as the municipal advisor for the County and was tasked with developing long-term financial plans for the County's Department of Solid Waste & Recycling and the Department of Stormwater Services. Each department had historically funded its capital plans with a Pay-Go model. With significant capital plans for each department, the proposed rate increases for each department were unacceptable to senior management. In conjunction with the finance team, Chad developed a long-term financial model for each department. The models provided the ability for each department to quickly adjust projected capital projects, fees and financing options. The models provided the ability for each department to partner with finance to develop proposed fee structures acceptable to senior management and adopted by the Board of County Commissioners.

### **City of Durham (NC): Served as City Treasurer – Responsibilities including Debt Structuring and Analysis, Management of the City's Investment Portfolio, Traditional Banking Relationships, and Management of the Risk Management Team**

Chad served as the Treasurer for the City of Durham, NC, from 2011 through 2016. During his tenure, he managed the issuance of over \$400 million in debt, including general obligation bonds, limited obligation bonds, water revenue bonds (including interim financing solutions), and finalizing a Section 109 HUD Loan. During this time, he also managed the City's investment portfolio and banking relationships – including the roll-out of a new online payment platform. Over the last two years of his tenure, he led the restructuring of the City's Risk Management Team, including the implementation of a new Risk Management Information System, replacing the City's Third-Party Administrators for workers' compensation and general liability and making significant improvements to the Department's internal reporting process. Additionally, he assisted in the development of a long-term financial model for the City's general fund and the evaluation of economic development proposals.

# Claire Pritchard

## STAFF CONSULTANT

Senior Consultant

### ROLE

Claire will work at the direction of Jonathan in conducting interviews, directing research and analysis, preparing recommendations, and drafting deliverables.

### PROFILE

Claire has more than 10 years of experience in management consulting and local government management. She began her consulting career following five years of service with Dakota County, Minnesota, where, most recently, she held the position of assistant to the county manager. While with Dakota County, Claire coordinated the County's legislative agenda, assisted in the development of the annual budget, and conducted financial impact analyses and process improvement efforts for a variety of County functions. Claire also coordinated the County's transition to a new form of government in 2013.

As a consultant, Claire has worked on organizational and staffing analyses for communities around the country, such as the Town of Nantucket, Massachusetts, the City of Allentown, Pennsylvania, and the City of Bloomington, Indiana, as well as several utilities, including Fairfax Water, Virginia, Pinellas County Utilities, Florida, the San Diego Public Utilities Department, California, and Tampa Bay Water, Florida.

Claire has assisted in developing financial models to analyze revenue and expenditure trends, as well as conducting detailed staffing and workload analyses to determine optimal organizational structures. She has developed and analyzed an array of employee and community-based surveys. Claire has conducted several of the best practice and benchmarking research projects and has assisted in creating strategic planning and implementation deliverables.

As a student at the University of Chicago, Claire served as a policy intern with the National Association of Regional Councils, where she developed an educational program on the work of regional councils. She was also the associate editor for international development for the Chicago Policy Review.

Claire earned a bachelor's degree in political science from the University of Chicago and a master's in public policy from the University of Chicago Harris School of Public Policy. She is a member of the International City/County Management Association and is a former ICMA Local Government Management Fellow.



### Professional History

- Raftelis: Senior Consultant (2023-present); Consultant (2021-2022); Associate Consultant (2020-2021); Associate Consultant, The Novak Consulting Group (2018-2020)
- Dakota County, Minnesota: Assistant to the County Manager (2013-2017)
- National Association of Regional Councils: Policy Intern (2012)
- Congressional Research Service (2010-2011)

### Education

- Master of Public Policy - University of Chicago (2013)
- Bachelor of Arts in Political Science - University of Chicago (2009)

### Professional Memberships

- International City/County Management Association (ICMA)
- Engaging Local Government Leaders (ELGL)
- International Facility Management Association (IFMA)

# Polly Englott

**STAFF CONSULTANT**  
Associate Consultant

## ROLE

Polly will work at the direction of Jonathan in conducting interviews, directing research and analysis, preparing recommendations, and drafting deliverables.

## PROFILE

Polly has robust analytical experience throughout the public sector, having worked in local government, nonprofit, and international development settings. She is proficient in the areas of budget planning and analysis, process improvement, and project management. Polly is a detail-oriented problem solver who leverages data and organizational analysis to identify trends and actionable solutions.

Prior to joining Raftelis, Polly worked in Broward County's Office of Management and Budget in southern Florida. She supported the monitoring and development of over 100-million-dollar annual operating budgets for judicial offices and the county's extensive environmental agency. This work included forecasting for a dozen special revenue funds, monitoring state and federal grants, assessing payroll and benefit costs for over 500 employees, and evaluating new staffing and capital project requests.

Throughout her academic studies, Polly developed highly functional skills in GIS analysis, data visualization and communication, evaluation design, and public budgeting. She strengthened these skills in the classroom by learning from her prior tenure at Food Bank for New York City, where she supported planning and content development for over 90 marketing campaigns and events annually. In addition, she collaborated with stakeholders and donors at all levels to raise awareness, fundraise, and support the Food Bank's clients.

Polly began her career in program operations supporting international public health programs based in West Africa, funded by major public and private grantors. Programs ranged from women's health information campaigns to sanitation service delivery research, and she completed technical assistance trips to Ghana and Liberia.

Polly earned a master's degree in public policy from Duke University's Sanford School of Public Policy and a bachelor's degree in geography, with minors in Arabic and French, from Bucknell University in Pennsylvania.



## Professional History

- Raftelis: Associate Consultant (2024-present)
- Broward County: Budget and Management Analyst (2022-2023)
- Food Bank for New York City: Marketing and Events Coordinator (2018-2020)
- Population Services International: Program Coordinator (2016-2018)

## Education

- Master of Public Policy - Duke University, Sanford School of Public Policy (2022)
- Bachelor of Arts in Geography, minors in Arabic and French - Bucknell University (2016)



## **APPENDIX C: WILLDAN RESUMES**

# James Edison

## Managing Principal

### Education

*Juris Doctorate, University of California, Berkeley, School of Law*

*Master of Public Policy, Goldman School of Public Policy, University of California, Berkeley*

*Bachelor of Arts, magna cum laude, Harvard University*

### Professional Registrations

*Member of California State Bar (inactive)*

### Affiliations

*Council of Development Finance Agencies*

*CFA Society of San Francisco*

*Congress for the New Urbanism*

*Urban Land Institute*

*Seaside Institute*

*International Economic Development Council*

### 25 Years' Experience

Mr. James Edison specializes in the nexus between public and private, with expertise in public-private partnerships, and the benefits of economic development to municipalities and state, provincial, regional and national governments. He possesses deep expertise in land use economics, with a specialty in finance and implementation, including fiscal impact and the public and private financing of infrastructure and development projects, both in the U.S. and internationally. Mr. Edison’s public-sector experience includes local and regional economic impact studies; fiscal impact evaluations; new government formation strategies; and the creation of impact fees, assessments, and special taxes to fund infrastructure and public facilities. He has conducted numerous evaluations of the economic and fiscal impact of specific plans and consulted on a wide variety of land use planning topics related to community revitalization and the economic and fiscal impacts of development.

As a former bond attorney, Mr. Edison understands the legal underpinnings and technical requirements of public financing instruments and has advised both public and private clients on the use of individual instruments, and the interaction between those instruments and the needs of developers and project finance.

## Relevant Project Experience

**City of Foster City, CA – Gilead, Chess-Hatch, Mirabella and Pilgrim-Triton Fiscal Impact Studies:** The City of Foster City hired Mr. Edison, while at Economics Research Associates (“ERA”), to provide an evaluation of the fiscal impact of three specific plans. He evaluated the impact on services of each plan, the anticipated new revenues and expenditures, and the necessity for new public facilities to serve the projects.

**Alameda Point Development Corporation, CA – Alameda Point Conceptual Financing Plan:** Mr. Edison is assisted the Alameda Point Development Corporation on a number of assignments related to the financing of infrastructure at Alameda Point, the feasibility of development, the financing of services, fiscal impacts and mitigation, and selection of developers. Alameda Point is a former naval air station that was closed in 1997 and the City took title to the land on June 4, 2013.

**County of Monterey, CA – East Garrison Specific Plan Financing and Implementation:** East Garrison, located on the easternmost portion of the former Fort Ord in Monterey County, consisted of approximately 1,400 residential units, including single-family detached, town homes, apartments, and affordable housing, a town commercial center, and arts facilities. Mr. Edison assisted the developer and the County with a wide range of financing issues, including the availability and structuring of public finance, fiscal mitigation measures, economic impacts, the implementation of affordable housing, and the negotiation of business terms between the developer and the County. He also assisted the developer in negotiations with the Fort Ord Reuse Authority regarding the base wide capital improvement program and the structuring of the payment of impact fees generated by the development.

**County of Napa, CA – Napa Pipe Specific Plan Analysis:** Mr. Edison evaluated infrastructure finance requirements for the Napa Pipe project in southern Napa County, consisting of approximately 500,000 square feet of commercial development, 3,000 residential units, and a hotel. An infrastructure financing strategy was provided that drew upon the resources of the project itself and other financing mechanisms such as special assessments.

## Town of Los Gatos, CA

### J. Edison

*Resume Continued*

The fiscal and economic impact of the project on the County was analyzed, also prepared an urban decay analysis evaluating the impact on retail businesses in the City of Napa. Mr. Edison presented the findings to the County Board of Supervisors and Napa's City Council.

**County of Imperial, CA – Solar Farm Fiscal and Economic Analysis:** Mr. Edison was engaged by the County of Imperial to evaluate the fiscal and economic impacts of a series of proposed solarvoltaic facilities (or “solar farms”) on land near the Town of Calipatria in Imperial County. For each, Mr. Edison calculated the tax revenues and service expenditures accruing to the County from development of the project, and also estimated the economic impacts of the project using IMPLAN, including the impact of the construction and ongoing operation of the solar farm, along with the negative impact of the removal of the project site from agricultural production.

**City of Redding, CA – Oasis Towne Center Financing and Fiscal Analysis:** Hired by the Levenson Development Company (LDC) to assist with an economic/fiscal impact study and a financing plan for the Oasis Towne Center, a retail development of approximately one million square feet in Redding, California. Mr. Edison advised LDC on how to structure the financing of the development in order to provide public benefits from the project and minimize the need for public resources. He prepared an economic and fiscal analysis and negotiated a series of service plans and fiscal mitigation measures with the City of Redding. Mr. Edison also prepared a financing plan for infrastructure needed not only for the immediate project but also for development within the entire Oasis Road Specific Plan area.

**City of Fort Lauderdale, FL – Citywide Economic Development Strategic Plan:** Mr. Edison served in the role of Senior Public Incentives Advisor for the City's economic development strategic plan. This citywide Economic Development Strategic Action Plan includes an Economic Development Profile Report; as well as identification and recommendation of potential citywide economic development incentive programs for business retention and recruitment that are applicable to six geographic sub-areas and citywide; an entrepreneurial development and empowerment strategy, a targeted industry growth strategy, and a retail recruitment strategy; an implementation program and “economic dashboard” benchmarking metrics to measure the success of strategies and initiatives; and sources and uses of funding to support plan implementation (grants and other alternative funding opportunities allocated to each of the plan's five-year implementation horizon).

**City of Vallejo, CA – Costco Expansion Urban Decay, Economic and Fiscal Impact Analysis:** In response to the City's request, Mr. Edison examined the economic impact of a proposed expansion of an existing Costco. The analysis included projections of the impact on sales tax, employment, property tax and the net impact to the City's budget. Based on the analysis, the City Planning Commission approved the Costco expansion.

**County of Placer, CA – Bohemia Lumber Site, Fiscal Impact and Urban Decay Analysis:** The County of Placer engaged Mr. Edison to examine the fiscal impact and potential urban decay effects from the development of the former Bohemia Lumber site into a retail center. He prepared the analysis and presented the results to the County Board of Supervisors.

**City of Salinas, CA – Salinas Downtown Revitalization Plan:** Prepared a market study for the downtown area to identify opportunities for development. Advised the City of Salinas on fiscal impact issues and financing tools available to assist with construction and rehabilitation of infrastructure in the downtown

## Mike Medve

### Principal Consultant

**Education**

*Bachelor of Science  
Information and  
Computer Science,  
Management and  
Mathematics Minors,  
Cum Laude  
University of  
California Irvine*

Mr. Mike Medve is a principal consultant, with 18 years of experience, in the Financial Consulting Services group, with expertise in public finance, including special district formation and administration, fiscal impact analysis, public facilities financing plans, integrated financing districts, Proposition 218, tax credit financing, state and federal grant and loan programs, sales tax revenue bonds, and infrastructure financing districts. He has developed financial pro formas and cash flow analyses for numerous types of public and private project financing programs. Prior to joining Willdan, Mr. Medve was a consultant in the field of public finance for Parsons Brinckerhoff and David Taussig & Associates. Over the years, he has been a financing team member for over \$150 million in limited obligation bonds and over \$50 million in grant funds. He has served as the lead consultant for over two dozen clients, both public and private, throughout the country.

### Relevant Project Experience

**Areas of Expertise**

*Public Finance  
Public Facility Financing  
Special District Formation  
and Administration  
Proposition 218  
New Markets Tax Credits  
Grant Writing*

**City of Oceanside, CA – Tax Increment/Special Tax Consulting:** Mr. Medve provided consulting services related to the formation of one of the State’s first Enhanced Infrastructure Financing Districts (EIFD). The EIFD’s tax-sharing plan has been approved by both the City of Oceanside and the County of Monterey, bringing millions in funding to an area that will be annexed to the City and developed into a high-tech office park and research center. He also assisted the City with its Cost Allocation Plan and Comprehensive User Fee update.

**City of Rancho Mirage, CA – Special Tax Consulting:** In 2018 and 2019 Mr. Medve assisted the City with the formation of CFD 4A and CFD 4B, both of which were formed in association with the development of a Del Webb residential project in the City. He is also working on the current formation of CFD 4C. The CFDs were formed to provide for funding of backbone infrastructure required for the development, and for payment of certain development fees required by the City. Willdan’s work included preparation of the special tax and pro forma analyses, development of the tax methodology and preparation of the Rate and Method of Apportionment of Special Tax document, preparation of the CFD Report and other associated documents, and coordination of the formation process.

**City of Upland, CA – Special Tax Consulting:** In 2015 through 2019 Mr. Medve assisted the City of Upland with the initial formation of a CFD, the change proceedings that were subsequently conducted to amend the CFD to accommodate a change in the plan of development, and finally with the issuance of bonds associated with the CFD. He worked closely with the City and its financial advisor to ensure the CFD was formed in a manner that met the City’s requirements and financing objectives. The CFD was created to equitably spread the cost of the infrastructure being financed through a methodology that was equitably applied to various types of residential development in the project.

**County of San Diego, CA – Special Tax Consulting:** Mr. Medve is currently assisting the County with special tax consulting projects, specifically CFDs in unincorporated areas. He helped form the Horse Creek Ridge and Hillside Meadows CFDs and is now involved with the review and early steps of forming three additional CFDs to fund flood control, fire protection, and capital improvements. He is also assisting with replacing an existing Permanent Road Division special assessment with a special tax to fund street rehabilitation and maintenance.

# Jasper Andrade

## Lead Analyst

### Education

*Accounting,  
Mt. San Jacinto  
College*

### Areas of Expertise

*Community Facilities  
Districts*

*Landscaping and  
Lighting Districts*

*Standby Charges*

*Assessment  
Districts*

*Geographic  
Information  
System*

### 6 Years' Experience

Mr. Jasper Andrade is an Analyst II and will serve as the lead analyst for this fiscal analysis project. His role includes data gathering and research, report preparation, peer reviews, and fiscal analysis to support the evaluation of revenues, expenditures, and long-term funding strategies.

Mr. Andrade possesses experience with various special tax financing mechanisms, including Community Facilities Districts (CFDs), fire taxes, parcel taxes, landscape and lighting districts, and standby charges. His responsibilities have included updating Engineer's Reports, preparing resolutions for hearings, maintaining and analyzing parcel data, researching parcel changes, reviewing exemptions, and developing applied reports. These assignments have provided him with direct experience evaluating fiscal conditions, modeling tax and assessment impacts, and supporting decision-making through accurate financial reporting.

Mr. Andrade regularly coordinates with title companies, real estate agencies, appraisal firms, and public agencies. Leveraging Willdan's proprietary MuniMagic+ system, he efficiently accesses ownership records, assessed values, and parcel tax data, which enhances his ability to perform accurate fiscal analysis and deliver timely project support.

## Relevant Project Experience

Mr. Andrade currently works with the following agencies encompassing various annual administration services including 1972 Act Districts, Community Facilities Districts, Assessment Districts and Standby Charges.

- City of Coachella, CA
- Desert Recreation District, CA (*Indio, CA*)
- Valley Sanitary District, CA (*Indio, CA*)
- City of Arcadia, CA
- City of Artesia, CA
- City of Brea, CA
- City of California City, CA
- City of Indian Wells, CA
- City of Irwindale, CA
- City of La Puente, CA
- City of Lafayette, CA
- City of Lancaster, CA
- City of McFarland, CA
- City of Reedley, CA
- City of Rialto, CA
- City of San Fernando, CA
- City of Santa Fe Springs, CA
- West Contra Costa Healthcare District, CA



## **APPENDIX D: WAUKESHA COUNTY WI BUDGET TASK FORCE REPORT**

# Waukesha County, WI

**Budget Task Force Analysis and Facilitation**

Report / August 2024

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August 27, 2024

Paul Farrow  
Waukesha County Executive  
Waukesha County Administrative Center  
515 W. Moreland Blvd.  
Room 320  
Waukesha, WI 53188

**Subject: 2024 County Budget Task Force**

Dear Paul Farrow:

We are pleased to present this final report summarizing the County fiscal health assessment results and the 2024 Budget Task Force. This report includes a detailed review of the County's current financial condition and financial management practices, future financial projections for the County's operating budget, and a summary of the key themes and topics discussed during the Task Force facilitation sessions.

The fiscal health assessment included in this report provides both historical and future financial trend analysis designed to provide an objective review and context for the work of the Task Force. The assessment included development of an independent financial model projecting anticipated budget needs and gap closure scenarios for the County to consider. Applicable industry standards and best practices were used with input and information provided by County staff to inform the financial trend analysis. Key themes from the four Task Force sessions, including values and policy priorities, are also provided to help guide and inform the County Executive and the Board of Supervisors in future policy decisions.

We are confident that this report can serve as a framework for informing policy recommendations to you and the County Board. The Task Force provided invaluable insight regarding community priorities and strategies for the County to consider when making future budgetary decisions.

Thank you for the opportunity to work with Waukesha County. We enjoyed engaging with County staff and Task Force members throughout this project.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan R. Ingram', written in a cursive style.

**Jonathan Ingram**  
*Vice President - Organizational Assessment*

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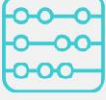


# Executive Summary

Property tax levy is the largest local revenue source to fund services provided by Waukesha County. Like other counties in the state of Wisconsin, the annual growth for this revenue is capped based on the growth in net new construction. Over the past several years, net new construction has grown at a rate of less than 2% each year. Meanwhile, and especially after the Global Pandemic, the cost to continue providing services to County residents has increased, on average, between 3-4%. In order to meet balanced budget requirements, the County has had to identify efficiency gains, maximize other revenue sources where possible, and trim staffing levels. Recent economic trends, including above-average inflation, rising wages, and supply chain disruptions, have placed significant financial constraints on County operations.

The County engaged Raftelis to provide an independent fiscal health assessment and facilitate multiple sessions for a Budget Task Force comprised of community leaders. The Task Force was asked to advise the County Executive and County Board of Supervisors on policy actions in the near term that will help shape the County's financial future by ensuring resources are allocated in a manner that best serves the community.

The fiscal health assessment included a financial condition assessment comprised of a historical review of past revenue and expenditure trends, interviews with County staff across each major department to understand core service functions and budgetary challenges, as well as peer benchmarking analysis for similar demographic counties in the state to assess revenue sources and budgetary practices. The financial condition assessment provided relevant context to inform the financial trend analysis. This analysis included developing a six-year financial forecast for the County's operating budget that reflected an annual gap (e.g., budget gap) between projected revenues and estimated expenditures required to maintain services provided today. The forecast model relied upon key assumptions for revenue growth and cost of service inputs. Raftelis' financial model yielded similar results to the County's long-term forecast disclosed in the annual budget document. This financial backdrop was then used to develop and understand potential solutions to address future budget gaps, considering both service level reductions and revenue-generating options.

Raftelis facilitated four in-person Budget Task Force sessions from May to July 2024. The County's Budget Task Force comprised of more than 30 community leaders charged with quickly understanding the County's fiscal health and engaging in discussions and exercises that aimed to provide direction and guidance to the County Executive and County Board of Supervisors regarding the County's financial future. A summary of the Task Force timeline and session topics is provided below.

 <p><b>DEVELOP VALUES AND PRIORITIES</b></p>	 <p><b>SERVICE LEVEL REDUCTION SCENARIOS</b></p>	 <p><b>REVENUE GENERATING SCENARIOS</b></p>	 <p><b>TASK FORCE GUIDANCE</b></p>
<p><b>Major Activities</b></p> <ul style="list-style-type: none"> <li>• Share fiscal context and build mutual understanding</li> <li>• Work together to set values that will guide decision-making</li> <li>• Understand Task Force priorities as it relates to core services provided by the County</li> </ul>	<p><b>Major Activities</b></p> <ul style="list-style-type: none"> <li>• Connect values and priorities to County resource allocation</li> <li>• Share service level reductions that address the budget gap</li> <li>• Work together to prioritize reductions</li> </ul>	<p><b>Major Activities</b></p> <ul style="list-style-type: none"> <li>• Recap service level reduction prioritization</li> <li>• Present revenue-generating scenarios</li> <li>• Work together to prioritize optimal scenario(s) that address the budget gap</li> </ul>	<p><b>Major Activities</b></p> <ul style="list-style-type: none"> <li>• Recap themes from each of the Task Force sessions</li> <li>• Review scenario voting results</li> <li>• Develop guidance for the County Executive and Board of Supervisors</li> </ul>
<p><b>Tuesday, May 14</b></p>	<p><b>Wednesday, May 29</b></p>	<p><b>Tuesday, June 4</b></p>	<p><b>Tuesday, July 30</b></p>

**Figure 1: Waukesha County, WI 2024 Budget Task Force Timeline**

Details of the Task Force discussions and individual and group exercises are captured in this report. The density of financial information to review and understand during this short time horizon was challenging; nevertheless, the Task Force did a remarkable job of absorbing all the details, engaging in productive conversation, and ultimately crafting meaningful guidance for the County’s elected officials. This process also provided the County an opportunity to assess and confirm that current resource allocation aligns with community values and priorities. Engaging the public regularly regarding policy priorities as part of the budget development process is both a best practice and a vehicle for maintaining trust among local governments and the residents they serve. Task Force members learned how well the County staff have navigated these fiscal challenges in the past and their ongoing dedication to prudent financial management of taxpayer resources.

Given the complexity and competing interests of individual Task Force members, reaching a consensus about addressing future budgetary challenges was unrealistic. Instead, the group reached a shared agreement regarding the values, priorities, and areas of focus over the next few years to provide sound guidance for elected officials as they navigate difficult policy decisions. The key themes that emerged from the work of the Budget Task Force are reflected below. The report provides more details regarding each of these themes.

- Importance of fiscal responsibility
- Targeted budgetary service level reductions and enhancements
- Desire to explore revenue options
- Support for infrastructure and economic development
- Evaluate shared services and shared revenue

# Introduction

## Background and Methodology

In March 2024, Waukesha County engaged Raftelis to conduct a fiscal health assessment and facilitate the work of a Budget Task Force charged with providing guidance and policy priorities to the Board of Supervisors to inform how the County can navigate short and long-term financial challenges.

To accomplish this, the project team held a kickoff meeting with key members of the County’s leadership and finance team to discuss the engagement. The project team then conducted individual and small group interviews with each of the major departments in the County to understand service level expectations, resourcing requirements, fiscal challenges, workload drivers, and opportunities to adjust resource allocation.

The project team reviewed and analyzed a variety of financial data and information provided by the County to understand organizational structure, authorized staffing levels, the budget development process, and core services provided by the County. As part of the financial condition assessment, historical financial data was analyzed to inform trends and key assumptions used to develop an independent financial model projecting estimated revenues and expenditure requirements to continue providing the same level of service today over the next several years. Benchmarking analysis of peer counties selected based on geographic or demographic similarity was also conducted to provide important context during the Task Force sessions.

Members of the project team then developed and led four in-person Task Force sessions from May to July 2024 to discuss the results of the fiscal health assessment, viable gap closure scenarios, and guidance for how County elected officials should navigate the financial challenges to achieve fiscal sustainability over the next decade.

## About Waukesha County, WI

Waukesha County is Wisconsin’s third- largest county, located directly west of Milwaukee and 70 miles east of Madison, the state capital. The County population is 411,538, according to the Wisconsin Demographic Services Center’s 2023 population estimates, which represents a 5.6% increase from the 2010 Census. Relative to the state at large, Waukesha County has higher median income, median home values, and educational attainment levels.

**Table 1: Waukesha County Demographic Characteristics, 2022<sup>1</sup>**

Demographic Category	Waukesha County	State of Wisconsin
Median age	43.8	40.4
Median household income	\$98,849	\$70,996
Median home value	\$379,700	\$252,800
Below federal poverty level	5.2%	10.7%
Homes owner-occupied	76.9%	68.1%
High school graduate equivalent or higher	97.8%	93.5%
Bachelor’s degree or higher	48.7%	33.2%
Graduate or professional degree (25+)	17.8%	11.6%

<sup>1</sup> 2022 American Community Survey, U.S. Census Bureau.

Waukesha has a County Executive form of government, and the legislative body consists of a 25-member Board of Supervisors (Board). The County Board is elected for two-year terms to represent separate geographic districts with populations of around 16,500 each. The Board of Supervisors sets policy by adopting ordinances and resolutions, including reviewing and adopting the annual budget. The County Executive, who is elected to a four-year term, oversees the day-to-day operations of the County and appoints the heads of all County departments except those led by elected officials or state statutory boards and commissions. Elected positions in the County beyond legislative and executive roles include the Circuit Court Judges, Clerk of Courts, County Clerk, District Attorney, Register of Deeds, Sheriff, and Treasurer.

## STRUCTURE

Waukesha County's operations are organized by six functional areas depicted in the chart below. Departments led by an elected position are shown in grey. Attorneys in the District Attorney's Office and judges within the Circuit Court are state employees, while support staff within these departments are funded by the County. The other departments are led by members of the County Executive's cabinet. Law enforcement services are provided by the Sheriff's Office for unincorporated areas of the County and by contract for select municipalities. The County operates a regional 911 dispatch center providing Police, Fire, and Emergency Medical (EMS) dispatch service to 34 of the 37 municipalities in the County. The Extension – Waukesha County is administered through county and state shared governance, and the Bridges Library System—a state-funded, combined two-county system with neighboring Jefferson County—is governed by a Board of Trustees composed of each county's residents.<sup>2</sup>

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<sup>2</sup> As part of library system funding required under state statute, the County administers a separate library property tax levy applied on non-library municipalities that is used to reimburse library communities for non-resident use.

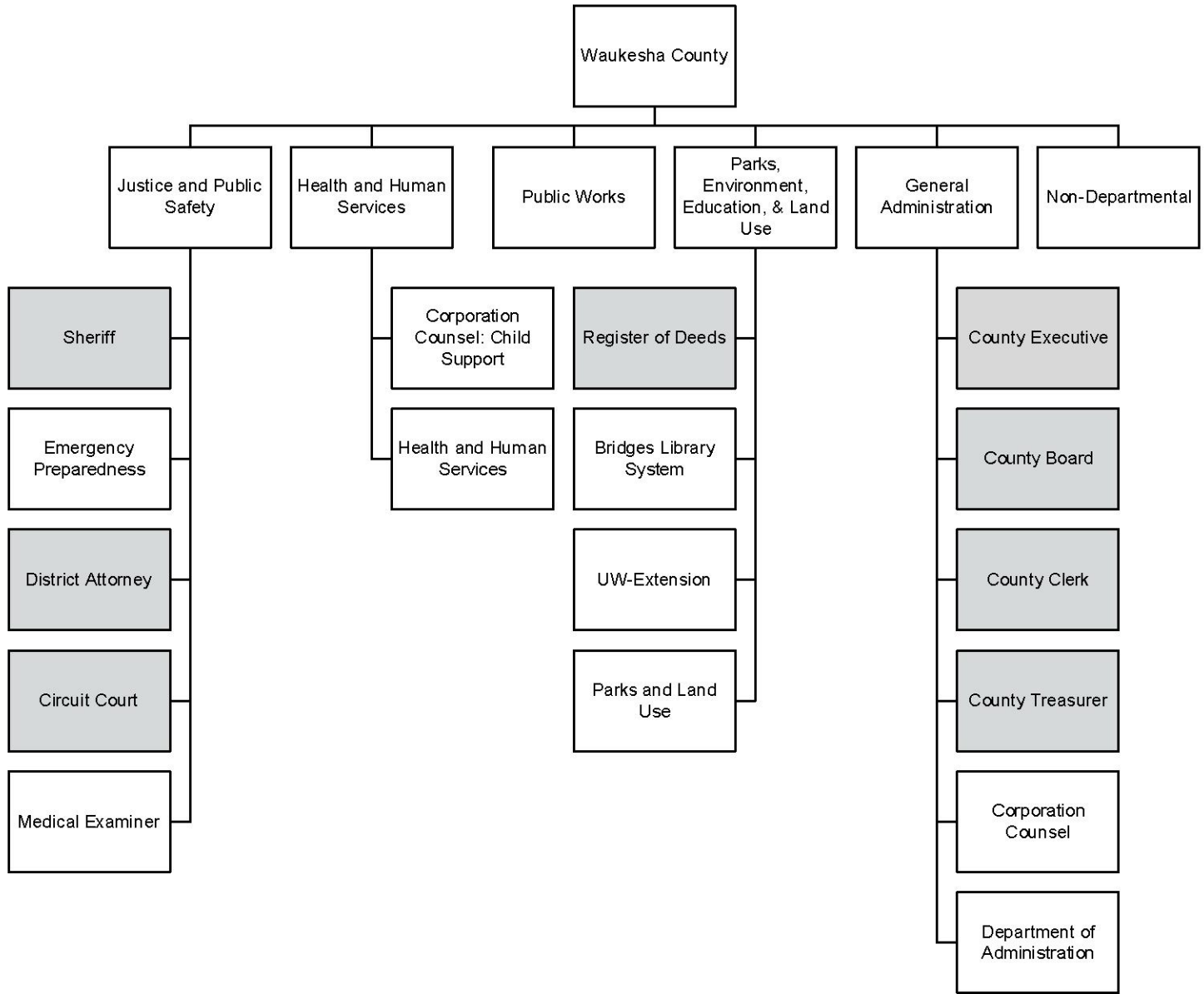


Figure 2: Waukesha County, WI Organizational Chart, FY2024

**BUDGET**

Each year, at the beginning of budget development, the Budget division estimates tax levy revenue and makes recommendations to the County Executive for allocating new levy among departments. The allocation is based on the County’s Strategic Plan and service priorities, with Public Safety typically receiving the largest allocation of tax levy dollars. The Budget division also factors in anticipated spending growth and the ability of departments to generate non-tax levy revenues (e.g., user fees) to offset programmatic costs. From there, departments prioritize their estimated revenue and tax dollars to support core operations.

The County’s budget philosophy is to “balance spending with people’s ability to pay,” and County management indicates that it has traditionally strived to keep taxes low, resulting in Waukesha County consistently maintaining one of the lowest property tax rates among the 72 Wisconsin counties. At the beginning of this assessment, Waukesha County was one of four counties that had not enacted a 0.5% sales tax. Recently, Manitowoc County adopted the 0.5% sales tax to take effect on January 1, 2025. Waukesha has the lowest property tax rate among counties without a sales tax.

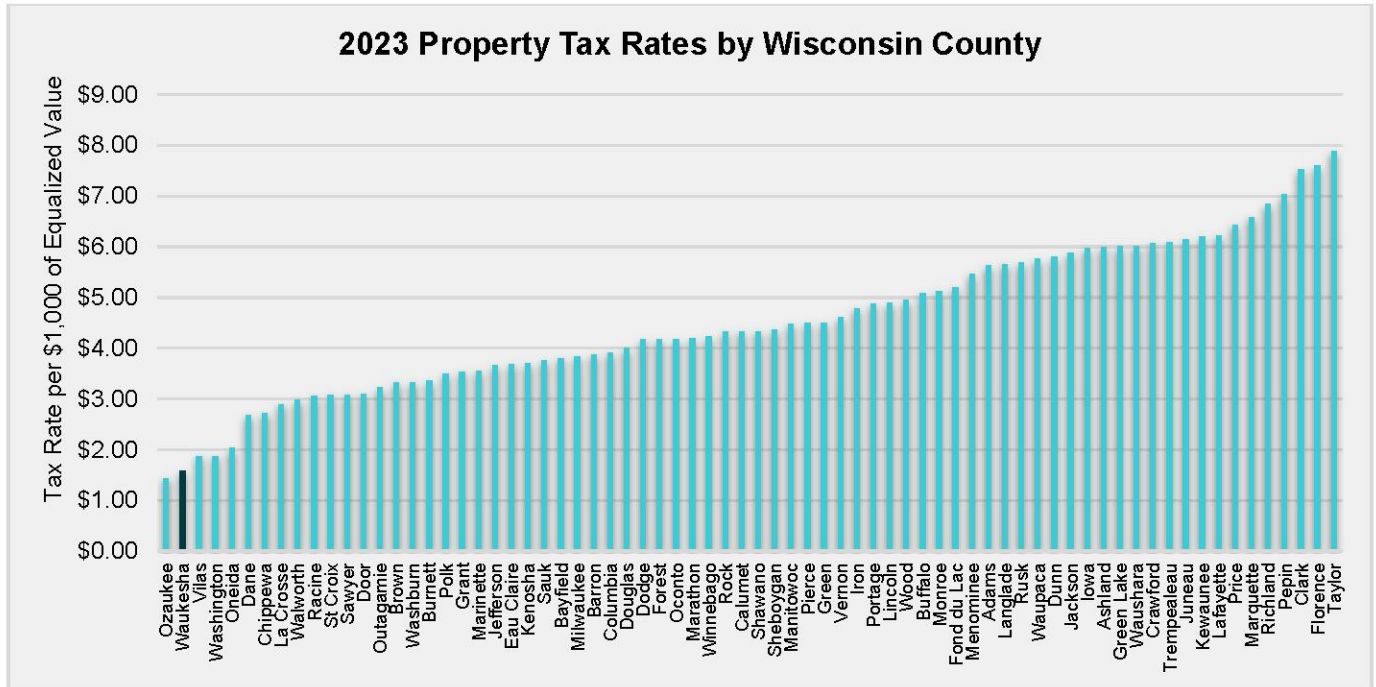


Figure 3: 2023 Property Tax Rates by County<sup>3</sup>

The County’s conservative budget approach was further affected by state-imposed property tax levy limits. Wisconsin State law caps counties’ annual property tax levy increase at the percent increase in equalized property value due to new construction, with the exception of levy used to fund debt service.<sup>4</sup> The 2005 Wisconsin Act 25 limited the ability of localities to increase property tax, the single largest local revenue source. The initial legislation included minimum growth of at least 2%; however, the legislation was modified in 2011 (after the Great Recession) to lower the minimum growth to 0%. Additional details and analysis regarding this state policy are included in the financial condition assessment; nevertheless, it is worth noting the impact of the revenue cap for annual budget development purposes.

<sup>3</sup> Property tax rates shown include library system and other special taxing authorities.

<sup>4</sup> Wisconsin Statutes § 66.0602(3).

Budgeted expenditures by functional area are illustrated in the table below. Data is presented based on financial information disclosed in the County’s Budget Document. It is important to highlight that the figures include all funds, including funds supplemented through user fees and other non-tax revenue sources. For example, included in the amounts below is the County’s special purpose grant fund, which was set up to accept and budget for the \$78.5 million of one-time funding received from the American Rescue Plan Act (ARPA). As a result, expenditure trends reflect the temporary boost in budget levels from these one-time sources provided following the onset of the pandemic. Additional details regarding the allocation of ARPA funds by functional area are provided below.

**Table 2: Budgeted Expenditures by Functional Area, All Funds, FY2020 – FY2024**

Functional Area	FY2020 Adopted Budget	FY2021 Adopted Budget	FY2022 Adopted Budget	FY2023 Adopted Budget	FY2024 Adopted Budget	Average Annual Change
Justice and Public Safety	\$66,932,509	\$68,341,029	\$71,650,398	\$76,479,249	\$78,062,531	4%
Health and Human Services	\$88,837,237	\$89,612,129	\$92,065,962	\$101,654,563	\$105,559,022	4%
Parks, Environment, Education, and Land Use	\$35,063,785	\$33,498,114	\$38,723,077	\$44,724,903	\$43,620,188	6%
Public Works	\$33,905,037	\$34,413,700	\$34,827,094	\$36,510,406	\$37,733,516	3%
General Administration	\$23,270,556	\$23,362,925	\$25,294,740	\$26,125,174	\$27,302,374	4%
Non-Departmental	\$29,531,600	\$30,749,479	\$31,245,776	\$29,715,040	\$29,329,791	0%
Debt Service (General)	\$14,944,779	\$14,873,594	\$15,081,796	\$16,135,115	\$16,839,088	3%
<b>Total Operating Budget</b>	<b>\$292,485,503</b>	<b>\$294,850,970</b>	<b>\$308,888,843</b>	<b>\$331,344,450</b>	<b>\$338,446,510</b>	<b>4%</b>

**ARPA Allocation**

Waukesha County, like other local governments around the country, received one-time federal ARPA funds to help offset impacts of the COVID-19 pandemic. The County’s allocation of ARPA funds totaled \$78.5 million, to be spent or obligated by December 31, 2024, and completed by December 31, 2026. The County generally manages ARPA funds in the Special Purpose Grant fund. ARPA projects were chosen by prioritizing a number of long-term County objectives, addressing both near-term pandemic impacts and investments in infrastructure. The budgeting of ARPA funds by functional area is captured in the table below.

**Table 3: ARPA Allocation by Functional Area**

Functional Area	Total
Justice and Public Safety	\$44,371,355
Health and Human Services	\$8,045,870
Parks, Environment, Education, and Land Use	\$10,235,000
Public Works	\$1,327,164
General Administration <sup>5</sup>	\$14,531,334
<b>Grand Total</b>	<b>\$78,510,723</b>

<sup>5</sup> Includes multiple allocations that fund countywide initiatives but are recognized in “General Administration” for simplified reporting.

In general, following best practices, the County used one-time ARPA funds for one-time expenses. At times though, and because it was authorized by the federal government, ARPA funds were strategically used to support ongoing costs in order to avoid major service impact on residents. Short-term use of one-time funds for ongoing expenses has its place; however, prolonged reliance on such funds increases financial risk. The County appropriately developed a phased-in approach where ARPA funds would be replaced by ongoing levy revenue over a multi-year window to avoid structural imbalance. Structural imbalance refers to ongoing operational costs that are not supported by ongoing revenues. Some examples of ARPA funding used to avoid major operational disruption (e.g., ongoing operating costs) in the short run include:

- \$1.3 million to support recommendations outlined in the compensation study
- \$2.5 million to phase in Sheriff Department sworn officer pay increases
  - Funding spans three years, with a budget of \$720,000 in 2024
- \$1.6 million to phase in higher fuel, utility, and vehicle parts
  - Funding spans three years with a budget of \$327,000 in 2024

The Justice and Public Safety functional area received the largest total share of ARPA funds: more than \$44 million. Most of this, \$36 million, supported the Courthouse renovation project with an additional \$2.5 million for renovations to the Medical Examiner’s Office. Additionally, a civil court was converted to a sixth criminal court to help address the pandemic-driven backlog, with nearly \$2.5 million of ARPA funds supporting Circuit Court and District Attorney costs. Finally, \$2.5 million supported increases in Public Safety personnel costs to maintain competitive wages and avoid service disruptions.

An additional \$14.5 million supported countywide initiatives and is categorized as “General Administration” for simplicity purposes because of its effect on multiple county departments. This category includes about \$4.8 million for implementation of an Enterprise Resource Planning (ERP) system, \$4.3 million for recovery of administrative costs carrying out the grant initiatives, \$3.0 million for salary and benefit adjustments to improve worker retention (e.g., phasing in the compensation study, mentioned previously), and \$1.6 million in higher fuel, utility, and vehicle parts (mentioned previously).

Parks, Environment, Education, and Land Use share of funding was \$10.2 million, including \$7.5 million used to expand the County’s revolving loan GROW fund to promote economic development by retaining, expanding, and attracting businesses, as well as to increase workforce housing stock to meet projected employment growth in Waukesha County. Health and Human Services received more than \$8 million for programs and infrastructure investments that supported response to emerging public health services. ARPA-funded initiatives in both areas were generally one-time, rather than ongoing, with the exception of a Crisis Services in Law Enforcement project that added positions to a grant-funded pilot of embedded mental health clinicians in public safety agencies. Finally, ARPA funded \$1.3 million of one-time costs related to projects in Public Works.

## CORE SERVICES MATRIX

The following table provides an overview of the County’s core services by functional area. It is meant to provide a high-level summary and is not inclusive of all County services. The programs outlined below provide a basis for understanding potential service level reductions or enhancements, including estimated fiscal and constituent impact.

**Table 4: County Core Services**

Functional Area	Department	Programs
Justice and Public Safety	Emergency Preparedness	<ul style="list-style-type: none"> <li>• Radio Services</li> <li>• Communication Center</li> <li>• Emergency Planning</li> </ul>
	District Attorney	<ul style="list-style-type: none"> <li>• Prosecution/Administrative Services</li> <li>• Victim/Witness Program</li> <li>• VOCA Grant Program</li> </ul>
	Circuit Court	<ul style="list-style-type: none"> <li>• Clerk of Circuit Court Office</li> <li>• Juvenile/Probate Division</li> <li>• Court Commissioners and Family Court Services</li> </ul>
	Medical Examiner	<ul style="list-style-type: none"> <li>• Medical Examiner Services</li> </ul>
	Sheriff	<ul style="list-style-type: none"> <li>• Administrative Services</li> <li>• General Patrol</li> <li>• Investigation</li> <li>• Inmate Security and Services</li> <li>• Court Security</li> <li>• Process Service</li> </ul>
Health and Human Services	Corporation Counsel: Child Support	<ul style="list-style-type: none"> <li>• Child Support</li> </ul>
	Health and Human Services	<ul style="list-style-type: none"> <li>• Administrative/Information Services</li> <li>• Children and Family Services</li> <li>• Adolescent and Family Services</li> <li>• Clinical Services</li> <li>• Public Health</li> <li>• Aging and Disability Resource Division</li> <li>• Criminal Justice Collaborating Council</li> <li>• Veterans' Services</li> </ul>
Parks, Environment, Education, and Land Use	Register of Deeds	<ul style="list-style-type: none"> <li>• Administrative Services</li> <li>• Land Records</li> <li>• Recording</li> <li>• Vital Records</li> </ul>
	Extension – Waukesha County	<ul style="list-style-type: none"> <li>• Strengthening County Citizens, Families, and Communities</li> </ul>
	Bridges Library System	<ul style="list-style-type: none"> <li>• Administrative Services</li> <li>• Resource Sharing</li> <li>• Education and outreach</li> <li>• Automation Technology</li> <li>• Payments to Member Libraries/Systems</li> <li>• CAFÉ Shared Automation Fund</li> </ul>
	Parks and Land Use	<ul style="list-style-type: none"> <li>• Parks</li> <li>• Administrative Services</li> <li>• Golf Courses</li> <li>• Ice Arenas</li> <li>• Workforce Innovation and Opportunity</li> <li>• Planning and Zoning</li> <li>• Land Resource</li> <li>• Environmental Health</li> <li>• Community Development</li> </ul>
Public Works	Public Works	<ul style="list-style-type: none"> <li>• Airport Operations</li> <li>• Engineering Services</li> <li>• Highway Operations</li> <li>• Transit Services</li> <li>• Central Fleet</li> <li>• Facility Operations</li> <li>• Administration</li> </ul>

Functional Area	Department	Programs
General Administration	County Executive	<ul style="list-style-type: none"> <li>Advisory Boards</li> <li>County Administration</li> <li>Customer and Community Services</li> </ul>
	County Board	<ul style="list-style-type: none"> <li>County Board and Committee Operations</li> <li>Legislative Support</li> </ul>
	County Clerk	<ul style="list-style-type: none"> <li>Licensing</li> <li>Legislative Support and Administrative Services</li> <li>Elections</li> </ul>
	County Treasurer	<ul style="list-style-type: none"> <li>Tax Collections</li> <li>Investments</li> <li>Administrative Services</li> </ul>
	Department of Administration	<ul style="list-style-type: none"> <li>Human Resources</li> <li>Budget Management</li> <li>Purchasing and Risk Management</li> <li>Information Technology/Communications</li> <li>Accounting Services</li> <li>Administrative and Business Services</li> <li>American Job Center</li> </ul>
	Corporation Counsel	<ul style="list-style-type: none"> <li>General Legal Services</li> </ul>
Non-Departmental	Non-Departmental	<ul style="list-style-type: none"> <li>General</li> <li>Health and Dental Insurance</li> <li>Contingency</li> </ul>

### STAFFING

Personnel-related costs are a key expenditure driver for the County’s budget. Salaries and benefits represent nearly half of the County’s annual spending. The table below provides a historical overview of funded positions before the state-imposed levy limits and funded positions in 2024. The data reflects staffing resources, where ongoing revenue is needed to support the position cost. Sunset positions, such as grant-funded or project-based, are excluded from the summary. Four of the County’s five Functional Areas with authorized positions experienced a decrease in staffing from FY2010 to FY2024. Health and Human Services, which is the only functional area that experienced a staffing increase, is shown separately because it receives more than 70% of its funding from non-tax levy sources, such as user fees and state pass-through revenue. Position growth in this area is correlated with higher revenue reimbursement.

**Table 5: Authorized Staffing Level by Functional Area, FY2010 and FY2024**

Functional Area	FY2010 Budget	FY2024 Budget	Total Change (Positions)	Total Change (%)
Justice and Public Safety	539	527	(12)	-2%
Parks, Environment, Education, and Land Use	214	171	(43)	-20%
Public Works	161	142	(19)	-12%
General Administration	139	128	(11)	-8%
<b>Subtotal</b>	<b>1,053</b>	<b>968</b>	<b>(85)</b>	<b>-8%</b>
Health and Human Services	399	426	27	7%
<b>Total Regular Positions</b>	<b>1,452</b>	<b>1,394</b>	<b>(58)</b>	<b>-4%</b>

# Fiscal Health Assessment

As part of the annual budget development process, County staff conduct a comprehensive long-term forecast to inform future policy decisions based on anticipated revenue and spending levels. As part of the project scope, Raftelis conducted an independent, objective review of the County's forecast model to determine future budget needs.

The Financial Condition Assessment reviewed five-year historical financial data (2019 – 2023) for all County funds to establish a financial baseline. It is important to note that the analysis excluded enterprise funds that are funded entirely through user fees or other non-tax sources as well as the capital budget except as it relates to debt service expenditures and financial policies dictating the percentage of cash contribution for bond-financed capital projects. Raftelis also conducted a benchmarking analysis by identifying peer counties in Wisconsin based on similar demographic indicators. The analysis reviewed revenue sources and budgetary practices to help inform the County's financial context.

The Financial Trend Analysis draws upon the findings of the Financial Condition Assessment, as well as other factors explained later in this section, to project future revenue and expenditure trends for the next five fiscal years. The following sections summarize key historical findings and the financial trends anticipated to impact future budget needs for the County.

## Financial Condition Assessment

The examination of Waukesha County's financial condition spanned budgeted and actual staffing, spending, and revenues from fiscal years 2019 through 2023, as well as the 2024 adopted budget. The data considered included published budgets, internal and audited financial reports, and interviews with County leadership. Part of the five-year analysis reflects the economic and service impacts of the COVID-19 Global Pandemic, which began in March 2020 and ended in May 2023. This period was characterized by suspending or altering many private and public services and stimulus funding from the federal government to avoid economic recession. As a result, the actual financial data during this period experienced greater variation than previous historical averages.

### Summary of County Funds

More than 55% of the County's budget is organized within the General Fund. The three largest revenue sources comprising the General Fund are, in order, the property tax levy, intergovernmental contracts/grants, and charges for services. The County also maintains Debt Service and Capital Projects funds, distinct from the General Fund. Debt Service is the third-largest recipient of tax levy, and capital projects are funded through a combination of available operating revenues (cash) and bond issuances (debt).

County operations include five Enterprise Funds where operating and capital costs are entirely or mostly recovered through user charges. As of 2024, these include a fund for two golf courses, a fund for two indoor ice arenas, a fund for a materials recycling facility managed by the Department of Parks and Land Use, a fund for the airport managed by the Department of Public Works, and a Radio Services Fund managed by the Department of Emergency Preparedness. Two relevant changes occurred in 2020 when the airport became self-sustaining without property tax levy support, and the County sold a third golf course.

Finally, the County manages financing for interdepartmental goods and services through Internal Service Funds. The Vehicle/Equipment Replacement, Central Fleet Maintenance, and Collections Management funds manage respective services for all County departments, who are then charged a usage-equivalent fee for service. The Risk Management, Health and Dental Insurance, and End User Technology Funds allocate most costs to departments or users, with certain centralized subsidies.

### Major Revenue Sources and Recent Trends

The following table summarizes County revenues by category for the past five fiscal years.

**Table 6: County Operating Revenues by Category, FY2019 – FY2023<sup>6</sup>**

Revenue Category	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual <sup>7</sup>	Average Annual Change
Tax Levy- General Operations <sup>8</sup>	\$89,338,540	\$90,609,579	\$92,062,880	\$93,696,377	\$95,635,790	2%
Tax Levy- Library	\$3,523,524	\$3,538,749	\$3,659,778	\$3,706,706	\$3,999,607	3%
Intergovernmental <sup>9</sup>	\$61,730,518	\$75,515,929	\$82,069,763	\$84,115,231	\$92,208,134	11%
Fines, Licenses, and Charges for Services	\$36,427,997	\$35,484,735	\$40,605,130	\$37,985,293	\$38,001,986	1%
Interdepartmental Charges	\$37,284,088	\$38,086,965	\$40,828,287	\$41,708,475	\$42,163,746	3%
Other <sup>10</sup>	\$17,296,583	\$23,185,832	\$17,989,986	\$21,109,417	\$23,957,337	11%
<b>Total</b>	<b>\$245,601,251</b>	<b>\$266,421,789</b>	<b>\$277,215,823</b>	<b>\$282,321,499</b>	<b>\$295,966,600</b>	<b>5%</b>

The County currently levies tax through property values. As mentioned previously, state statute limits annual property tax levy increases to the prior year’s change in value owing to net new construction, which incorporates both new and demolished buildings. There is some flexibility beyond the limit, primarily for unused tax levy from the prior year and to support debt service obligations. The County apportions the levy across taxable properties based on their equalized values. With the state-imposed cap on levy growth, the effective tax rate has decreased in recent years. The County’s total equalized property value has consistently increased, often at a much higher rate than the rate of tax levy growth. From 2019 to 2024, equalized property value rose from \$55 billion to nearly \$83 billion, while the effective tax rate per \$1,000 of equalized value fell 26%, from \$1.89 to \$1.39.

The following figure illustrates trends in property value and property tax rates over the past 10 years.

<sup>6</sup> Excludes enterprise funds, debt, and capital.  
<sup>7</sup> Preliminary unaudited figures  
<sup>8</sup> Does not include levy dedicated to capital or debt service.  
<sup>9</sup> FY 2021 – FY 2023 included ARPA funding for operations.  
<sup>10</sup> Market value adjustment on investment income is excluded.

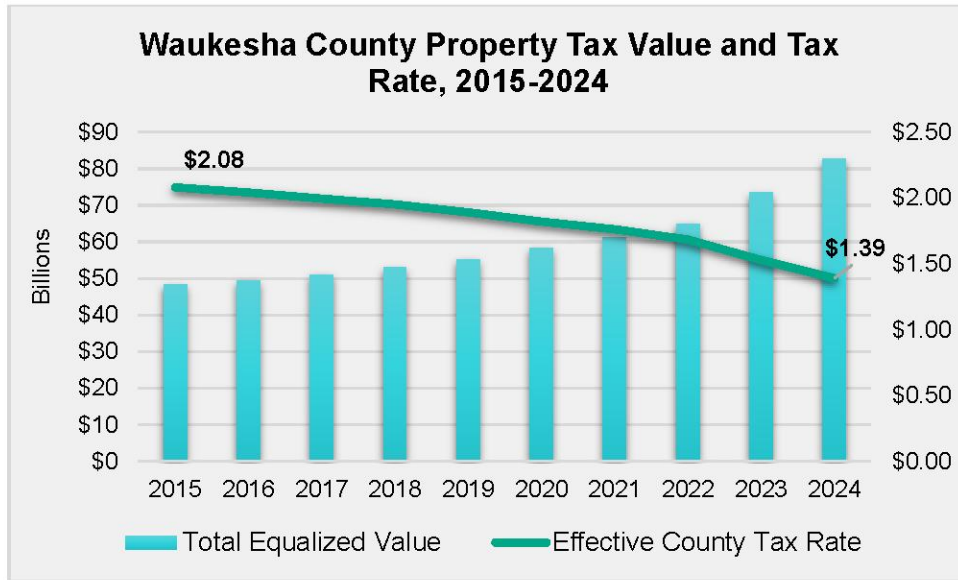


Figure 4: Waukesha County Property Tax Rates and Property Value, 2015-2024

Justice and Public Safety receive the greatest share of tax levy (41.3% in 2024). The Sheriff’s Office receives nearly two-thirds of the levy allocated to this area, with the remaining allocated to the District Attorney, Emergency Preparedness, Circuit Court Services, and Medical Examiner. Tax levy supports the majority of service delivery costs for each of these five departments. Public Works is equally reliant on intergovernmental funds (most of which is funding for maintenance of state highways) as it is tax levy, followed by interdepartmental funding for vehicles and equipment. Tax levy is only the third largest revenue source for Parks, Environment, Education, and Land Use, as nearly two-thirds of services are funded by intergovernmental and service charge revenues. Lastly, less than 10% of the General Administration budget is funded through tax levy, with the balance supported by interdepartmental and other sources. Total tax levy allocation by functional area, as a share of one dollar, is reflected in the figure below.

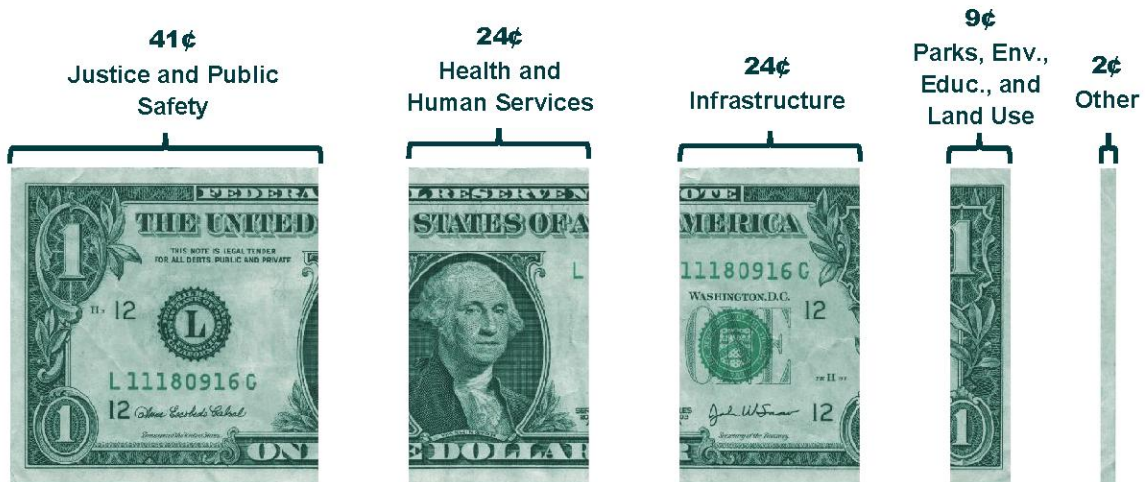


Figure 5: 2024 Tax Levy Allocation by Function, as \$1

Intergovernmental revenue increased by 10.6%, on average, over the past five years, the largest among each of the revenue categories. Much of this growth is driven by pandemic-era federal funding that cannot be relied upon in future budgets. County departments try to maximize state and federal funding resources to meet County priorities. However, nearly all the funding—whether from grants, contracts, or aid—is restricted to specific purposes. Shared revenue from the state is the only major unrestricted intergovernmental funding available, and it generally comprises less than two percent of funding countywide (and even a portion of this is restricted to transportation and certain public safety functions). The state appropriation comes through a combination of programs and is derived from state taxes. Other intergovernmental funding includes federal entitlement programs like the Community Development Block Grant from the Department of Housing and Urban Development, state support for mandated services like the Courts, and grants that County staff pursue. State funding for mandated services is often flat or grows minimally, not keeping up with the cost of providing services. As a result, approximately 40% of local tax levy in the 2024 budget was used to meet state-mandated service obligations.

Interdepartmental revenues are primarily associated with the internal service funds described earlier for End User Technology, Vehicle/Equipment Replacement, Central Fleet Maintenance, Risk Management, Collection Management, and Health and Dental Insurance. Other interdepartmental revenues are also for internally provided goods and services, such as Court Security supplied by the Sheriff and paid from the Circuit Court budget. Recognizing the fiscal constraints that many user departments are facing, most of these charges have been limited to 2-3% increases each year, despite the growing costs of providing these services. This has required significant subsidies to artificially lower interdepartmental charges through the use of internal service and general fund balance, including \$613,000 in the End User Technology Fund and \$268,000 in the Risk Management Fund in the 2024 budget. The use of one-time funds to bridge the gap between the cost of services and charges to departments will not be sustainable in the long term. From 2019 to 2023, these interdepartmental revenues increased by 3.1% on average, which still exceeds the average growth in the allowable property tax levy to support them.

Fines, licenses, and charges for services capture user-based revenue, whether they are imposed for compliance, authorization to operate, or in exchange for accessing a program or activity. Excluding Enterprise Funds, this revenue source has grown 4% from 2019 to 2023. Certain user fees are set by the state or an external agency with limited ability to change as operating costs evolve. Other fees that the County exerts greater control over—like golf course fees—are carefully balanced between cost recovery needs and remaining competitive in the regional market. Where possible, the County has prioritized increasing user fee revenues to keep pace with the cost of providing the service. For example, Parks and Land Use, where a majority of programs are discretionary, achieves 77% cost recovery across all of its funds. This minimizes the reliance on tax levy support. Additionally, the outpatient clinic from Health and Human Services, which receives governmental reimbursement for eligible Medicaid patients, is able to charge patients who can pay higher commercial insurance reimbursement rates, increasing revenue to support other programs where cost-recovery is more challenging.

## Expenditure Trends

The following table shows County expenditures by category for the past five fiscal years.

**Table 7: County Expenditures by Category FY2019 – FY2023**

Expenditure Category	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual <sup>11</sup>	Average Annual Change
Salaries	\$94,861,283	\$99,997,477	\$101,143,489	\$101,500,262	\$107,139,325	3%
Benefits	\$32,385,290	\$33,956,966	\$35,705,532	\$34,486,102	\$36,234,191	3%
Operating Expenses	\$75,653,016	\$76,998,367	\$85,984,344	\$78,553,630	\$87,890,381	4%
Contracted Services	\$31,550,677	\$32,136,358	\$32,748,678	\$34,850,104	\$37,929,098	5%
Debt Service	\$13,904,500	\$14,254,500	\$14,312,719	\$14,520,921	\$15,842,737	3%
Utilities	\$2,943,744	\$2,837,667	\$3,226,256	\$3,523,124	\$3,535,724	5%
Interdept.	\$21,032,319	\$21,115,483	\$22,375,468	\$24,290,762	\$24,265,908	4%
<b>Total</b>	<b>\$272,330,829</b>	<b>\$281,296,818</b>	<b>\$295,496,486</b>	<b>\$291,724,905</b>	<b>\$312,837,364</b>	<b>4%</b>

The modest average annual increase in expenditure primarily reflects the increasing cost of providing existing services and increased temporary federal funding. The County has had limited-service expansion over the past five years. High-quality service delivery relies on talented staff, and the County has worked diligently to remain a competitive employer. As previously discussed, salary and benefit costs have risen nationwide, and municipal employers are facing competitive pressure from not only private sector jobs but also neighboring localities. The County strives for cost-effective and competitive employee benefits by self-insuring health and dental insurance coverage and participating in the Wisconsin Municipal Mutual Insurance Company for eligible liability coverage. For an organization with more than 1,000 employees, this is a best practice<sup>12</sup>; however, managing healthcare costs within a constrained revenue generating capacity is a challenge. Nationwide medical inflation was 7% in 2023, and the County has effectively managed to stay at or below this threshold.<sup>13</sup>

Non-personnel operation costs increased between 15% to 20% over the past five years, well above the 7% growth in property tax levy revenue over the same period. Historically, the County has relied on a contract-based service model to increase efficiency and effectively manage resources. As large contracts have come due for renewal, the underlying labor and supply costs impacting contract pricing have resulted in significant renewal increases. For example, the jail medical services budgeted contract costs increased 25% between 2019 and 2024. The County’s utility costs jumped up 20% from FY2019 to FY2023, largely driven by a 14% increase in 2021 and a 9% increase in 2022. Finally, interdepartmental spending increased by approximately 4% per year on average, reflecting growing costs for essentials like software licenses, risk management charges, and bailiff services. One key contributor to rising costs is inflation.

**GENERAL FUND HISTORICAL OVERVIEW**

Budgeted and actual General Fund expenditures both increased, on average, between 3-4% each year over the past five years. A summary of actual revenue and expenditures by fiscal year is illustrated in the table below. The relatively small variance between these amounts is indicative of the County’s ability to both accurately forecast and adjust as needed based on revenue collections throughout the year.

<sup>11</sup> Preliminary unaudited.

<sup>12</sup> Sammer, Joane. Is Self-Insurance for you? Society for Human Resources Manager (SHRM). May 2011. <https://www.shrm.org/topics-tools/news/hr-magazine/self-insurance>

<sup>13</sup> Kaiser Family Foundation (KFF). Employer Health Benefits; 2023 Summary of Findings. <https://files.kff.org/attachment/Employer-Health-Benefits-Survey-2023-Annual-Survey-Summary-of-Findings.pdf>

**Table 8: General Fund Budget to Actual Expenditures, FY2019 – FY2023**

Year	Actual Revenues	Actual Expenditures	Favorable/ Unfavorable Variance (\$)	Variance to Modified Budget (%)
2019	\$174,375,559	\$174,943,194	\$567,635	0.3%
2020	\$183,677,936	\$189,168,729	\$5,490,793	2.7%
2021	\$189,565,729	\$195,778,871	\$6,213,142	3.2%
2022	\$187,959,054	\$195,545,024	\$7,585,970	3.8%
2023	\$199,356,512	\$206,591,220	\$7,234,708	3.4%
Average			\$5,418,450	2.7%

**PEER BENCHMARKING**

The project team compared Waukesha County’s financial profile to that of other Wisconsin counties to help provide context to the County’s financial position. Given the unique nature of local governments within each state, the benchmarking analysis focused on other counties in Wisconsin. Benchmarking can be a useful tool to identify shared challenges and opportunities. However, it is important to note that any municipal entity can vary significantly from its neighbors or similarly sized counties due to a variety of social and economic factors, and benchmarking should be considered as one data point in a more holistic analysis.

For this analysis, counties in Wisconsin were first reviewed based on population size. Waukesha is the third largest County in the state, within the top tier range of population size from around 170,000 in Kenosha County to more than 930,000 in Milwaukee. Population is a useful comparative metric because a County’s size typically impacts the resources available from the tax base, as well as the service level demands. Other comparative factors that were analyzed included whether the County had adopted the 0.5% sales tax; median income and house value; percent of the population below the federal poverty level; and crime rates. These factors were important given Waukesha’s strong property tax base, conservative financial policies, and prioritization of public safety services by residents. The analysis also considered geographic proximity to Waukesha, as Wisconsin’s population tends to be concentrated in its southern region where the County is located.

As captured in the table below, Waukesha’s population size is closest to Brown County, which is located in northern Wisconsin near Green Bay. Although further north, Green Bay has both a major professional sports team and Lake Michigan waterfront, attributing similar socioeconomic characteristics to Waukesha. Waukesha’s median income and home values aligned closest to Dane County, where the state capital of Madison is located. When examining the prevalence of poverty and crime, Waukesha ranks closer to Racine, which also happens to be the only other benchmark peer without a county sales tax.

**Table 9: Peer Counties Demographic Comparison<sup>14</sup>**

County	2023 Population <sup>15</sup>	Adopted Sales Tax	Median Income	Median House Value	% Below Federal Poverty Level	Violent Crimes per 1,000 Residents <sup>16</sup>	Property Crimes per 1,000 Residents <sup>17</sup>
Brown	273,333	1986	\$71,127	\$251,900	9.9%	8	12
Dane	590,056	1991	\$84,831	\$373,500	10.4%	7	16
Kenosha	170,243	1991	\$74,534	\$253,200	9.0%	9	10
Milwaukee	937,259	1991	\$58,214	\$216,900	17.1%	20	29
Racine	197,422	None	\$71,788	\$238,200	8.0%	7	10
Waukesha	411,538	None	\$98,849	\$379,700	5.2%	3	7

To gauge the overall resource allocation and spending of taxpayer dollars, the table below compares the budget, property tax levy, and state-shared revenue per capita for each of the peer counties. Among peer counties, Waukesha has the lowest per capita amounts across all three categories (although Dane County receives similar shared revenue per capita). To meet resident service level expectations with fewer resources year after year requires persistent operational efficiency.

**Table 10: Peer Counties Spending Per Capita**

County	Total 2024 Budget Per Capita	2024 Tax Levy Per Capita	2024 Shared Revenue Per Capita
Brown	\$1,702	\$347	\$17
Dane	\$1,641	\$431	\$10
Kenosha	\$1,657	\$457	\$16
Milwaukee	\$1,464	\$311	\$58
Racine	\$1,233	\$327	\$19
Waukesha	\$916	\$279	\$10

**Comparison of Revenue Sources**

The primary revenue source for all Wisconsin counties is tax revenue. All counties collect property taxes, and they also have the option to collect vehicle registration fees (also known as a wheel tax) and/or a 0.5% sales tax. Four of the five benchmark counties collect sales tax, as illustrated in Table 9. Milwaukee County also received special approval from the state legislature to increase its county sales tax and add a city sales tax beginning in January 2024.<sup>18</sup>

<sup>14</sup> Unless otherwise specified, all data is from 2022 (most recent available) and the 2022 U.S. Census American Community Survey.

<sup>15</sup> “Demographic Services Center’s 2023 Population Estimates.” *Wisconsin Department of Administration*, [https://doa.wi.gov/DIR/Final\\_Ests\\_Summary\\_2023.pdf](https://doa.wi.gov/DIR/Final_Ests_Summary_2023.pdf).

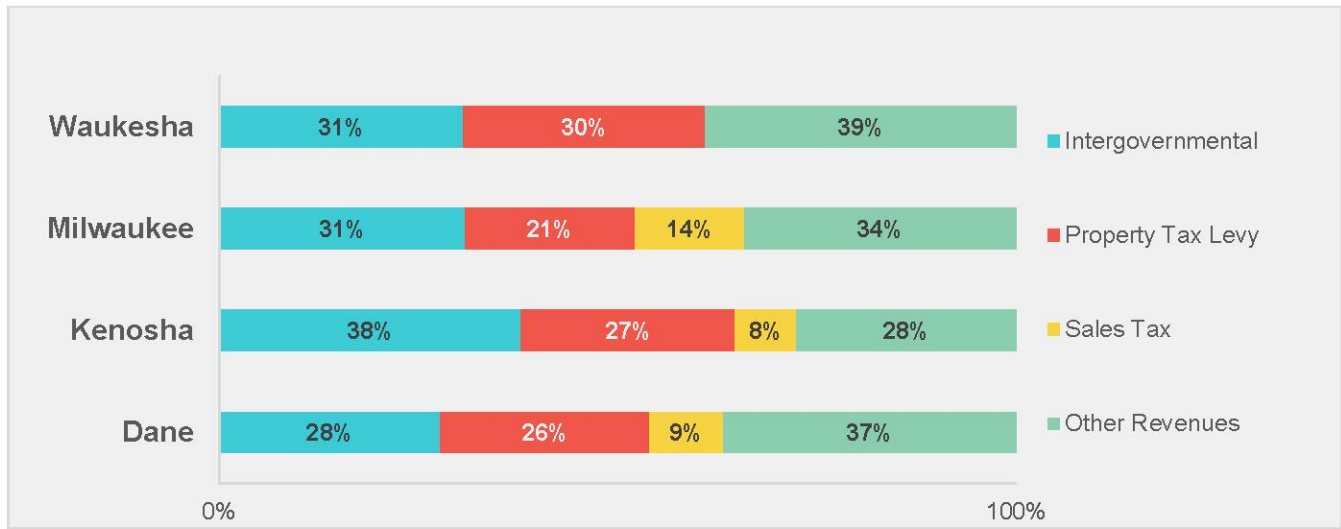
<sup>16</sup> “UCR Offense Data.” *Wisconsin Department of Justice*, <https://www.doj.state.wi.us/dles/bjia/ucr-offense-data>.

<sup>17</sup> *Ibid.*

<sup>18</sup> “Tax Rates.” *Wisconsin Department of Revenue*, <https://www.revenue.wi.gov/Pages/FAOS/pcs-taxrates.aspx#txrate11>.

Waukesha, at the beginning of this assessment, was one of only four counties, out of 72 total, without the county sales tax. Recently, Manitowoc County adopted the sales tax with an effective collection date of January 1, 2025. Among the remaining three counties without sales tax, Waukesha is certainly not alone in experiencing growing fiscal pressure. In the previous three other counties without the sales tax—Manitowoc, Racine, and Winnebago—the FY2024 budget development processes identified an average shortfall of \$8.3 million. Further, in the 2024 budget messages for both Winnebago and Racine counties, the respective County Executive took the opportunity to highlight their mounting constraints and foreshadow seeking additional revenues.<sup>19</sup> Waukesha has maintained its Aaa/AAA bond ratings despite fiscal constraints. The bond rating agencies acknowledge the availability of the additional revenue source (sales tax) and spending growth that has outpaced restricted revenue growth, noting they “expect spending to grow in line with, to slightly above, revenue growth in the absence of policy action.”<sup>20</sup>

The chart below illustrates the distribution of major revenue sources among each of the peer counties.<sup>21</sup> Of the four counties with comparable data,<sup>22</sup> not surprisingly, Waukesha relies the most on a property tax levy and other revenues (including user fees). The addition of sales tax in the other three counties contributes to less reliance on the property tax levy. Intergovernmental revenue is a significant source of revenue for all counties in the state, with similar proportions among the four counties shown below. As mentioned previously, much of this revenue is restricted in use to support specific, often mandated, services provided by the County.



**Figure 6: 2024 Revenue Sources for Counties That Budget with Comparable Categories**

<sup>19</sup> “Racine County 2024 Budget.” *Racine County*, [racinecounty.com/home/showpublisheddocument/46848/638428279760830000](https://racinecounty.com/home/showpublisheddocument/46848/638428279760830000); “2024 Approved Budget Book.” *Manitowoc County*, <https://manitowoccountywi.gov/wp-content/uploads/2024/05/2024-Approved-Budget-Book.pdf>; “Adopted Budget 2024.” *Winnebago County*, <https://www.co.winnebago.wi.us/sites/default/files/uploaded-files/2024%20ADOPTED%20Budget.pdf>.

<sup>20</sup> “Fitch Rates Waukesha County, WI’s Series 2023A GO Notes ‘AAA’; Outlook Stable.” *Fitch Ratings*, <https://www.fitchratings.com/research/us-public-finance/fitch-rates-waukesha-county-wi-series-2023a-go-notes-aaa-outlook-stable-12-04-2023>.

<sup>21</sup> “2024 Adopted Operating Budget.” *Milwaukee County*, <https://county.milwaukee.gov/files/county/administrative-services/PSB/BudgetsCopy-1/2024-Budget/2024-Adopted-Budget/2024-Operating-Budget2025.pdf>; “2024 Budget.” *Kenosha County*, <https://www.kenoshacounty.org/DocumentCenter/View/17819/2024-County-Budget>; “2024 Adopted Budget.” *Dane County*, <https://admin.danecounty.gov/documents/pdf/Budget/2024/Adopted-Budget-Report.pdf>.

<sup>22</sup> Counties are only shown if their revenue categories align with Waukesha closely enough for comparison.

## Financial Trend Analysis

After reviewing historical financial results for revenue and expenditures, the project team created a financial model incorporating the historical trends along with anticipated future trends to forecast budget needs over the next six years, FY2025 – FY 2030. This independent analysis provided an objective review of the County’s annual forecasting process, and it began to identify some of the key challenges associated with achieving a balanced budget in future years.

### KEY ASSUMPTIONS

The adopted FY2024 budget was used as the base year of data for the financial model. The financial model excluded Enterprise Funds and the Capital Improvement Fund, focusing on operating budget requirements for all other funds, including Special Revenue and Internal Service Funds. Key assumptions used in the model are detailed below.

#### Fund Balance

The starting fund balance for FY2024 is assumed to be \$60.9 million, based on the adopted FY2024 County budget, and the starting fund balance for FY2025 is assumed to be \$57.4 million, based on County staff projections. These figures represent the unassigned fund balance for General and Special Revenue Funds only.

The annual target fund balance is assumed to be 15% of annual General and Special Revenue Fund expenditures, and the minimum is assumed to be 11% of annual expenditures, based on adopted County financial policies.<sup>23</sup>

#### Operating Expenditures

The model identifies assumptions for annual changes in base operating expenditures based on expenditure category. These assumptions were developed based on historical trends and input from County staff. The list of assumptions by category is shown in the table below.

**Table 11: Base Annual Change Assumptions for Operating Expenditures by Category**

Category	Assumed Annual Percent Change
Salaries <sup>24</sup>	5%
Benefits	5%
Operating Expenses	4%
Capital Assets	5%
Contracted Services	8%
Utilities	10%
Interdepartmental Charges	4%

A total of 98% of budgeted operating expenditures are projected to be spent per year. Historically, the number has been closer to 97%, but this is largely due to high vacancy rates, and the model assumes a lower vacancy rate going forward.

<sup>23</sup> “Financial Management Policies.” *Waukesha County*.

<sup>24</sup> Includes across-the-board salary range adjustments, progression through step ranges, and performance pay, similar to recent years.

### Capital Expenditures

Assumptions for annual capital expenditures, as well as revenue offsetting the cost of these expenditures, are based on the County’s adopted capital plan. Based on past County practice, the model assumes that the County will pay for at least 20% of all capital costs directly (as down payment) and that the rest of the cost, aside from any offsetting revenue, will be financed through 10-year bonds. The annual interest rate for the bonds is assumed to be 4%, based on standard County assumptions.

### Non-Tax Revenues

The model identifies assumptions for annual changes in base non-tax operating revenues based on revenue category. These assumptions were developed based on historical trends and input from County staff. The list of assumptions by category is shown in the table below.

**Table 12: Base Annual Change Assumptions for Non-Tax Operating Revenues by Category**

Category	Assumed Annual Percent Change
Intergovernmental	2%
Fines, Licenses, and Charges for Services	3%
Interdepartmental Revenues	4%
Other Revenues	3%

### Tax Revenues

The model assumes that all debt service will be paid for via property tax levy, and that the remaining portion of the tax levy, which is subject to state restrictions on the annual increase, will increase by 1.4% per year. The 1.4% figure is based on County projections of future development and is supported by historical trends. Property appreciation has increased significantly, while net new construction is limited by the availability of developable properties and is affected by the economic cycles.

## FUTURE PROJECTIONS

Based on the assumptions detailed in the previous section, projected operating revenues and expenditures are shown in the tables below. Numbers are rounded to the nearest million.

**Table 13: Projected Operating Expenditures by Category, FY2024 – FY2030 (\$M)<sup>25</sup>**

Category	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Average Annual Change
Salaries	\$111.7	\$116.9	\$122.7	\$128.8	\$135.3	\$142.0	\$149.1	5%
Benefits	\$40.2	\$42.0	\$44.1	\$46.3	\$48.6	\$51.0	\$53.6	5%
Operating Expenses	\$92.1	\$90.9	\$94.6	\$98.4	\$102.3	\$106.4	\$110.6	3%
Capital Assets	\$1.8	\$1.9	\$2.0	\$2.0	\$2.2	\$2.3	\$2.4	5%
Contracted Services	\$37.8	\$40.8	\$44.1	\$47.6	\$51.4	\$55.5	\$60.0	8%
Utilities	\$3.3	\$3.7	\$4.0	\$4.4	\$4.9	\$5.4	\$5.9	10%
Interdept. Charges	\$24.2	\$25.0	\$25.9	\$26.8	\$27.8	\$28.7	\$29.8	4%
Transfers to Other Funds <sup>26</sup>	\$1.0	\$0.9	\$1.0	\$1.1	\$1.2	\$1.3	\$1.4	6%
Debt Service	\$16.8	\$17.3	\$19.8	\$21.4	\$22.0	\$22.4	\$21.8	5%
<b>Total</b>	<b>\$328.9</b>	<b>\$339.4</b>	<b>\$358.1</b>	<b>\$376.9</b>	<b>\$395.6</b>	<b>\$415.0</b>	<b>\$434.6</b>	<b>5%</b>

**Table 14: Projected Operating Revenues by Category, FY2024 – FY2030 (\$M)<sup>27</sup>**

Category	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Average Annual Change
Tax Levy	\$119.0	\$122.4	\$126.3	\$129.5	\$131.5	\$133.5	\$134.4	2%
Intergovernmental	\$85.9	\$88.2	\$90.0	\$91.8	\$93.6	\$95.5	\$97.4	2%
Fines, Licenses, and Charges for Services	\$41.6	\$42.8	\$44.1	\$45.4	\$46.8	\$48.2	\$49.6	3%
Interdept. Revenues	\$46.3	\$47.9	\$49.6	\$51.3	\$53.1	\$55.0	\$56.9	3%
Dedicated Fund Balance	\$8.9	\$7.1	\$7.3	\$7.5	\$7.7	\$7.9	\$8.1	-1%
ARPA	\$8.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	N/A
Other Revenues	\$18.5	\$19.0	\$19.6	\$20.2	\$20.8	\$21.4	\$22.0	3%
Carryforward <sup>28</sup>	\$0.0	\$6.8	\$7.2	\$7.5	\$7.9	\$8.3	\$8.7	N/A
<b>Total</b>	<b>\$328.9</b>	<b>\$334.2</b>	<b>\$344.0</b>	<b>\$353.2</b>	<b>\$361.4</b>	<b>\$369.7</b>	<b>\$377.1</b>	<b>2%</b>

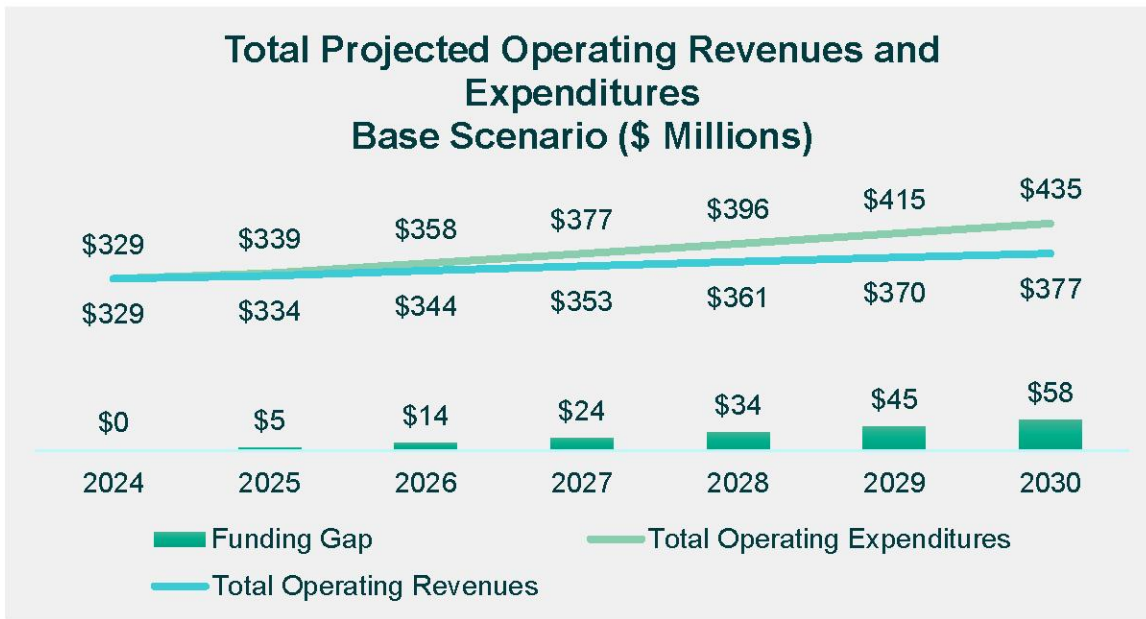
Operating expenditures are projected to outpace earnings each year, based on the base model assumptions. The gap is also expected to grow over time, as illustrated in the figure below.

<sup>25</sup> Figures may not sum due to rounding.

<sup>26</sup> Levy transferred to capital projects as part of down payment.

<sup>27</sup> Figures may not sum due to rounding.

<sup>28</sup> The model assumes that 2% of budgeted operating expenditures in 2025 onward are not expended, based on past trends, and these funds are carried forward.



**Figure 7: Projected Operating Expenditures and Revenues Under Base Scenario, FY2024 – FY2030**

The baseline forecast provided above aligns with the County’s financial forecast provided in the budget document as part of budget development each year. The results indicate a structural deficit, where primary ongoing revenue sources are growing at a rate that is below the cost to continue providing the same level of service residents receive now over the next six years. Structural deficits can lead to decreased reserve balances, limit capacity for future capital investment, and require significant service level reductions to meet balanced budget requirements.

## Gap Closure Scenarios

The difference between estimated revenue and cost to continue providing services (baseline) is referred to as the budget gap. As part of the financial analysis, Raftelis worked with County staff to identify gap closure options that either reduce services (expenditure savings) or increase revenue (revenue-generating options). Collectively these options will be needed to address the projected budget gap over the next several years. It is important to note that the structural imbalance experienced by the County is not new. Since 2019, the County has faced preliminary base budget gaps ranging from \$3 to \$8 million annually.

### EXPENDITURE REDUCTIONS

Under the state-imposed levy limits, the “new” revenue provided through tax levy growth is usually insufficient to cover the increasing cost of providing core services, often resulting in staff reductions and other expenditure cuts. As such, departments have identified cost savings by reducing non-mandated services and trimming support for mandated services. The anticipated budget gap starts at approximately \$5 million in 2025. It grows to approximately \$58 million in six years as inflationary pressure for operational costs increases an average of 3 – 5%, higher than historical averages of 2 – 3%. The financial model included a targeted analysis of needed expenditure reductions or revenue enhancements to solve for the next six years. The estimated savings target is approximately \$30 million, which would help mitigate the inflationary impact that results in the \$58 million gap.

To assist with identifying potential expenditure reduction scenarios, the project team leveraged the County’s program-based budget. This data allowed for easier translation of estimated savings amounts and service level impact. This relationship is critical for policymakers to have a clear understanding of the trade-offs associated with no longer providing a service or reducing the current service level. Given a much shorter time horizon for the financial analysis and Task Force facilitation (three months) compared to traditional budget development (nine or more months), the savings estimates required simplified assumptions and instead focused on understanding what programs might be feasible to reduce (e.g., are not mandated) and the net tax levy support that could be realized as potential savings. This information was then used to help guide the Task Force discussion around service level priorities and willingness to reduce certain services.

The figure below provides the scope of service level reductions following the logic described above, beginning with the adopted FY2024 Budget to the approximately \$38 million of discretionary services where tax levy savings could be achieved. Nearly all of these services would need to be reduced/eliminated to achieve the \$30 million of targeted expenditure reductions that solve the County’s projected budget gap over the next six years. Discretionary is a subjective term. Many of the programs included in this amount still include core services that may have mandated components. For example, law enforcement is mandated for unincorporated areas of the County and, based on resident priorities, would likely not be classified as “discretionary;” however, tax levy support is highest among this functional area, and as such, resource allocation could be reduced by adjusting staffing levels, which may in turn increase response time or limit availability to respond to non-violent calls for service. What constitutes a core service is unique to each locality. Core services are the essential functions and services provided to ensure the well-being, safety, and effective functioning of the community.



**Figure 8: Scope of Expenditure Reductions**

The nearly \$38 million of potential service reductions was also broken down by functional area, as shown below. This was based on underlying program budget data. The proportion of savings is correlated with how the County spends tax levy revenue by functional area.

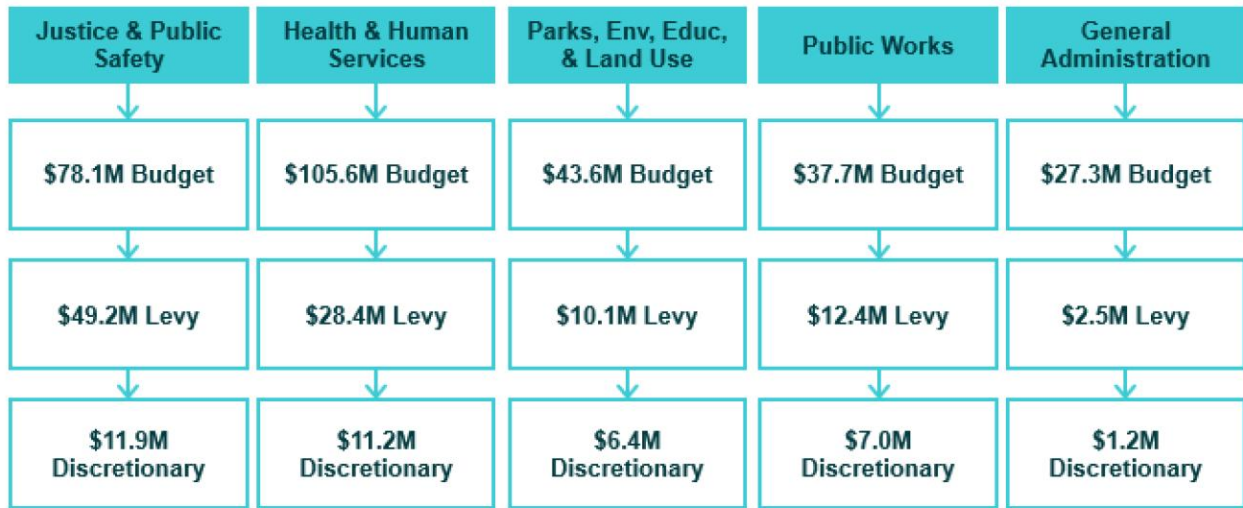


Figure 9: Scope of Expenditure Reductions by Functional Area

## REVENUE ENHANCEMENTS

The County has three tax-related revenue enhancements it could consider to address the budget gap. There are also non-tax revenue enhancements, though many are less impactful on the \$30 million target based on the scale of fees or charges that the County has the authority to adjust. Each available revenue option is described in greater detail below.

### Exceed Allowable Levy Increase

Waukesha County staff estimate that the value of new construction will increase by approximately 1.4% annually between 2024 and 2030, which means that the County’s levy increase is estimated to be capped at 1.4% per year per State law. However, counties do have the option of increasing their levy limit if a resolution is approved by the County Supervisors, and then voters approve the increase in a referendum. Referendums must specify the amount of the increase, whether the increase is one-time or ongoing, and the purpose for the increase.<sup>29</sup>

Other counties in the state have requested levy increases in public referendums, with mixed responses from voters. The following table lists examples of four recent referendums, along with the results of the votes.

Table 15: Results of Levy Increase Referendums in 2024

County	Requested Funding Increase	Duration	Purpose	Adopted?
Forest	\$2 million (32% of levy)	Ongoing	Fund ongoing operations	NO; failed 70/30
Green	\$800,000 (5%)	Through 2030	Fund County-owned nursing home	YES; passed 65/35
St. Croix	\$900,000 (2%)	Ongoing	Fund public safety positions	YES; passed 54/46
Washington	\$4 million (10%)	Ongoing	Fund Anti-Crime Plan	NO; failed 56/44

<sup>29</sup> Wisconsin Statutes § 66.0602(4).

### Estimated Revenue

The basic rule of thumb for new levy growth in the County is a 1% increase which equals approximately \$1 million in new revenue. Based on the expenditure and revenue trends discussed in the Financial Trend Analysis section, the County would need to increase total tax levy by approximately \$30 million above allowable levy growth under state levy limits to close the budget gap between 2025 and 2030. Even with the infusion of additional levy dollars through a referendum, the underlying limits on levy growth would likely yield future budget gaps.

With a noteworthy history of managing budgets and minimizing taxpayer impact, the County would likely request a levy increase between 2% and 10%. The structure of the requested increase would be ongoing and cite a specific policy purpose. It is worth noting that the calculated amount of increase for the referendum would remain the same each year until ended by the Board of Supervisors or until a new amount was approved by voters in a referendum. The base levy, inclusive of the additional ongoing referendum amount, would be subject to the net new construction growth factor each year. The following table illustrates what the estimated revenue would be with an increase of \$3 million per year in 2025 (3% increase over the 2024 levy) or \$6 million per year (6% increase).

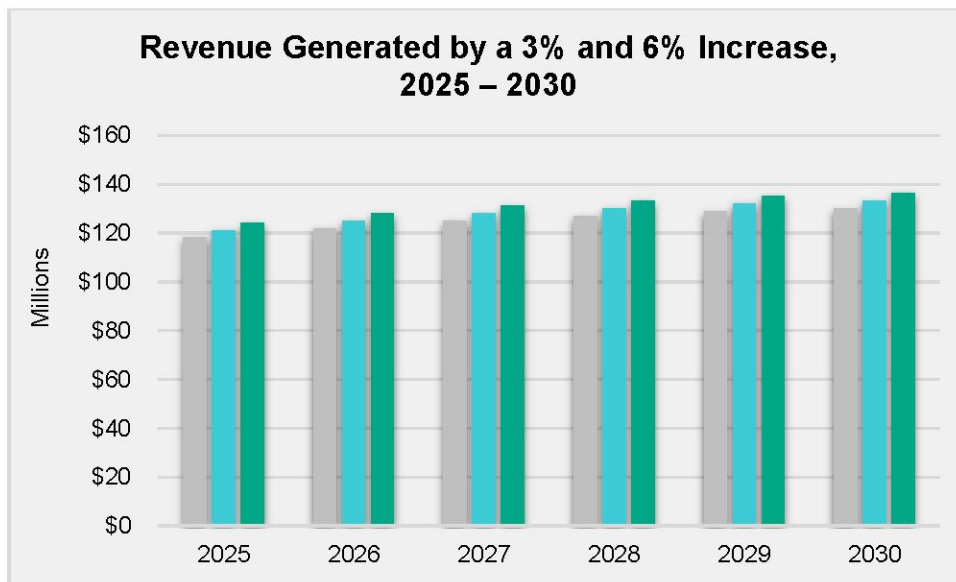


Figure 10: Estimated Levy Increase Revenue, FY2025 – FY2030

### Impact on Taxpayers

The median home value in Waukesha County is estimated to be approximately \$417,000 in 2025, based on past trends. If the levy is increased by \$3 million (3%) in 2025, the median homeowner is projected to pay \$566 in County property taxes, which is \$14 more than they would pay without the levy increase. If the levy is increased by \$6 million, the median homeowner’s taxes are projected to increase by \$28 per year.

### Vehicle Registration Fee (Wheel Tax)

Another revenue generation option afforded to counties by the legislature is a vehicle registration fee, known colloquially as a wheel tax. The state allows counties and municipalities to enact an annual flat fee via ordinance affecting most vehicles weighing 8,000 pounds or less.<sup>30</sup> There is no limit to the fee charged, but funds may only be used for transportation-related purposes.

<sup>30</sup> Wisconsin Statutes § 341.35.

As of June 2024, 13 Wisconsin counties along with 41 municipalities have adopted wheel taxes. The counties with wheel tax are listed below, along with their annual fee. Fees range from \$15 to \$30, with an average fee of \$23. None of the municipalities that have enacted wheel tax are in Waukesha County.

**Table 16: County Wheel Tax Rates in 2024**

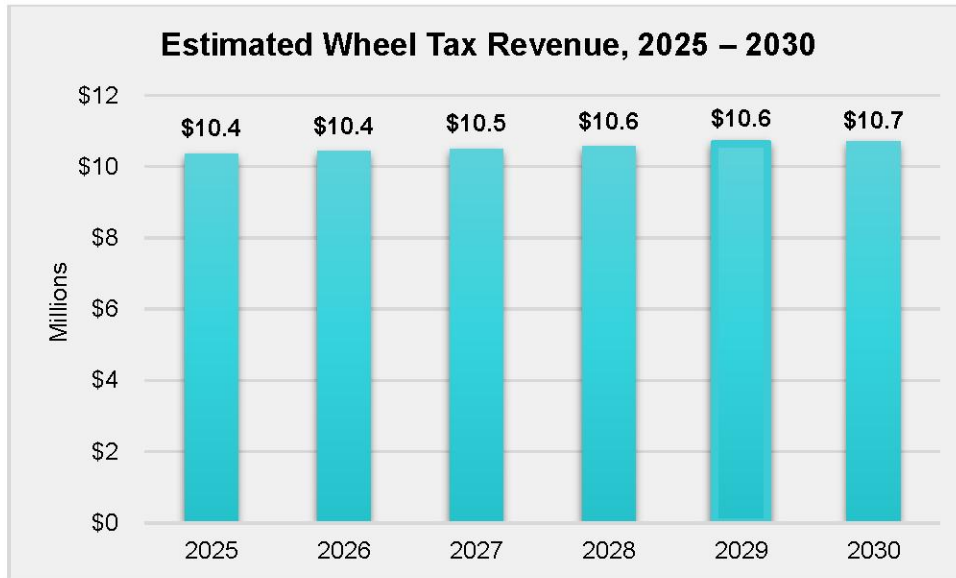
County	Wheel Tax Amount
Langlade	\$15
Crawford	\$20
Dunn	\$20
Green	\$20
Iowa	\$20
Richland	\$20
St. Croix	\$20
Marathon	\$25
Vernon	\$25
Dane	\$28
Eau Claire	\$30
Milwaukee	\$30
Portage	\$30

**Estimated Revenue**

According to the Wisconsin Department of Transportation, Waukesha County had approximately 341,000 registered vehicles eligible for a wheel tax, as of 2023, and the number of vehicles increased by an average of 0.7% per year between 2013 and 2023.<sup>31</sup> Based on these factors, a \$30 wheel tax would generate the County approximately \$10.5 million per year, as illustrated in the following figure.

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<sup>31</sup> “Vehicle Registrations.” *Wisconsin DOT*, <https://wisconsindot.gov/Documents/dmv/shared/rpt-12-cal-23.pdf>.



**Figure 11: Estimated Wheel Tax Revenue, FY2025 – FY2030**

It is important to note that this figure assumes that the County would have at least \$10.5 million in transportation expenditures per year that could be funded by the wheel tax. The County’s FY2024 Transportation Fund budget is \$18.1 million, but only \$3.6 million is funded through levy. However, this figure does not consider capital spending on transportation projects or any deferred maintenance needs that could be funded with the new revenue.

**Impact on Taxpayers**

Waukesha County vehicle owners already pay \$85 per year in state fees. If the County imposed a wheel tax of \$30, the total cost would rise to \$115 per vehicle. There is also the potential for costs to further increase if any Waukesha County municipalities opt to enact a wheel tax.

**Sales Tax**

Another option for generating additional revenue is for the County to adopt a sales tax. Wisconsin state law allows counties to adopt a 0.5% sales tax via an ordinance passed by the County Board of Supervisors. Per state law, the tax may only be used “for the purpose of directly reducing the property tax levy,”<sup>32</sup> which can be implemented in multiple ways, including replacing property tax levy in the operating budget; reducing borrowing for capital projects, which lowers levy-funded debt principal and interest payments in the future; or defraying the cost of budgetary items that otherwise would be funded with property tax levy. However, state law also allows for counties to “distribute all or a portion of the amount it receives to the towns, villages, cities, and school districts in the county.”<sup>33</sup> The county sales tax rate is fixed at 0.5% and would require state legislation to enact a different amount. Recently the state allowed Milwaukee County to increase its tax to 0.9% and the City of Milwaukee to enact a sales tax of 2%.<sup>34</sup> As of August 2024, 69 of the 72 Wisconsin counties have adopted the sales tax, including Manitowoc County’s recent adoption. The three counties that have not adopted the tax are Racine, Winnebago, and Waukesha.

<sup>32</sup> Wisconsin Statutes § 77.70(1).

<sup>33</sup> Wisconsin Statutes § 77.76(3).

<sup>34</sup> “Tax Rates.” *State of Wisconsin Department of Revenue*, <https://www.revenue.wi.gov/Pages/FAQS/pcs-taxrates.aspx>.

The sales tax has been a significant source of revenue for the counties that have adopted it. The following table illustrates revenue for some benchmark counties, chosen because they have adopted the 0.5% sales tax and because they have a population of at least 150,000 and/or are in the Milwaukee metropolitan area. Benchmark counties' sales tax revenue increased by between 6.9% and 7.7% per year between 2019 and 2023

**Table 17: Sales Tax Revenue in Benchmark Counties**

County	2023 Sales Tax Revenue (\$M)	Average Annual Change, 2019 – 2023
Brown	\$38.0	7.5%
Dane	\$83.3	7.5%
Kenosha	\$20.4	6.9%
Outagamie <sup>35</sup>	\$25.8	7.6%
Ozaukee	\$11.6	7.0%
Rock	\$19.4	6.9%
Washington	\$16.8	7.7%

**Estimated Revenue**

If Waukesha County adopted a 0.5% sales tax and revenue trends were similar to its peers, Raftelis analysis indicates the tax could be expected to generate approximately \$50 to \$60 million in revenue in 2025, enough to close the projected budget gap. Alternatively, the County could petition the legislature to adopt a lower sales tax rate. This action may result in the state transitioning to a range of allowable sales tax, given the recent legislative adjustment for Milwaukee County and the City of Milwaukee.

**Impact on Taxpayers**

The average Waukesha County household is estimated to spend approximately \$32,000<sup>36</sup> on taxable purchases in 2025, based on Bureau of Labor Statistics (BLS) data on purchasing patterns in the Midwest. The following table illustrates taxable expenditures by category for the median household in 2022, per the BLS.

<sup>35</sup> Outagamie County did not adopt a sales tax until 2020.

<sup>36</sup> Total expenditures were \$32,178 for the median household in 2022; the model increases the figure to \$35,000 to account for inflation.

**Table 18: Average Taxable Expenditures by Category per Midwest Household, 2022<sup>37</sup>**

Category	Expenditures	Percent of Taxable Expenditures	Percent of Total Expenditures
Alcohol	\$667	2%	1%
Apparel and services	\$1,757	5%	3%
Entertainment	\$3,688	11%	5%
Food away from home	\$3,128	10%	5%
Household furnishings and equipment	\$2,754	9%	4%
Household operations	\$1,592	5%	2%
Housekeeping	\$773	2%	1%
Personal care	\$813	3%	1%
Reading	\$111	0%	0%
Tobacco/smoking	\$435	1%	1%
Transportation	\$11,059	34%	16%
Utilities, fuels, and public services	\$1,021	3%	2%
Miscellaneous other taxable spending	\$4,380	14%	7%
<b>Total Taxable Spending<sup>38</sup></b>	<b>\$32,178</b>	<b>100%</b>	<b>48%</b>
Other non-taxable expenditures (e.g., housing, healthcare, groceries)	\$35,149	N/A	52%

If a household makes 85% of its purchases in the County, this would translate to approximately \$142 in additional sales tax cost per year for a 0.5% sales tax. However, this figure does not account for the cost savings associated with property tax relief. It is also important to note that this is a general estimate based on expenditure data for the Midwest overall, not specifically Waukesha County or the Milwaukee metropolitan area.

**Economic Analysis**

A portion of the sales tax generated would come from non-residents spending money in the County. The exact portion contributed by non-residents is difficult to quantify, but the United States Census reports that as of 2021, 151,673 individuals, the equivalent of approximately 37% of the County population, live outside of Waukesha County but come into the County to work. Additionally, the Wisconsin Department of Tourism estimates \$852.2 million in direct tourism spending in Waukesha County in 2022.<sup>39</sup> If the sales tax had been in place, this would have translated to approximately \$4.3 million in sales tax revenue, or 7% of the estimated total sales tax revenue.

<sup>37</sup> “Consumer Expenditure Surveys.” Bureau of Labor Statistics, [www.bls.gov/cex/tables/geographic/mean.htm](http://www.bls.gov/cex/tables/geographic/mean.htm).

<sup>38</sup> Figures may not sum due to rounding.

<sup>39</sup> “Economic Impact.” Wisconsin Department of Tourism, [www.industry.travelwisconsin.com/research/economic-impact/](http://www.industry.travelwisconsin.com/research/economic-impact/).

## Other Potential Revenue Generating Options

There may be other potential non-tax options to generate revenue. One consideration is opportunities to raise or implement fees to offset service costs. The County provides police and/or fire/EMS dispatch services for 34 communities and the Sheriff's Department, with a budgeted operating cost of \$7.6 million in FY2024. The vast majority of support for this service comes from a tax levy of \$6.6 million. One option for generating revenue would be to apply cost-sharing obligations for participating municipalities. While this would shift some operating costs onto municipalities, the municipalities would still be benefiting from the cost savings of having a shared regional 911 center rather than having to establish and operate a standalone service. However, several municipalities entered into County dispatch understanding that it would be more efficient for taxpayers to consolidate and that no fees would be charged. Implementing a fee at this stage would be complicated.

There may also be one-time revenue opportunities available, such as selling land, facilities, or equipment. Some Wisconsin governments also generate funding by selling naming rights to County facilities. For example, in 2020, Dane County sold 10-year naming rights to its exposition center for \$4.8 million<sup>40</sup> and Brown County sold 20-year naming rights to its exposition center for \$10.0 million.<sup>41</sup> However, these facilities are much larger than anything in Waukesha County, so the revenue generated from Waukesha County naming rights would likely not be as significant.

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<sup>40</sup> "Approving Renewal of Alliant Energy Center Naming Rights Agreement." *Dane County*, Dec. 18, 2019, <https://dane.legistar.com/View.ashx?M=F&ID=7975410&GUID=F43DB352-9972-487D-8067-9F6D4D2E32D1>.

<sup>41</sup> "Resch Secures Naming Rights for New Brown County Expo Center." *WBAY*, Feb. 12, 2020, [www.wbay.com/content/news/Sponsor-buys-naming-rights-to-Brown-County-Expo-Center-567816221.html](http://www.wbay.com/content/news/Sponsor-buys-naming-rights-to-Brown-County-Expo-Center-567816221.html).

# Budget Task Force

The Fiscal Health Assessment section of this report speaks to a strong history of prudent financial management by the County as well as the current and future budgetary challenges as the cost to continue operations outpace annual revenue growth. The County's budget is rooted in resident priorities gathered as part of the Strategic Planning process. However, the budget shortfalls projected in the coming years point to a clear need to make revenue and expenditure policy decisions to help secure the County's financial future. The County convened a Budget Task Force to advise the Board of Supervisors on how to proceed.

The Budget Task Force was comprised of a representative group of County and municipal elected officials, business leaders, and engaged residents convened to provide valuable input and direction for the future of County resourcing and service delivery expectations. The 34 members met four times in the spring and summer of 2024 to gain a better understanding of the County's financial position, engage in meaningful conversation with fellow Task Force members that offered unique perspectives, and ultimately provide strategic direction and prioritization for the next five to 10 years for the County. A summary of the Task Force composition, topics and discussions from each session, and member recommendations for the County's future is captured below.

## COMPOSITION

The Budget Task Force was appointed by the County Executive with the goal of achieving broad representation from backgrounds, experiences, perspectives, and geographic balance across the County. Public members and business leaders brought expertise in public safety, construction and development, non-profit community organizations, and many other relevant industries. Mayors from four municipalities within the County as well as six County Supervisors, were also part of the Task Force and brought expertise in governance and municipal and County financial decision-making. A complete list of Task Force members is provided below.

**Table 19: County Budget Task Force Members**

Role	Members	
<b>County Supervisors</b>	<ul style="list-style-type: none"> <li>• Supervisor Larry Bangs</li> <li>• Supervisor Wayne Euclide</li> <li>• Supervisor Brian Meier</li> <li>• Supervisor Chris Mommaerts</li> <li>• Supervisor Gary J. Szpara</li> <li>• Supervisor Jeremy Walz</li> </ul>	
<b>Municipal Elected Officials</b>	<ul style="list-style-type: none"> <li>• Mayor Bob Magnus – Oconomowoc</li> <li>• Mayor Rick Petfalski – Muskego</li> <li>• Mayor Steve Ponto – Brookfield</li> <li>• Mayor Shawn Reilly – Waukesha</li> </ul>	
<b>Public Members/Business Leaders</b>	<ul style="list-style-type: none"> <li>• Pete Bacon</li> <li>• Lisa Bruce</li> <li>• Mary Dietz</li> <li>• Matt Fennig</li> <li>• Dean Frederick</li> <li>• Jeff Hoffmann</li> <li>• Buck Jurken</li> <li>• Laura Krohn</li> <li>• Bonnie Lee</li> <li>• Angela Mancuso</li> <li>• Germaine McKenna</li> <li>• Danny Merkt</li> <li>• Matt Moroney</li> </ul>	<ul style="list-style-type: none"> <li>• Mark Nelson</li> <li>• Amanda Payne</li> <li>• Heather Pfalz</li> <li>• Renne Ramirez</li> <li>• Joe Reider</li> <li>• Jeffery Searle</li> <li>• Jeremy Smith</li> <li>• Stan Sugden</li> <li>• Tom Schreiber</li> <li>• John Siepmann</li> <li>• Susan Van Aartsen</li> </ul>

**SESSION 1: SETTING THE STAGE – DEVELOPING VALUES AND SERVICE PRIORITIES**

The first Task Force session focused on setting the stage for the group’s work to inform and make recommendations about the County’s future, given the budgetary challenges. Before providing relevant financial and economic context, Task Force members introduced themselves and shared one word that captured their sentiment about participating in the Task Force. Member one-word responses are captured below, with bolded words shared by multiple members.

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• <b>Open</b></li> <li>• <b>Interested</b></li> <li>• <b>Excited</b></li> <li>• <b>Humbled</b></li> <li>• <b>Curious</b></li> <li>• Optimistic</li> <li>• Future</li> <li>• Expectant</li> </ul> | <ul style="list-style-type: none"> <li>• Ready</li> <li>• Intrigued</li> <li>• Eager</li> <li>• Unbreakable</li> <li>• Lead</li> <li>• Confident</li> <li>• Hopeful</li> <li>• Learning</li> </ul> |
|---|--|

After introductions, Raftelis provided an overview of the Task Force timeline and budgetary challenges facing the County. As described in greater detail in the Fiscal Health Assessment section, the Task Force was brought together to understand the County’s financial outlook over the next five to 10 years. The County’s budget outlook projects a budget gap, where anticipated revenue collections are not expected to cover the anticipated cost to continue providing the same level of services provided by the County today. The theme of the discussion was “the solution is not complicated, but the decisions are hard.”

As part of the project scope, Raftelis developed an independent financial model using the County's financial data. We evaluated the County's financial management policies against industry best practices and the firm's experience providing financial services for local governments and public-sector utilities across the Country. Task Force Members were provided relevant context that emphasized how well managed the County's finances are and the underlying economic conditions that have created the fiscal challenges that lie ahead.

Property taxes are the single largest local tax source to fund service delivery, and the largest driver of the County's financial challenges is state restrictions on property tax levy growth. While the revenue tax base is among the strongest in Wisconsin, state policy ties the amount of property tax revenue growth that can occur annually to the growth in net new construction. Since the Great Recession, historically, this growth has averaged less than two percent per year. In comparison, the BLS reports that inflation grew by an average of 3% per year between 2010 and 2024.<sup>42</sup> Further, many of the County's cost drivers exceed the Consumer Price Index reported by the BLS, including health insurance and the cost of software contracts.

Based on recent trend analysis, the financial model assumes growth of 1.4% annually. This growth curve is far less than the underlying property value growth over the same period. Capped revenue growth requires prudent expenditure control; however, recent inflationary and wage pressure has resulted in a growing divide between revenue generation and cost to continue. As a result, the County has faced budget gaps annually as part of the budget development process that has required service-level reductions or strategic use of one-time funds to meet balanced budget requirements.

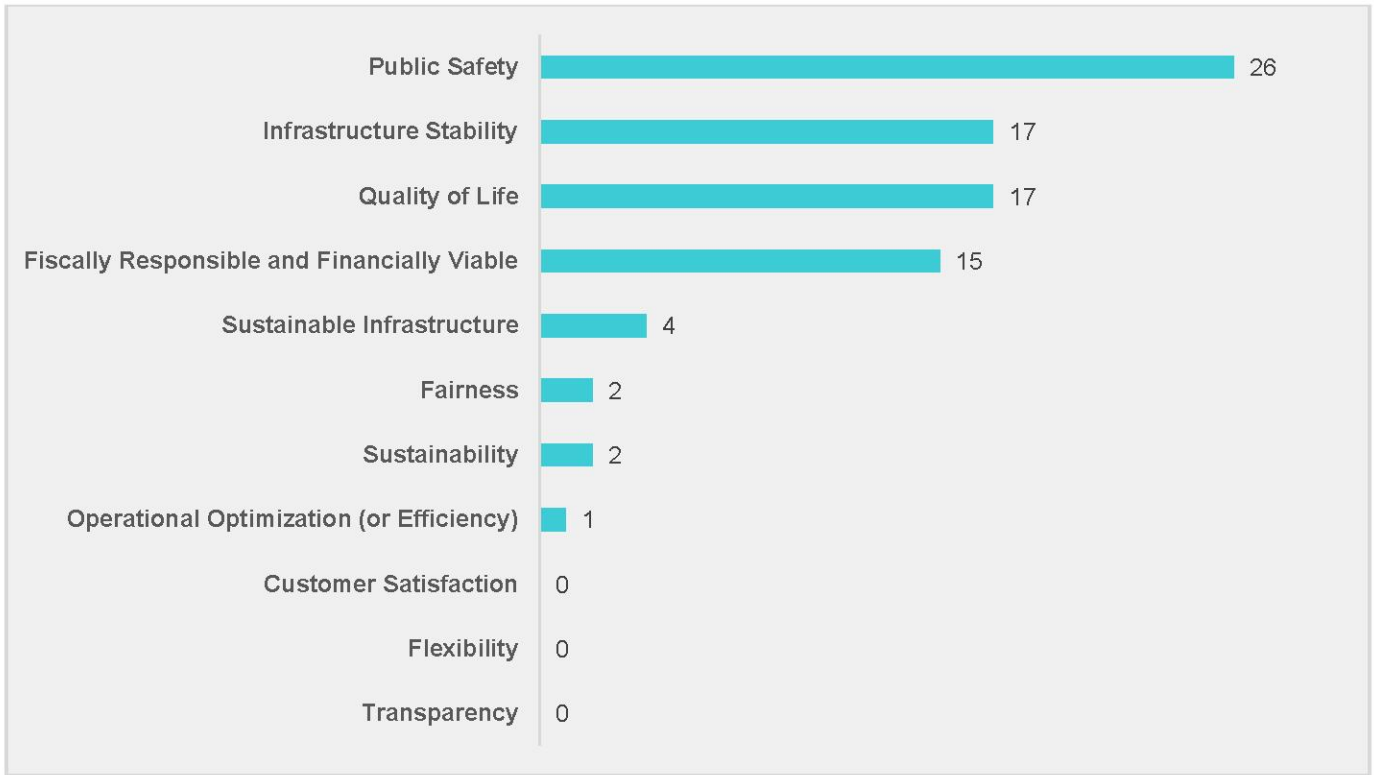
After level setting the County's financial condition, the primary objective of the first session was to understand the Task Force member values and service area priorities. This important framework would then be used in subsequent sessions to help guide discussion and inform recommendations.

## Values

Members were given a handout of 11 common values from Raftelis with space to add new values. The discussion began with determining whether any values were missing. The group agreed the 11 values largely captured what they would expect and discussed the sequencing of values versus desired outcomes like quality of life and customer satisfaction. In small groups members discussed the criteria they used to select values and which values best align with the County's future. After the discussion, each member was given three dot stickers to indicate their values. The top four values, all earning more double-digit votes, are reflected below.

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<sup>42</sup> "Consumer Price Index Inflation Calculator." BLS, <https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=1.00&year1=201001&year2=202401>.



**Figure 12: Task Force Value Voting Results**

**Service Area Priorities**

After discussing and voting on values, the Task Force evaluated potential service level reductions to help mitigate the funding shortfall. Raftelis discussed at a high level how the \$391 million budget breaks down into service areas that the County can impact or effect change to meet balanced budget requirements. The largest source of revenue—intergovernmental revenue from the state—is almost entirely designated for specific mandated services. Tax levy revenue of \$115 million is where the County has greater control; however, more than one-third supports mandated services. This leads to approximately \$38 million in service level costs that could be reduced in order to address the projected budget gap.

Ahead of Session 2, members were given a list of common service areas for the County and asked to discuss in small groups how they might prioritize some of these services for reduction, along with any services they would like to see additional resources allocated. Each group provided a summary of their conversation. Then individual members were asked to vote on their service priorities, using six red stickers for services to reduce and six green stickers for services to enhance. Members were required to use all of their service level reduction votes but did not have to use all of the service level enhancement votes. The results of the voting are captured in the table below, sorted by “net” votes. A negative () net vote indicates greater prioritization for service level reduction compared to a positive net vote indicating prioritization for service level enhancement.

**Table 20: Task Force Service Priority Voting Results**

Service Area	Votes to Reduce	Votes to Enhance	"Net" Votes
County-wide Communication	(21)	0	(21)
Land Use	(18)	0	(18)
Grounds Maintenance	(17)	0	(17)
Substance Abuse Treatment	(16)	0	(16)
Talent Acquisition (Recruiting)	(13)	1	(12)
Public Health	(12)	1	(11)
Drug Prevention	(13)	2	(11)
Emergency Preparedness	(11)	2	(9)
Debt Borrowing	(4)	0	(4)
Parks and Open Space	(6)	2	(4)
911 Communications	(5)	2	(3)
Employee Benefits	(3)	1	(2)
Law Enforcement (Patrol Operations)	(6)	4	(2)
Traffic Safety	(4)	3	(1)
Crime Investigations	(6)	5	(1)
Maintaining County Facilities	(2)	2	0
Corrections (Jail)	(1)	6	5
Mental Health Support	(3)	8	5
Well-maintained Roads (Including in the Winter)	(2)	8	6
Court Operations	(1)	8	7
Support for Vulnerable Populations (Elderly, Disabled)	0	9	9
Infrastructure Development	(3)	12	9
Economic Development	(1)	14	13

## SESSION 2: SERVICE LEVEL REDUCTIONS

The second Task Force session focused on expenditure reductions as a strategy to close the projected budget gap. The values and service reduction priorities developed during the first session were used to help guide discussion for service level reductions. The Task Force was presented with their target goal of achieving approximately \$30 million in expenditure savings to close the projected budget gap through 2030. The consulting team worked with County staff to identify \$12.7 of potential expenditure reductions to initiate the exercise and get feedback on the prioritization of cuts.

## Service Level Adjustments

Before diving into the details of potential service reductions, the facilitators provided context about the various layers of service level reductions. The process of identifying expenditure reductions can be nuanced and time-consuming. For this reason, annual budget development takes at least nine months of the year. When assessing service reductions there are multiple layers, with most organizations opting to choose reductions that result in the least amount of impact on residents or constituents. Most of the 200+ programs/subprograms and services provided by the County contain value-added, core, and mandated components. Often service-level reductions focus on community prioritization of value-added services and avoid core service reductions. Mandated services are legally required and cannot be eliminated, though they may be trimmed to levels that make carrying out the services increasingly difficult. The pyramid of service level adjustments is used to identify and consider required versus desired service levels for County residents within the finite pool of resources available. The figure below provides definitions for each of the service-level components.

# Service Level Adjustments

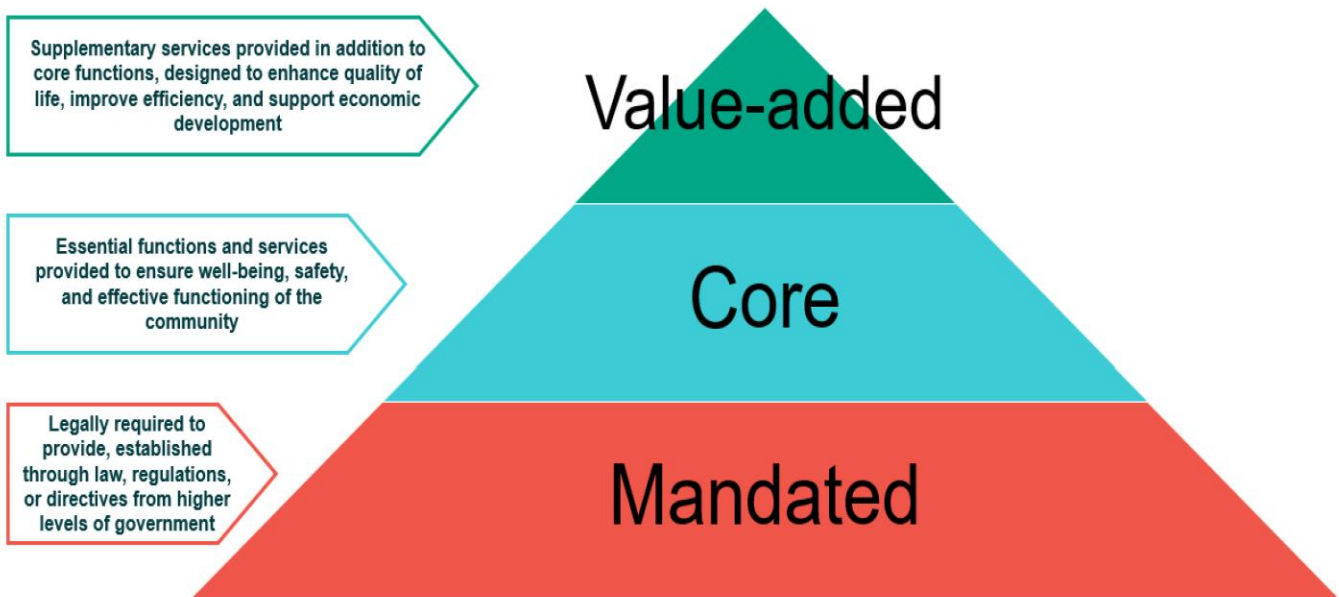


Figure 13: Service Level Adjustment Pyramid

## Value-Added Service Level Reductions

To begin evaluation of service level reductions, the Task Force was provided a handout that summarized their prioritization of the service areas presented in Session 1 with potential service level impact for further reductions and estimated *value-added* cost savings. The table below summarizes each of the service areas considered for reduction, sorted by net score, where a negative value indicates greater prioritization for reduction and a positive value indicates prioritization for additional resource allocation to enhance existing service levels. The estimated cost savings for all *value-added* service reductions was approximately \$12.7 million, or 42% of the budget savings target of \$30 million.

**Table 21: Value-added Service Level Reductions**

Service Reduction	Net Score	Service Level Impact	Estimated Savings
County-wide Communication	(21)	Messaging, lack of coordination, reactive communication, minimal community engagement, emergency comms	\$270,000
Land Use	(18)	Delayed development permitting and customer satisfaction and increased cost to applicants	\$415,000
Grounds Maintenance	(17)	Aesthetic decline, health hazards, decreased property values	\$370,000
Drug Prevention/Substance Abuse Treatment <sup>43</sup>	(14)	Higher healthcare costs, overcrowded treatment facilities, public safety impacts	\$220,000
Talent Acquisition	(12)	Longer vacancies, poor candidate quality, broad decline in public service delivery	\$100,000
Public Health	(11)	Health disparities for vulnerable populations, inadequate health surveillance and emergency response	\$1,000,000
Emergency Preparedness	(9)	Delayed crisis management response, prolonged recovery	\$160,000
Parks and Open Space	(4)	Limited access, lower quality of life, reduced air quality, removes community meeting space, Muskego Park closure	\$110,000
911 Communications	(3)	Higher overall cost to taxpayers due to loss of economies of scale and duplication at the municipal level	\$4,800,000
Public Safety Staffing <sup>44</sup>	(1)	Fewer sworn staff resulting in less traffic enforcement and investigation, decreased quality of life, reduced deterrent, increased OT, and deputy quality of life decline	\$2,000,000
Infrastructure Maintenance and Development <sup>45</sup>	5	Higher taxes due to interest expense on higher debt levels and significant increases in asset life cycle cost	\$3,000,000
Economic Development	13	Business growth stagnates, fewer job creation and business retention initiatives	\$250,000

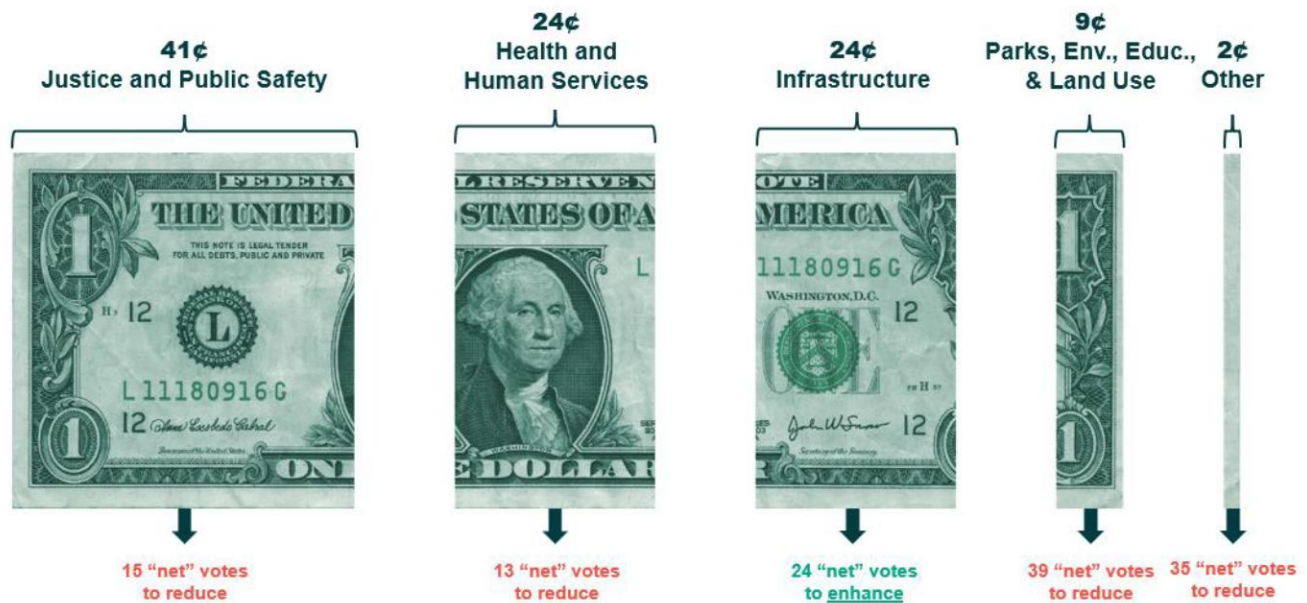
Task Force members spent time individually reviewing the value-added service level reductions and then joined small groups to discuss and evaluate which reductions they would like to propose toward the budget gap target of \$30 million. To guide the conversation, members were provided a scorecard with three of the four Task Force values: **public safety**, **infrastructure stability**, and **quality of life**. The fourth value, **fiscally responsible/financially viable**, was omitted since any cost savings would contribute to this value. For the remaining three values, members were asked to evaluate each reduction using that value lens and assign a ranking of one to three. One indicated low impact, two indicated neutral impact, and three indicated high impact. The scale of ranking for a given reduction could range from three (scoring one on all three values) to nine (scoring three on all three values), with a higher total value score reflecting less desire to pursue the reduction. A high-level summary of the service level reduction exercise is provided below:

<sup>44</sup> Services were combined from Session 1 with an average net score reflected. Public safety staffing includes law enforcement, traffic safety, and crime investigation services.

<sup>45</sup> Infrastructure maintenance and development includes maintaining County facilities, well-maintained roads, and infrastructure development.

- There are low-priority service areas that could be reduced, such as County-wide communications, land use, grounds maintenance, drug prevention and substance abuse, and talent acquisition.
- Some reductions like 911 dispatch services may help the County’s budget but merely shift (and likely increase) costs to municipalities.
- The County should evaluate where duplicative services with municipalities happen to assess opportunities for consolidation or reimagining service delivery.

The service level prioritization exercises in Session 1 and Session 2 provided an opportunity to compare how the County spends tax levy revenue with the Task Force priorities. The figure below depicts how one dollar of tax levy is spent across each of the functional areas in the County and includes the prioritization (net score total) for services that fall within that functional area. Overall, the Task Force routinely prioritized service areas where the County allocates most of its tax levy dollars, showing strong alignment between County operations and community priorities.



**Figure 14: Task Force Service Prioritization and County Tax Levy Spending**

It is important to note that participants used all their reduction votes but not all of their enhanced votes, so the sum of net votes is negative. Justice and Public Safety and Health and Human Services had lower net reductions than other categories, indicating prioritization.

## Core Service Level Reductions

After the value-added service level reduction exercise, the conversation moved to Core services, the next layer of the pyramid. The County has faced preliminary budget gaps since at least the Great Recession and state-imposed revenue caps on levy growth. The exercise the Task Force went through to identify service level reductions or opportunities to achieve greater efficiencies mirrored the work of the County over the past decade. The underlying structural imbalance between revenue and expenditure growth patterns means that opportunities for value-added expenditure reduction options continue to diminish, leading to core service area reductions to meet balanced budget requirements. While economic conditions will continue to shift over time, the current environment has placed significant cost pressures on service delivery. To mitigate otherwise immediate and adverse impacts for highly prioritized services like public safety and infrastructure maintenance and development, the County has relied on one-time revenue sources in the short run to balance the budget with plans to phase in future ongoing revenue support after one-time sources are no longer available. However, the ability to phase in costs is getting more difficult as scarce levy growth is needed to meet other budget gaps.

Session 2 wrapped up with a discussion about the difficulty of having adequate context and details to inform service level reductions in a short period of time. This is especially true for core services that have mandated requirements. The session ended with a preview of the revenue-generating options to be considered in Session 3.

## SESSION 3: REVENUE GENERATING OPTIONS

The third Task Force session focused on revenue-generating options to close the projected budget gap. The project team, along with County staff, assessed available options for new revenue allowed under state law and presented the Task Force with important context and analysis for each option. This included requirements to enact new revenue sources, benchmarking analysis of various counties or municipalities in Wisconsin that have enacted such sources, and fiscal impact to the County and taxpayers. Details of each revenue-generating option are included in the Gap Closure Scenario section above.

### Revenue Generating Options – Advantages and Disadvantages

After presenting each of the revenue-generating options to the Task Force, members engaged in a discussion regarding the advantages and disadvantages of each option, with a particular focus on exceeding the levy limit and wheel tax options. While the group exercise for sales tax focused on structure, key themes from Task Member group discussions and individual voting related to this tax option are also captured in the table below.

**Table 22: Advantages and Disadvantages of New Tax Revenue Options**

Revenue Option	Estimated Revenue Generated, 2025	Advantages	Disadvantages
<b>Referendum for Levy Increase</b>	\$3 to \$6 million <i>(ongoing lump sum levy increase)</i>	<ul style="list-style-type: none"> <li>• Taxpayers have a say in whether to increase revenue</li> <li>• Raises awareness of County budget issues</li> <li>• Use of funds can be specifically targeted</li> <li>• More stable source of revenue, once approved would remain in place</li> <li>• No restriction on the amount of increase (pending voter approval) or on how the funding is used</li> <li>• Low per-household impact</li> </ul>	<ul style="list-style-type: none"> <li>• Would not be likely to fully address the budget gap</li> <li>• Referendum would be required for any changes – unlikely to achieve broad support, high risk of failure</li> <li>• Frequency of school referendums might detract voter support</li> <li>• All funding would be contributed by property owners, with limited contribution from non-residents who use County services</li> <li>• Would require significant information campaign ahead of the vote about a topic that can be hard to message</li> </ul>
<b>Wheel Tax</b>	\$10.5 million <i>(\$30 per vehicle)</i>	<ul style="list-style-type: none"> <li>• Could be enacted by the County Board</li> <li>• No restriction on fee amount, though typical annual amounts are relatively small (i.e., affordable)</li> <li>• Raises revenue from more people than property owners (e.g., user tax)</li> <li>• Creates higher funding potential for road/infrastructure maintenance, a high priority of the Task Force</li> <li>• Easy for public to understand</li> </ul>	<ul style="list-style-type: none"> <li>• Can only be used for transportation purposes</li> <li>• Would not fully address the budget gap (minimal impact)</li> <li>• Revenue does not grow with inflation (tied to population and number of vehicles)</li> <li>• Unpopular “tax” among residents, mandated by the government</li> <li>• No out-of-County taxpayers</li> <li>• No voter say</li> </ul>
<b>Sales Tax</b>	\$50 to \$60 million <i>(0.5% sales tax)</i>	<ul style="list-style-type: none"> <li>• Allows non-residents who take advantage of County services to contribute to the cost of those services</li> <li>• Would generate enough revenue to fully address the budget shortfall</li> <li>• Would allow for some property tax relief</li> <li>• Could be enacted by the County Board</li> </ul>	<ul style="list-style-type: none"> <li>• Sales taxes are regressive-larger impact on lower-income individuals</li> <li>• The amount of the sales tax is fixed and cannot be increased or decreased (without a legislative change)</li> <li>• Adverse impact to the business community</li> <li>• Brings in more revenue than is needed</li> <li>• May lose sight of other revenues or operational efficiencies over time</li> </ul>

Before breaking into small groups to discuss the sales tax structure, Raftelis shared additional context related to enacting a sales and/or wheel tax among other counties in the state. The chart below shows the historical timeline of when counties throughout the state chose to enact a sales and/or wheel tax. Many counties moved forward with a sales tax as soon as the option was made available to them by the state (1986 – 1995). During the economic boom of the early 2000s, little activity occurred, followed by more counties exercising a wheel tax after the 2011 state legislation limiting property tax levy growth and the fiscal challenges associated with the Great Recession and Global Pandemic. The ability of Waukesha County to have weathered the recent economic challenges without either of these new revenue-generating options, when nearly all counties elected one if not both, speaks to their level of operational efficiency.

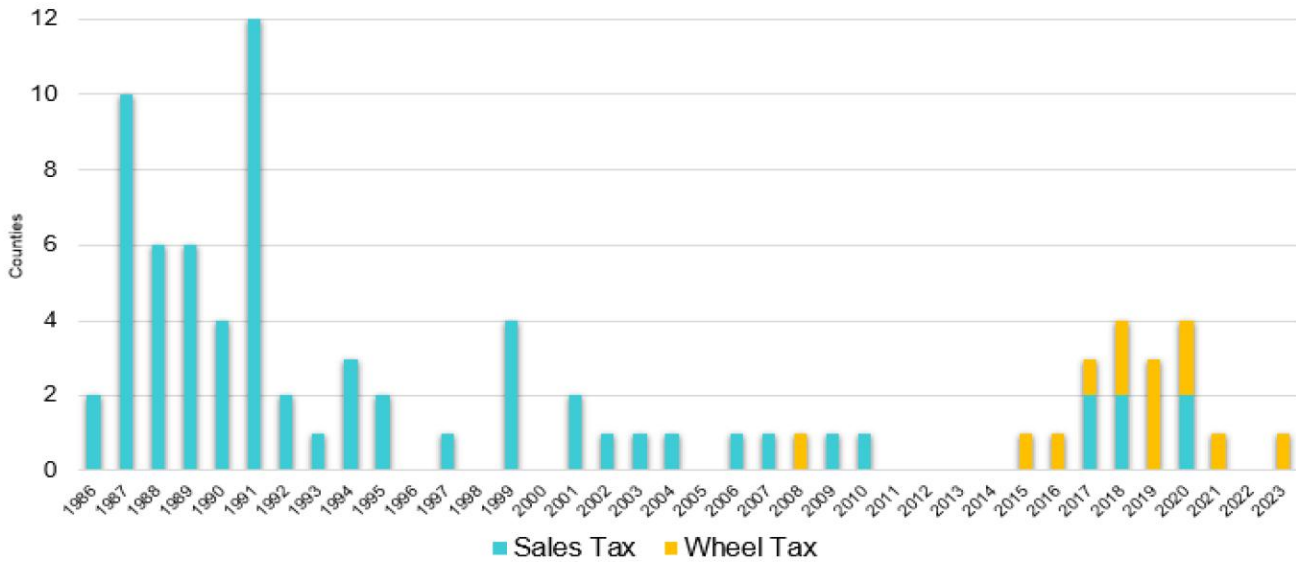


Figure 15: Sales and Wheel Tax Timeline – Adoption by Year

### Sales Tax Structure

The Task Force then spent time in small groups discussing how they might structure a 0.5% sales tax, knowing that it would generate revenue for the County beyond what is needed to close the budget gap over the next few years. As required by the state and prioritized among County officials, some of the revenue would be used to directly reduce the property tax levy for residents. Beyond that, Task Force members were asked to brainstorm and discuss other opportunities that aligned with the values and service level priorities developed in Session 1.

Two somewhat competing themes emerged from this activity:

- **While there is general understanding and support for new revenue, there is a preference not to collect more than the County’s estimated budget gap.** Throughout the project team’s review of County financial practices and then during conversations with County staff and Task Force members, there is great pride in the County’s ability to efficiently deliver services with the lowest impact possible to taxpayers. Low per-capita spending rates and continuing to “sharpen the pencil” are valued characteristics of the County’s financial management policies. Many Task Force members did not like that the sales tax amount is currently fixed at 0.5% by state law. They understood it would require lobbying the state for greater autonomy over how much sales tax to enact but acknowledged such a preference.

- Municipalities in the County face similar budgetary challenges and would support the County’s desire to enact a sales tax.** The funding mechanisms for municipalities in Wisconsin follow a similar pattern to County revenue sources. As such, municipalities continue to face significant fiscal constraints with limited ability to increase the property tax levy. This is especially true for municipalities that are largely built out and focused on redevelopment because of the net new construction limitations. Municipal and County leaders on the Task Force informed members of the inherent challenges of lobbying the state for higher Shared Revenue when they had not yet enacted other revenue options available to them. They also added that a new revenue source might actually encourage greater economic development and improvements to the housing stock.

A summary of each group’s discussion regarding a sales tax structure is provided below.

**Table 23: Summary of Sales Tax Structure Considerations**

Group	How to Use or Structure Additional Revenue Generated from 0.5% Sales Tax
Group 1	<ul style="list-style-type: none"> <li>Economic Development – small business grants, façade improvements, municipal downtown revitalization</li> <li>Waukesha County Technical College Public Safety Academy to assist with recruiting pipeline and public safety operations</li> </ul>
Group 2	<ul style="list-style-type: none"> <li>Seems like too easy of a fix</li> <li>Lose sight of other revenues and efficiencies – ability to sharpen the pencil</li> <li>A nice structure might be 60% to County, 40% to municipalities</li> <li>Within the County’s 60%, does as needed but includes direct property tax relief</li> </ul>
Group 3	<ul style="list-style-type: none"> <li>Acknowledged the group had different perspectives</li> <li>Municipal leaders in the group like 60% to the County and 40% to the municipalities</li> <li>Other emphasized the importance of a direct property tax offset and not inventing new things to spend money on</li> </ul>
Group 4	<ul style="list-style-type: none"> <li>Many in the group were not favorable of raising more dollars than needed</li> <li>Additional revenue could pay down debt, which also lowers property tax levy</li> <li>Investment in public safety, infrastructure, and amenities like bike and walking paths</li> </ul>
Group 5	<ul style="list-style-type: none"> <li>Shouldn’t tax for more than is needed, would prefer a process that looks at expenditure reductions, user fees, surplus carryover, reforms, excess property sales, and then revenue enhancements</li> <li>If revenue enhancement is required, they agreed sales tax was the preferred method but would like to ask for only what is needed</li> <li>Acknowledged the business community would not like the impact of a sales tax</li> </ul>
Group 6	<ul style="list-style-type: none"> <li>Preferred requesting something less, realizing the odds of achieving this with the state legislature and other counties would be difficult</li> <li>A shared revenue with municipalities tied to public safety, expansion of the jail knowing it is reaching capacity, and infrastructure investments</li> <li>Opportunities for assisting municipalities with transitioning to full-time fire-rescue services.</li> </ul>

## SESSION 4: GUIDANCE FOR COUNTY EXECUTIVE AND BOARD OF SUPERVISORS

The goal of the last Task Force session was to provide the County Executive and County Board of Supervisors guidance on how to navigate the County’s fiscal challenges over the next decade. Raftelis led a review of the key themes that emerged from the first three sessions and shared with the Task Force the scenario voting results from Session 3.

### Scenario Prioritization Voting Results

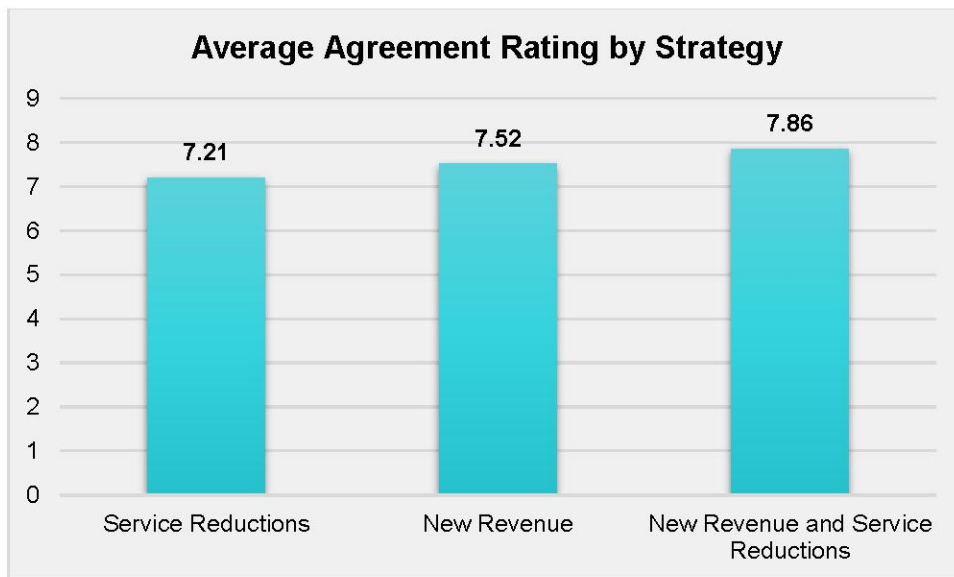
Task Force members who were not present at the third meeting were also able to offer feedback on the same questions via an online survey. A total of 29 individuals provided comment, including 27 who were present at the meeting and two who were not present. The following sections summarize the results of these polls. More detailed responses by statement are included as Appendix A.

#### Feedback on the County’s Overall Strategy Moving Forward

Participants were given several statements about Waukesha County’s overall strategy to address the budget shortfall moving forward. They were asked to rate their level of agreement on a scale from one (least agreement) to 10 (most agreement). The statements were as follows:

- Service Reductions: The County should focus on service reductions and expenditure cuts to address the budget shortfall.
- New Revenue: All revenue options available to the County should be explored.
- Service Reductions and New Revenue: The County should explore new revenue options and continue to reduce ongoing expenditures.

All three strategies had strong support from participants, with an average agreement rating of more than seven out of 10. The service reduction strategy had the lowest average approval, and the balanced strategy had the highest, as illustrated in the figure below.



**Figure 16: Average Task Force Agreement Rating by Strategy to Address Budget Gap**

Participants were also asked about their agreement with the statement, “The County’s current budget is aligned with my funding priorities.” The average rating was 6.69, with only two participants (7%) rating their agreement as less than a five out of 10.

### Feedback on Revenue Generation Options

Participants were asked to rate their agreement with the following options for generating additional revenue:

- Implementing a 9-1-1 fee
- Putting forth a referendum to raise the levy limit
- Implementing a sales tax
- Implementing a wheel tax

Of the four options, only the sales tax had an average agreement rating of more than five out of 10, as illustrated in the figure below. The sales tax agreement represents the maximum level of agreement- specific sales tax options are discussed in the subsection below.

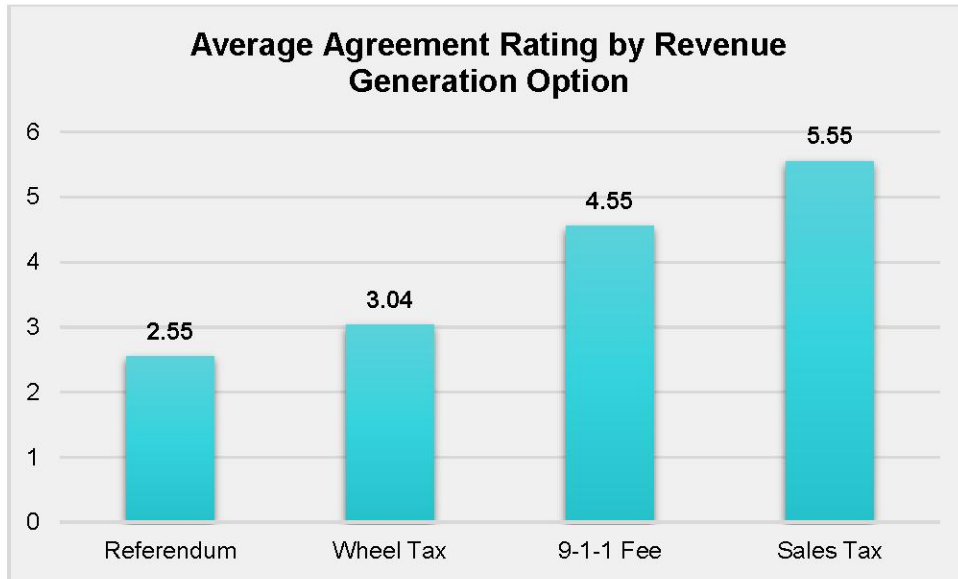


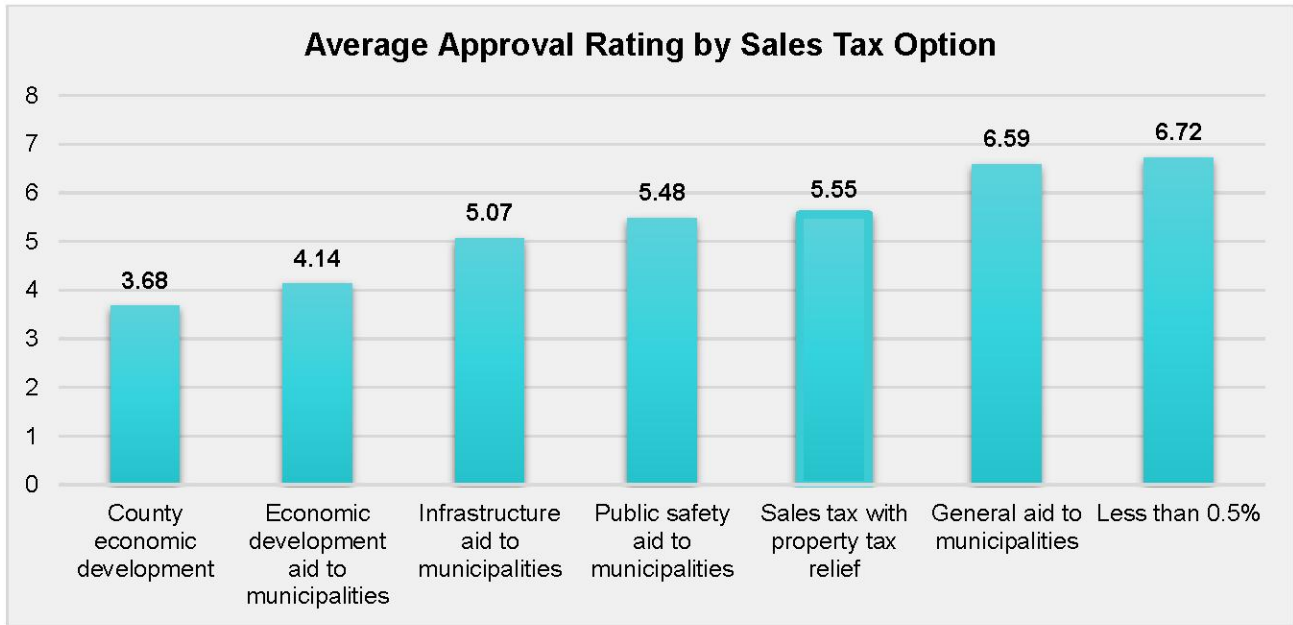
Figure 17: Average Task Force Agreement Rating by Revenue Option

### Sales Tax Strategy Options

Participants were asked to react to a series of statements with options for a sales tax if implemented. Options included:

- Petitioning the State Legislature to allow the County to enact a sales tax of less than 0.5%
- Using the sales tax for property tax relief
- Using the sales tax for property tax relief and economic development in the County
- Using the sales tax for property tax relief and aid to municipalities for economic development
- Using the sales tax for property tax relief and aid to municipalities for infrastructure
- Using the sales tax for property tax relief and aid to municipalities for public safety
- Using the sales tax for property tax relief and general aid to municipalities

Two options, offering general aid to municipalities and petitioning the Legislature to allow a lower sales tax, had average levels of agreement of more than 6.5, as illustrated in the figure below. The lowest average levels of agreement were with options that would provide funding for economic development efforts.



**Figure 18: Average Task Force Agreement Rating by Revenue Option**

It is important to note that there were significant levels of disagreement among participants on many of these options. For example, while 45% of respondents generally agreed (rating of six or higher) with the statement, “The County should consider implementing a 0.5% sales tax that funds local property tax relief and provides aid to local municipalities for infrastructure,” another 41% generally disagreed (rating of four or lower). Additionally, 48% agreed with the statement, “The County should consider implementing a 0.5% sales tax that funds local property tax relief,” while 38% disagreed. The specific agreement by statement is illustrated in Appendix A.

### Task Force Key Themes

After reviewing the takeaways from the first three sessions, Raftelis identified the key themes that emerged from the facilitated sessions and asked members of the Task Force to review and identify if anything was missing or should be changed. Members in attendance agreed that the five themes presented below largely captured the group’s work.

After reaching a consensus on each key theme, Task Force members were asked to write down on a sticky note the most important message they would like to convey to the County Executive and Board for each theme. Individual thoughts were then collected and grouped by theme. After that, members broke into groups, with one group per theme, tasked with reviewing the individual notes from fellow Task Force members and then drafting a statement that reflected the message for that theme. Individual notes are reflected in Appendix B, and the group statements for each key theme are provided below.

#### Importance of fiscal responsibility

- Continue to focus on measurable cost-cutting, and efficiency improvements and publicize wins.
- Push the state for equitable funding and release of some portion of surplus funds to counties and municipalities.
- Continue actions to maintain Aaa/AAA bond rating and other fiscal processes and checks and balances.

### **Targeted budgetary service level reductions and enhancements**

- Allocate funds to preserve the services most valued by the community:
  - Public safety
  - Infrastructure
  - Potential shared services
- Eliminate the expansion of services for the sake of spending projected surplus from sales tax, etc.

### **Desire to explore revenue options**

- There is an appetite for a sales tax of 0.5% to a minimum of what is needed to balance the budget.
- The “Waukesha Way” needs to be honored by utilizing grants, collaboration, and all other revenue options and savings that are currently being used during tight budget times.
- There is recognition that extra sales tax revenue can be shared with local municipalities to address similar budgetary issues.

### **Support for infrastructure and economic development**

- All commenters but 2 indicated it is an essential priority. 1 indicated infrastructure development should favor commercial development. 1 indicated that if the sales tax went to debt reduction, then the future of infrastructure development would be more economical.
- Overall, the answers were that infrastructure development is something that should not be reduced but that it needs to be maintained or increased.

### **Evaluate shared services and shared revenue**

- There is support for the concept of shared services among similarly sized communities, recognizing that larger communities like Brookfield have higher service expectations due to their advanced infrastructure. This difference in service levels can present challenges in partnerships with smaller communities. As an example, the City of Brookfield can respond to an accident within five minutes of notice at any location within the city.
- Shared revenues are also essential to address the universal structural funding challenges faced by local municipalities. While a sales tax is a short-term solution, it is the most viable alternative to raise revenue in the current environment. It is imperative that the state legislature develops a sustainable funding model that provides local governments with more flexibility.

At the conclusion of the Task Force session, the County Executive thanked each of the members for their commitment and dedication to this important work. Members were notified that Raffelis would present the results of the fiscal health assessment and Task Force work to the County Board of Supervisors at the end of August at which time the final report would be shared with the Board and Task Force.

# Conclusion

Waukesha County has a longstanding history of prudent financial management and efficient use of taxpayer resources to provide valued services to residents. County staff are to be commended for their ability to accurately forecast service needs alongside available resources. State-imposed growth restrictions on the largest local revenue source – property tax levy – have led to increased fiscal constraint, especially in the past five years as the County has grappled with an increasing cost to continue providing services that exceed annual revenue growth. Despite these challenges, the County has effectively managed to meet service level expectations with the lowest per capita spending levels in the state.<sup>46</sup>

Future financial projections indicate the need for more extensive policy actions to balance resident service priorities with fewer available resources. The Budget Task Force was created to provide guidance and direction for the County's financial future over the next decade. The work they conducted over the course of four in-person sessions reflects their dedication and commitment to the County's future success. The key themes that emerged from the Task Force helped to both build awareness within the community about the fiscal realities the County faces and provide invaluable policy guidance for the County Executive and County Board of Supervisors as they weigh critical policy decisions in the near term that will chart a path to financial sustainability in the long-term.

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<sup>46</sup> Forward Analytics, The Green Book, A Book of County Facts, 6<sup>th</sup> Edition. 2023. <https://www.forward-analytics.net/wp-content/uploads/2023/09/Waukesha-County-Insert.pdf>.

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APPENDIX A:  
**Scenario Prioritization  
Voting Results**

The following figures illustrate the distribution of responses for statements about options for addressing the budget gap. A total of 29 individuals provided feedback. All statements are rated on a scale from one (least agreement) to 10 (most agreement).

### Feedback on the County's Overall Strategy Moving Forward

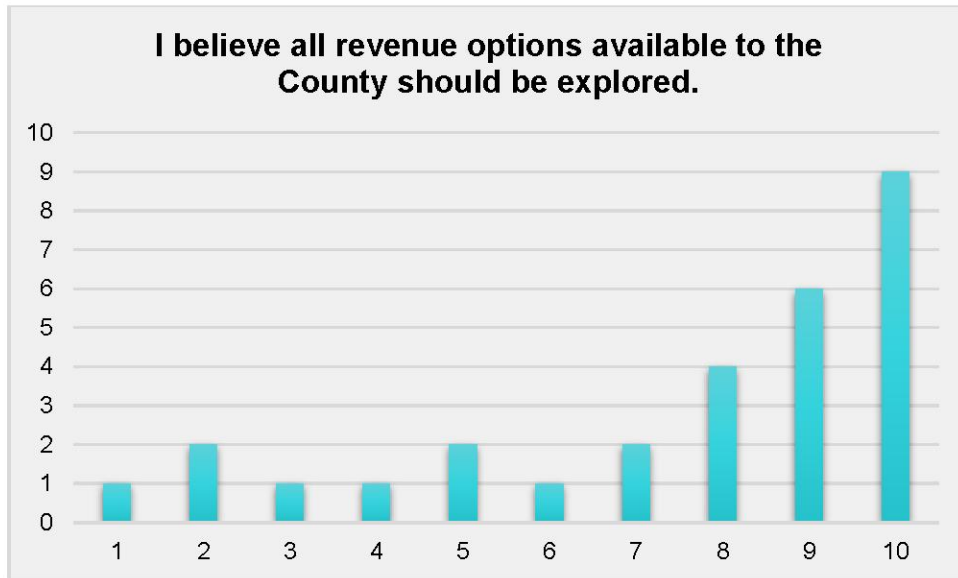


Figure 19: Task Force Agreement Rating on New Revenue

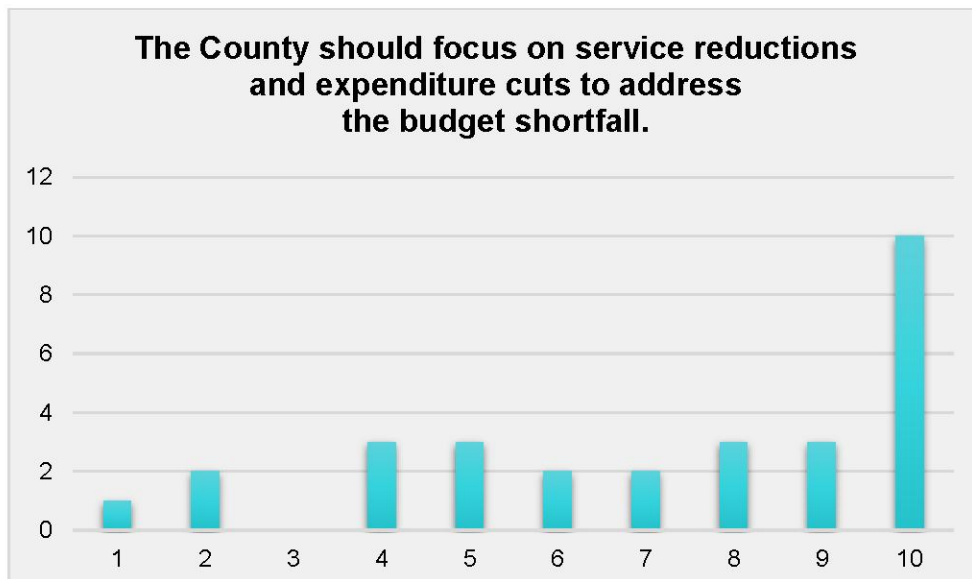
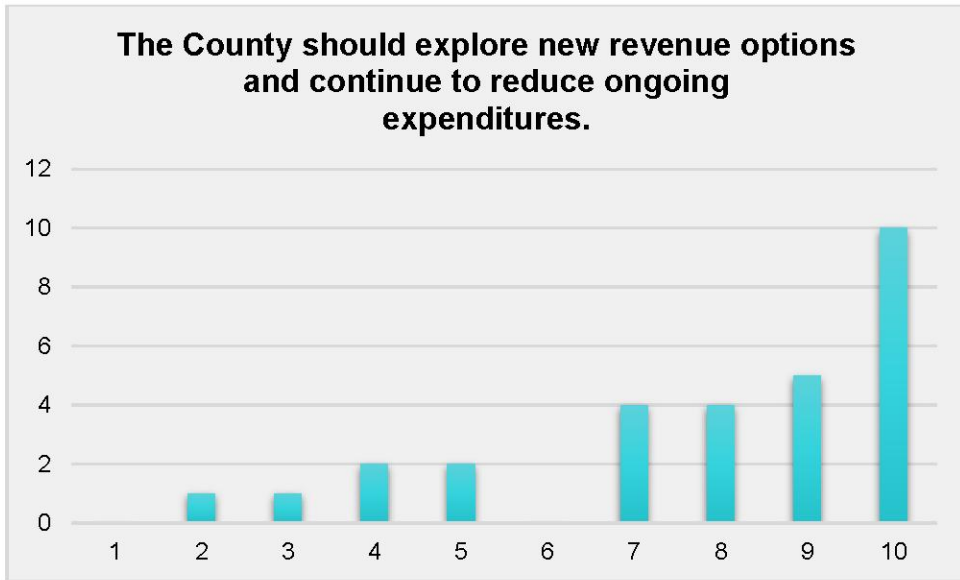
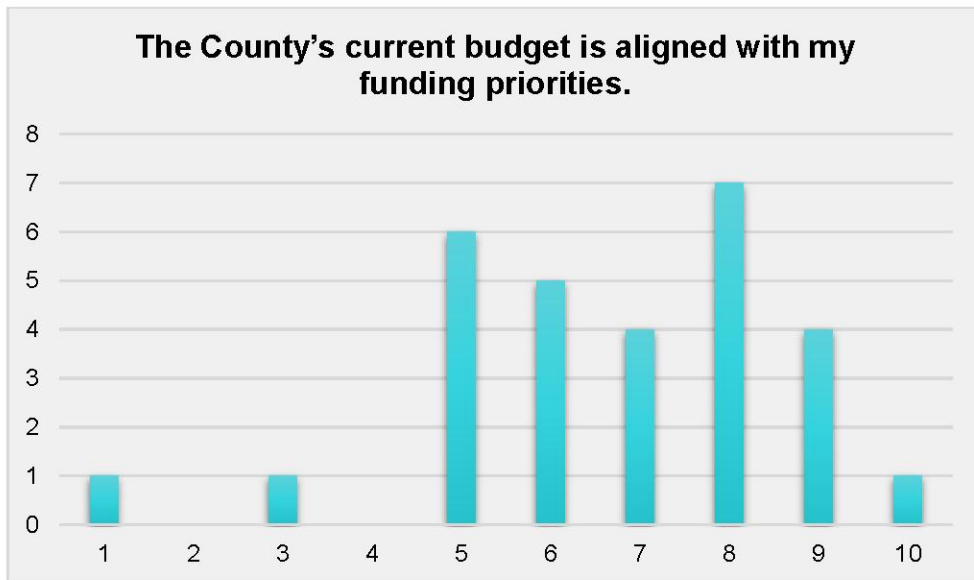


Figure 20: Task Force Agreement Rating on Service Reductions



**Figure 21: Task Force Agreement Rating on New Revenue and Service Reductions**



**Figure 22: Task Force Agreement Rating on the Current Budget**

### Feedback on Revenue Generation Options

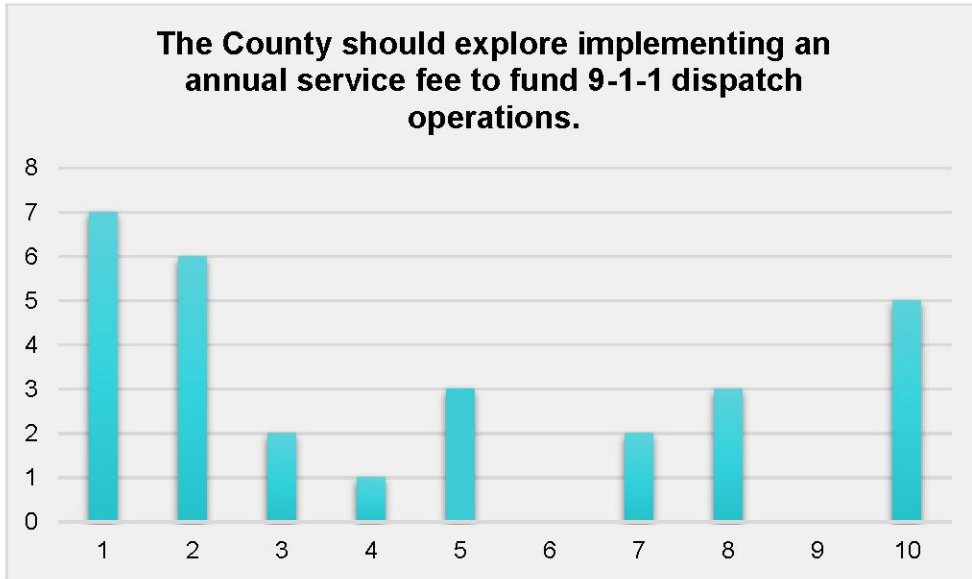


Figure 23: Task Force Agreement Rating on a 9-1-1 Fee

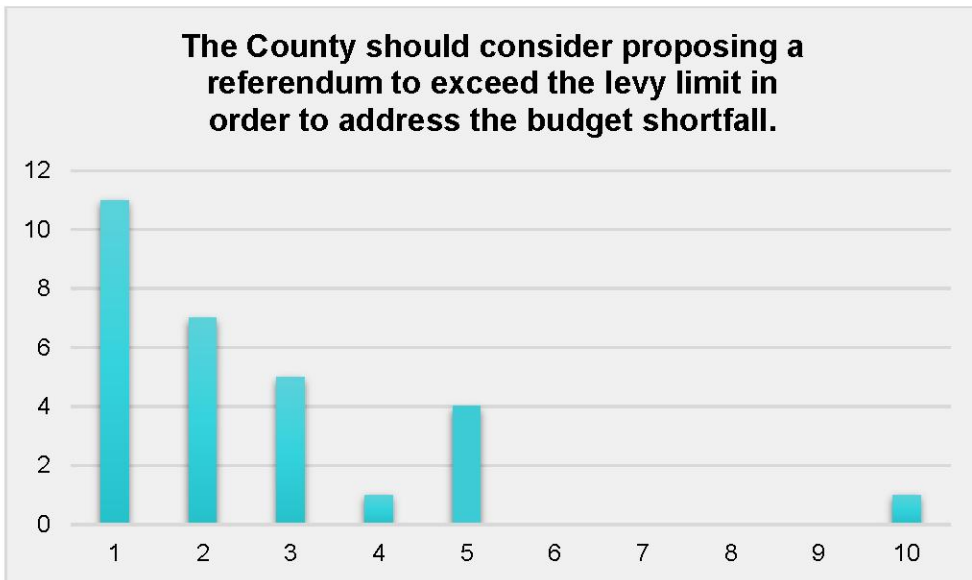
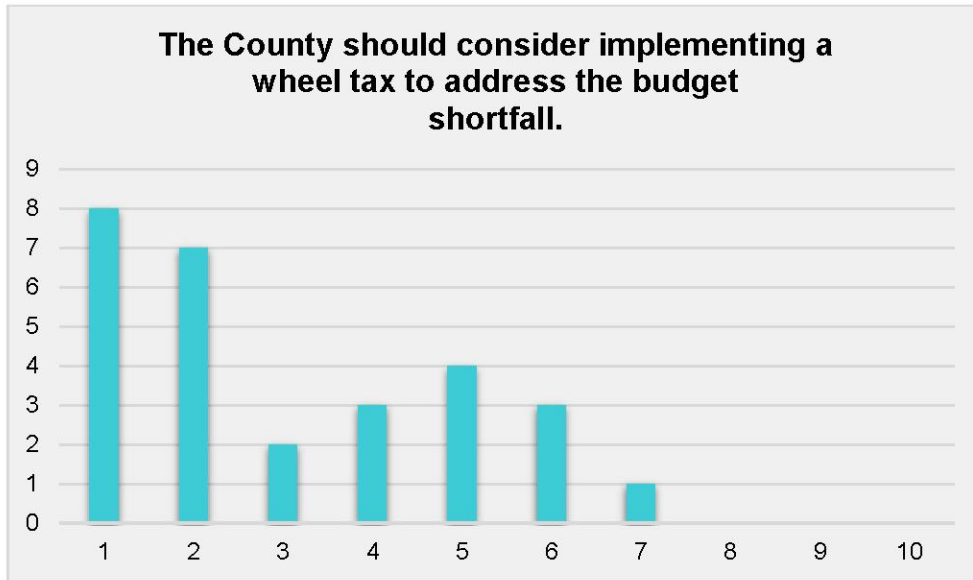
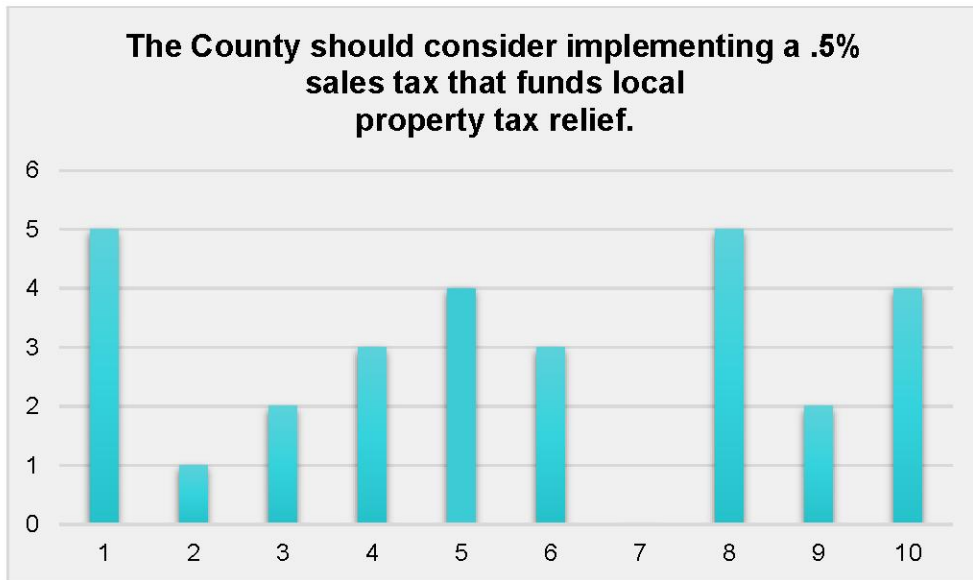


Figure 24: Task Force Agreement Rating on a Levy Increase Referendum



**Figure 25: Task Force Agreement Rating on a Wheel Tax**

**Feedback on Sales Tax Strategy Options**



**Figure 26: Task Force Agreement Rating on a Sales Tax that Funds Property Tax Relief**

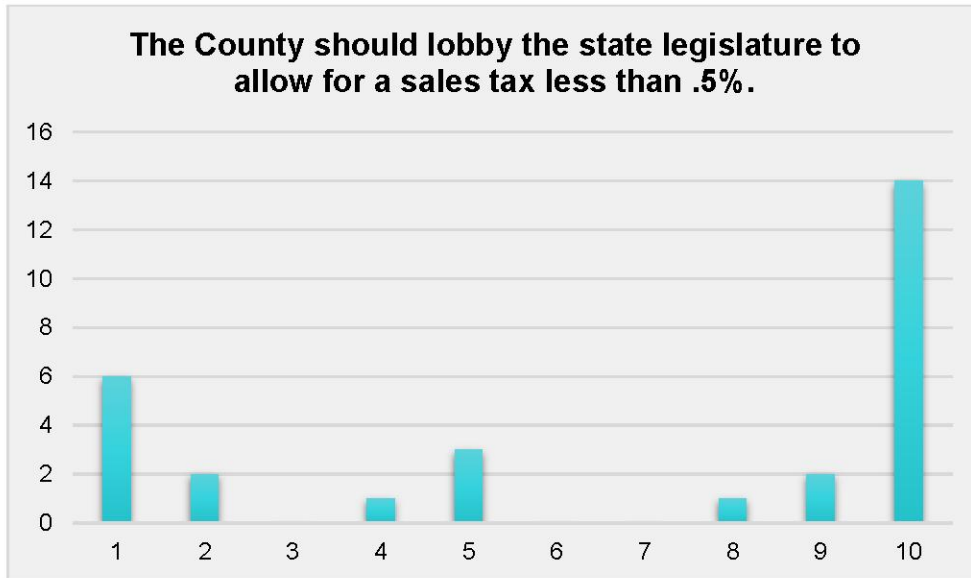


Figure 27: Task Force Agreement Rating on a Sales Tax of Less Than 0.5%

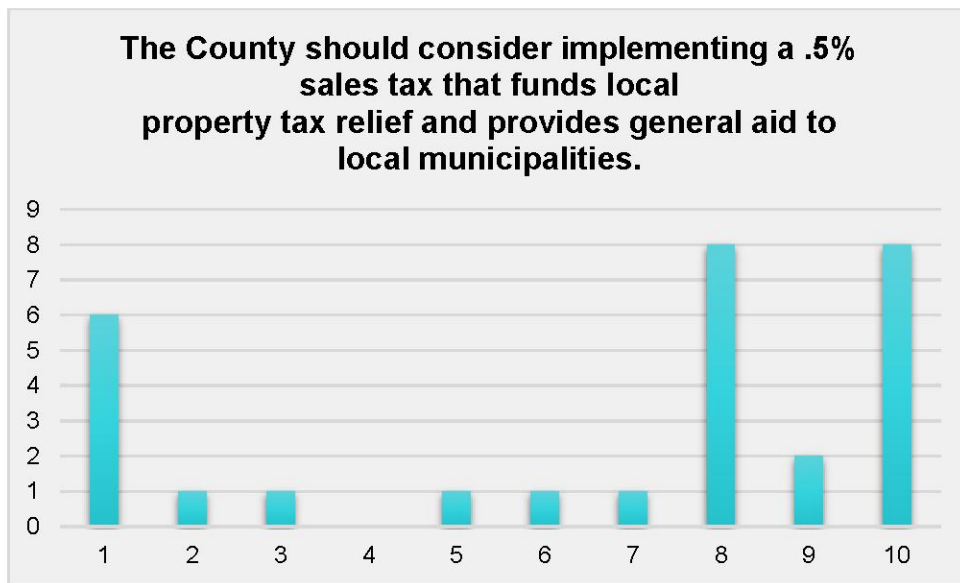
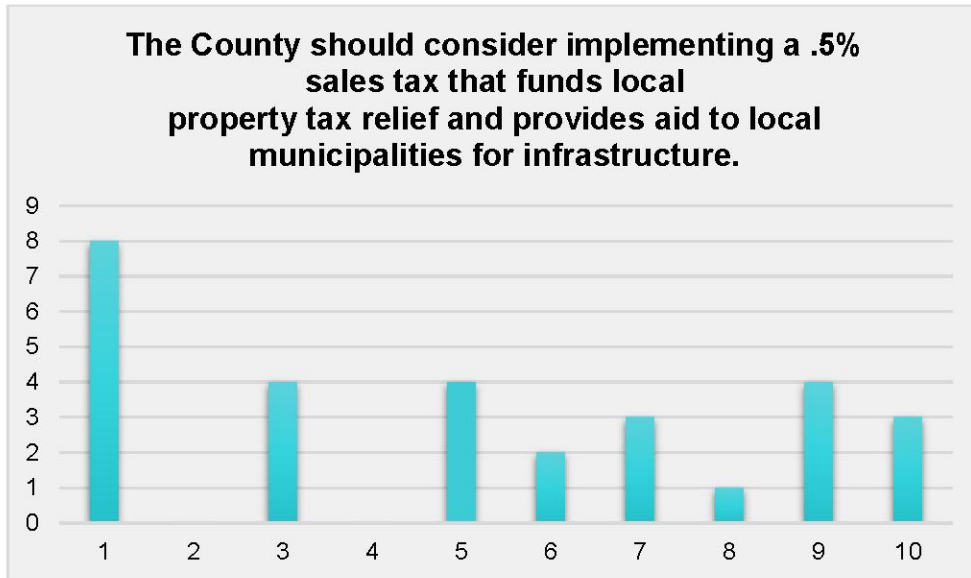
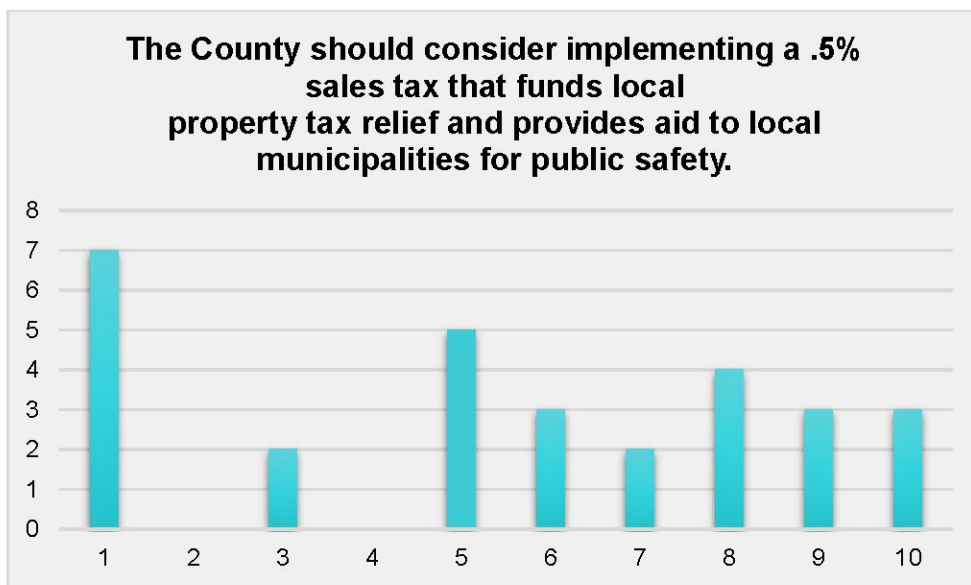


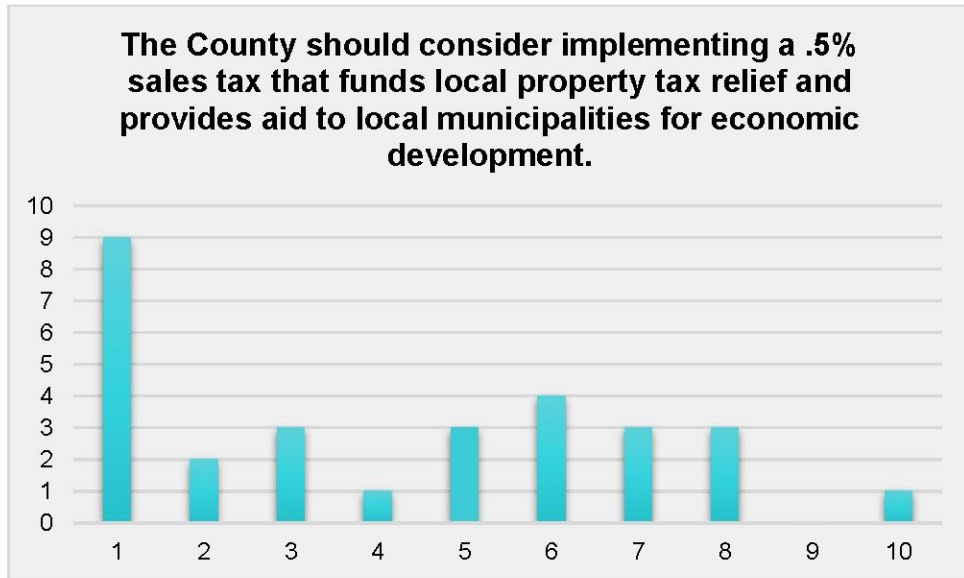
Figure 28: Task Force Agreement Rating on a Sales Tax that Funds Property Tax Relief and General Municipal Aid



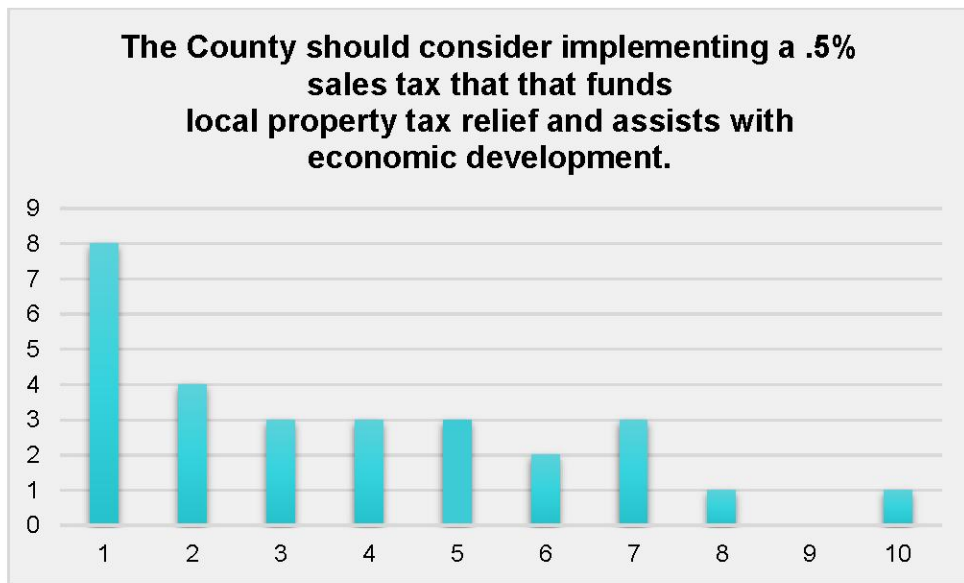
**Figure 29: Task Force Agreement Rating on a Sales Tax that Funds Property Tax Relief and Municipal Aid for Infrastructure**



**Figure 30: Task Force Agreement Rating on a Sales Tax that Funds Property Tax Relief and Municipal Aid for Public Safety**



**Figure 31: Task Force Agreement Rating on a Sales Tax that Funds Property Tax Relief and Municipal Aid for Economic Development**



**Figure 32: Task Force Agreement Rating on a Sales Tax that Funds Property Tax Relief and Economic Development**

### Feedback on the Process

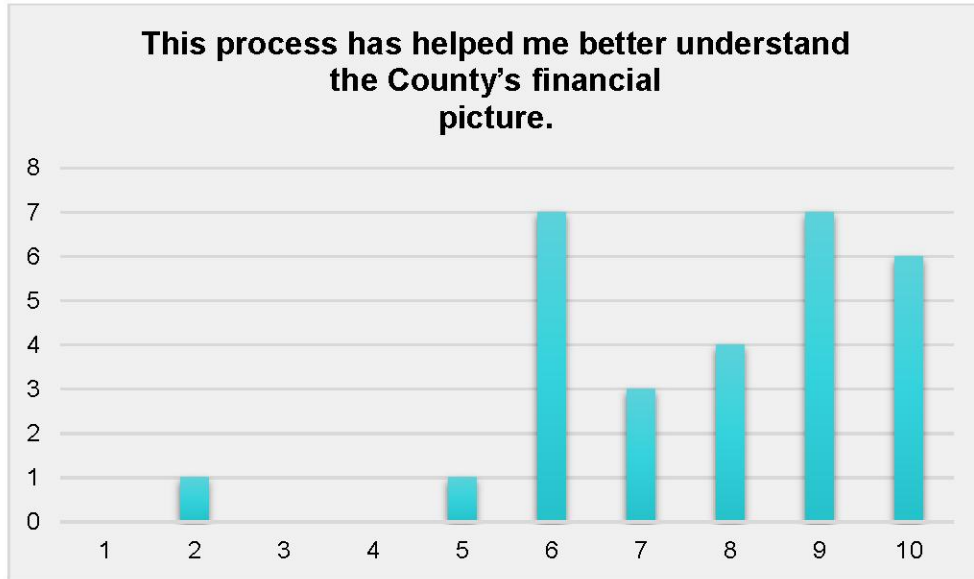


Figure 33: Task Force Agreement Rating on the Effectiveness of the Task Force Process

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APPENDIX B:  
**Task Force Member Comments  
by Key Theme**

The following table captures the individual Task Force member comments for each of the five key themes identified. The comments are transcribed verbatim from the last session.

## Task Force Member Comments by Theme

Importance of Fiscal Responsibility
<ul style="list-style-type: none"> <li>• Use shared revenue to pay down debt and reduce County property tax. Leads to County budget that will not grow as fast due to inflation and increased costs as debt payment will significantly decrease.</li> <li>• First and foremost [value] in running the County and formulating budgets.</li> <li>• County should not collect more than needed to close critical services gap. Need to continue to lobby state to fix shared revenue and modernize property [tax] caps.</li> <li>• I believe the County is already fiscally responsible.</li> <li>• Push Madison for more funding.</li> <li>• How best to address budget excesses – Why do they occur, can budgets be more precise, how best to use excess dollars at end of year.</li> <li>• Maintain existing standard of fiscal responsibility, which allows us to provide/maintain a high level of services.</li> <li>• The County should “sharpen the pencil” as required.</li> <li>• Elected messaging; inherent by past decisions; current State communication; our County versus other similar county.</li> <li>• Caution – The relief created by Sales Tax option could take focus <u>off</u> of need to constantly look for <u>reduction</u> options.</li> <li>• Do not grow government.</li> <li>• I believe County and municipal service levels are generally appropriate and would try to avoid major cuts.</li> <li>• What does the future look like when we experience another budget shortfall in spite of a sales tax?</li> <li>• [The] Waukesha Way is to emphasize fiscal restraint and only introduce a new tax as a last resort and only to the extent needed. Tools to use first: 1) use previous surplus; 2) sell surplus property; 3) increase user fees; 4) cut in shortage; 5) look for efficiencies (shared services).</li> <li>• Maintain the AAA bond rating. Continue to be prudent with taxpayer resources.</li> <li>• The Waukesha Way is to solve our fiscal problems through responsible spending. Sharpen the pencil.</li> <li>• Should always be a priority under every revenue generation scenario.</li> <li>• Focus on fiscal responsibility doesn't include generating more revenue than needed.</li> <li>• How do we control size of government with so much money available?</li> <li>• Maintain.</li> </ul>
Targeted Budgetary Service Level Reductions and Enhancements
<ul style="list-style-type: none"> <li>• Have municipalities pay the cost of shared dispatch.</li> <li>• Big on collaboration of shared services. Is it the County's job to provide revenue to municipalities?</li> <li>• Would like to see each department head[s] ideas on cost reductions. Also need administrative infrastructure across County organization. For example: telephones; does every department need marketing, communications, administrators, etc.</li> <li>• Deep dive on service statistics, # and \$ impact related to cost.</li> <li>• The services that can be reduced currently; one year fix? [or] more than [that].</li> <li>• Do not reduce services that enhance quality of life – Keep Waukesha County as a desirable place to live, etc.</li> <li>• This is the first tool to use to balance the budget after use of the surplus.</li> <li>• We must continue to provide a safe and secure place to live.</li> <li>• Invest in maximum impact – safety, infrastructure, government functions.</li> <li>• With 37 municipalities each responsible for their own public safety, why do we need to expand County Sheriff's department?</li> <li>• Continue the important work of adjusting service levels and finding efficiencies – despite any revenue options.</li> <li>• Explore reduction of Health &amp; Human Services spending.</li> <li>• I favor sharing services where feasible and more efficient. I believe the ½% sales tax revenue should be: 40% County, 20% Real estate tax reduction, 40% local governments.</li> <li>• Think creatively about spending. There is room in all budgets to reduce spending. We should use a holistic approach taking all opportunities into account.</li> <li>• Increase funding for services supporting families, veterans, and victims of domestic violence/abuse or trafficking.</li> <li>• Some departments are fully funded by the services they offer, leave these alone. Some departments are fully tax level funding; if core service, leave alone. If partially funded by tax levy, focus some reduce.</li> <li>• Clean up public safety budgeting issues.</li> </ul>

## Desire to Explore Revenue Options

- Approve sales tax at 0.5%. 40% to municipalities, 20% to property tax relief, 20% to County budget, 20% to paying down debt.
- Consider increasing taxes for all who use County services (e.g., include non-residents).
- I would suggest a referendum first – if voted down, propose sales tax 5.3%. Sales tax is regressive hitting low income hardest and businesses. Would be head wind to economic development.
- Increased sales tax seems to be the only option that “solves” the problem.
- 1) Sales tax 0.5%. 2) Legislature work on shared revenues.
- Sales tax is the only responsible revenue increase option – collects revenue from other county’s residents which we pay to them when we shop there.
- Implement a ¼% sales tax, increase so we do not collect more than we need.
- Explore grants in all areas. Donations and sponsorships to Parks & Health and Human Services. Last option sales tax at less than ½%.
- New revenue source as the last resort and then only take what is necessary to solve the budget issue. Taking more than needed is not responsible or the Waukesha Way. Plus eats at future needs. Partial sales tax is better.
- The conservative approach in this County necessitates communicating impact to educate residents, regardless of which option is selected.
- Explore state change to allow for less than 0.5%.
- Fees, naming rights, sponsorships, property tax, grow economy. Infrastructure and development best-in-class.
- Sustainability prediction, time implications.
- Each revenue option should be taken seriously. The wheel tax will provide some revenue although it is obviously not enough to offset the entire deficit.
- I believe the best revenue option is the ½% sales tax and I would not attempt to reduce that.
- Tough decision equals long-term solutions.
- If a sales tax is necessary and the state is essentially forcing the County’s hand, think big. This is about a lot more than just a sales tax.
- Explore sale of County lands to resolve short-term deficits and allow expansion of tax increment.
- Exceed [property tax] levy: No. Vehicle registration fee: No. Sales tax: Yes, if... 1) reduce property taxes, 2) county ordinance has flexibility to adjust property tax levy, general fund, build a buffer into the plan.

## Support for Infrastructure and Economic Development

- Paying down debt with sales tax \$’s allows for future where infrastructure can become paid for with incoming dollars. Big win for all property owners.
- Most important responsibility for County and Government. We are behind in this area.
- Though not rated as high as Public Safety, extremely important to value to keep this County growing, attractive.
- Continue (or increase) focus on Economic Development to increase tax revenue on commercial (versus residential).
- Focus more on innovation. Waukesha Version 2.0.
- This area should be a strong priority.
- Infrastructure, Public Safety, and Health Services should be protected to the greatest extent possible.
- Think creatively about where we are able to reduce funding to Infrastructure and Development by identifying risk and proportionally addressing reductions.
- Maintaining existing infrastructure and focusing on new development will translate to economic growth, as strong infrastructure attracts business.
- I believe County and municipal expenditures on infrastructure and development are currently appropriate and would avoid major changes.
- Necessities now. 5 years from now.
- Roads are very important to residents and commerce. Investment here is usually appreciated and often noticed by taxpayers.
- Visibility to residents and visitors speaks volumes about our County.
- Continue economic development but maintain the character of the county—preserve the reason people moved here!
- High priority to continue to maintain and expand infrastructure allowing for housing/building development to expand. Creates an avenue for revenue growth under current state statutes.
- Roads are critical. Shared revenue if implemented needs to account for differences in infrastructure from cities, villages, and rural towns. For example, no public pools in the Town of Oconomowoc or Town of Eagle.
- Boost business and housing market growth. Draw businesses and homeowners from surrounding communities.

## Evaluate Shared Services and Shared Revenue

- All municipalities in County are not cities. Most towns in County do not want shared revenue but are very interested in shared services.
- Continue working on sharing services. Sales tax (40%) shared with municipalities based upon population.
- Look for strategies and cuts with the least reduction in core service to citizens.
- Explore all options to realize efficiencies by sharing services.
- Advantages and impacts, time implications.
- Encourage and explore opportunities to consolidate services among the County and municipalities.
- Shared services and revenues will help the cities with their own budget issues.
- I believe the County and municipal governments are currently fiscally responsible, and I would try to avoid major cuts.
- Share revenue to encourage municipalities to cooperate. Municipalities using 911 Dispatch should pay for service. Use shared revenue to encourage Fire & Rescue consolidation.
- Think creatively to combine services and reform to identify savings possibilities.
- Shared Revenue [from] 0.5% [sales tax], 50% County, 35% Municipalities, 15% Tax Relief.
- Budget issues impact local municipalities same as County—great opportunity to get property tax relief for County and local tax bills.
- Brainstorm more options for shared services—e.g., public road plowing and maintenance, mowing near roads, charging for 911.
- Remain committed to intentional, creative eye to consolidate services whenever possible.
- Focus on shared services, collaboration, and consolidated services.
- Shared Services and Revenue → Slippery slope, what happens if County needs to grow?
- Benefits to municipalities, directly benefits residents, making tough revenue decisions more palatable
- Believe there is limited (small amount) revenue to be shared. Likely some communities will be uncooperative (recall 9-1-1 consolidation). Overall a great idea.
- Yes, to splitting excess revenue to communities with simple ordinance, but vigorous accounting calculations.



## **APPENDIX E: RICHARDS RANCH FISCAL IMPACT REPORT**

**CITY OF SANTA MARIA AND  
COUNTY OF SANTA BARBARA  
RICHARDS RANCH FISCAL IMPACT STUDY  
ADMINISTRATIVE REVIEW DRAFT  
JULY 24, 2025**



*Oakland Office*

66 Franklin Street  
Suite 300  
Oakland, CA 94607  
Tel: (510) 832-0899

*Corporate Office*

27368 Via Industria  
Suite 200  
Temecula, CA 92590  
Tel: (800) 755-6864  
Fax: (951) 587-3510

*Other Regional Offices*

Orlando, FL  
Plano, TX  
Washington, DC

[www.willdan.com](http://www.willdan.com)

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# Executive Summary

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This report identifies the estimated fiscal and economic impacts of the Richards Ranch Project on the City of Santa Maria and the County of Santa Barbara.

## Background and Study Objectives

The project proponent, MD3 Investments, proposes to construct a mixed-use project on the border of the City of Santa Maria in the unincorporated community of Orcutt. The project proponent and the County have proposed annexing the project into the City of Santa Maria. The Santa Barbara County Local Agency Formation Commission requires that a proposed annexation consider the fiscal impacts of an annexation to ensure that municipal services can be provided to the project. A fiscal impact study considers the costs and revenues to the City and County associated with the project, especially tax revenues and services such as public protection.

The project proponent had a prior fiscal impact study prepared by the Natelson Dale Group, Inc. This analysis relies heavily upon data from that study, but Willdan has made its own judgments regarding methodology and assumptions and has modified the analysis accordingly. The analysis assumes that the project will be annexed into the City of Santa Maria, which has implications (most notably, services are provided by the City of Santa Maria, tax and fee revenues accrue to the City, and the municipal property tax allocation is shared between the City and the County). As part of the evaluation process, the City and the County have engaged Willdan Financial Services to evaluate the Natelson report and prepare an independent fiscal impact analysis.

## Summary of Results

Following is a summary of the analysis, also included below in Table 1, explained in further detail in the body of the report.

- The projected impact to the City of Santa Maria general fund is a fiscal surplus of \$93,000 annually.
- The projected impact to the County of Santa Barbara general fund is a fiscal surplus of \$276,000 annually.
- Additionally, the report calculates the rate of property tax sharing at which the City and County would have an estimated fiscal impact of approximately zero. For the City this figure is 30 percent, and for the County 33 percent.<sup>1</sup>

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<sup>1</sup> Consistent with the Natelson report, the Willdan analysis assumes that the City receives fifty percent of the fire district revenue and twenty-five percent of general fund property tax revenue generated by the project, for an overall share of approximately thirty-eight (38.4) percent. This calculation is explained in further detail in Table 19.

**Table 1**  
**Summary of Results**  
**Richards Ranch Fiscal Impact Analysis**

Item	Amount
City Net Fiscal Surplus (at 25/50% share, 38% overall)	\$ 92,989
City "breakeven" property tax share	30%
County Net Fiscal Impact (at 75/50% share, 62% overall)	\$ 275,823
County "breakeven" property tax share	33%

Willdan Financial Services, 2025

# 1. Introduction

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MD3 Investments has proposed construction of a mixed residential and commercial project in Orcutt, an unincorporated community adjacent to the City of Santa Maria. The City and County are considering annexation of the project into the City. The City and County have engaged Willdan to prepare a report that estimates the fiscal impacts of the project after annexation, building on a prior report prepared by the Natelson Dale Group, Inc., for the project proponent. The proposed project will consist of 484 multi-family rental and single-family for-sale residential units and 195,000 square feet of commercial development, including a retail center and mini storage. Tables 2 and 3, on the following pages, detail the residential and commercial elements of the project, and estimate the assessed value (based on sales price) and expected residents and employees for the project.

In Table 2, Willdan has increased the estimated residents in each development type to more closely match the average household size of 3.7 in Santa Maria. Willdan has also reduced the estimated monthly rent and townhome sales price based on its evaluation of the Santa Maria market.

**Table 2**  
**Residential Project Description**  
**Richards Ranch Fiscal Impact Analysis**

Type	Units	Value/DU	Total Value	HH Size	Tot Residents
Apartments					
1-BR	120	410,032	49,203,819	1.5	180
2-BR	176	503,221	88,566,875	2.5	440
3-BR	<u>88</u>	<u>615,048</u>	<u>54,124,201</u>	<u>3.5</u>	<u>308</u>
Total/Mean	384	499,726	191,894,895	2.42	928
Townhomes	<u>100</u>	<u>600,000</u>	<u>60,000,000</u>	<u>3.75</u>	<u>375</u>
Grand Total/Mean	484	520,444	251,894,895	2.69	1303

Sources: Willdan Financial Services, Inc.; The Natelson Dale Group, Inc.

Willdan Financial Services, 2025

Table 3 provides detail regarding the commercial component of the project, including 94,000 square feet of commercial strip center and a 101,000 square foot mini storage facility.

**Table 3**  
**Commercial Project Description**  
**Richards Ranch Fiscal Impact Analysis**

Type	Sq. Feet	Employees/ 1K sf	Employees	AV/sf	Assessed Value
Commercial Strip Center	93,863	2	188	410	38,483,830
Mini Storage	<u>101,265</u>	<u>N/A</u>	<u>3</u>	<u>150</u>	<u>15,189,750</u>
Total/Mean	195,128		191		53,673,580

Source: The Natelson Dale Group, Inc.

Willdan Financial Services, 2025

## 2. Methodology

---

Willdan has prepared a model based in broad terms on the analysis prepared by Natelson. In broad terms, the fiscal analysis uses two basis methods of estimating revenues and expenditures. For most categories the model assumes that revenues and expenditures will increase in proportion to the project, by using the existing per capita figures for the City and County and applying the expected new residents and employees in the project to estimate the impact on each item. For certain items Willdan uses a “case study” approach, in which the details of the project are used to estimate certain items. For example, Willdan uses estimated taxable sales to project sales tax revenue and expected assessed value to estimate property tax revenue.

## 3. Fiscal Impacts

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### Revenues

Table 4 provides a more detailed summary of the expected revenues and expenditures expected from the project for the City of Santa Maria. As shown in Table 4, the major revenue sources are taxes, including Measure U, and the major expenditure categories are public safety. Willdan has adjusted these from the Natelson methodology. The most notable change in Table 4 is the exclusion from the analysis of the County Measure A revenue, which is administered separately used primarily for capital projects (and therefore not a general fund revenue to the City and not generally available to fund services). As shown in Table 4, Willdan projects a surplus of \$93,000 annually for the City.

**Table 4**  
**City Net Fiscal Impacts (annual recurring)**  
**Richards Ranch Fiscal Impact Analysis**

Fund	Amount
<b>General Fund</b>	
Property Tax	\$ 368,217
Property Tax In Lieu of VLF	288,926
Sales and Use Tax	186,435
Public Safety Tax	641
Franchises	41,380
Business Licenses	2,602
Property Transfer Tax	11,467
Licenses, Permits & Fees	1,310
Revenue from Other Agencies	2,326
Recreation Programs	1,850
Recreation Income	2,964
Aquatics	2,697
Other Misc.	713
Measure U Transaction and Use Tax	<u>\$ 164,260</u>
<i>Total General Fund Revenue</i>	<i>\$ 1,075,787</i>
<b>Other Revenues</b>	
County Measure A	N/A
State Gas Tax	<u>51,503</u>
<b>Total Other Revenues</b>	<b><u>\$ 51,503</u></b>
<b>Total Revenues</b>	<b>\$ 1,127,290</b>
<b>Expenditures</b>	
Police	\$ 552,015
Fire	243,617
Public Works	31,980
Recreation and Parks	141,087
Community Development	16,108
General Government	<u>\$ 49,493</u>
<i>Total Expenditures</i>	<i><u>\$ 1,034,301</u></i>
<b>Net</b>	<b>\$ 92,989</b>

Sources: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

Table 5 details the estimated revenues and expenditures from the project for the County of Santa Barbara. Although the analysis assumes annexation (and therefore provision of primary services by the City of Santa Maria), there are still County expenditures that reflect County services provided to all residents within the County (as opposed to certain County services, such as public protection, that are provided primarily to residents of unincorporated areas). As shown in Table 5, Willdan projects a surplus to the County of \$276,000 annually, primarily from the retention of significant property tax revenues and the public safety sales tax.

**Table 5**  
**County Net Fiscal Impacts (annual recurring)**  
**Richards Ranch Fiscal Impact Analysis**

<b>Fund</b>	<b>Amount</b>
<b>General Fund</b>	
Property Tax	\$ 588,439
Property Tax In Lieu of VLF	205,683
Property Transfer Tax	11,467
Fines, Forfeitures & Penalties	11,265
Use of Money and Property	7,619
Intergovernmental Revenue State	704
Intergovernmental Revenue Federal	-
Public Safety Sales Tax	<u>\$ 80,077</u>
<i>Total General Fund Revenue</i>	<b>\$ 905,253</b>
<b>Expenditures</b>	
Policy and Executive	\$ 32,434
Public Safety	324,151
Health and Human Services	109,469
Community Resources and Public Facilities	84,259
General Government and Support Services	75,636
General County Programs	<u>\$ 3,481</u>
<i>Total Expenditures</i>	<b><u>\$ 629,430</u></b>
 Net	 <b>\$ 275,823</b>

Sources: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

### Project Demographics

Table 6 details the estimated residents and employees for the project. The model uses two different measures of population for the purposes of estimating fiscal impacts. The first, residents, is simply the number of residents living in the new units. This figure is used to estimate revenues that are allocated by population, such as gas tax, and for services that are primarily for residents, such as parks and recreation (for the City) or health and human services (for the County). As second measure, “service population,” is the sum of residents and 50 percent of the estimated new employees. This measure is used for proportional estimates for revenues and expenditures that are expected to be impacted by both new residents and new businesses, such as police and fire protection. Willdan has increased the resident estimate from the Natelson report but the employee estimate remains unchanged.

**Table 6**  
**Project Population**  
**Richards Ranch Fiscal Impact Analysis**

Item	Amount
Residents	1,303
Employees	191
Employee Weighting Factor	50%
Total Service Population	1,398

Sources: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

### Santa Maria Revenue Projections

Table 7 below details the revenue calculations for the City of Santa Maria. The table summarizes the City budget and provides an estimation methodology where appropriate. In many cases the model assumes proportional growth in revenue, using the current ratio of revenue to population in the City to estimate the additional revenue from new development. In some case the methodology is “case study” in which case the calculation is provided on a subsequent table.

**Table 7**  
**City of Santa Maria Revenue Calculation**  
**Richards Ranch Fiscal Impact Analysis**

Item	Revenue	Non-Recurring	Not Projected	Recurring Projected	Methodology/Units of Measure	Unit Amount	Revenue Factor	Projected Units	Percent Variable	Amount
<b>Taxes</b>										
Property Secured	\$ 14,304,503	\$ -	\$ -	\$ 14,304,503	Case Study	N/A	N/A	N/A	N/A	368,217
Property Unsecured	506,424	-	506,424	-	Not Projected	N/A	N/A	N/A	N/A	N/A
In Lieu of VLF	10,884,750	-	-	10,884,750	Case Study	N/A	N/A	N/A	N/A	288,926
Sales & Use	31,793,709	-	-	31,793,709	Case Study	N/A	N/A	N/A	N/A	186,435
Sales & Use - Safety	394,157	-	-	394,157	Case Study	N/A	N/A	N/A	N/A	641
Franchises	4,979,094	-	-	4,979,094	Per Service Population	134,608	36.99	1,398	80%	41,380
Transient Occupancy	4,273,426	-	4,273,426	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Business License	818,500	-	-	818,500	Per Employee	48,000	17.05	191	80%	2,602
Property Transfer	310,896	-	-	310,896	Case Study	N/A	N/A	N/A	N/A	11,467
<b>Subtotal Taxes</b>	<b>\$ 68,265,459</b>	<b>\$ -</b>	<b>\$ 4,779,850</b>	<b>\$ 63,485,609</b>						<b>\$ 899,668</b>
<b>Licenses, Permits &amp; Fees</b>										
Construction Permits	\$ 3,070,974	\$ -	\$ 3,070,974	\$ -	Not Projected	N/A	N/A	N/A	N/A	N/A
Taxi & Mobile Home Fees	24,700	-	-	24,700	Not Projected	N/A	N/A	N/A	N/A	N/A
Criminal Fines & Penalties	157,660	-	-	157,660	Per Service Population	134,608	1.17	1,398	80%	1,310
<b>Subtotal</b>	<b>\$ 3,253,334</b>	<b>\$ -</b>	<b>\$ 3,070,974</b>	<b>\$ 182,360</b>						<b>1,310</b>
<b>Revenue from Use of Money and Property</b>										
Interest Earned	\$ 2,285,796	\$ -	\$ 2,285,796	\$ -	Not Projected	N/A	N/A	N/A	N/A	N/A
Rental Income	673,717	-	673,717	-	Not Projected	N/A	N/A	N/A	N/A	N/A
<b>Subtotal</b>	<b>\$ 2,959,513</b>	<b>\$ -</b>	<b>\$ 2,959,513</b>	<b>\$ -</b>						<b>\$ -</b>
<b>Revenue from Other Agencies</b>										
Motor Vehicle License Fees	\$ 112,660	\$ -	\$ -	\$ 112,660	Per Capita	110,608	1.02	1,303	1	1,062
Homeowners' Tax Relief	50,416	-	-	50,416	Per Capita	110,608	0.46	1,303	1	475
Property Tax In Lieu	94,900	-	-	94,900	Per Service Population	134,608	0.71	1,398	1	789
Mandated Costs	43,401	-	43,401	-	Not Projected	N/A	N/A	N/A	N/A	N/A
P.O.S.T.	43,773	-	43,773	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Other Subventions	141,336	-	-	141,336	Not Projected	N/A	N/A	N/A	N/A	N/A
<b>Subtotal</b>	<b>\$ 486,486</b>	<b>\$ -</b>	<b>\$ 87,174</b>	<b>\$ 399,312</b>						<b>\$ 2,326</b>
<b>Charges for Service</b>										
Recreation Programs	\$ 196,260	\$ -	\$ -	\$ 196,260	Per Capita	110,608	1.77	1,303	1	1,850
Recreation Income	314,478	-	-	314,478	Per Capita	110,608	2.84	1,303	1	2,964
Aquatics	286,200	-	-	286,200	Per Capita	110,608	2.59	1,303	1	2,697
Zoning & Subdivision Fees	690,950	690,950	-	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Law Enforcement	979,921	-	979,921	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Fire Services	1,686,005	-	1,686,005	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Engineering Reimbursements	677,699	-	677,699	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Comm. Dev. Reimbursements	312,400	-	312,400	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Weed Abatement	-	-	-	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Services Rendered Other Agencies	1,085	-	1,085	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Eng. Plan Check & Inspections	853,981	853,981	-	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Impacted Soils	100,000	-	100,000	-	Not Projected	N/A	N/A	N/A	N/A	N/A
<b>Subtotal</b>	<b>\$ 6,098,979</b>	<b>\$1,544,931</b>	<b>\$ 3,757,110</b>	<b>\$ 796,938</b>						<b>\$ 7,511</b>
<b>Other Revenue</b>										
Prior Year & Damage Recovery	\$ 3,000	\$ -	\$ 3,000	\$ -	Not Projected	N/A	N/A	N/A	N/A	N/A
Sale of Real Property	4,250	-	4,250	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Sale of Maps, Plans and Other	134,660	-	134,660	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Other Misc. Revenue	85,746	-	-	85,746	Per Service Population	134,608	0.64	1,398	1	713
Operating Transfers In	4,627,624	-	4,627,624	-	Not Projected	N/A	N/A	N/A	N/A	N/A
Cost Allocation Transfers	4,917,037	-	4,917,037	-	Not Projected	N/A	N/A	N/A	N/A	N/A
<b>Subtotal</b>	<b>\$ 9,772,317</b>	<b>\$ -</b>	<b>\$ 9,686,571</b>	<b>\$ 85,746</b>						<b>\$ 713</b>
<b>Measure U</b>										
Measure U Tax	\$ 26,715,000	\$ -	\$ -	26,715,000	Case Study	N/A	N/A	N/A	N/A	164,260
Interest Income	171,354	-	171,354	-	Not Projected	N/A	N/A	N/A	N/A	N/A
<b>Subtotal</b>	<b>\$ 26,886,354</b>	<b>\$ -</b>	<b>\$ 171,354</b>	<b>\$ 26,715,000</b>						<b>164,260</b>
<b>Total General Fund</b>	<b>\$ 117,722,442</b>	<b>\$1,544,931</b>	<b>\$ 24,512,546</b>	<b>\$ 91,664,965</b>						<b>\$ 1,075,787</b>
<b>Other Fund Revenues</b>										
County Measure A Sales Tax	7,456,129	-	7,456,129	-	Not Estimated	N/A	N/A	N/A	N/A	N/A
State Gas Tax	5,464,920	-	-	5,464,920	Per Capita	110,608	49.41	1,303	80%	51,503
<b>Total Other Fund Revenues</b>										<b>\$ 51,503</b>
<b>Grand Total Revenues</b>										<b>\$ 1,127,290</b>

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

### Santa Maria Expenditures

Table 8 estimates the expenditures by the City of Santa Maria. For each expenditure item the model calculates the future expenditures from the current ratio of costs on a per capita or per service population basis.

**Table 8**  
**City of Santa Maria Expenditure Calculation**  
**Richards Ranch Fiscal Impact Analysis**

Item	Expenditures	Methodology/Units of Measure	Unit Amount	Revenue Factor	Projected Units	Percent Variable	Amount
<b>Public Safety</b>							
Police	\$ 53,137,621	Per Service Population	134,608	395	1,398	100%	552,015
Fire	23,450,833	Per Service Population	134,608	174	1,398	100%	243,617
<b>Subtotal Public Safety</b>	<b>\$ 76,588,454</b>						<b>\$ 795,632</b>
<b>Public Works</b>							
Public Works	\$ 3,848,022	Per Service Population	134,608	29	1,398	80%	31,980
Recreation & Parks	14,970,631	Per Capita	110,608	135	1,303	80%	141,087
Community Development	1,938,203	Per Service Population	134,608	14.40	1,398	80%	\$ 16,108
<b>Subtotal</b>	<b>20,756,856</b>						<b>\$ 189,175</b>
<b>General Government</b>							
Mayor & Council	\$ 210,816	Per Service Population	134,608	1.57	1,398	25%	548
City Attorney	1,816,868	Per Service Population	134,608	13.50	1,398	25%	4,719
City Manager	13,045,242	Per Service Population	134,608	96.91	1,398	25%	33,880
Finance	3,984,369	Per Service Population	134,608	29.60	1,398	25%	10,348
<b>Subtotal General Government</b>	<b>\$ 19,057,295</b>						<b>\$ 49,494</b>
<b>Grand Total Expenditures</b>	<b>\$ 116,402,605</b>						<b>\$ 1,034,301</b>

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

### County of Santa Barbara Revenues

Table 9 below details the revenue calculations for the County of Santa Barbara. The table summarizes the County budget and provides an estimation methodology where appropriate. In many cases the model assumes proportional growth in revenue, using the current ratio of revenue to population in the County to estimate the additional revenue from new development. In some case the methodology is “case study” in which case the calculation is provided on a subsequent table.

**Table 9**  
**County of Santa Barbara Revenue Calculation**  
**Richards Ranch Fiscal Impact Analysis**

Item	Revenue	Methodology/Units of Measure	Unit Amount	Revenue Factor	Projected Units	Percent Variable	Amount
Property Tax	\$ 333,963,000	Case Study	N/A	N/A	N/A	N/A	805,589
Licenses, Permits and Franchises	3,597,600	N/A (unincorporated only)	N/A	N/A	N/A	N/A	N/A
Fines, Forfeitures & Penalties	\$ 5,554,000	Per Service Population	551,543	10.07	1,398	80.00%	11,265
Use of Money and Property	3,756,500	Per Service Population	551,543	6.81	1,398	80.00%	7,619
<i>Intergovernmental Revenue-State</i>							
Motor Vehicle In Lieve In Excess	\$ 300,000	Per Capita	444,500	0.67	1,303	80%	704
Homeowners' Tax Relief	685,000	Not Estimated	N/A	N/A	N/A	N/A	N/A
Stat Off Hwy Mtr. Veh LF	<u>1,000</u>	Not Estimated	N/A	N/A	N/A	N/A	<u>N/A</u>
<i>Subtotal</i>	\$ <u>986,000</u>						\$ <u>704</u>
Intergovernmental Revenue-Federal	2,159,300	Not Estimated	N/A	N/A	N/A	N/A	N/A
Charges for Services	21,972,700	Not Projected	N/A	N/A	N/A	N/A	N/A
Misc Revenue	<u>95,000</u>	Not Estimated	N/A	N/A	N/A	N/A	<u>N/A</u>
<b>Total General Fund Revenue</b>	<b>372,084,100</b>						<b>825,176</b>
Prop 172 - Public Safety Sales Tax	<u>48,831,700</u>	Case Study	N/A	N/A	N/A	N/A	<u>80,077</u>
<b>Total Revenues</b>	<b>420,915,800</b>						<b>905,253</b>

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

### County of Santa Barbara Expenditures

Table 10 estimates the expenditures for the County of Santa Barbara. For each expenditure item the model calculates the future expenditures from the current ratio of costs on a per capita or per service population basis.

**Table 10**  
**County of Santa Barbara Expenditure Calculation**  
 Richards Ranch Fiscal Impact Analysis

Item	Expenditures	Operating Revenues	Recurring Revenue	Methodology/Units of Measure	Unit Amount	Revenue Factor	Projected Units	Percent Variable	Amount
<b>Policy &amp; Executive</b>									
Board of Supervisors	\$ 4,142,600	\$ -	\$ 4,142,600	Per Service Population	551,543	7.51	1,398	50%	5,252
County Executive Office	62,815,700	53,620,700	9,195,000	Per Service Population	551,543	16.67	1,398	50%	11,656
County Counsel	12,614,200	366,600	12,247,600	Per Service Population	551,543	22.21	1,398	50%	15,526
<b>Subtotal General Government</b>	<b>\$ 79,572,500</b>	<b>\$ 53,987,300</b>	<b>\$ 25,585,200</b>						<b>\$ 32,434</b>
<b>Public Safety</b>									
District Attorney	\$ 34,344,300	\$ 13,224,100	\$ 21,120,200	Per Capita	444,500	47.51	1,303	50%	30,956
Probation	70,195,300	44,969,700	25,225,600	Per Capita	444,500	56.75	1,303	50%	36,973
Public Defender	20,289,300	557,200	19,732,100	Per Capita	444,500	44.39	1,303	25%	14,461
Court Special Services	12,916,000	5,289,300	7,626,700	Per Capita	444,500	17.16	1,303	25%	5,589
Fire	120,928,100	44,103,500	76,824,600	Per Service Population	551,543	139.29	1,398	50%	97,389
Sheriff (non custody ops)	109,045,400	49,665,600	59,379,800	Not Estimated	N/A	N/A	N/A	N/A	N/A
Sheriff (custody ops)	90,894,900	22,471,000	68,423,900	Per Service Population	551,543	124.06	1,398	80%	138,784
<b>Subtotal Public Safety</b>	<b>\$ 458,613,300</b>	<b>\$ 180,280,400</b>	<b>\$ 278,332,900</b>						<b>\$ 324,151</b>
<b>Health &amp; Human Services</b>									
Public Health	\$ 102,583,200	\$ 87,758,600	\$ 14,824,600	Per Capita	444,500	33.35	1,303	100%	43,457
Behavioral Wellness	175,660,900	171,167,600	4,493,300	Per Capita	444,500	10.11	1,303	100%	13,172
Social Services	222,738,400	205,562,700	17,175,700	Per Capita	444,500	38.64	1,303	100%	50,349
Child Support Services	11,272,000	11,272,000	-	Per Capita	444,500	-	1,303	100%	-
First 5, Children & Families	3,723,900	2,873,600	850,300	Per Capita	444,500	1.91	1,303	100%	2,493
<b>Subtotal Health &amp; Human Services</b>	<b>\$ 515,978,400</b>	<b>\$ 478,634,500</b>	<b>\$ 37,343,900</b>						<b>\$ 109,469</b>
<b>Community Resources &amp; Public Facilities</b>									
Agricultural Commissioner/W&M	\$ 7,912,800	\$ 5,804,400	\$ 2,108,400	Not Estimated	N/A	N/A	N/A	N/A	N/A
Community Services	74,837,200	41,925,000	32,912,200	Per Service Population	551,543	59.67	1,398	50%	41,722
Planning & Development	29,853,200	22,524,600	7,328,600	Per Service Population	551,543	13.29	1,398	50%	9,290
Public Works	173,327,200	147,100,900	26,226,300	Per Service Population	551,543	47.55	1,398	50%	33,247
<b>Subtotal Community Resources &amp; P</b>	<b>\$ 285,930,400</b>	<b>\$ 217,354,900</b>	<b>\$ 68,575,500</b>						<b>\$ 84,259</b>
<b>General Government &amp; Sport Services</b>									
Auditor-Controller	\$ 10,674,500	\$ 1,407,000	\$ 9,267,500	Per Service Population	551,543	16.80	1,398	50%	11,748
Clerk-Recorder-Assessor	21,695,100	7,042,600	14,652,500	Per Service Population	551,543	26.57	1,398	50%	18,575
Debt Service	1,246,900	1,384,900	-	Not Estimated	N/A	N/A	N/A	N/A	N/A
General Services	49,964,100	29,303,300	20,660,800	Per Service Population	551,543	37.46	1,398	50%	26,191
Human Resources	10,572,600	2,598,300	7,974,300	Per Service Population	551,543	14.46	1,398	50%	10,109
Information Technology	28,240,200	27,232,100	1,008,100	Per Service Population	551,543	1.83	1,398	50%	1,278
Treasurer-Tax Collector	9,579,200	3,477,800	6,101,400	Per Service Population	551,543	11.06	1,398	50%	7,735
<b>Subtotal General Government</b>	<b>\$ 131,972,600</b>	<b>\$ 72,446,000</b>	<b>\$ 59,664,600</b>						<b>\$ 75,636</b>
<b>General County Programs</b>									
General County Programs	11,090,700	8,345,100	2,745,600	Per Service Population	551,543	4.98	1,398	50%	3,481
<b>Subtotal General Government</b>	<b>\$ 11,090,700</b>	<b>\$ 8,345,100</b>	<b>\$ 2,745,600</b>						<b>\$ 3,481</b>
<b>Total Expenditures</b>	<b>\$ 1,483,157,900</b>	<b>\$1,011,048,200</b>	<b>\$ 472,247,700</b>						<b>\$ 629,430</b>

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

### Sales Tax Revenues

Willdan has estimated the sales tax revenue that could be generated by the project, detailed in Table 11. For this analysis Willdan has calculated only the revenue from the commercial center. The Natelson analysis estimated both this revenue and the new taxable sales generated by new residents. Willdan believes this approach is too aggressive, as new stores do not themselves necessarily generate new sales and to any new sales to the City would come in significant part from the new residents. As a result, Willdan’s approach to sales tax in mixed-use projects is to calculate both the on-site sales and the resident-generated sales and use the higher figure in its analysis, but not both.

**Table 11**  
**Onsite Taxable Sales**  
**Richards Ranch Fiscal Impact Analysis**

Land Use	Square Feet	Sales/SF	Total Sales	% Taxable (1)	Taxable Sales
Commercial Center	93,863	250	23,465,750	70.00%	16,426,025
Mini Storage	101,265	0	0	0	0
<b>Total</b>	<b>195,128</b>		<b>23,465,750</b>		<b>16,426,025</b>

(1) Not all establishments will sell goods, and not all goods sold will be taxable.

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

Table 12 calculates the revenue resulting from the onsite sales, both directly from the City’s one percent share of sales tax collections and an allocation of countywide pools.

**Table 12**  
**Estimated Sales Tax Revenue**  
**Richards Ranch Fiscal Impact Analysis**

Item	Total
Total Taxable Sales	\$ 16,426,025
Local Sales Tax Rate	1.0%
Sales Tax Revenue	\$ 164,260
On-Site Sales Tax Revenue as a Share of Total Sales & Use Tax (1)	86.5%
Estimated Sales Tax Revenue Allocation Generated by Base Sales Tax	\$ 22,175
<b>Total Revenue</b>	<b>\$ 186,435</b>

(1) According to HdL and Natelson, 12-15% of a local jurisdiction's total sales and use tax revenue are derived from their share of countywide pools.

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

The City of Santa Maria also has a local tax measure, Measure U, that collects an additional one percent of local taxable sales. Table 13 calculates the Measure U revenue generated by the project.

**Table 13**  
**Estimated Measure U Sales Tax Revenue**  
**Richards Ranch Fiscal Impact Analysis**

Item	Total
Total On-Site Taxable Sales	\$ 16,426,025
Total Resident Santa Maria Taxable Expenditures	<u>-</u>
Total Taxable Sales	\$ 16,426,025
Measure U Sales Tax Rate	1.0%
<b>Total Measure U Sales Tax Revenue</b>	<b>\$ 164,260</b>

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

Table 14 calculates the 0.5% public safety tax collected and the allocation between the County and the City.

**Table 14**  
**Estimated Public Safety Sales Tax Revenue**  
**Richards Ranch Fiscal Impact Analysis**

Item	Total
Total On-Site Taxable Sales	\$ 16,426,025
Total Resident Santa Maria Taxable Expenditures	<u>-</u>
Total Taxable Sales	\$ 16,426,025
Public Safety Sales Tax Rate	0.5%
Total Public Safety Sales Tax Revenue	\$ 82,130
<u>County Revenue</u>	
County Share of Public Safety Tax	97.5%
<b>County Public Safety Tax Revenue</b>	<b>\$ 80,077</b>
<u>City Revenue</u>	
City Share of Public Safety Tax	0.8%
<b>City Public Safety Tax Revenue</b>	<b>\$ 641</b>

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

### Property Tax Revenues

The most significant source of revenue from the development of the project is property tax revenue, which is calculated in the following tables. Table 15 details the allocation of the basis ad valorem tax of one percent of assessed value for the proposed project parcel, tax rate area 080-041. The two allocations relevant to the analysis are the Santa Barbara County General Fund, 0001, and the SB County Fire Protection District, 2280. As shown in Table 15, the analysis assumes that twenty-five percent of the general fund tax and fifty percent of the fire district tax will be allocated to the City, with the remainder retained by the County.

**Table 15**  
**Property Tax Allocation Factors**  
**Richards Ranch Fiscal Impact Analysis**

District Name	TRA 080-041 (1)	Post Annexation City Allocation (2)	County Share Post Annexation
0001 Santa Barbara County General Fund	0.144139	25%	0.10810425
2140 CSA 5	0.006563		
2280 SB County Fire Protection District	0.168935	50%	0.08446750
2400 SB County Flood Cntrl/Wtr Cnsv	0.002668		
2510 Orcutt Flood Zn 3	0.005465		
2670 North County Lighting District	0.008701		
3050 Santa Barbara County Wtr Agency	0.003431		
3210 Santa Maria Public Airport Dist	0.011144		
3320 Santa Maria Cemetary Dist	0.005800		
4160 SB Mosquito/Vector Dist	0.000186		
4500 Cachuma Resource Cnsvr Dist	0.000479		
7401 Orcutt Union Elem Dist General	0.235767		
8301 Santa Maria Jt HS Dist General	0.195338		
9401 Allen Hancock CC Dist General	0.051965		
9801 County School Srvc Fund	0.035912		
9802 ERAF	<u>-0.123508</u>		
Total (3)	1.000001		0.19257175

(1) Tax Rate Area

(2) Analysis assumes that 25 percent of GF revenue and 50 percent of fire revenue go to City.

(3) Figures from Natelson and should add up to exactly 1. Willdan has not had the opportunity to reconcile this number given the compressed time frame of the analysis. The difference is *de minimus*.

Source: The Natelson Group, Inc.; Santa Barbara County Auditor-Controller's Office

Willdan Financial Services, 2025

Table 16 calculates the property tax revenues for the project for the City and County based on the assessed value from Tables 2 and 3 and the allocation factors in Table 15.

**Table 16**  
**Estimated Property Tax Revenue**  
**Richards Ranch Fiscal Impact Analysis**

Item	Amount
Estimated Project Assessed Value	\$ 305,568,475
Base Ad Valorem Tax	1.00%
Base Ad Valorem Revenue	\$ 3,055,685
<b>City General Fund Revenue, Post Annexation</b>	
City General Fund Post ERAF Share of AV Tax	3.6%
Total City Property Tax Post Annexation	\$ 110,111
<b>City Fire District Revenue, Post Annexation</b>	
City Fire District Post ERAF Share	8.45%
City Fire District Property Tax Post Annexation	\$ 258,106
<b>County General Fund Revenue, Post Annexation</b>	
County General Fund Post ERAF Share of AV Tax	10.8%
Total County Property Tax Post Annexation	\$ 330,333
<b>County Fire District Revenue, Post Annexation</b>	
County Fire District Post ERAF Share of AV Tax	8.45%
County Fire District Property Tax Post Annexation	\$ 258,106

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

In addition to the property tax factors, each jurisdiction receives additional revenue in lieu of vehicle license fee (VLF) revenue. This amount is calculated as a proportion of incremental additional assessed value applied to the previous year’s VLF revenue. Table 17 calculates the incremental additional VLF swap revenue resulting from the development of the project for the City and the County.

**Table 17**  
**Estimated Vehicle License Fee (VLF)/Property Tax Revenue**  
**Richards Ranch Fiscal Impact Analysis**

Item	Amount
<u><i>Santa Barbara County</i></u>	
County VLF Swap Revenue (2024)	\$ 74,128,000
County AV, FY 2023-24	\$ 110,126,900,000
Project Value	\$ 305,568,475
Percentage Increase over Base AV	0.28%
Incremental Additional VLF Swap Revenue	\$ 205,683
<u><i>City of Santa Maria</i></u>	
City VLF Swap Revenue (2024)	\$ 10,884,750
City AV, FY 2023-24	\$ 11,511,734,000
Project Value	\$ 305,568,475
Percentage Increase over Base AV	2.65%
Incremental Additional VLF Swap Revenue	\$ 288,926

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

The City and County collect transfer tax upon the sale of real estate, \$1.10 per \$1,000 of valuation, divided equally. The fiscal model assumes that for sale residential units will be sold every seven years, and the commercial properties (including rental apartments) every twenty years. Table 18 calculates the average annual revenue that would be received from these transactions.

**Table 18**  
**Estimated Property Transfer Tax Revenue**  
**Richards Ranch Fiscal Impact Analysis**

Item	Residential (TH)	Residential (APT)	Commercial	Total
Estimated Property Value	\$ 60,000,000	\$ 191,894,895	\$ 53,673,580	\$ 305,568,475
Mean holding period (years)	7	20	20	
Tax Rate (1)	0.055%	0.055%	0.055%	
Annual Revenue	\$ 4,714	\$ 5,277	\$ 1,476	\$ 11,467

(1) The City and County Share a transfer tax of \$1.10 per \$1,000 of valuation.

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025

Integral to the projection of the fiscal impacts of the project to the City and County is an assumption regarding the allocation of the property tax generated by the project. Consistent with the Natelson study, this analysis assumes a split between the City and County of 25%/75% for the general fund revenue and 50% each for the fire district revenue, for an overall allocation of 38%/62%. These calculations are included in Table 16, above. Additionally, Willdan has estimated the minimum property tax revenue needed for each municipality to be fiscally neutral (a net impact of approximately \$0, or “breakeven”). Table 19 calculates the minimum property tax allocation for the City and County to achieve breakeven. As shown in Table 19, City must receive at least 30 percent of the property tax revenue to remain fiscally neutral, and the County must receive at least 33 percent of the property tax revenue to remain fiscally neutral.

**Table 19**  
**Property Tax "Breakeven" Analysis**  
**Richards Ranch Fiscal Impact Analysis**

Item	Amount
Estimated Project Assessed Value	\$ 305,568,475
Base Ad Valorem Tax	1.00%
Base Ad Valorem Revenue	\$ 3,055,685
GF Allocation TRA 080-041 Revenue	14.41% \$ 440,443
Fire District Allocation TRA 080-041 Revenue	16.89% \$ 516,212
Total Combined GF and FD Allocation TRA 080-041 Revenue	31.31% \$ 956,655
<b>City Breakeven Estimate</b>	
<b>City General Fund Revenue, Post Annexation</b>	
City General Fund Post ERAF Share of AV Tax	4.32%
Total City Property Tax Post Annexation	\$ 132,133
<b>City Fire District Revenue, Post Annexation</b>	
City Fire District Post ERAF Share	5.07%
City Fire District Property Tax Post Annexation	\$ 154,864
<b>Resulting City Fiscal Impact</b>	<b>\$ 11,769</b>
<b>Percentage Allocation of Project Property Tax Revenue</b>	<b>30%</b>
<b>County Breakeven Estimate</b>	
<b>County General Fund Revenue, Post Annexation</b>	
County General Fund Post ERAF Share of AV Tax	4.76%
Total County Property Tax Post Annexation	\$ 145,346
<b>County Fire District Revenue, Post Annexation</b>	
County Fire District Post ERAF Share of AV Tax	5.57%
County Fire District Property Tax Post Annexation	\$ 170,350
<b>Resulting County Fiscal Impact</b>	<b>\$ 3,081</b>
<b>Percentage Allocation of Project Property Tax Revenue</b>	<b>33%</b>

Source: The Natelson Dale Group, Inc.; Willdan Financial Services

Willdan Financial Services, 2025



## **APPENDIX F: NHA’S REQUIRED MUNICIPAL ADVISOR DISCLOSURES**

**Fiduciary Duty**

NHA Advisors, LLC (“NHA”) is registered as a Municipal Advisor with the U. S. Securities and Exchange Commission (“SEC”) and Municipal Securities Rulemaking Board (“MSRB”). As such, NHA has a fiduciary duty to the Town and must provide both a Duty of Care and a Duty of Loyalty that entail the following.

**Duty of Care:**

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the Town with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the Town’s determination as to whether to proceed with a course of action or that form the basis for any advice provided to the Town; and
- d) undertake a reasonable investigation to determine that NHA is not forming any recommendation on materially inaccurate or incomplete information; NHA must have a reasonable basis for:
  - i. any advice provided to or on behalf of the Town;
  - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the Town, any other party involved in the municipal securities transaction or municipal financial product, or investors in the Town securities; and
  - iii. any information provided to the Town or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

**Duty of Loyalty:**

NHA must deal honestly and with the utmost good faith with the Town and act in the Town’s best interests without regard to the financial or other interests of NHA. NHA will eliminate or provide full and fair disclosure (included herein) to the Town about each material conflict of interest (as applicable). NHA will not engage in municipal advisory activities with the Town as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the Town’s best interest.

**Conflicts of Interest and Other Matters Requiring Disclosures**

As of the commencement date of the Project, there are no actual or potential material conflicts of interest, other than those potential conflicts noted below, that NHA is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If NHA becomes aware of any material potential conflict of interest that arises after this disclosure, NHA will disclose the detailed information in writing to the Town in a timely manner.

Pursuant to MSRB Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of NHA and its associated persons.

The following are potential conflicts of interest to be considered.

- NHA represents that in connection with the issuance of municipal securities, NHA may receive compensation from the Town for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the



## LOS GATOS – PROPOSAL FOR STUDY 1 (FISCAL CONDITION) AND STUDY 2 (FISCAL IMPACT)

requirements of MSRB Rule G-42, NHA hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding NHA' ability to provide unbiased advice to enter into such transaction. The contingent fee arrangement creates an incentive for NHA to recommend unnecessary financings or financings that are disadvantageous to the Town, or to advise the Town to increase the size of the issue. This potential conflict of interest will not impair NHA' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Town.

- NHA' fees under this potential agreement may be based on hourly fees of NHA' personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest because it could create an incentive for NHA to recommend alternatives that would result in more hours worked. This conflict of interest will not impair NHA' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Town.
- NHA' fees under this potential agreement may be a fixed amount established at the outset of this potential agreement. The amount is usually based upon an analysis by the Town and NHA of, among other things, the expected duration and complexity of the transaction and the scope of services to be performed by NHA. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, NHA may suffer a loss. Thus, NHA may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest will not impair NHA' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Town.
- The fee paid to NHA increases the cost of investment to the Town. The increased cost occurs from compensating NHA for municipal advisory services provided.
- NHA serves a wide variety of other clients that may, from time to time, have interests that could have a direct or indirect impact on the interests of another NHA client. For example, NHA serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the Town. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, NHA could potentially face a conflict of interest arising from these competing client interests. NHA fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the Town.
- Gerald Craig Hill, the Managing Principal of NHA is currently serving as an outside director for the HdL Companies based in Diamond Bar, CA. HdL Companies is a software and professional services consulting company providing revenue data and collections information to local governments, potentially including NHA's clients. HdL Companies have affiliates including, but not limited to, HdL Coren & Cone. From time to time, NHA utilizes the services of HdL Coren & Cone for its clients. NHA is mindful of this conflict of interest and fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith when this situation arises.
- NHA does not have any affiliate that provides any advice, service, or product to or on behalf of the Town that is directly or indirectly related to the municipal advisory activities to be performed by NHA.
- NHA has not made any payments directly or indirectly to obtain or retain NHA' municipal advisory business.
- NHA has not received any payments from third parties to enlist NHA' recommendation to the Town of its services, any municipal securities transaction, or any municipal finance product.
- NHA has not engaged in any fee-splitting arrangements involving NHA and any provider of investments or services to the Town.



## LOS GATOS – PROPOSAL FOR STUDY 1 (FISCAL CONDITION) AND STUDY 2 (FISCAL IMPACT)

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- NHA does not have any legal or disciplinary event that is material to the Town's evaluation of the municipal advisory or the integrity of its management or advisory personnel.
- NHA does not act as principal in any of the transaction(s) related to this potential agreement.

### **Legal Events and Disciplinary History**

NHA does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Town may electronically access NHA's most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html)

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.

### **Recommendations**

If NHA makes a recommendation of a municipal securities transaction or municipal financial product or if the review of a recommendation of another party is requested in writing by the Town and is within the scope of the engagement, NHA will determine, based on the information obtained through reasonable diligence of NHA whether a municipal securities transaction or municipal financial product is suitable for the Town. In addition, NHA will inform the Town of:

- the evaluation of the material risks, potential benefits, structure, and other characteristics of the recommendation;
- the basis upon which NHA reasonably believes that the recommended municipal securities transaction or municipal financial product is, or is not, suitable for the Town; and
- whether NHA has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the Town objectives.

If the Town elects a course of action that is independent of or contrary to the advice provided by NHA, NHA is not required on that basis to disengage from the Town.

### **Municipal Securities Rulemaking Board Rule G-10 Disclosure**

Pursuant to MSRB Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- NHA is currently registered as a Municipal Advisor with the SEC and MSRB.
- Within the MSRB website at [www.msrb.org](http://www.msrb.org), the Town may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.



## LOS GATOS – PROPOSAL FOR STUDY 1 (FISCAL CONDITION) AND STUDY 2 (FISCAL IMPACT)

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### **Record Retention**

Effective July 1, 2014, pursuant to the SEC record retention regulations, NHA is required to maintain, in writing, all communication and created documents between NHA and the Town for five (5) years.

If there are any questions regarding the above, please do not hesitate to contact NHA.

SEPTEMBER 22,  
2025

# TOWN OF LOS GATOS

## *PROPOSAL FOR STUDY 3: ASSET LIABILITY MANAGEMENT STUDY*

**PROVIDED IN RESPONSE TO**  
**REQUEST FOR PROPOSALS DATED AUGUST 20, 2025:**  
*FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-  
TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET  
LIABILITY MANAGEMENT STUDY*



**SUBMITTED BY**

**NHA**

**ADVISORS**

Financial & Policy Strategies.  
Delivered.



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## 1. COVER LETTER

September 22, 2025

Attn: Gitta Ungvari, Finance Director

[Finance@losgatosca.gov](mailto:Finance@losgatosca.gov)

Town of Los Gatos

110 E. Main Street

Los Gatos, CA 95030

RE: Request for Proposals for Study 3: Asset Liability Management

Dear Ms. Ungvari,

NHA Advisors, LLC (“NHA”) is pleased to submit this proposal to provide municipal advisory services to the Town of Los Gatos (the “Town”) in relation to its Asset Liability Management (“ALM”) Study requested as Task 3/Study 3 in your August 20th RFP. Please note that NHA Advisors has also submitted as part of a team including Raftelis and Willdan for Task 1/Study 1 and Task 2/Study 2. Our role in that proposal is a Team Manager. For Task 3/Study 3, NHA is the sole service provider. In addition to the scope requested in the Town’s RFP, we are also submitting an unsolicited proposal in this document for what we call Task 4 - a funding plan for long-term wildfire risk mitigation for the Town.

NHA, as a registered municipal advisor and has an extensive practice in advising public agencies in California on asset/liability issues for CalPERS, and for the long-term management of debt. We are also familiar with OPEB management issues for our client base.

With respect to our proposed Task 4/Study 4, NHA is a leader statewide in the development of funding plans for climate change adaptation, including wildfire risk. Detailed background on our experience in CalPERS and debt management, as well as wildfire risk reduction funding, is contained in this proposal.

**Collaboration is key to our approach:** As with our proposal for Study 1 and Study 2, collaboration is key to our approach for Study 3. We see a key output of Study 3 as framing key scenarios to be analyzed by the completed Study 1 fiscal condition model. The future performance of CalPERS can have a major impact, good or bad, on the fiscal condition of the Town. Major new development, including its infrastructure needs can have an equivalent impact. Finally, we see the use of the Study 1 model as a key tool in determining whether the Town's current and future projected cash reserves are sufficient to handle "Black Swan" events.

As noted in our cover letter for the combined Study 1 and Study 2 Proposal, NHA team staff have extensive and long-term experience in translating complex CalPERS and debt burden analysis into decision support packages that are clear, actionable and accessible to governing bodies and the public. We have deep experience in multi-lateral negotiations between multiple stakeholders over both debt funding and financial management issues.

As requested in the RFP, we accept the provisions of the sample contract contained in the RFP. While we emphasize our team commitment to collaboration, we also will accommodate the Town individually selecting one of our team members for a particular task but not selecting other team members for their assigned tasks.



**LOS GATOS – PROPOSAL FOR STUDY 3 (ALM) AND OPTIONAL STUDY 4 (WILDFIRE RISK MITIGATION)**

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We are very pleased to deliver this proposal for the kind of integrated financial management work that we see as integral and pivotal for the future of Los Gatos, as well as so many other local governments in our team's collective client base.

We are proud of the reputation we have earned as a trusted municipal advisor and are excited about the potential to work with the Town.

As requested in the RFP, NHA provides the following statements as part of this cover letter:

- Mark Northcross is the primary contact authorized to bind the firm.
- NHA Advisors confirms acceptance of the Town's Sample Consultant Services Agreement

Please feel free to contact us directly with any questions regarding this proposal.

Thank you for your consideration.

Handwritten signature of Mark Northcross in blue ink.

Mark Northcross  
*Principal*  
[Mark@NHAadvisors.com](mailto:Mark@NHAadvisors.com)  
(415) 785-2025 x2002

Handwritten signature of Mike Meyer in blue ink.

Mike Meyer  
*Vice President*  
[Mike@NHAadvisors.com](mailto:Mike@NHAadvisors.com)  
(415) 785-2025 x2004

NHA Advisors, LLC  
4040 Civic Center Drive, Suite 200, San Rafael, CA 94903



## 2. COMPLETED CERTIFICATION FORMS

### Conflict of Interest Statement

#### ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I/We NHA Advisors LLC (Insert Name) have the following financial, business, or other relationship with Town of Los Gatos that may have an impact upon the outcome of the contract. If none, please specify that no other relationships may have an impact on this contract or Project.

No other relationships may have an impact on this contract or Project.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I/We NHA Advisors LLC (Insert Name) have the following current clients who may have a financial interest in the outcome of this contract. If none, please specify that no other clients may have a financial interest with an impact on this contract or Project.

To our knowledge, no other clients have a financial interest with an impact on this contract or Project.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Pursuant to Government Code section 1090 and any other laws, rules and regulations that may apply, the Proposer covenants that neither it, its subcontractors nor employees presently have an interest, and shall not acquire any interest, direct or indirect, financial or otherwise that would conflict in any manner or degree with contract awarded from this RFP. Proposer certifies that to the best of its knowledge, no one who has or will have any financial interest in the contract awarded from this RFP is an officer or employee of the Town. Through its submittal of a proposal, Proposer acknowledges that it is familiar with Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California and will immediately notify the Town if it becomes aware of any facts concerning the contract to be awarded that constitute a violation of said provisions.


Furthermore, if there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-proposal to a Proposer, or who has quoted prices on materials to a Proposer, is not thereby disqualified from submitting a sub-proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is



**LOS GATOS – PROPOSAL FOR STUDY 3 (ALM) AND OPTIONAL STUDY 4 (WILDFIRE RISK MITIGATION)**

interested in more than one proposal for the same work will cause the rejection of all proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. Proposers shall submit as part of their proposals documents the completed Non-Collusion Declaration provided herein.

I, on behalf of the Proposer, declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on September 22, 2025 [date], at San Rafael [city], California [state].

<u>NHA Advisors LLC</u> Proposer Name (Person, Firm, Corp.)	<u>Principal</u> Title of Authorized Representative
<u>4040 Civic Center Drive, Suite 200</u> Address	<u>Mark Northcross</u> Name of Authorized Representative
<u>San Rafael, CA 94903</u> City, State, Zip	 (Signed)
<u>9/22/2025</u> (Date)	



### Non-Collusion Declaration

#### ATTACHMENT 2 – NON-COLLUSION DECLARATION

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I am the Principal [Insert Title] of NHA Advisors LLC [Insert name of company, corporation, LLC, partnership or joint venture] the party making the foregoing proposal.

The proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The proposal is genuine and not collusive or sham. The Respondent has not directly or indirectly induced or solicited any other respondent to put in a false or sham proposal. The Respondent has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or to refrain from responding. All statements contained in the proposal are true.

Any person executing this declaration on behalf of a respondent that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the respondent.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on 9/22/2025[date], at San Rafael [city], CA[state].

By: 

Name: Mark Northros

Title: Principal



References

ATTACHMENT 3 - REFERENCES

THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL

FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY

List three (3) references for work of a similar nature to the Services performed within the last five (5) years. Use additional sheets as necessary.

1.	City of Ukiah	300 Seminary Avenue, Ukiah CA 95482
Name of Agency	Dan Buffalo	Agency Address Finance Director
Contact Name	(707) 463 - 6220	Contact Title dbuffalo@cityofukiah.com
Contact Telephone	July 2016 - Present	Contact Email Address One Time Bond Financing: \$112,500; Annual Updates \$7,500
Contract Period		Contract Amount

CalPERS Pension Stakeholder Education, Cost Management Strategy Evaluation, UAL Restructuring (Lease Revenue Bond), Internal Pension Reserve Policy Analysis, ADP/Fresh Start Analysis, Ongoing Stakeholder Updates/Workshops

Description of services performed including costs.

2.	City of Walnut Creek	1666 North Main Street, Walnut Creek CA 94596
Name of Agency	Kirsten LaCasse	Agency Address Administrative Services Director
Contact Name	(925) 943 - 5810	Contact Title lacasse@walnut-creek.org
Contact Telephone	October 2024 – March 2025	Contact Email Address \$15,000
Contract Period		Contract Amount

CalPERS Pension Stakeholder Education, Cost Management Strategy Evaluation, Customized Section 115 Trust Model, 115 Trust Deposit/Withdrawal Analysis, Policy Recommendations

Description of services performed including costs.

3.	City of Riverside	3900 Main Street, Riverside, CA 92522
Name of Agency	Edward Enriquez	Agency Address Assistant City Manager/CFO and Treasurer
Contact Name	(951) 826 - 5553	Contact Title eenriquez@riversideca.gov
Contact Telephone	2018 to Present	Contact Email Address Pre-Financing Consulting: \$25,000; One Time Financing \$125,00; Annual ongoing: \$7,500 - \$15,000
Contract Period		Contract Amount

CalPERS Pension Stakeholder Education, Cost Management Strategy Evaluation, \$430 Million POB, Pension Policy Development, Customized Section 115 Trust Model, 115 Trust Deposit/Withdrawal Analysis, Annual Stakeholder Updates, POB Performance Comparison, "CalPERS Challenge" Assistance (CalPERS Challenge | City Manager's Office)



See previous page

**Description of services performed including costs.**

I hereby certify that the Proposer performed the work listed above.

*Mark Northcross*  
Signature of Proposer

Mark Northcross, Principal  
Name

9/22/2025  
Date

**Statement Regarding Insurance Coverage and Worker’s Compensation Insurance Acknowledgement Certificate**

**ATTACHMENT 4 - STATEMENT REGARDING INSURANCE COVERAGE AND WORKER’S COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the RFP. Should the Proposer be awarded a contract for Services, Proposer further certifies that the Proposer can meet the specified requirements for insurance, including insurance coverage of any subcontractors, and agrees to name the Town as additional insured for the Services specified.

By certifying this form, the Proposer also understands the Worker’s Compensation insurance requirement per the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Mark Northcross, NHA Advisors LLC  
Name of Proposer (Person, Firm, or Corporation)

*Mark Northcross*  
Signature of Proposer’s Authorized Representative

Mark Northcross, Principal  
Name & Title of Authorized Representative

September 22, 2025  
Date of Signing



### 3. SCOPE COMMENTS AND METHODOLOGY

As noted in our cover letter, we believe that the collaborative partnership of NHA Advisors, Raftelis and Willdan will ensure a truly comprehensive approach to executing all three requested studies in an integrated manner for the Town of Los Gatos. While NHA has similar experience to Raftelis in developing the type of long-range forecasting model that will be a core component for Study 1, the experience required for Study 3 is most in line with the qualifications of NHA, specifically related to debt management (bonds, pension, OPEB) and capital funding strategies. As the #1 ranked municipal advisor to California cities for bond funded capital projects, while also having served over 100 CalPERS members on pension cost management strategy and policy, NHA is well suited to carrying out Study 3, while seamlessly weaving in the various scenario impacts to the work being completed in Studies 1 and 2.

#### Study 3: ALM Study Scope Comments and Methodology

For our engagement related to the scope of services identified under Section E of the RFP, specifically under the “Study 3 – Asset Liability Management (ALM) Study” heading, NHA proposes the approach and timeline described below. As required by the RFP, this material can be considered as a stand-alone proposal for NHA to prepare Study 3, should the Town choose to retain NHA, but not Raftelis and/or Willdan.

##### Task 3.1: Inventory & Evaluate Liabilities

- **Data Collection and Review** – Review last 10 years of CalPERS actuarial reports, Section 115 Trust statements, and other internal documentation related to the Town’s recent track record of Additional Discretionary Payments and policy driven set asides (as discussed here: [Town Pension and OPEB Plans Information \(updated 10-18-2022\) | The Los Gatos CA Official Site!](#))
- **Model Development** – Using data taken directly from CalPERS actuarial reports and the CalPERS Pension Outlook Tool, NHA will develop a customized model for the Town that includes detailed amortization base analysis as well as a customized Section 115 Trust smoothing model. These models will assist in quickly analyzing the impacts of various ADP and/or Section 115 trust strategies, with simple excel outputs that can be easily incorporated into the Long-Range Financial Modeling occurring in Study 1.
- **CalPERS ALM Study Update** – The Town’s proposed schedule for this project dovetails perfectly with the CalPERS ALM study that will be completed this November. New actuarial assumptions (discount rate, inflation, mortality, etc.) will be announced and by December, should be able to be modeled out which will provide the most accurate long term picture of the Town’s future pension liabilities.

##### Task 3.2: Funding Needs and Risk Reduction Analysis:

- **Cost Management Strategy Analysis** – once the “baseline” has been established using the fresh results of the CalPERS ALM study, a variety of cost management strategies will be analyzed, including ADPs, Section 115 Smoothing and Fresh Start accelerated payment options. These scenarios will necessarily be informed by the results of the long-range forecasting model to better understand financial resources and constraints.



- **Funding Needs and Risk Reduction Analysis** – as part of the cost management strategy evaluation, multiple scenarios related to future “downside risk” will be incorporated to see how these strategies might play out in the future if various assumptions aren’t met. NHA will frame scenarios for analysis using the Task 1/Study 1 fiscal conditions model. These include potential recessionary scenarios, poor investment returns by CalPERS, and significant changes to future actuarial assumptions, like the discount rate. The ability of new development to support infrastructure needs, as forecast by Willdan and the Task 1/Study 1 model, will be evaluated. Where appropriate, NHA will recommend potential revenue enhancements to address projected shortfalls. NHA is flexible as to what these scenarios look like and beyond our own recommendations, will be collaborating with Town Staff, Raftelis and Willdan to ensure cohesion between the 3 studies.
- **Stakeholder Engagement and Feedback (Optional)** – NHA will be available to meet with staff and stakeholders as much as needed during the process. It may be helpful to have multiple meetings, with the initial ones focused on educating stakeholders about how the pension liability works, how the Town has been tackling it in the past, and what things might be impacting these costs moving forward. After “setting the table” with this basic education, subsequent meetings can be focused on the pros/cons of various cost management strategies and the impact they might have on other key variables being assessed in these studies: namely, capital funding opportunities and reserve levels.

### Task 3.3: ALM Modeling:

- **ALM modeling for Fund Balance sustainability and Risk Exposure:** NHA will work with Raftelis and Willdan to frame scenarios for "Black Swan" events to test fund balance sustainability and risk exposure. NHA will recommend mitigation measures, including revenue enhancements, for scenarios where the Town's cash reserves are projected to be inadequate. For the start of a discussion about "Black Swan" scenarios, we offer the following suggestions:
  - Sustained national economic downturn
  - Major natural disaster, such as an earthquake or wildfire. Consider modeling fiscal impact with minimal FEMA support, based on current proposals from the Trump administration.
  - Sustained weak financial performance from CalPERS
  - A reduction in the CalPERS actuarial discount rate
- We see two key elements for ALM modeling, both of which need to inform the Task 1 fiscal condition model:
  - Potential long term cash flow impacts from the Town's CalPERS obligations. Our task here, as we see it, is to develop a range of scenarios for such variable as CalPERS financial performance an a potential lowering of the CalPERS actuarial discount rate for scenario analysis through the Task 1 fiscal condition model. As part of this analysis, NHA will offer options for revenue enhancements/tax increases legally available for cities in California.
  - Capacity of the General Fund to fund or finance major future infrastructure needs. For this deliverable we will (1) discuss with Town staff their existing CIP and (2) and discuss with Town



staff the potential infrastructure needs for new development. Note that Activity 2 under the Task 1 Raftelis proposal includes analysis of the Town's CIP. Based on the Task 2 Willdan fiscal impact model, we will determine how much of the infrastructure needs for new development can reasonably be expected to be funded through (1) impact fees or (2) directly by developers or (3) any long term fiscal surplus arising from new development. Where there are gaps, we will design scenarios, in conjunction with the Town's current CIP, to run under the Task 1 fiscal condition model. We will look at both pay-go and long-term lease revenue bond financing options. As part of this analysis, NHA will offer options for revenue enhancements/tax increases legally available for cities in California.

#### **Task 3.4 Reserve Guidance:**

- **Reserve guidance, recommendations and policy refinements:** Based on the results of the prior work, and feedback from staff and the Town's stakeholders, NHA will provide strategy and policy recommendations that aim to secure long term sustainability and risk mitigation, using future cash reserves as projected by the Task 1/Study 1 model as a key metric.
- We will use the outcomes from the Study 1 Fiscal Condition Analysis with Five-Year Forecast to determine the adequacy of the Town's current cash reserves to meet the defined "Black Swan" events, and offer suggestions for increased reserved levels, if so indicated.

#### **Task 3.5 Execution (As Needed)**

- To the extent that the Town needs assistance from NHA to help execute on a preferred strategy, NHA can spearhead those efforts on the Town's behalf working directly with CalPERS, the Town's Section 115 Trust provider and investment advisor, actuaries, and others.

### **Optional Study 4: Wildfire Risk Mitigation Consulting Scope Comments and Methodology**

The following material is provided by NHA for an optional Study 4 as an unsolicited proposal. We believe that NHA can deliver a major value to the Town through developing a realistic funding plan for wildfire risk mitigation, primarily through the long-term reduction of what are called "ladder fuels" along the Town's wildland urban interface ("WUI") with the Santa Cruz Mountains. As required by the RFP, this material can be considered as a stand-alone proposal for NHA to prepare Study 4, should the Town choose to retain NHA, but not Raftelis and/or Willdan.

**Specific NHA Qualifications for Study 4 -** NHA is the leading municipal advisor in the State of California on funding for climate change adaptation. Since 2017 we have prepared funding plans for the following adaptation projects:

- **Resilient by Design**, a nine Bay Area county-wide collaboration to develop sea level rise adaptation and funding plans, funded by the Rockefeller Foundation.
- **Funding Pathways for Adaptation to Climate Change in California.** Describes public finance funding options for wildfire risk reduction, sea level rise adaptation, drought and extreme heat in California. Prepared under a grant from the Resources Legacy Fund.



- **Municipal Advisor to the Town of Paradise.** Assist the Town in funding recovery through funding wildfire risk mitigation at the parcel, community and regional levels. Developing a funding strategy for the recovery of downtown Paradise.
- **Oakland Alameda Adaptation Committee.** Prepared a funding and governance plan for long term funding for sea level rise for the section of San Francisco Bay stretching from the Bay Bridge to the Oakland Airport.
- **Illustrative Statewide Budget for Wildfire Risk Mitigation.** Prepared an illustrative budget for combined state, regional and local government intervention to reduce wildfire risk statewide, including cost estimates and potential public finance funding mechanisms. Prepared under a grant from the Resources Legacy Fund.
- **Paradise Recreation and Parks District.** Preparing a funding plan for full implementation of a 30,000-acre wildfire buffer zone around the greater Paradise community. The plan includes funding for acquisition of easements and/or fee title for high priority parcels, as well as treatment costs. Polling for a parcel tax is part of the program, as well as grant applications to both FEMA and CalFire. The work is funded under a grant from the Governor's Office of Planning & Research.

**Framing Our Approach** - The key element in our approach is to address the major disconnect between good wildfire risk reduction practices by both public agencies and property owners in California and the insurance industry. The bottom line and increasingly intense, political issue is tax payers and property owners losing coverage or receiving huge premium increases despite doing good risk mitigation work. From our experience both in Paradise, and statewide, we see two major reasons for this:

- a. There is a difference of opinion between the important "local knowledge" of community level fire safety professionals and the catastrophe modelers ("cat modelers") used by the insurance industry to determine risk from a windstorm-driven wildfire. The primary risk driving non-renewals and premium increases in California is that of a windstorm driven wildfire. To deliver not only more public safety to the Los Gatos community, but better insurance availability as well, the local knowledge is ideally supplemented by data from a cat model of a windstorm driven wildfire igniting in the Santa Cruz Mountains.
- b. The information on wildfire risk mitigation work needs to be made available to cat modelers in a fully "curated" way. That means it is regularly updated and verified as being accurate. It also means, ideally, that the data is available through a GIS on a parcel specific level. This needs implies two other major needs: regular inspections of parcels and a curated "data commons" for wildfire risk mitigation information. The biggest challenge for the data commons is maintaining confidentiality for homeowners.

Based on our extensive experience in Paradise in particular, we offer the following scope of services:

- **Task 4.1 Identify Treatment Areas of Highest Priority:** Work with local fire safety professional to identify the areas in the Santa Cruz Mountains south of the Town that have the highest priority for treatment for wildfire fuel reduction on a long term basis. Support any ongoing work regarding "Zone Zero", or a 5' defensible space zone around structures. Retrofit home hardening work for structures in the Town we believe to beyond the scope of this analysis. Both the scale and the



level of funding needed, in our opinion, are beyond what is plausible for a public funding intervention.

- **Task 4.1a** (optional): Retain a "cat modeler" (catastrophe modeler used by insurance companies) to model windstorm driven wildfire pathways from an ignition point south of Town into the Town. This work identifies priority parcels for treatment that might differ from local fire safety professionals.
- **Task 4.2 Develop Annual Treatment Budget for Wildfire Risk Mitigation:** Work with local fire safety professional to develop an annual budget for treatment for priority parcels. Local fire safety professionals will provide guidance on likely costs per acre for different types of treatment in the greater Santa Clara County area, types of treatment recommended and the appropriate recurrence interval for such treatment. In addition, based on work being done in other jurisdictions, such as the Marin Wildfire Prevention Authority and the Town of Paradise, prepare a budget for funding annual inspections of parcels within the proposed buffer zone, as well as parcels within the Town.
- **Task 4.3 Present Preliminary Results:** Present the preliminary results of Task 2 to senior management at the Town, and with approval from the Town, present the preliminary results to senior management at neighboring cities, such as the Cities of Monte Sereno, Saratoga, Los Altos Hills and San Jose. Based on NHA's work on climate change adaptation in both the wildfire and sea level rise space, we believe regional collaboration between vulnerable public entities is the best pathway to success. Our goal would be to use the preliminary results of Task 2 as an illustration of what could be accomplished through regional collaboration for a wildfire buffer zone for Santa Clara County's WUI along the Santa Cruz Mountains.
  - **Task 4.3a** (optional): If Task 3 results in strong interest from other neighboring cities, we will work with staff at all stakeholders to develop a non binding MOU on collaboration to develop a funded regional entity to deliver long term wildfire fuel reduction in the cities collective WUI with the Santa Cruz Mountains
- **Task 4.4 Funding Plan Development:** Develop a funding plan to deliver the Task 2 budget. We will look at Prop 3 grants, FEMA Hazard Mitigation Grants, any potential General Fund support, and then solve for the level of a parcel tax required to fully fund the budget.
  - **Task 4.4a:** (optional). Develop both the cost analysis, similar to Task 2, and the funding analysis, as in Task 4.4, for other cities party to the potential non-binding MOU.
- **Task 4.5 Present Refined Cost & Funding Plan:** Present the combined cost and revenue budget to the Town and any parties to a potential non-binding MOU.
- **Task 4.6** (optional): Work with the Town and other stakeholders to determine how a "data commons" for wildfire risk mitigation work by the Town and/or parties to the MOU could be established.



- **Task 4.7** (optional): Retain a polling consultant to gauge the feasibility of any parcel tax required to deliver full funding for the wildfire buffer zone.

## 4. EXPERIENCE AND EXPERTISE

### Firm Qualifications

NHA Advisors, LLC is an Independent Registered Municipal Advisor registered with the SEC and MSRB and headquartered in San Rafael, California. NHA has been providing municipal advisory services (like the size and scope requested by the Town’s RFP) to California cities, special districts, and other public agencies since 2000 (formerly known as Northcross Hill & Ach, Inc. from 2000-2011). NHA has provided comprehensive financial and consulting services to over 175 public agencies throughout California, with a primary focus on California cities. NHA’s bond and consulting groups are currently working with public agencies to develop project funding solutions, financial policies, pension liability, fiscal sustainability and climate adaptation strategies.

NHA’s experience with California cities spans from rural, small cities to major metropolitan agencies, which informs NHA of the problems facing public agencies across the State and *allows NHA to bring creative examples and solutions to our clients.* We understand the time and staff resource constraints required to develop funding strategies and financing plans and believe our holistic approach allows us to be an “extension of staff” that will integrate with Town staff to provide the best solution and process for projects. Combined, the NHA team has over 190 years of individual experience of providing these services.

Regarding special consulting projects, NHA has developed eight specialized practice groups that focus on key areas within municipal finance. These groups enable us to provide guidance on a wide range of



\*Dots represent client engagements from 2012 - Present





municipal finance issues. Of particular note is our Pension and Fiscal Sustainability Practice Group, which has been actively engaged with agencies across California. A summary of this work is also included below.

Beyond bond financings, many clients rely on NHA for strategic financial planning, policy advice, and cross-collaboration with other engineers and consultants to support Town staff on a wide range of issues. NHA's eight practice groups address critical financial expertise like revenue measures (ad valorem, special tax, assessment and parcel taxes), voter-approval processes, budgetary projection work, as well as climate change impacts (e.g., wildfire risks), pensions, P3/economic development negotiations, and post-issuance compliance (continuing disclosure and arbitrage rebate) to provide meaningful ideas and advice to our clients when those issues arise. Since 2018, NHA staff has completed over 400 advisory projects, many of which did not result in a financing. *Our "extension of staff" style has become a core component of our services and a critical benefit to many of our public agency clients*

NHA has eight registered municipal advisors dedicated to California cities and special districts. NHA is led by Principals Craig Hill, Mark Northcross, and Eric Scriven, each of whom have 30+ years of public finance experience. The Principals are supported by three Vice Presidents, an Associate, and three Analysts (two of whom are in process of passing their Series 50 Licensing examination to become licensed Municipal Advisors). NHA professionals maintain their Series 50 License in good standing. NHA's services to the Town will be provided through NHA's sole office in San Rafael, California.

### **Pension Consulting and Community Engagement**

***Over the past 10 years, NHA's Pension Group, led by Mike Meyer, has worked with more than 100 California public agencies, to help develop strategies and policy to better manage CalPERS liabilities.***

The table below highlights some of the agencies we have recently worked with, and the type of services requested. Our expertise and services include technical quantitative analysis on historical trends and projected costs, sensitivity/risk analysis and scenario modeling, translating options to address rising costs (i.e., Section 115 Trust, UAL pay-downs (ADPs), Hard and Soft Fresh Starts, pension bonds, etc.), and presenting findings and alternatives to elected officials, staff, and union representatives at public and informal meetings. NHA's ability to translate complex information and be agile in meeting our clients' needs is one of our strongest attributes (based on comments from existing clients). We expect that our skill in translating information will be helpful in properly engaging with the Los Gatos community during the duration of this project.

Mike Meyer has been a frequent speaker (recently for CDIAC, CSMFO, Govinvest) on the subject of pension liability management and our Pension Group consistently publishes newsletters, called "NHAalerts" when there is pertinent information that we feel our local agency clients and their stakeholders should be aware of. You can find our most recent NHAalert here: [CalPERS Beats Expectations Again | NHA Advisors](#).

Recent Work Product (Appendix A): NHA worked with the City of Walnut Creek in early 2025 to (1) educate stakeholders about their CalPERS pension liability, (2) provide stress testing scenario modeling to account for potential changes to the discount rate in the future, (3) develop a customized model that helped optimize the timing and amounts of Section 115 Trust deposits and withdrawals, and (4) review and support potential changes to the City's pension funding policy. The presentation in Appendix A showcases our ability to translate the complex world of CalPERS and develop dynamic tools that allow for prudent, long term decision making by stakeholders.



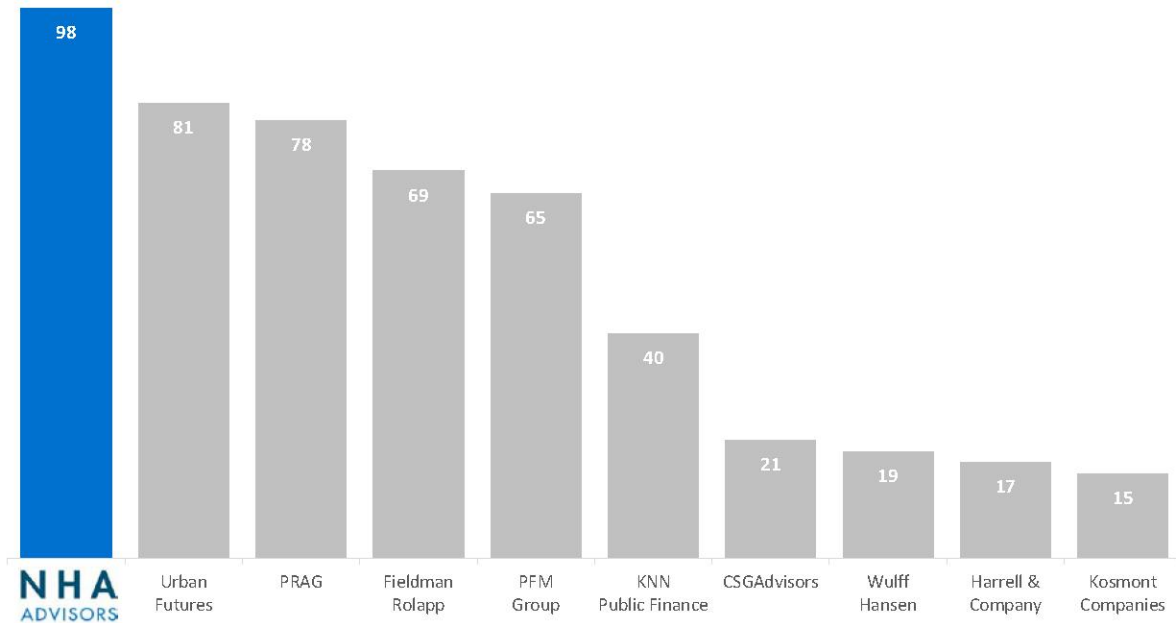
NHA Pension Group Experience					
	CalPERS Education / Budget Workshops	NHA Pension Report (8-Page Report Distilling Historical Actuarial Report Trends)	Cost Management Strategy Evaluation Process / Workshops (Section 115 Trust, ADPs)	POB Workshops / Evaluation Process (Pros/Cons, Options and Risks)	POB (UAL Restructuring)
Alameda, City of					
Arcata, City of					
Auburn, City					
Calaveras Cnty. Water Dist.					
Carmel-by-the-Sea, City of					
Chico, City of					
Chula Vista, City of					
Corcoran, City of					
Corte Madera, Town of					
El Cerrito, City of					
El Monte, City of					
Farmersville, City of					
Fort Bragg, City of					
Gilroy, City of					
Grass Valley, City of					
Grover Beach, City of					
Hanford, City of					
Hayward, City of					
Lakeport, City of					
Lancaster, City of					
Lincoln, City of					
Lompoc, City of					
Martinez, City of					
Monterey, City of					
Morro Bay, City of					
National City, City of					
Newark, City of					
North County Fire Prot. Dist.					
Novato Sanitary District					
Oroville, City of					
Oxnard, City of					
Palos Verdes Library District					
Paso Robles, City of					
Pittsburg, City of					
Rialto, City of					
Richmond, City of					
Riverbank, City of					
Riverside, City of					
Salinas, City of					
Sausalito, City of					
San Carlos, City of					
San Miguel Fire					
Scotts Valley, City of					
Sebastopol, City of					
Selma, City of					
Stanislaus Consolidated FPD					
Torrance, City of					
Ukiah, City of					
Walnut Creek, City of					
West Covina, City of					
Winters, City of					

**Top-Ranked Municipal Advisor to Cities**

Over the past five years (since 2020), NHA has been the #1 municipal advisor, by number of bond transactions for **California cities** (Source: California State Treasurer as of July 15, 2025; excludes commercial paper and conduit financings; January 2020-present). Financing amounts have ranged from below \$1,000,000 to over \$400,000,000 and have included all methods of sale (competitive sale, negotiated sale, and private placement). *Our work in developing holistic funding plans to meet the infrastructure needs of our local agency clients will be extremely useful with helping the Town of Los Gatos evaluate the pros and cons or various capital funding tools available.*



**MUNICIPAL ADVISOR RANKINGS FOR CALIFORNIA CITIES  
Transactions (January 2020 - Present)<sup>1</sup>**



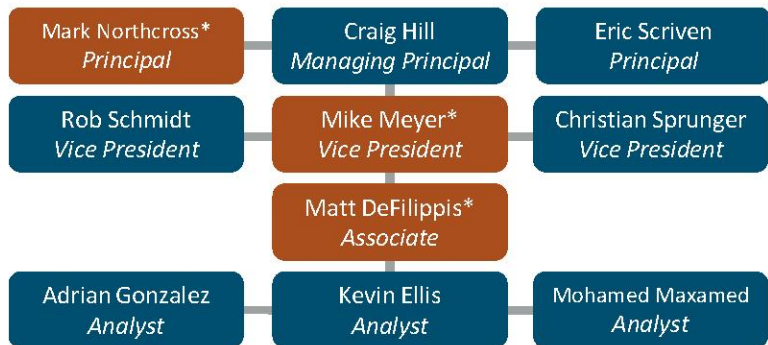
<sup>1</sup> Source: California State Treasurer as of 7/15/2025; excludes commercial paper and conduit financings

**5. KEY PERSONNEL AND RESUMES**

**NHA Team Assigned to the Town**

NHA’s proposed project team will consist of the following advisors: Mark Northcross (Principal), Mike Meyer (Vice President), and Matt DeFilippis (Senior Analyst). Mark Northcross will serve as the day-to-day relationship manager for the Town. An organization chart of the NHA team identifying the staff assigned to the Town is shown to the right. Additional members of NHA can be made available as expert resources to the Town as needed.

**NHA Advisors, LLC**



**\*Assigned to Support The Town for this Engagement**

All advisors providing financial advisory services to the Town will be managed out of the San Rafael, CA office. All advisors providing financial advisory services to the Town will be available for the full duration of the contract. Information regarding each team member’s experience and qualifications is described below. Full resumes are included as **Appendix C**.


**Mark Northcross, Principal. Role: Lead Advisor**

Mr. Northcross has more than 40 years of public finance experience in California. He is a leading advisor on climate change infrastructure and leads NHA's alternative financing practice that focuses on "holistic" funding solutions, with special emphasis on SRF, WIFIA, Federal and State grants. Mr. Northcross has also managed the formation of CFDs for P3's throughout the State since 1987 and is a leader in California in negotiating both public-private partnerships for both land-secured debt and redevelopment. He holds a B.A. in Social Sciences from the University of California, Irvine. He maintains his MSRB Series 50 License.


**Mike Meyer, Vice President. Role: Project Manager**

Mr. Meyer has worked in public finance for 21 years, with over half of his time spent as an underwriter. Mr. Meyer manages NHA's Pension and Fiscal Sustainability Group and has analyzed pensions and POB structuring solutions since 2006. He has worked on each of the firm's pension consulting and POB engagements over the last five years, totaling \$1.7 billion in par. Mike is also an experienced generalist, having completed over 200 bond financings using all types of structures, including utility revenue, lease revenue, sales tax and transportation revenue, TABs, and land secured. Mr. Meyer holds a B.S. in Management Science, from the University of California, San Diego. He maintains his MSRB Series 50 License.


**Matt DeFilippis, Senior Analyst. Role: Quantitative Support & Project Support**

Mr. DeFilippis will provide credit, quantitative, and research support to the assigned NHA team. Mr. DeFilippis has worked in public finance since 2021. Since then, he has provided project management and deal support on a variety of California financings totaling over \$450 million in par. Mr. DeFilippis' recent projects have included educational workshops on pension cost management, general fund forecasting, and credit rating analysis. Mr. DeFilippis holds a B.A. in Applied Mathematics, from the University of California, Berkeley. He maintains his MSRB Series 50 License.

**Subcontractors for Study 3 (ALM Study)**

None.

**Subcontractors for Optional Study 4 (Wildfire Risk Mitigation)**

Other than the potential of retaining a Geographic Information System ("GIS") mapping consultant for managing the parcel database as part of the wildfire buffer zone analysis and consulting, NHA does not plan to use any subcontractors for this engagement. NHA does not have a pre-selected GIS mapping consultant for this engagement and would coordinate with the Town for engaging any future consultant to ensure we comply with the Town's bidding practices.



## 6. TIMELINE AND WORK PLAN

### Study 3 (ALM Study) Timeline

Based on the scope of services identified in the Town’s RFP for Study 3 (ALM Study), NHA proposes the following realistic schedule. This schedule assumes that the Town enters into contract negotiation and execution the week of September 29, 2025, as outlined in the RFP.

Task	Estimated Completion Date
3.1: Inventory & Evaluate Liabilities	December 2025
3.2: Funding Needs & Risk Reduction Analysis	March 2026
3.3: ALM Modeling	March 2026
3.4: Reserve Guidance	April 2026
3.5: Execution (As Needed)	TBD based on Desired Strategy

### Optional Study 4 (Wildfire Risk Mitigation) Timeline

Based on the proposed Scope of Services identified in Section 3 of this Proposal for the Optional Study 4, we propose the following schedule for delivery of NHA’s services. This schedule assumes that the Town enters into contract negotiation and execution the week of September 29, 2025, as outlined in the RFP.

Task	Estimated Completion Date
4.1: Identify Areas of Highest Priority	November 2025
4.2: Develop Annual Treatment Budget for Wildfire Risk Mitigation	December 2025
4.3: Present Preliminary Results	February 2026
4.4: Funding Plan Development	March 2026
4.5: Present Refined Cost & Funding Plan	April 2026

Consequently, we estimate that completion of the non-optional tasks will take about 6 months from the date of engagement. Below is a summary of the estimated timeline for the additional optional services identified under Study 4:

- Optional Task 4.1a (Retain Cat Modeler) will take about 8 weeks, not counting going out to RFP.
- Optional Task 4.3a (Develop MOU for Collaboration Across Cities) will take approximately 8 weeks from start to finish.
- Optional Task 4.4a (Funding Plan for Other Cities pursuant to MOU) can proceed concurrently with Task 4.4.
- Optional Task 4.6 (Data Commons Work) will take an additional 16 weeks, in our experience.
- Optional Task 4.7 (Polling Consultant Engagement) will take an additional 12 weeks

## 7. SAMPLES OF COMPARABLE PROJECTS

### Sample 1: Pension Expense Modeling for the City of Walnut Creek

As mentioned above under Section 4, NHA worked with the City of Walnut Creek in early 2025 to (1) educate stakeholders about their CalPERS pension liability, (2) provide stress testing scenario modeling to account for potential changes to the discount rate in the future, (3) develop a customized model that helped optimize the timing and amounts of Section 115 Trust deposits and withdrawals, and (4) review and support potential changes to the City’s pension funding policy. The presentation in Appendix A



showcases our ability to translate the complex world of CalPERS and develop dynamic tools that allow for prudent, long-term decision making by stakeholders.

### **Sample 2: Wildfire Buffer Zone Budget Modeling for the Greater Paradise Area**

NHA prepared a detailed budget for annualized treatment costs and other expenses for a 30,000-acre community wildfire buffer zone for the greater Paradise area. Appendix B includes a slide deck prepared by NHA on funding the proposed Paradise Community Wildfire Buffer Zone.

## **8. DISCLOSURE OF ABSENCE OF LITIGATION OR DISCIPLINE OVER LAST FIVE YEARS**

There have been no instances in the last five years where a client terminated NHA Advisors midway through a contract for providing advisory/consulting services.

There are no pending legal actions alleging violations of law against the firm, any partner of the firm, or any employee of the firm by any Federal or State regulatory agency.

### **No Conflicts of Interest and other Disclosures**

NHA **has not engaged in any** finder's fees, fee splitting, payments to consultants, or other contractual arrangements which would constitute a real or perceived conflict of interest.

NHA **does not have** an affiliation or relationship with any broker-dealer, **nor has any** NHA personnel who would provide advice to the Town been associated with a broker-dealer firm within the two years preceding this RFP.

NHA has **no** known conflicts of interest in serving as the municipal advisor to the Town. NHA has **no** financial, business or other relationship with the Town. NHA has **no** current clients who may have a financial interest in the outcome of this contract. NHA is **not** suspended from practice in the State of California. Further, NHA, focused upon cities as our core mission / business, does not serve any other public entities and so are free from those potential direct conflicts of interest that some of our competitors have from serving two different public agencies with differing goals or direct conflicts.

NHA, under its fiduciary duty as a SEC-Registered Municipal Advisor, must deal honestly and with the utmost good faith with the Town and act in the Town's best interests without regard to the financial or other interests of NHA. NHA will eliminate or provide full and fair disclosure to the Town about each material conflict of interest (as applicable). NHA will not engage in municipal advisory activities with the Town if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the Town's best interests.

As a general statement, NHA represents that in connection with the issuance of municipal securities, NHA may receive compensation from the Town for services rendered. If this compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction then, consistent with the requirements of MSRB Rule G-42, NHA hereby discloses that such contingent and/or bond size-determined transactional compensation may present a potential conflict of interest regarding NHA's ability to provide unbiased advice to Town to enter into such transaction. This conflict of interest will not impair NHA's ability to give unbiased and competent advice or to fulfill its fiduciary duty to the Town. If NHA becomes aware of any additional potential or actual conflict of interest after this disclosure, NHA will disclose the detailed information in writing to the Town in a timely manner. NHA will never be



compensated based upon the size of a transaction. NHA has a duty to reasonably establish its fees in relation to metrics that are fair and understandable to our clients such as amount of firm resources deployed, complexity of the deal, breadth of services rendered, risks associated with completion, among many other considerations.

**9. REFERENCES**

NHA’s references will provide the Town with a frank, detailed evaluation of our approach and processes. We encourage you to reach out for more information about how NHA approaches projects with a goal of providing an unparalleled level of municipal advisory and consulting services.

**References for Study 3 (ALM)**

Reference: City of Ukiah	
<b>Contact:</b>	Dan Buffalo, Finance Director
<b>Contact Address:</b>	300 Seminary Avenue, Ukiah, CA 95482
<b>Contact Phone &amp; Email Address:</b>	(707) 463-6220   <a href="mailto:dbuffero@cityofukiah.com">dbuffero@cityofukiah.com</a>
<b>Start &amp; End Date of Services:</b>	July 2016 - Present
<b>Description of Services:</b>	<p>CalPERS Pension Stakeholder Education, Cost Management Strategy Evaluation, UAL Restructuring (Lease Revenue Bond), Internal Pension Reserve Policy Analysis, ADP/Fresh Start Analysis, Ongoing Stakeholder Updates/Workshops</p> <p><b>Fees Charged:</b></p> <p>Pension Education, Stress Testing + Lease Revenue UAL Restructuring Bond: \$112,500</p> <p>Ongoing Annual Pension Update/Cost Management Strategy Analysis: \$5,750 - \$7,500</p>



**LOS GATOS – PROPOSAL FOR STUDY 3 (ALM) AND OPTIONAL STUDY 4 (WILDFIRE RISK MITIGATION)**

Reference: Walnut Creek	
<b>Contact:</b>	Kirsten LaCasse, Administrative Services Director
<b>Contact Address:</b>	1666 North Main Street, Walnut Creek, CA 94596
<b>Contact Phone &amp; Email Address:</b>	(925) 943-5810   <a href="mailto:lacasse@walnut-creek.org">lacasse@walnut-creek.org</a>
<b>Start &amp; End Date of Services:</b>	October 2024 – March 2025
<b>Description of Services:</b>	CalPERS Pension Stakeholder Education, Cost Management Strategy Evaluation, Customized Section 115 Trust Model, 115 Trust Deposit/Withdrawal Analysis, Policy Recommendations  <b>Fees Charged:</b> \$15,000

Reference: Riverside	
<b>Contact:</b>	Edward Enriquez, Assistant City Manager/CFO and Treasurer
<b>Contact Address:</b>	3900 Main Street, Riverside, CA 92522
<b>Contact Phone &amp; Email Address:</b>	(951) 826-5553   <a href="mailto:eenriquez@riversideca.gov">eenriquez@riversideca.gov</a>
<b>Start &amp; End Date of Services:</b>	2018 to Present
<b>Description of Services:</b>	CalPERS Pension Stakeholder Education, Cost Management Strategy Evaluation, \$430 Million POB, Pension Policy Development, Customized Section 115 Trust Model, 115 Trust Deposit/Withdrawal Analysis, Annual Stakeholder Updates, POB Performance Comparison, “CalPERS Challenge” Assistance ( <a href="#">CalPERS Challenge   City Manager's Office</a> )  <b>Fees Charged:</b> Pension Obligation Bond (POB): \$125,000 Pre-POB Consulting: \$25,000 Annual Pension Update/Cost Management Strategy Recalibration: \$7,500 to \$15,000



**Reference for Study 4 (Wildfire Risk Mitigation)**

Reference: Paradise Recreation and Park District	
<b>Contact:</b>	Dan Efseaff, District Manager
<b>Contact Address:</b>	6626 Skyway, Paradise CA 95969
<b>Contact Phone &amp; Email Address:</b>	(530) 872-6393   <a href="mailto:ddefseaff@paradisepprd.com">ddefseaff@paradisepprd.com</a>
<b>Start &amp; End Date of Services:</b>	2023 to Present
<b>Description of Services:</b>	Community Wildfire Buffer Zone Funding Plan for the Greater Paradise Region  <b>Fees Charged:</b> \$85,000 (funded in part through OPR Grant)

**10. PRELIMINARY FEE SCHEDULES**

**Fee Schedule for Study 3 (ALM Study):**

For work described in this proposal’s Section 3 (Scope Comments and Methodology) for Study 3 (ALM Study), NHA proposes to a compensation structure based on time and materials required at the hourly rate schedule shown below. **We propose a not-to-exceed budget for these services of \$50,000.** The table below provides the itemized fee proposal as requested in the RFP and provides a “low-end” estimate and a “high-end” estimate based on our experience on other projects.

**Study 3 (ALM Study) - Budget Worksheet**

Task	Blended Hourly Rate*	Estimated Hours (Low End)	Estimated Budget (Low End)	Estimated Hours (High End)	Estimated Budget (High End)
3.1: Inventory & Evaluate Liabilities	285	35.0	\$9,975	45.0	\$12,825
3.2: Funding Needs & Risk Reduction Analysis	285	35.0	\$9,975	60.0	\$17,100
3.3: ALM Modeling	285	35.0	\$9,975	45.0	\$12,825
3.4: Reserve Guidance	285	18.0	\$5,130	25.0	\$7,125
3.5: Execution (As Needed)	TBD	TBD	TBD	TBD	TBD
		<b>Total Low-End Estimate</b>	<b>\$35,055</b>	<b>Total High-End Estimate</b>	<b>\$49,875</b>

\*Blended hourly rate assumes the following approximate allocations of work among NHA staff: principal 20%, vice president 30%, support staff 50%

**In-Person Meetings (Upon Request)** – NHA will be available to attend virtual meetings and conference calls at the hourly rates shown above and the budget shown above factors in the time for virtual meetings and conference calls in order to deliver the study to the Town. In the event that the Town requests in-person meetings, NHA proposes a travel fee of \$1,500 (per attendee) for each in-person meeting.

Fixed Fee	Fee
Engagement/Administrative Setup (Contract, Insurance, etc.)	\$500



**LOS GATOS – PROPOSAL FOR STUDY 3 (ALM) AND OPTIONAL STUDY 4 (WILDFIRE RISK MITIGATION)**

Professional Services (Hourly)	2025 Rates <sup>(1)(2)</sup>
Principal	\$360
Director / Senior Vice President	\$335
Vice President	\$310
Assist. Vice President / Sr. Associate	\$285
Associate	\$260
Senior Analyst	\$230
Analyst	\$205
Administrative	\$130
<p>1) Hourly rates will escalate by 3% annually each January 1st (rounded to the nearest five dollars based on the prior year’s rounded amount).</p> <p>2) Effective hourly rates shown in invoices may be reduced to incorporate non-billable time.</p>	

**Fee Schedule for Optional Study 4 (Wildfire Risk Mitigation):**

For work described in this proposal’s Section 3 (Scope Comments and Methodology) for Optional Study 4 (Wildfire Risk Mitigation Consulting), NHA proposes to be compensated based on time and materials required at the hourly rates shown in the section directly above. We propose a not-to-exceed budget for these services of \$45,000. This budget is specific the Tasks 4.1, 4.2, 4.3, 4.4 and 4.5 discussed in that section and excludes the optional tasks in that scope. Should the Town desire the optional tasks, below is a summary of the budget for those tasks:

- Optional Task 4.1a (Retain Cat Modeler): The cost to retain a cat modeler would be a separate budget, based on the proposals received from cat modeling firms.
- Optional Task 4.3a (Develop MOU for Collaboration Across Cities): Time and Materials, subject to a fee cap of \$15,000
- Optional Task 4.4a (Funding Plan for Other Cities Pursuant to MOU): Time and Materials, subject to a fee cap of \$10,000

**Expenses for Optional Study 4**

Our \$45,000 fee cap for the non-optional tasks already **includes** \$6,000 potential expenses for retaining a consultant to prepare GIS layers for parcels within the proposed wildfire buffer zone, including priority treatment parcels.



## 11. STATEMENT OF INSURANCE COVERAGE

As summarized in the table below, NHA meets the insurance requirements in the Town’s Sample Consultant Services Agreement. NHA will maintain this coverage for the term of the contract if selected by the Town for this engagement.

Coverage Type	Town’s Requirements in Sample CSA	NHA's Coverage
<b>Carriers</b>	N/A	<ul style="list-style-type: none"> <li>Valley Forge Insurance Company</li> <li>Hartford Casualty Insurance Company</li> <li>Underwriters at Lloyd’s, London</li> </ul>
<b>General Liability (per occurrence)</b>	\$2M	\$2M
<b>General Liability (aggregate)</b>	Not specified	\$4M
<b>Auto Liability</b>	<b>\$1M (per accident)</b>	<b>\$1M (per accident)</b>
<b>Worker's Comp (per occurrence)</b>	\$1M	\$1M
<b>Professional Liability</b>	\$1M per occurrence	\$1M per occurrence / \$2M aggregate

## 12. TOOLS, DATA SOURCES, AND USE OF AI

Our pension advisory practice utilizes multiple data sources, including data taken directly from CalPERS actuarial reports and the CalPERS Pension Outlook Tool. This data provides inputs into our proprietary models that we have developed over years of pension consulting and advisory experience. Validation of the accuracy of these tools is extremely important to us and we review the output of these models regularly as part of each engagement.

As noted above, we will retain a consultant to prepare GIS layers for priority treatment parcels. Here is a link to the GIS layers website our consultant prepared for Paradise: <https://experience.arcgis.com/experience/767e8d6173de49efb4978e142b00c523>

NHA uses an Enterprise Artificial Intelligence (“AI”) in a **limited** capacity. We use an enterprise subscription (vs Open Web AI) to maintain privacy of our documents and control on the outputs. To date, we have not used AI as a tool to generate or develop any of our models, since most of our models were developed years before the advent of AI. Generally speaking, we approach the use of AI in any consulting or financing engagements with healthy dose skepticism while also seeking strategic ways we can benefit our clients through improving our efficiency on projects. We recognize that there is a concerted marketing effort underway across the globe to promote widespread AI adoption, but we also recognize that AI is a tool, **not** a replacement for an experienced advisory staff. Any outputs of AI must be thoroughly vetted and reviewed before being incorporated into any body of work to minimize the impact from any “hallucinations” in AI outputs producing a flawed product.



**APPENDIX A: SAMPLE OF PENSION EXPENSE MODELING FOR THE CITY OF  
WALNUT CREEK**

**PENSION TRUST & RESERVE ANALYSIS AND USE POLICY**  
CITY COUNCIL  
MARCH 18, 2025

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1


**TODAY'S DISCUSSION**

- Pension Trust & Reserve Use Strategy**
  - Considerations
- Pension Program Review**
  - Historical and Projected CalPERS Costs
- Cost Management Strategy Overview**
  - Section 115 Trust Analysis
  - Scenarios
- Takeaways and Recommendation**
  - Proposed Policy Language

2

**REQUESTED ACTION**

 Provide Feedback

 Accept the report and adopt a Resolution establishing the Pension Trust and Reserve Use Policy

3

**THINGS TO CONSIDER....**

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When do we use?

---

How much do we use?

---

What latitude should the policy provide?

---

How can we be mindful of using one-time dollars for ongoing costs?

---

How do we balance use with other reserves?

4

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# THE NHA ADVISORS TEAM

**Michael Meyer**  
Vice President  
Pension Group Manager

**Craig Hill**  
Managing Principal

**Matt DeFilippis**  
Senior Analyst

**Adrian Gonzalez**  
Analyst

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**CITY OF WALNUT CREEK**  
CALPERS PENSION PROGRAM REVIEW AND  
COST MANAGEMENT STRATEGY ASSESSMENT



**CITY OF  
WALNUT  
CREEK**

**NHA | ADVISORS**

Financial & Policy Strategies.  
Delivered.

MARCH 18, 2025

6

## Today's Discussion

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- I. Background on CalPERS Costs
- II. Historical and Projected CalPERS Costs
- III. Cost Management Strategy Overview
- IV. City's Section 115 Trust
  - I. Overview
  - II. Objectives
  - III. Analysis



7



## I. BACKGROUND ON CALPERS COSTS

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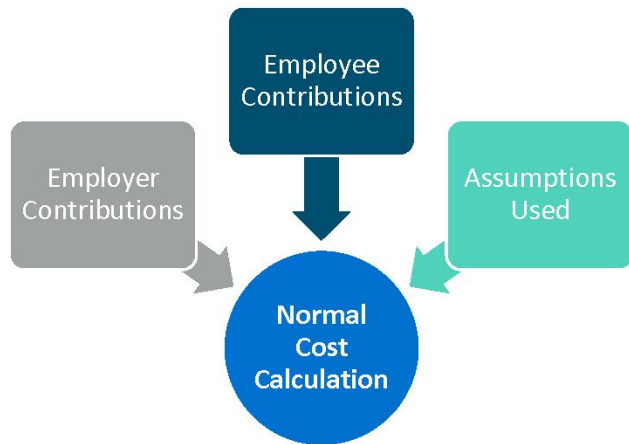
### City of Walnut Creek CalPERS Summary

- ▶ The City has a \$155M CalPERS Unfunded Accrued Liability (UAL), as of 6/30/2024, per the CalPERS Pension Outlook Tool projections
  - ▶ Miscellaneous Plan: \$82M | Safety Plan: \$73M
- ▶ City has been proactive in addressing rising pension costs
  - ▶ \$28.7M in the Section 115 Trust as of 9/30/2024
  - ▶ \$1.9M in the General Fund Pension Reserve
  - ▶ Effective funded ratio increases when including these assets
- ▶ The City makes two types of payments to CalPERS: Normal Cost & UAL



### Normal Cost = Annual Cost for Current Employees

- ▶ Amount needed to fund future retirement benefits based on actuarial calculations (life expectancy, payroll increases, etc.)
- ▶ Benefits are funded as they are earned
- ▶ Maintains the long-term stability of the pension system



## Unfunded Accrued Liability (UAL)

- ▶ Shortfall between the promised pension benefits and the funds currently available in the CalPERS system to pay for those benefits
- ▶ Increases or decreases based on CalPERS investment returns
  - ▶ Impacts amortized over 20 years
    - ▶ Irregular payment shape as UAL comprised of over 30 layers; each with its own term/shape
- ▶ **Funded Ratio**
  - ▶  $\frac{\text{Market Value of Assets}}{\text{Accrued Liability}} = 70.3\%$

**City of Walnut Creek  
CalPERS Pension Funded Status**

Category	Value (Millions)
Market Value of CalPERS Assets	\$367
Shortfall (UAL)	\$155
<b>Total</b>	<b>\$522</b>
Accrued Liability	\$521

Source: CalPERS Pension Outlook Tool. Assumes 9.3% investment returns in FY 2023-24.

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## Discount Rate & Asset Liability Management (“ALM”)

### Discount Rate

- An assumed rate of return; a way to assess the risk of CalPERS’ investment portfolio
- The interest rate charged on the City’s UAL debt

### Asset Liability Management

- Occurs every four years to balance the expected cost of pension payments with the expected investment returns
- Review of CalPERS’ investment portfolios and retirement plan liabilities (based on demographic & economic factors, including membership, payroll growth, retirement ages, inflation, and life expectancy)

→ 2025 ALM Study in progress

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12

## Why CalPERS Costs Have Trended Higher


**Historical PERS Returns**  
 5-Year: 6.6%  
 10-Year: 6.2%  
 20-Year: 6.7%  
 30-Year: 7.7%

### Then (late 1990s)...


- ▶ Robust investment returns (10%+)
  - ▶ Retirement plans were “Super-Funded” through the late 1990s
  - ▶ Earnings on funds were more than adequate to cover retirement costs
- ▶ Super-funded status induced widespread retirement benefits enhancements....
- ▶ Past funding policies led to contribution holidays and “free” benefit improvements

### Now ...

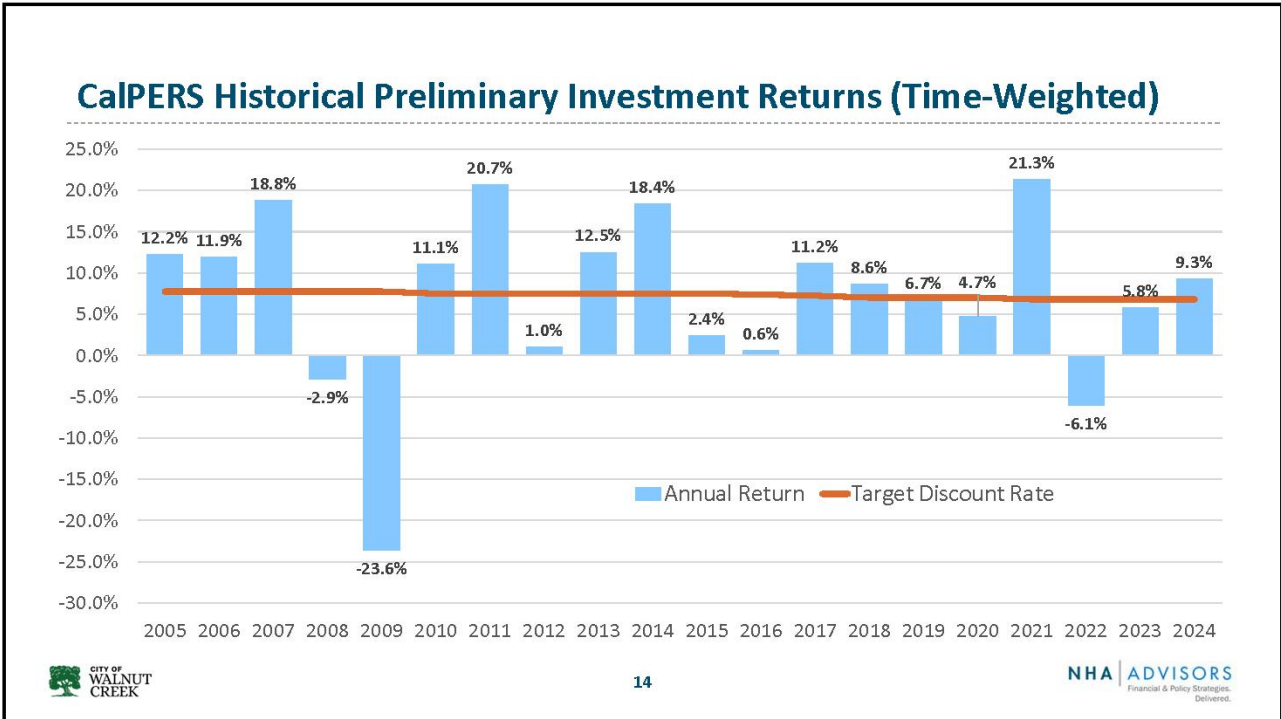
- ▶ Sluggish investment returns (not meeting assumptions)
- ▶ Assumptions have changed/grown more conservative
  - ▶ Discount Rate: 8.25% → 7.00% → 6.80%
  - ▶ Inflation rate (prices going up)
  - ▶ Mortality rates (people living longer)
  - ▶ Shorter, more conservative amortizations



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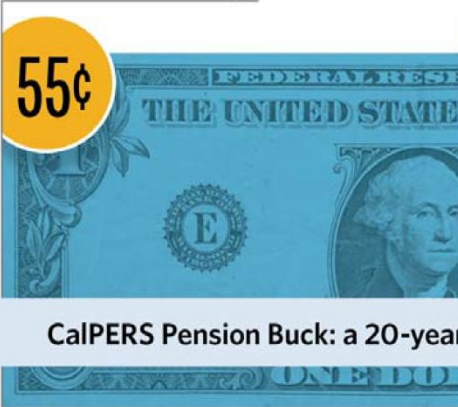





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## How CalPERS Benefits Get Funded


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- ▶ Pre-2008 Investment earnings used to make up a higher percentage of total contributions
- ▶ As investments underperform assumptions, employers must make up the difference, unless the additional costs are negotiated with employees

CalPERS investment earnings	CalPERS employers	CalPERS members
 <p style="font-size: 2em; font-weight: bold; color: #0056b3;">55¢</p>	 <p style="font-size: 2em; font-weight: bold; color: #0056b3;">34¢</p>	 <p style="font-size: 2em; font-weight: bold; color: #0056b3;">11¢</p>
<div style="background-color: #e6f2ff; padding: 5px; border-radius: 5px; display: inline-block;"> <b>CalPERS Pension Buck: a 20-year Average</b> <i>(as of June 30, 2024)</i> </div>		



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## City's CalPERS Retirement Plans

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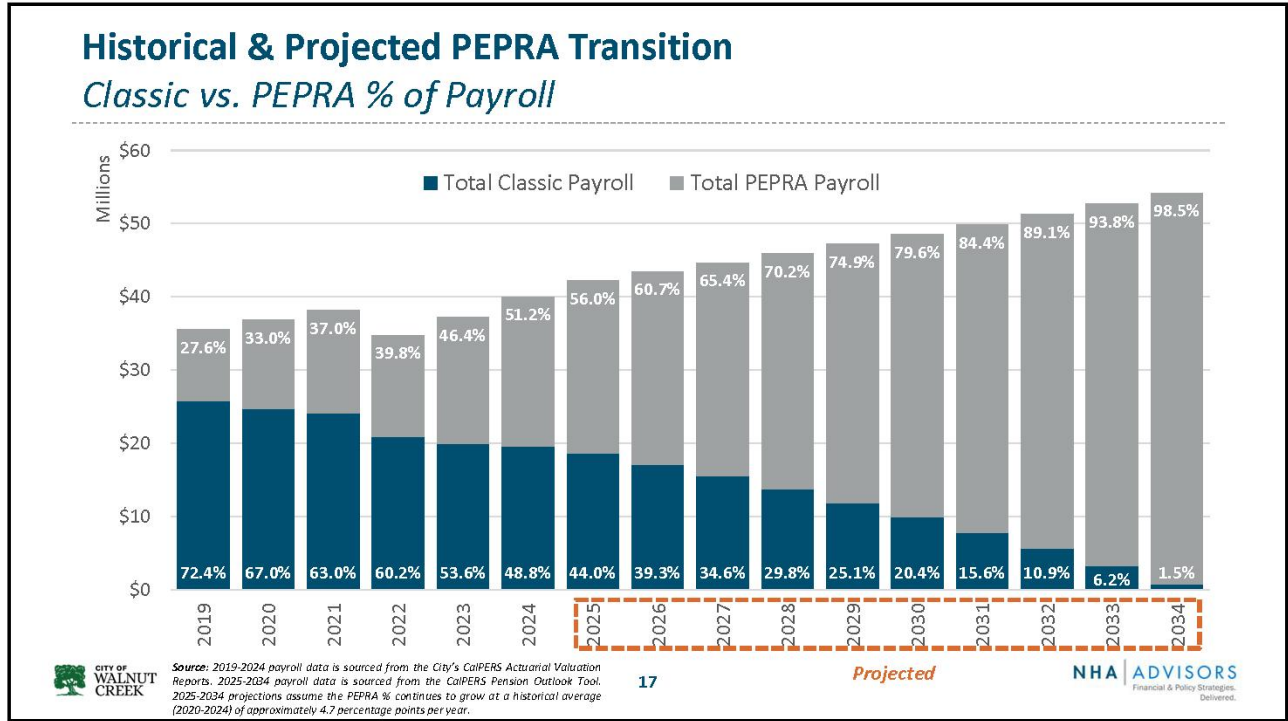
- ▶ 2 Main CalPERS plans; Miscellaneous & Safety
  - ▶ **Miscellaneous:** 1,352 covered members; \$82M UAL
  - ▶ **Safety:** 285 covered members; \$73M UAL
- ▶ PEPPRA (effective 2013) helpful to manage long term pension costs for new employees
  - ▶ Enacted revised benefit levels for new plan members
  - ▶ Higher employee contribution rates mean more normal cost is being paid by the employee
- ▶ **However, 98% of current UAL comes from Classic plans and is not impacted by PEPPRA**



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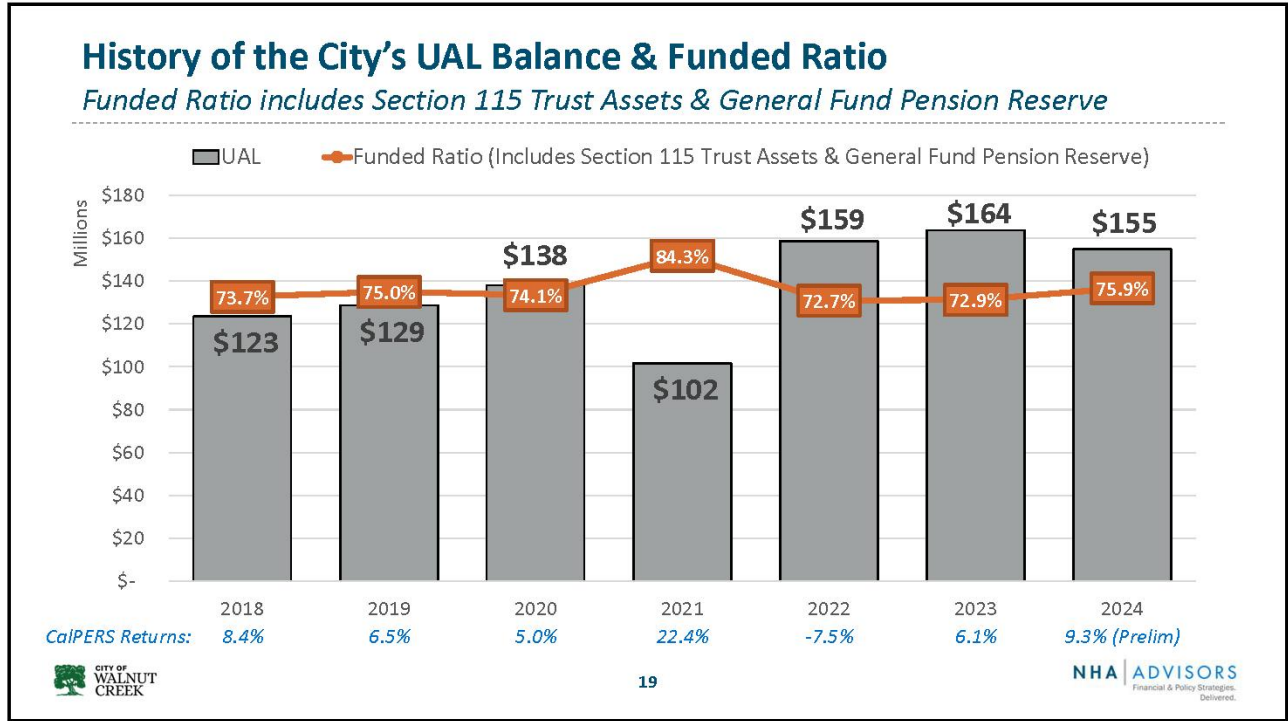
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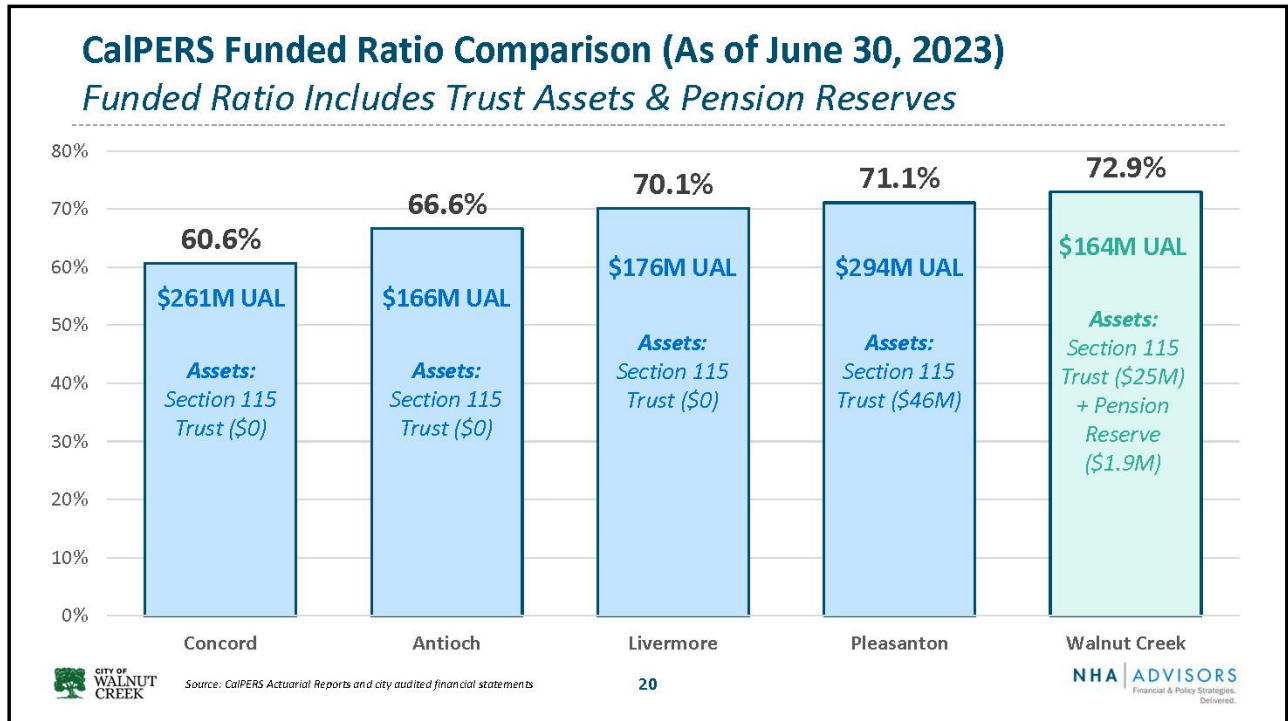
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## II. HISTORICAL AND PROJECTED CALPERS COSTS

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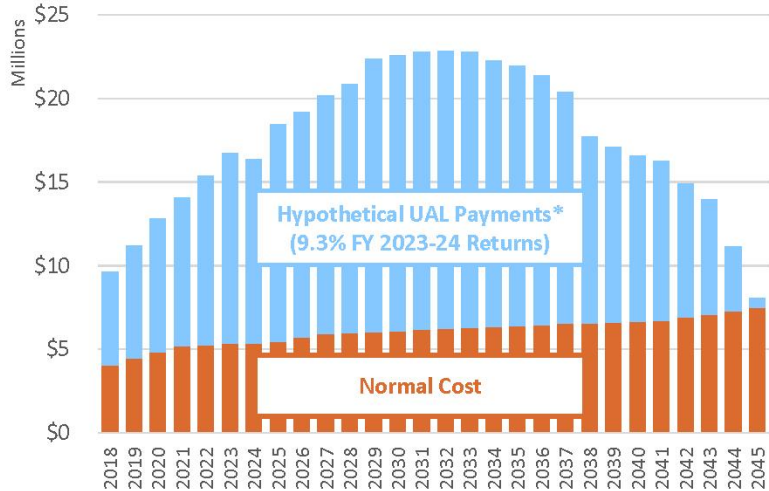
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## Historical & Projected CalPERS Payments (UAL + Normal Cost)

- ▶ UAL + Normal Cost payments projected to increase from \$18M to \$23M (+24%) by FY 2032
- ▶ City's UAL payments rising to \$16.6M by FY 2032
  - ▶ 28% higher than FY 2025 UAL payment (\$13M)
- ▶ Annual Normal Cost contributions going forward projected to range between \$5.4M and \$7.5M through FY 2045



Sources: CalPERS Actuarial Valuation Reports & CalPERS Pension Outlook Tool  
 \*Assumes FY 2023-24 investment returns of 9.3% and 6.8% investment returns thereafter.



## III. COST MANAGEMENT STRATEGY OVERVIEW

### Pension Cost-Management Strategies – Not Mutually Exclusive

Prepay UAL early in Fiscal Year (~ 3.3% discount) → *City Does This*

#### Negotiate Cost Sharing With Employees

- New employees already governed by lower cost/benefit PEPRAs plans
- Negotiate cost sharing of the City’s share

#### Use Cash Reserves to Pay Extra

- Section 115 Pension Trust – Separate trust solely dedicated to pension
  - City’s annual UAL cost and Normal Cost can be supplemented with the Section 115 Trust
- Additional Discretionary Payments (“ADPs”) – direct payments to CalPERS to reduce UAL
  - Can be funded with Section 115 or annual surplus (*not recommended at this time given City’s projected budget deficits*)



## IV. CITY’S SECTION 115 TRUST OVERVIEW, OBJECTIVES & ANALYSIS

## Section 115 Pension Trust - Overview

- ▶ **What is it?** Restricted Account for pension
- ▶ **Advantages:**
  - ▶ Potential Higher Investment Returns in Managed Account
  - ▶ Longer-Term Benefit: Trust funds can grow over time and pay off a large % of UAL in the future
  - ▶ Shorter-Term Benefit: Apply funds to “smooth” payment spikes in UAL and/or Normal Cost
  - ▶ Flexibility – more investment options than CalPERS and the City can decide when and how to use
  - ▶ Potential shock absorber for volatility from CalPERS investment performance & assumption changes
- ▶ **Disadvantages:**
  - ▶ Doesn’t directly reduce UAL until funds are transferred to CalPERS
  - ▶ Requires reserves/surplus contributions to build account balance
  - ▶ Investment risk (dependent on type of investment portfolio)



## Section 115 Trust – City’s Objectives

**VOLATILITY MITIGATION:** Mitigate budgeting impacts of increasing/fluctuating pension costs

**LEVEL/LOWER ANNUAL PAYMENT:** Use Trust judiciously to flatten the pension curve (“mountain peak”)

**LIQUIDITY:** Maintain (don’t fully deplete) minimum trust balance to protect against future unknowns



## Section 115 Pension Trust & Pension Reserve

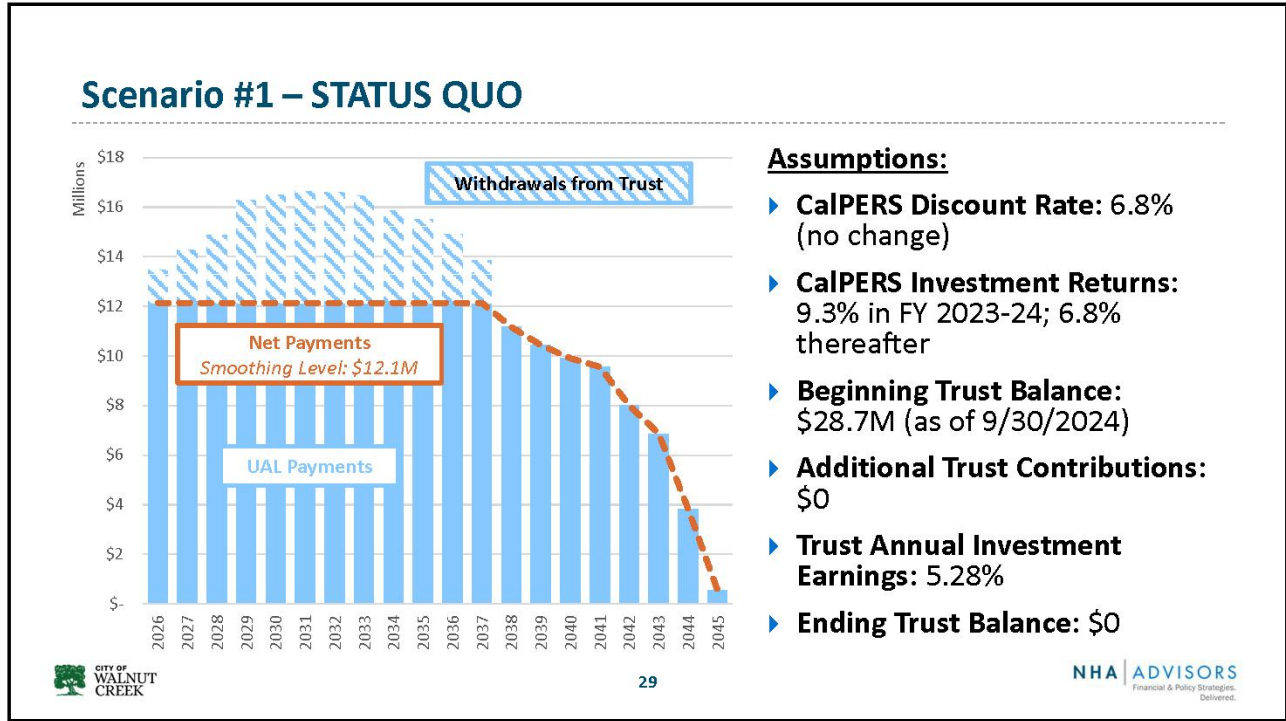
- ▶ City’s Section 115 Pension Trust has \$28.7 million of assets as of 9/30/2024
  - ▶ **Balanced investment objective: 50% Equity / 50% Fixed Income**
    - ▶ 10.89% investment return for FY 2024; 5.87% investment return since inception (FY 2019)
- ▶ **Historical Contributions: Total = \$19,876,600**
  - ▶ August 2018: \$13,895,400
  - ▶ April 2019: \$2,989,000
  - ▶ July 2019: \$2,992,200
- ▶ General Fund Pension Reserve has \$1.9M
- ▶ **Key Considerations for City**
  - ▶ **Is it time to stop growing trust?**
  - ▶ **Timing and size of optimal withdrawals**
  - ▶ **How would a discount rate change or recession change the strategy?**



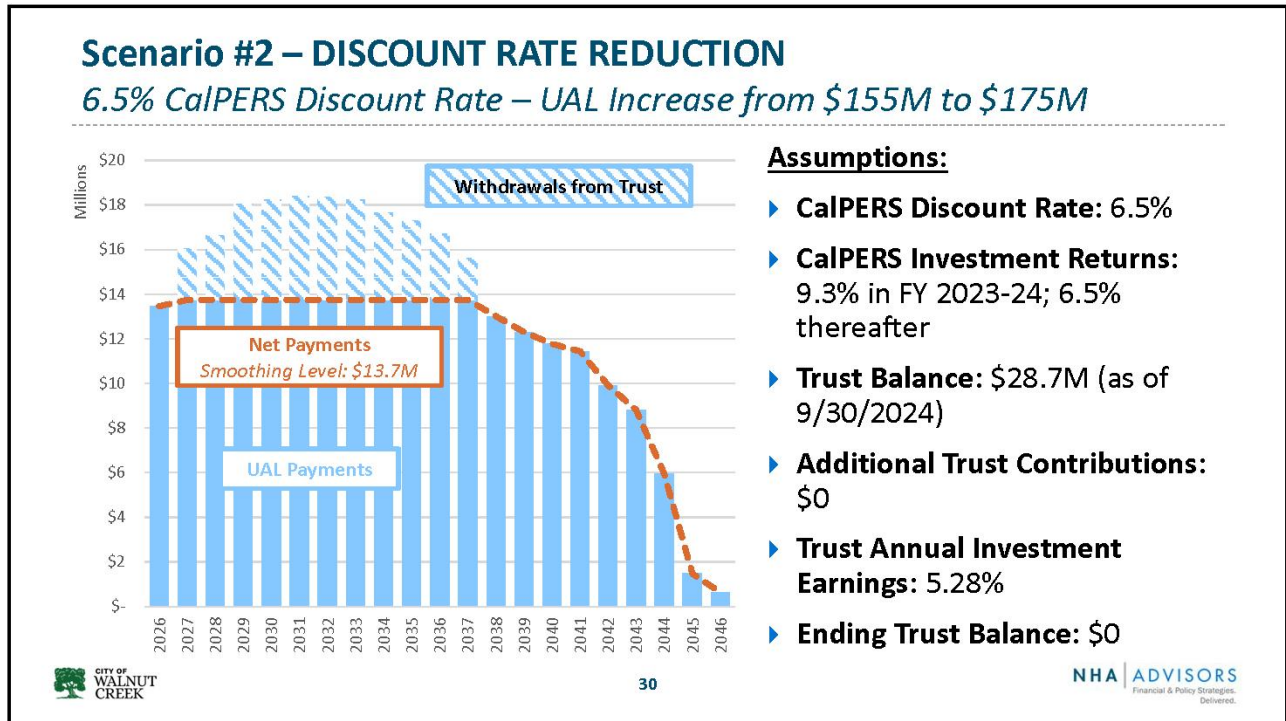
## Section 115 Trust – Customized Modeling & Analysis

- ▶ Using a customized model that can be updated periodically
  - ▶ Model out various scenarios using CalPERS Pension Outlook Tool
  - ▶ Estimating withdrawals from the Trust to create different payment smoothing strategies
- ▶ **Scenarios**
  - ▶ **#1 – STATUS QUO;** 9.3% FY 2023-24 Returns, 6.8% Returns After, No Assumption Changes
  - ▶ **#2 – DISCOUNT RATE REDUCTION;** CalPERS lowers discount rate from 6.8% to 6.5%
  - ▶ **#3 – DEFICIT MITIGATION;** Withdrawals from Trust to mitigate City’s forecasted deficits





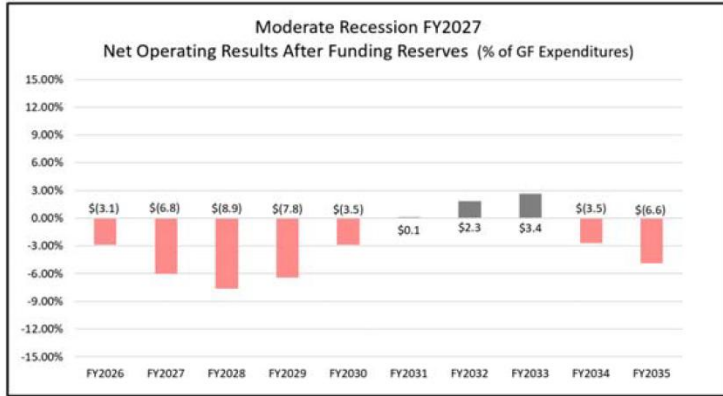
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### Scenario #3 – DEFICIT MITIGATION

*Withdrawals from Trust to Mitigate City’s Forecasted Deficits (Moderate Recession)*



**Assumptions:**

- ▶ Assumes net operating results from City’s Moderate Recession financial forecast
- ▶ FY 2026-27 Recession: 18-month downturn; 3-year recovery
- ▶ -2% Property Tax; -6.25% Sales Tax & TOT; -5% Other Revenues
- ▶ Assumes Trust offsets 100% of deficits through FY 2034 and a portion of the deficit in FY 2035, before exhausted



### Comparison of Trust Deposits and Withdrawals

Fiscal Year	Scenario #1 (Status Quo)		Scenario #2 (Discount Rate Reduction)		Scenario #3 (Deficit Mitigation)	
	Deposits to Trust	Withdrawals from Trust	Deposits to Trust	Withdrawals from Trust	Deposits to Trust	Withdrawals from Trust
2026	\$0	\$1,317,707	\$0	\$0	\$0	\$3,100,000
2027	\$0	\$2,124,510	\$0	\$2,306,566	\$0	\$6,800,000
2028	\$0	\$2,724,510	\$0	\$2,896,566	\$0	\$8,900,000
2029	\$0	\$4,164,510	\$0	\$4,306,566	\$0	\$7,800,000
2030	\$0	\$4,344,510	\$0	\$4,496,566	\$0	\$3,500,000
2031	\$0	\$4,484,510	\$0	\$4,636,566	\$0	\$0
2032	\$0	\$4,454,510	\$0	\$4,606,566	\$0	\$0
2033	\$0	\$4,334,510	\$0	\$4,486,566	\$0	\$0
2034	\$0	\$3,734,510	\$0	\$3,886,566	\$0	\$3,500,000
2035	\$0	\$3,384,510	\$0	\$3,546,566	\$0	\$723,598
2036	\$0	\$2,784,510	\$0	\$2,956,566	\$0	\$0
2037	\$0	\$1,704,510	\$0	\$1,886,566	\$0	\$0
2038	\$0	\$0	\$0	\$0	\$0	\$0
2039	\$0	\$0	\$0	\$0	\$0	\$0
2040	\$0	\$0	\$0	\$0	\$0	\$0
2041	\$0	\$0	\$0	\$0	\$0	\$0
2042	\$0	\$0	\$0	\$0	\$0	\$0
2043	\$0	\$0	\$0	\$0	\$0	\$0
2044	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$39,557,314</b>	<b>\$0</b>	<b>\$40,012,229</b>	<b>\$0</b>	<b>\$34,323,598</b>



## QUESTIONS



## KEY TAKEAWAYS

The trust is intended to be used.

Pension costs are projected to increase through 2033; decrease beginning in 2034.

City's healthy Section 115 Trust balance and reserve can be leveraged over the next 10-12 years.

Staff recommends adopting a policy for the use of pension resources.

**PROPOSED POLICY KEY PROVISIONS**

- Only using the Pension Resources during deficit years to maintain service levels
- Balance use of the Pension Resources with other reserves
- Avoid relying on one-time funds for ongoing expenses
- General Fund surpluses may be deposited into the trust
- Continue pre-paying pension liabilities when feasible to achieve cost savings
- Take steps to ensure that the Pension Resources last until at least FY 2034

This slide features a dark blue header with the title 'PROPOSED POLICY KEY PROVISIONS'. Below the header, six colored boxes are arranged in a 2x3 grid. The top row contains three boxes: a blue box with white text, a light blue box with white text, and a grey box with white text. The bottom row contains three boxes: a green box with white text, a dark green box with white text, and a blue box with white text.

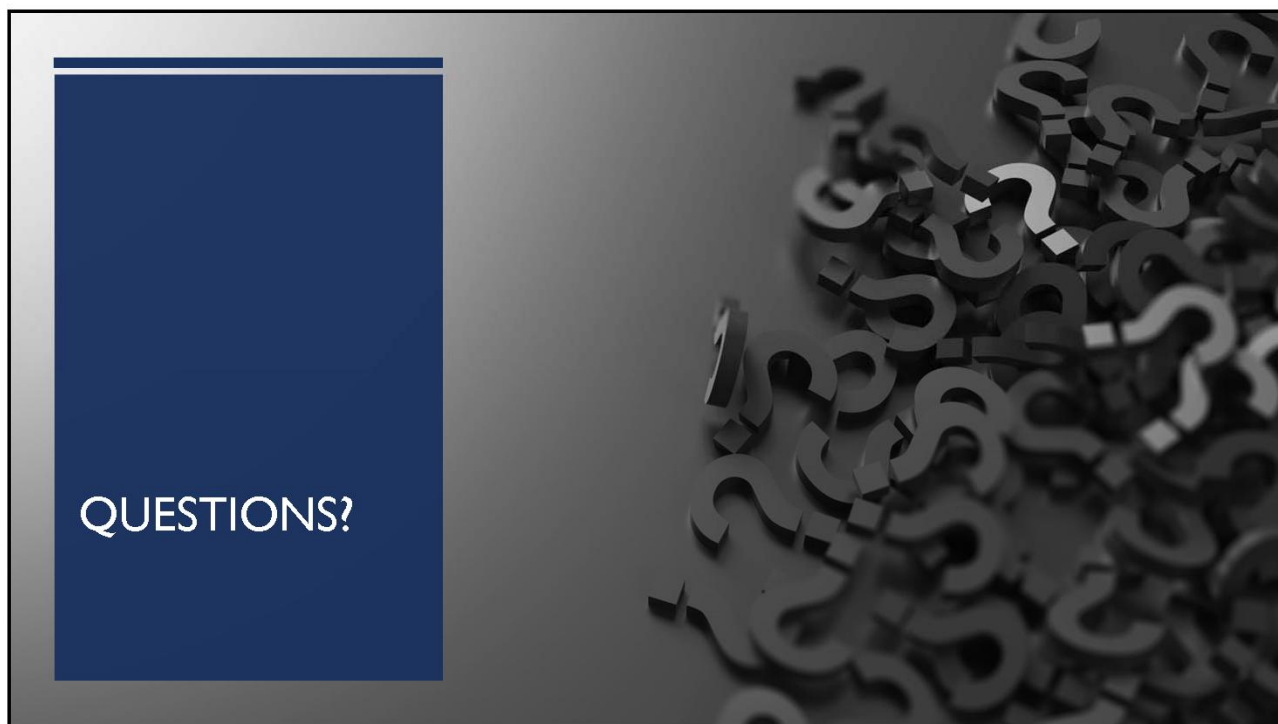
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**RECOMMENDED ACTION**

- Provide Feedback
- Accept the report and adopt a Resolution establishing the Pension Trust and Reserve Use Policy

This slide features a dark blue header with the title 'RECOMMENDED ACTION'. Below the header, two rounded rectangular boxes are shown. The left box is light grey with a dark blue border and contains the text 'Provide Feedback'. The right box is white with a dark blue border and contains the text 'Accept the report and adopt a Resolution establishing the Pension Trust and Reserve Use Policy'.

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## OBJECTIVES, POLICIES AND PRINCIPALS

### Objectives:

- Mitigate budget impacts of increasing and fluctuating pension costs in a sustainable manner.
- Use the pension resources judiciously to flatten the curve of rising pension costs.
- Ensure the trust lasts at least until pension costs are projected to begin decreasing (estimated by CalPERS to be 2034 per Attachment I)
- Be mindful of using one-time funds for ongoing costs; minimize withdrawals with a long-term plan for the use of the trust.
- Balance the use of the trust with other reserves during challenging economic conditions, when appropriate.

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## OBJECTIVES, POLICIES AND PRINCIPALS (CONTINUED)

### Policies and Guiding Principles:

- The Pension Resources may be utilized during fiscal years in which a structural deficit is present to ensure the continuation of existing service levels, and not to enhance or increase services.
- The trust would not be used to offset pension costs in years in which there is a structural surplus.
- Pension Resources will be used in a fiscally responsible manner. While the pension resources would be budgeted as a funding source, the amount withdrawn from the trust will be determined at year-end based on actual revenues compared to actual expenditures in the General Fund. To maximize investment earnings and ensure judicious use of the funding, only the amount budgeted, or actual amount needed to close the gap, whichever is less, would be withdrawn from the trust.
- In any fiscal year in which there is a year-end surplus in the General Fund, Council may choose to deposit some or all of the year-end surplus in the trust.

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## OBJECTIVES, POLICIES AND PRINCIPALS (CONTINUED)

### Policies and Guiding Principles:

- The Pension Resources are intended to be used under this policy through FY2034, when pension costs are projected to begin to decrease. At that time, all remaining funds, if any, would remain in the trust to offset future pension costs or until the City Council provides further direction.
- The City will continue to pre-pay the Unfunded Actuarial Liability (UAL) payment annually, when feasible, to achieve budgetary savings from the discount offered by CalPERS (half of the discount rate percentage).
- In any fiscal year in which there is a year-end surplus in the General Fund, Council may choose to deposit some or all of the year-end surplus in the trust.
- The Pension Resources are intended to be used under this policy through FY2034, when pension costs are projected to begin to decrease. At that time, all remaining funds, if any, would remain in the trust to offset future pension costs or until the City Council provides further direction.
- The City will continue to pre-pay the Unfunded Actuarial Liability (UAL) payment annually, when feasible, to achieve budgetary savings from the discount offered by CalPERS (half of the discount rate percentage).

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## APPENDIX – ADDITIONAL RESOURCES

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### Classic vs. PEPRAs Pension Example Comparison

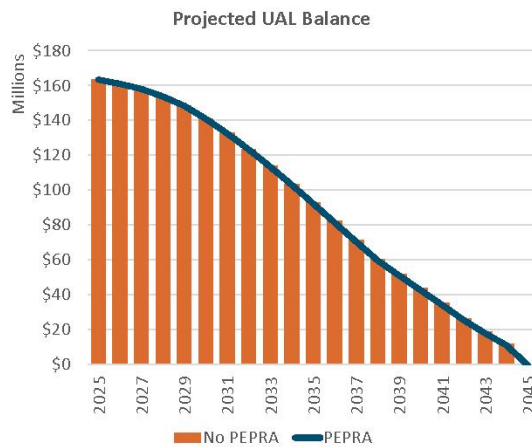
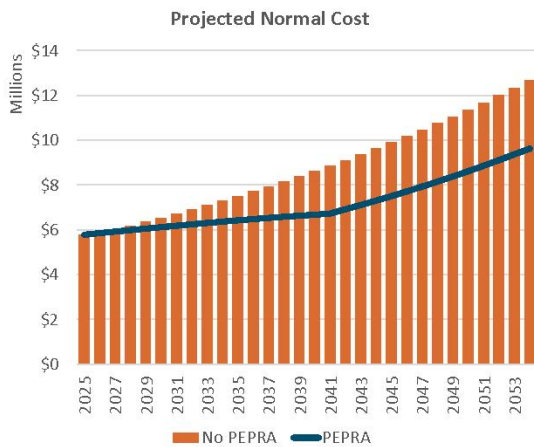
- ▶ Employee #1 is a Classic member and Employee #2 is a PEPRAs member – both have served for 25 years and have a final average compensation of \$125K
- ▶ Employee #2 will have a lower pension than Employee #1 due to a lower benefit factor, and will also retire at 57 years old instead of 50 years old like the Classic member
- ▶ The City will save money from PEPRAs lower pension amount and because PEPRAs pension may be paid out for a shorter amount of time due to retirement occurring 7 years later compared to Classic
- ▶ The difference in pension between Classic and PEPRAs is even more apparent at higher compensation levels, as there is a pensionable compensation limit of approximately \$175K for PEPRAs and \$330K for Classic

<b>Service Credit</b>	×	<b>Benefit Factor</b>	×	<b>Final Compensation</b>	=	<b>Annual Pension</b>
<b>Employee #1 (Classic)</b>						
25 Years	x	3.0% @ 50	x	\$125,000	=	\$93,750
<b>Employee #2 (PEPRAs)</b>						
25 Years	x	2.7% @ 57	x	\$125,000	=	\$84,375



### Cost of PEPRAs vs. No PEPRAs

- ▶ PEPRAs is projected to lower Normal Cost and UAL costs for the City



Source: CalPERS Pension Outlook Tool. Assumes no PEPRAs implementation in orange bar projections.



## Additional Discretionary Payment (“ADP”)

- ▶ **What is it?** City makes ADP directly to CalPERS and CalPERS eliminates payments associated with the portion of the UAL paid off, essentially giving the City credit at the discount/interest rate (currently 6.8%)
  - ▶ **Advantages:**
    - ▶ Reduced UAL / higher CalPERS funding ratio
    - ▶ Reduced future payments
    - ▶ Broader, less restrictive CalPERS investment portfolio has potential for higher returns
  - ▶ **Disadvantages:**
    - ▶ Requires reserves / surplus to fund
    - ▶ Re-investment and market timing risk with ADP funds
    - ▶ Less budgetary flexibility and investment control (vs. Section 115 Trust option)



## Section 115 Trust vs. CalPERS ADP Comparison

OPTION	Section 115 Trust	CalPERS ADP
Reduced UAL & UAL Payments with CalPERS	No	Yes
Reduced Pension Liability in Financial Report (ACFR)	No (Show up as an asset on the City’s financial statements)	Yes
Control of Investment Strategy	Yes	No
Funds Managed By	Trust Administrator	CalPERS
Flexibility in Uses	Yes	No
Enhanced Budgetary Flexibility	Yes	No
Savings	Varies; Depends on when City utilizes funds to pay liabilities	Immediate; Length of time varies based on which amortization component is paid off





**APPENDIX B: SAMPLE OF WILDFIRE BUFFER ZONE BUDGET MODELING FOR THE  
GREATER PARADISE AREA**

# DRAFT BUDGET AND POTENTIAL PARCEL TAX ANALYSIS FOR WILDFIRE BUFFER ZONE FOR THE GREATER PARADISE AREA

*PRELIMINARY ESTIMATES ON HOW TO FUND BOTH ACQUISITION OF A WILDFIRE BUFFER ZONE AND  
LONG-TERM TREATMENT*

**NHA | ADVISORS**  
Financial & Policy Strategies.  
Delivered.

July 30, 2025

## Our Goals for this Analysis

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- ▶ Define sustainable, long-term wildfire fuel reduction funding
- ▶ Identify major cost drivers
- ▶ Recommend tax structure to meet funding needs
- ▶ Outline governance for funding + operations
- ▶ Set timeline for governance setup and tax measure

DRAFT

## Constraints on the Analysis

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- ▶ Wide variation in treatment costs per acre
- ▶ No consensus on best treatment by region/vegetation/topography
- ▶ No proven link between mitigation spending and insurance benefits
- ▶ No regional governance entity ready to implement large-scale buffer zone

DRAFT

# A Draft Budget for Wildfire Risk Reduction for the Greater Paradise Area: Background

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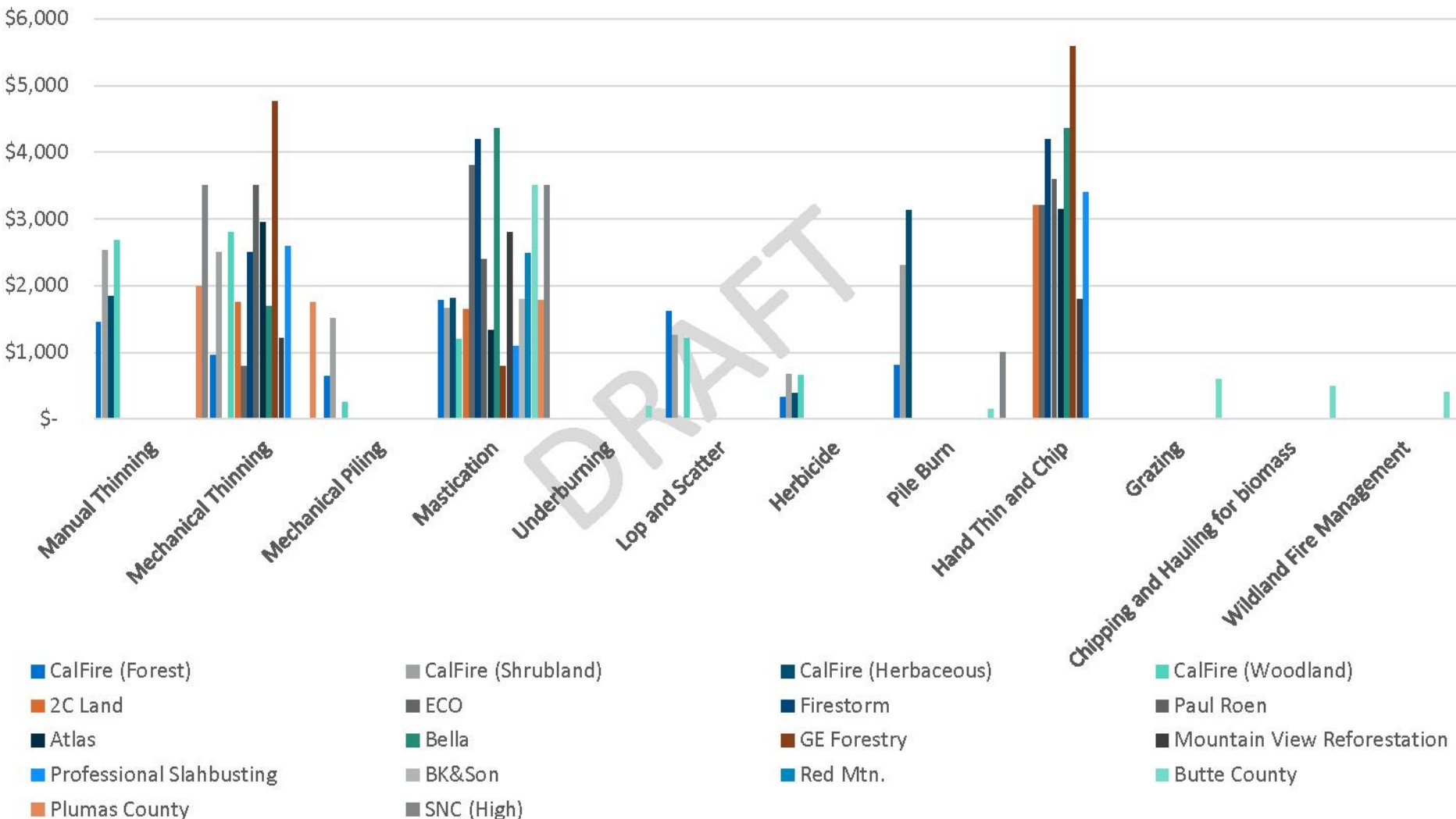
- ▶ PRPD has worked with both the Butte Fire Safe Council and Xyloplan to develop a list of priority parcels for wildfire fuel reduction
  - ▶ Targeted parcels protect structures in the Paradise, Concow and Magalia areas
  - ▶ The Xyloplan parcels are the result of a comprehensive fire spread model based on wind-storm patterns
  - ▶ The Butte Fire Safe Council parcels are based on local knowledge of local fire safety professionals
  - ▶ The PRPD team merged both parcel lists to come up with an approximately 900 parcel combined list comprising nearly 3,000 acres.
- ▶ Nevertheless, the original study in 2023 funded by The Nature Conservancy identified about 30,000 acres of area on the periphery of Paradise, Concow and Magalia that may require treatment
  - ▶ The prioritization process enables a more cost-efficient budget to be developed for long term wildfire risk mitigation

## Determining Treatment Costs for Target Parcels

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- ▶ Multiple sources on treatment costs per acre for different treatments, landscape, and topography:
  - ▶ CalFire
  - ▶ Butte Fire Safe Council
  - ▶ County of Plumas
  - ▶ Sierra Nevada Conservancy
  - ▶ California Air Resources Board.....and many others
- ▶ There is no consensus regionally or statewide on treatment types, recurrence intervals or treatment costs for different climate zones and types of terrain
- ▶ **Approach:** use relatively **high treatment costs per acre**, and **lower (more frequent) recurrence intervals** for a conservative budget

## A Wide Rang of Treatment Cost Estimates



For more detailed cost estimates, see Appendix.

## Prevailing wage, Prescribed Burn and Grazing, First Treatment

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- ▶ Prevailing wage likely to add 20% to costs for state/local wildfire treatments
- ▶ First-time treatment costs ~2.5x higher than long-term
- ▶ CalFire provides a liability insurance policy of \$2 million for each prescribed burn
  - ▶ In the very unlikely event of an “escape”, for a prescribed burn on private land, this limit is inadequate
  - ▶ While prescribed burns, notwithstanding the shortage of experienced staff, are scalable on public property, such burns are not scalable on private property
- ▶ Grazing, where appropriate, is a very effective low-cost treatment but scalability is uncertain
- ▶ **For purposes of a draft budget, we assume no prescribed burns and minimal grazing**

# Treatment Costs and Recurrence Interval Assumptions Used in this Analysis

	Evergreen Forest	Developed Open Space	Developed Low Intensity	Developed Medium Intensity	Developed High Intensity	Shrubland	Grassland/Pasture	Mixed Forest	Deciduous Forest	Emergent Herbaceous Wetlands/Woody Wetlands	Fallow Cropland
Treatment Acres	1,238.66	143.28	33.01	5.41	0.99	1,190.43	295.54	2.13	27.11	11.86	1.15
Cost per acre	3,000	1,000	1,000	1,000	1,000	2,500	800	3,000	3,000		800
Treatment cost for land use category	3,715,981	143,279	33,010	5,408	988	2,976,063	236,434	6,397	81,331	-	921
Recurrence Interval	5	5	3	3	3	5	3	5	5	5	3
Annualized treatment costs	743,196	28,656	11,003	1,803	329	595,213	78,811	1,279	16,266	-	307

## Treatment Cost Overview

---

- ▶ Treatment costs are on the high side of the range
- ▶ Recurrence intervals are on the low side of the range
- ▶ **Annualized costs are about \$1.5 million/year**
- ▶ These annual costs do not include administration – we estimate this at \$500,000/year
- ▶ Consequently, we estimate that annual operating cost budget to be \$4.5 million/year for the first 5 years, and then about \$2 million per year thereafter
- ▶ These figures do not include any inflation assumptions

## Administrative Costs

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- ▶ Fully scaled treatment for 600+ acres per year (3,000 acres on a 5-year recurrence interval) requires administrative organization
- ▶ The treatment crews need management, prescribed burns need liability insurance
- ▶ Acquisition of easements or fee title for nearly 3,000 acres will require experienced property negotiators, similar to those used for ROW acquisition
- ▶ There will be legal expenses for acquisitions of easements or fee title
  - ▶ If eminent domain needs to be used, this can be an expensive process

## Operational Cost Assumptions

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<b>Annualized Treatment Costs (long term)</b>	<b>1,477,168</b>
<b>First time treatment costs multiplier</b>	<b>2.5</b>
<b>Annualized first time treatment costs</b>	<b>3,692,921</b>
<b>Annual Administrative Costs</b>	<b>500,000</b>
<b>Combined long term treatment and administrative costs</b>	<b>1,977,168</b>
<b>Combined treatment and administrative costs for first 5 years</b>	<b>4,192,921</b>

## Target Parcel Acquisition Cost Assumptions

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- ▶ PRPD retained Integra Realty to do a high-level appraisal of the costs of acquiring access to the circa 900 target parcels for treatment
  - ▶ While PRPD and Butte Fire Safe Council have had good experience using “good will” to gain access for treatment, we do not believe that a long term fully scaled budget should rely on 100% good will to provide access to key parcels on a regular basis
- ▶ There are three options for securing access
  - ▶ Purchase of fee title
  - ▶ Purchase of an easement
  - ▶ Long-term access to a parcel through the good will of the parcel owner
- ▶ Integra valued both fee title and easement acquisition costs, establishing a range from low to high for such costs

## Parcel Access Acquisition Cost Assumptions

Integra Cost Estimates		
	Fee Title	Easement
Low	20,187,713	8,075,085
High	39,906,818	15,962,727

Total Access Acquisition Cost Budget, Including Goodwill			
	Per cent	Cost (low)	Cost (high)
Acquisition	25%	5,046,928	9,976,705
Easement	65%	5,248,805	10,375,773
Good will	10%	-	-
Total	100%	10,295,734	20,352,477
Annualized over 5 years		2,059,147	4,070,495

# Why Debt Financing for Access Acquisition and First Treatment Costs?

---

- ▶ Costs for both access acquisition and first-time treatment costs make annual funding need much higher in the first 5 years
  - ▶ Assumes all 3,000 acres are “acquired” for access purposes in the first 5 years
  - ▶ Assumes all 3,000 acres receive a treatment, likely their first treatment, in the first 5 years.
- ▶ Expenses funded on “pay-go” basis means the annual tax requirements are much higher over the first 5 years
- ▶ Ballot approval will require disclosure of the highest potential tax, not an “average” tax over the life of the exaction
  - ▶ The higher tax for the first 5 years will result in more “no” votes on a ballot measure
- ▶ Debt Financing
  - ▶ Spreads costs evenly over time
  - ▶ Steadier tax rate
  - ▶ More electable measure
- ▶ **Bottom line: debt financing makes a tax measure more electable**

## Debt Financing Assumptions

	No Grant Funding		50% Grant Funding	
	Low Cost Scenario	High Cost Scenario	Low Cost Scenario	High Cost Scenario
<b>Extra first time treatment costs</b>	18,001,812	18,001,812	18,001,812	18,001,812
<b>Access acquisition cost</b>	10,295,734	20,352,477	10,295,734	20,352,477
<b>Grant Funding Amount</b>		-	14,148,773	19,177,145
<b>Total to be financed</b>	28,297,546	38,354,289	14,148,773	19,177,145
<b>Annual Interest Rate</b>	6.5%	6.5%	6.5%	6.5%
<b>Annual debt service for first 5 years</b>	3,460,000	4,340,000	2,210,000	2,320,000
<b>Annual debt service for next 15 years</b>	1,980,000	2,870,000	730,000	840,000

*Assumes all bonds are issued with a taxable interest rate., Debt service is higher in the first 5 years because the higher initial treatment costs are being funded by the bond issue. This means no treatment costs are funded on a “pay-go” basis over the first 5 years.*

## Use of Grants

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- ▶ FEMA and Prop 4 grants could significantly reduce access acquisition and first-time treatment costs, further reducing both the debt required and the annual budget
- ▶ There is uncertainty over the future of the FEMA BRIC program
  - ▶ Cal OES recommends that we consider applying for FEMA grants for access acquisition in a phased or “batched” process
- ▶ Several Prop 4 authorizations can potentially be used to fund either access acquisition or first-time treatment costs

# Tax Levy Options

▶ Local jurisdictions may raise funds, with voter approval, through the following mechanisms:

Tax Levy Option	Voter approval requirement	Key legal constraints	Tax levy sensitivity to land use, parcel size, vulnerability, etc	Scalability to meet annual funding requirements	Governance Requirement
<b>Mello-Roos/parcel tax by Board/Council vote</b>	2/3 vote of voters in area to be taxed	Needs to be structured to allow both capital funding through bonds and annual maintenance	Maximum sensitivity of all potential tax measures. Any objectively measurable metric can be used except for assessed valuation	Fully scalable	Any jurisdiction can create and administer a Mello Roos district
<b>Mello-Roos/parcel tax by citizen circulated petition</b>	Simple majority of voters in area to be taxed	Needs to be structured to allow both capital funding through bonds and annual maintenance	Maximum sensitivity of all potential tax measures. Any objectively measurable metric can be used except for assessed valuation	Fully scalable	Any jurisdiction can create and administer a Mello Roos district
<b>Ad valorem tax for general obligation bonds</b>	2/3 vote of voters in area to be taxed	Tax levy is based solely on assessed value. No other factors can be used	Assessed valuation is the only parameter	Can only be used for access acquisition, not for annual maintenance	Can be authorized by any local government entity
<b>Assessment District</b>	Majority protest of parcel owners within district	Must be solely for "special benefit". Community scale work is not considered "special benefit".	Assessment levy must be directly pro rata to level of special benefit received by each parcel. Defining this for wildfire fuel reduction in the community would be very difficult.	Not scalable	Can be authorized by any local government entity
<b>Sales tax dedicated to wildfire risk reduction</b>	If dedicated solely to wildfire risk reduction, 2/3 vote is required	Tax levy is based solely on taxable sales within retail outlets within the taxing jurisdiction. Only County of Butte has the authority within the area of the prioritized parcels	Gross taxable sales is the only parameter	Tax base may be too small - gross taxable sale are about \$150 million/year	Only the County or the Town of Paradise have this power
<b>Sales tax for general purposes</b>	Simple majority	Tax levy is based solely on taxable sales within retail outlets within the taxing jurisdiction. Only County of Butte has the authority within the area of the prioritized parcels	Gross taxable sales is the only parameter	Tax base may be too small - gross taxable sale are about \$150 million/year	Only the County or the Town of Paradise have this power
<b>Transient occupancy tax dedicated to wildfire risk reduction</b>	If dedicated solely to wildfire risk reduction, 2/3 vote is required	Tax levy is based solely on gross room revenues on hotel/motel/WHR's within the taxing jurisdiction. Only County of Butte has the authority within the area of the prioritized parcels]	Gross room revenues is the only parameter	Tax base may be too small - gross room revenue is about \$3 million/year	Only the County or the Town of Paradise have this power

## A Parcel Tax is Better than a Sales Tax or TOT increase

- ▶ The tax base for both sales tax and TOT in the Town of Paradise (where nearly all the outlets producing sales and TOT are located) is too small to support the projected annual budget requirement
- ▶ Only a parcel tax (otherwise known as a Mello Roos tax) allows for great flexibility in how the tax is levied on a given parcel (land use, parcel size, vegetation, vulnerability, etc.)

### Sales Tax

Annual budget required with debt but no grants:	4,000,000
Approximate annual gross taxable sales in Town of Paradise	150,000,000
Sales tax rate required to fully fund budget	2.7%
Current combined sales tax rate in Town	8.75%
New combined tax rate	11.4%

### Trentient Occupancy Tax

Annual budget required with debt but no grants:	4,000,000
Approximate annual gross room revenue in Tiown of Paradise	3,000,000
TOT tax rate required to fully fund budget	133.3%
Current TOT tax rate in Town	6.00%
New combined tax rate	139.3%

## What is the potential tax base for a parcel tax?

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- ▶ Four public entities overlap the general area where the prioritized parcels for treatment are located:
  - ▶ Paradise Recreation and Parks District – 21,869 parcels
  - ▶ Paradise Unified School District – 20,639 parcels
  - ▶ Town of Paradise – 11,978 parcels
  - ▶ Paradise Irrigation District – 11,788
- ▶ While we believe that the actual boundaries for any tax to fund treatment for the prioritized parcels will need to be carefully considered, for purposes of this analysis, we will use the parcel count for PRPD
  - ▶ We included unsecured parcels as well as secured parcels because the unsecured parcels oftentimes represent leasehold estates

*All parcel count figures are from the County of Butte for FY 2023-2024*

## Scenario Design

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- ▶ The key determinants of long-term annual costs are shown below:
  - ▶ Level of grant support
  - ▶ Whether or not debt is issued
  - ▶ Whether access acquisition costs are on the “low” or “high” side of the range determined by Integra
  - ▶ If bonds are issued, whether the bonds can be issued on a tax exempt or taxable basis
    - ▶ Since we determined that the overall difference in annual budget requirements resulting from the use of tax-exempt interest rates vs. taxable interest rates was less than 5%, we are just showing the taxable interest rate scenarios

## Scenarios Modeled for a Draft Budget

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Low Access Acquisition		High Access Acquisition	
Grants	Debt	Grants	Debt
None	None	None	None
50%	None	50%	None
None	First 5 Years	None	First 5 Years
50%	First 5 Years	50%	First 5 Years

## Scenario 1 Estimated Cash Flows: Low Acquisition Costs, No Grant Funding, No Debt

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Year	1	2	3	4	5	6	7	8	9	10
Acquisition/easement cost	2,059,147	2,059,147	2,059,147	2,059,147	2,059,147	-	-	-	-	-
Operational	3,692,921	3,692,921	3,692,921	3,692,921	3,692,921	1,477,168	1,477,168	1,477,168	1,477,168	1,477,168
Administration	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Total</b>	<b>6,252,067</b>	<b>6,252,067</b>	<b>6,252,067</b>	<b>6,252,067</b>	<b>6,252,067</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>
Number of taxable parcels	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869
Average annual tax/parcel	286	286	286	286	286	90	90	90	90	90

Annual budget requirement ranges from about \$2 million/year to \$6.25 million/year

## Scenario 2 Estimated Cash Flows: Low Acquisition Costs, 50% Grant Funding, No Debt

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Year	1	2	3	4	5	6	7	8	9	10
Acquisition/easement cost	2,059,147	2,059,147	2,059,147	2,059,147	2,059,147	-	-	-	-	-
Operational	3,692,921	3,692,921	3,692,921	3,692,921	3,692,921	1,477,168	1,477,168	1,477,168	1,477,168	1,477,168
Overhead/Admin	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Less grant funding	(2,876,034)	(2,876,034)	(2,876,034)	(2,876,034)	(2,876,034)					
<b>Total</b>	<b>3,376,034</b>	<b>3,376,034</b>	<b>3,376,034</b>	<b>3,376,034</b>	<b>3,376,034</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>
Number of taxable parcels	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869
Average annual tax/parcel	154	154	154	154	154	90	90	90	90	90

Annual budget requirement ranges from about \$2 million/year to \$3.4 million/year

## Scenario 3 Estimated Cash Flows: Low Acquisition Costs, No Grant Funding, Debt for First 5 Years Costs

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Year	1	2	3	4	5	6	7	8	9
Annual Debt Service	3,457,075	3,455,475	3,457,050	3,456,150	3,457,450	1,980,300	1,980,250	1,981,950	1,980,075
Acquisition/easement cost	-	-	-	-	-	-	-	-	-
Operational	-	-	-	-	-	1,477,168	1,477,168	1,477,168	1,477,168
Overhead/Admin	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Total</b>	<b>3,960,000</b>	<b>3,955,475</b>	<b>3,957,050</b>	<b>3,956,150</b>	<b>3,957,450</b>	<b>3,960,000</b>	<b>3,957,418</b>	<b>3,959,118</b>	<b>3,957,243</b>
Number of taxable parcels	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869
Average annual tax/parcel	181	181	181	181	181	181	181	181	181

Annual budget requirement is about \$4 million/year

## Scenario 4 Estimated Cash Flows: Low Acquisition Costs, 50% Grant Funding, Debt Financing for First 5 Year’s Costs

Year	1	2	3	4	5	6	7	8	9	Years 10 through 20
Annual Debt Service	2,210,600.00	2,212,075.00	2,213,025.00	2,213,125.00	2,212,050.00	734,475.00	735,950.00	736,125.00	735,000.00	735,475
Acquisition/easement cost	-	-	-	-	-	-	-	-	-	-
Operational	-	-	-	-	-	1,477,168	1,477,168	1,477,168	1,477,168	1,477,168
Overhead/Admin	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Total</b>	<b>2,710,600</b>	<b>2,712,075</b>	<b>2,713,025</b>	<b>2,713,125</b>	<b>2,712,050</b>	<b>2,711,643</b>	<b>2,713,118</b>	<b>2,713,293</b>	<b>2,712,168</b>	<b>2,712,643</b>
Number of taxable parcels	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869
Average annual tax/parcel	124	124	124	124	124	124	124	124	124	124

Annual budget requirement is about \$2.7 million/year

## Scenario 5 Estimated Cash Flows: High Acquisition Costs, No Grant Funding, No Debt

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Year	1	2	3	4	5	6	7	8	9	10
Acquisition/easement cost	4,070,495	4,070,495	4,070,495	4,070,495	4,070,495	-	-	-	-	-
Operational	3,692,921	3,692,921	3,692,921	3,692,921	3,692,921	1,477,168	1,477,168	1,477,168	1,477,168	1,477,168
Overhead/Admin	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Total</b>	<b>8,263,416</b>	<b>8,263,416</b>	<b>8,263,416</b>	<b>8,263,416</b>	<b>8,263,416</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>
Number of taxable parcels	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869
Average annual tax/parcel	378	378	378	378	378	90	90	90	90	90

Annual budget requirement ranges from about \$2 million/year to \$8.25 million/year

## Scenario 6 Estimated Cash Flows: High Acquisition Costs, 50% Grant Funding, No Debt

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Year	1	2	3	4	5	6	7	8	9	10
Acquisition/easement cost	4,070,495	4,070,495	4,070,495	4,070,495	4,070,495	-	-	-	-	-
Operational	3,692,921	3,692,921	3,692,921	3,692,921	3,692,921	1,477,168	1,477,168	1,477,168	1,477,168	1,477,168
Overhead/Admin	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Less grant funding	(3,881,708)	(3,881,708)	(3,881,708)	(3,881,708)	(3,881,708)	-	-	-	-	-
<b>Total</b>	<b>4,381,708</b>	<b>4,381,708</b>	<b>4,381,708</b>	<b>4,381,708</b>	<b>4,381,708</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>	<b>1,977,168</b>
Number of taxable parcels	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869
Average annual tax/parcel	200	200	200	200	200	90	90	90	90	90

Annual budget requirement ranges from about \$2 million/year to \$4.4 million/year

# Scenario 7 Estimated Cash Flows: High Acquisition Costs, No Grants, Includes Debt

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Year	1	2	3	4	5	6	7	8	9	10
<b>Annual Debt Service</b>	4,340,825.00	4,342,975.00	4,342,000.00	4,342,575.00	4,344,050.00	2,865,775.00	2,863,300.00	2,866,275.00	2,864,050.00	2,864,380
<b>Acquisition/easement cost</b>	-	-	-	-	-	-	-	-	-	-
<b>Operational</b>	-	-	-	-	-	1,477,168	1,477,168	1,477,168	1,477,168	1,477,168
<b>Overhead/Admin</b>	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Total</b>	<b>4,845,000</b>	<b>4,842,975</b>	<b>4,842,000</b>	<b>4,842,575</b>	<b>4,844,050</b>	<b>4,845,000</b>	<b>4,840,468</b>	<b>4,843,443</b>	<b>4,841,218</b>	<b>4,841,548</b>
<b>Number of taxable parcels</b>	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869
<b>Average annual tax/parcel</b>	222	221	221	221	222	222	221	221	221	221

Annual budget requirement is about \$4.85 million/year

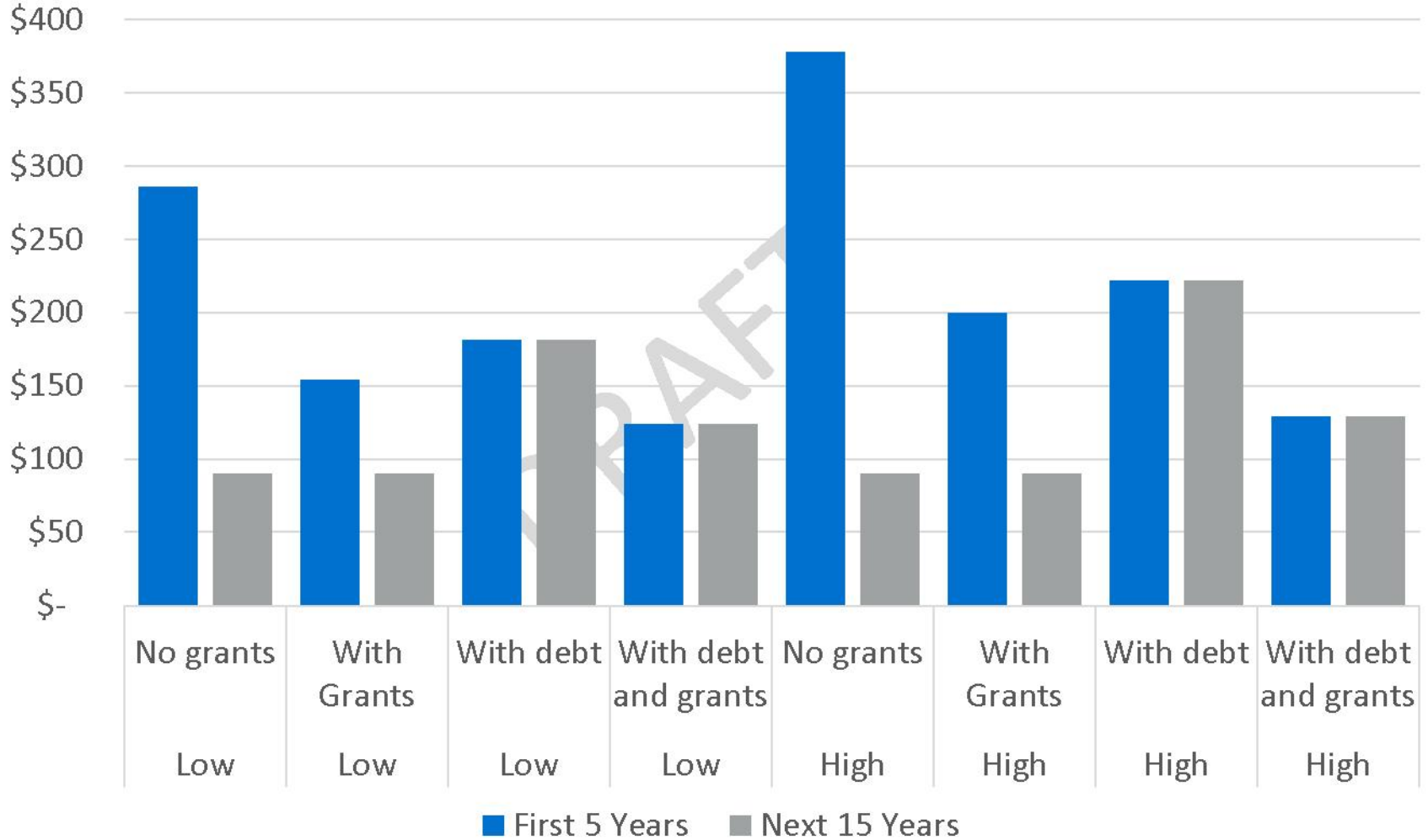
## Scenario 8 Estimated Cash Flows: High Acquisition Costs, 50% Grant Funding, Includes Debt

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Year	1	2	3	4	5	6	7	8	9	Yearss 10 through 20
Annual Debt Service	2,315,675.00	2,315,200.00	2,319,200.00	2,317,025.00	2,318,675.00	838,500.00	842,375.00	839,625.00	840,575.00	840,270
Acquisition/ easement cost		-	-	-	-					
Operational	-	-	-	-	-	1,477,168	1,477,168	1,477,168	1,477,168	1,477,168
Overhead/Admin	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Total</b>	<b>2,820,000</b>	<b>2,815,200</b>	<b>2,819,200</b>	<b>2,817,025</b>	<b>2,818,675</b>	<b>2,820,000</b>	<b>2,819,543</b>	<b>2,816,793</b>	<b>2,817,743</b>	<b>2,817,438</b>
Number of taxable parcels	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869	21,869
Average annual tax/parcel	129	129	129	129	129	129	129	129	129	129

Annual budget requirement is about \$2.8 million/year

## Summary of Estimated Average Annual Tax Per Parcel



## Major Cost Drivers

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- ▶ 50% grant funding for access acquisition costs and first-time treatment costs reduce the annual budget requirements long-term by about 1/3
  - ▶ Assumes debt is used to fund access acquisition costs and first-time treatment costs
- ▶ Use of debt reduces the required budget over the first 5 years by about 40%
- ▶ Assuming the use of debt, the combined annual budget required for the “low” access acquisition costs is about 20% lower than the combined annual budget for the “high” access acquisition costs
- ▶ The annual budget for high acquisition costs, with both grants and debt, is 65% lower than the annual budget for high acquisition costs without grant and debts over the first 5 years
- ▶ Taxable interest rates on debt lower the annual budget by 5% compared with tax exempt interest rates

## Governance Requirements for the Wildfire Buffer Zone

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- ▶ **Governance entity needs the following powers:**
  - ▶ Levy and administer a parcel tax
  - ▶ Hire staff and/or subcontractors to do wildfire risk reduction work
  - ▶ Acquire and own fee title or access easements for parcels in the buffer zone
  - ▶ Power of eminent domain to acquire and own fee title or access easements where required for wildfire risk reduction
  - ▶ Power to legislate and mandate wildfire risk reduction standards on private property owners
- ▶ **The governance entity jurisdiction should include the following:**
  - ▶ All parcels prioritized for treatment
  - ▶ All parcels benefitting from such treatment

## Governance Options

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- ▶ **The following stakeholders should be considered for collaboration under a new governance entity**
  - ▶ Paradise Recreation and Park District
  - ▶ Town of Paradise
  - ▶ County of Butte
  - ▶ Butte Fire Safe Council
  - ▶ Camp Fire Collaborative
  - ▶ Rebuild Paradise
- ▶ **California's Joint Powers Authority law allows NGO's to be voting members of a JPA**
  - ▶ The NGO members cannot vote on amending the JPA, but can vote on budget and staffing issues
- ▶ **We recommend that these stakeholders begin a dialogue on forming a governance entity to implement the wildfire buffer zone**

## A Joint Powers Authority – Some Details

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- ▶ JPA powers are limited to the powers shared in common by all members of the JPA
  - ▶ This means its powers are the same as its least powerful member (excluding NGO's)
- ▶ There is often a concern amongst member public entities of a “loss of power” by turning over a key function to a JPA
- ▶ Cost sharing amongst the parties can become an issue
- ▶ These concerns can be resolved by seeking special State legislation to address loss of power concerns. Examples:
  - ▶ Requiring a super majority to approve certain actions
  - ▶ Specifying which types of projects can be undertaken by the JPA, and which can only be done by a member, but with JPA funding
  - ▶ “Locking in” the role of NGOs in the JPA

## A Ballot Measure in November, 2026?

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- ▶ There is more than sufficient time to prepare a November 2026 regional ballot measure and governance entity for a wildfire buffer zone in the greater Paradise area
- ▶ If there is sufficient community support to get the measure on the ballot through a petition, approval would only require a simple majority
- ▶ There is also discussions in Sacramento about a statewide ballot measure for wildfire risk reduction on the November 2026 ballot
  - ▶ What if the statewide ballot measure matched local ballot measures with revenues?
  - ▶ What if CDI mandated a dollar or dollar reduction in insurance premium for parcel owners paying a parcel tax dedicated solely to wildfire risk reduction?
- ▶ **Key question: is there enough community support to not only do a successful citizen initiative for a ballot measure, but to get a 50%+1 successful vote?**

## Next Steps

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- ▶ We begin the polling process
  - ▶ Survey question design
  - ▶ Polling system: phone calls, focus groups or both
- ▶ Determine the potential tax base
  - ▶ Identify zone of benefit for prioritized parcels
- ▶ Get detailed parcel data on all parcels within potential tax base
- ▶ Using polling data, develop an “electable” tax structure and levy maximum
- ▶ Present findings to all public, private and NGO stakeholders
- ▶ Start dialogue on implementation, including potential governance entity and ballot measure



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## APPENDIX

# A Wide Range of Treatment Cost Estimates: CalFire Treatment Cost Assumptions

CalFire Treatments	Costs per acre			
	Forest	Shrubland	Herbaceous	Woodland
Manual Thinning	1,461	2,534	1,851	2,683
Mechanical Thinning	957	2,500	N/A	2,807
Mechanical Piling	640	1,521	N/A	251
Mastication	1,788	1,669	1,813	1,198
Lop and Scatter	1,616	1,263	N/A	1,217
Herbicide	325	675	396	667
Pile Burn	810	2,303	3,125	N/A

# A Wide Range of Treatment Cost Estimates: Butte Fire Safe Council

## Treatment Cost Bid Results

	Bid Range for Treatment Costs Per Acre		
	Hand thin and chip	Mastication	Mechanical
2C Land	2,800-3,200	1,650	1,650-1,750
ECO	800-3,200	950-3,800	800-2,500
Firestorm	2,100-4,200	1,470-4,200	1,800-3,500
Paul Roen	3,600	2,400	2,950
Atlas	3,141	1,331	1,689
Bella	4365-5592	4,365	4,770
GE Forestry	1,800	800	1,220
Mountain View Reforestation	1,800-3,400	2,800	2,600
Professional Slashbusting	none	725-1,100	none
BK&Son	none	1,800	none
Red Mtn.	4,489	2,489	3,989
Average low	2,766	1,889	2,385
Average high	3,625	2,396	2,774

# A Wide Range of Treatment Cost Estimates: Butte Fire Safe Council Treatment Cost Assumptions

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<b>Butte County Treatments</b>	<b>Cost per acre</b>
<b>Mastication</b>	3,500
<b>Underburning</b>	200
<b>Grazing</b>	600
<b>Chipping and hauling for biomass</b>	500
<b>Pile burning in place</b>	150
<b>Wildland fire management</b>	403

# A Wide Range of Treatment Cost Estimates: Plumas County Treatment Cost Assumptions

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<b>Plumas County</b>	<b>Evergreen Forest cost per acre</b>
<b>Manual Thinning</b>	2,000
<b>Mechanical Thinning</b>	1,750
<b>Mastication</b>	1,788

## A Wide Range of Treatment Cost Estimates: Sierra Nevada Conservancy

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SNC Treatments	Costs (\$)		
	Low	Average	High
Mastication	600	1,500	3,500
Hand Thinning	600	1,800	3,500
Pile Burning	50	N/A	1,000

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## **APPENDIX C: RESUMES FOR ASSIGNED NHA TEAM**



**Public Finance  
Professional Since:  
1981**

### Expertise

- Public Policy
- Utility Financing
- Climate Change Infrastructure
- Development/Land-Secured Financing
- Economic Development
- Developer Negotiations
- Pension Financing

### Education



- B.A. Social Sciences

### Licenses & Registrations

- Registered with the SEC and MSRB
- Series 50 License

## Mark Northcross, *Principal*

During a California public finance career that spans back to 1981, Mark Northcross has structured debt for nearly every kind of issuer and nearly every kind of revenue source legally available in the State.

Mr. Northcross is a leader in statewide work on climate change adaptation. He managed the delivery of a comprehensive funding guide for Resilience by Design, a Rockefeller Foundation funded program for the Bay Area. He works with the Bay Conservation and Development Commission, Bay Area Regional Collaborative, the Southern California Association of Governments and the Resources Legacy Fund on climate change adaptation issues. Mr. Northcross also serves on special climate change committees under the aegis of the City of Sacramento, the West County Wastewater District and the Coastal Hazards Adaptation Resiliency Group. With expertise in wildfire risk mitigation and funding, Mr. Northcross was invited by the Federal Reserve Bank of San Francisco to prepare an article on that subject for their Community Development Innovation Review publication, which was published in October 2019. A link to that article is available here: <https://www.frbsf.org/community-development/publications/community-development-investment-review/2019/october/rebuild-to-fail-or-rebuild-to-adapt-how-cra-lending-can-guide-climate-change-disaster-response/>

Mr. Northcross was an integral team member for the California Resilience Challenge project in the Town of Paradise. That project was completed in April 2023 and featured groundbreaking work quantifying potential reductions in fire related losses and in insurance premiums in the wildland-urban Interface through fire mitigation methods. More detail about that project can be found here: <https://www.bayareacouncil.org/press-releases/new-study-shows-how-communities-in-the-wildland-urban-interface-can-dramatically-reduce-fire-risk-and-reduce-insurance-premiums/>

Mr. Northcross is also leader in negotiating both public-private partnerships and the workout of defaulted debt. He has negotiated public-private partnerships for the successful development of major mixed-use projects, including such diverse communities as Davis, Fort Ord Reuse Authority, Hemet, Mammoth Lakes, Palmdale, Rocklin, South Lake Tahoe, and West Covina. He is also a leader in negotiating joint ventures between different public agencies – with notable success in putting together bond funded risk sharing programs for cities, counties, and school districts in California.

With a practice in water and sewer financing dating back to 1983, Mr. Northcross is very active in water and sanitation policy issues in California. He presently serves on the California Association of Sanitation Agencies SRF committee.

Mr. Northcross also has hands-on experience as a CFO, serving since 2001 as treasurer for the West Point Inn Association, which runs a 117-year-old hike-in hotel in the parklands of Marin County.



**Public Finance  
Professional Since:  
2003**

### Expertise

- Fiscal Sustainability
- General Fund Financing
- Pension Obligations
- Project Management
- Financial Modeling
- Credit Analysis and Presentations

### Education

**UC San Diego**

- B.S. Management Science

### Licenses & Registrations

- Registered with the SEC and MSRB
- Series 50 License

## Mike Meyer, Vice President

Since 2003, Mr. Meyer has been providing a high level of support to California municipalities as an advisor, consultant, and an investment banker. He manages NHA's Pension and Fiscal Sustainability Group.

Mr. Meyer has executed all types of financings available to California municipalities, including pension obligation bonds, utility revenue (water/wastewater/storm drain), general fund backed leases, tax increment, general obligation, transportation, land secured, housing and sales tax transactions.

As the firm's resident pension expert, Mr. Meyer also manages NHA's Pension and Fiscal Sustainability Group, which has advised over 80 California local agencies on topics ranging from basic CalPERS education, to UAL cost management strategies (Section 115 Trusts, Additional Discretionary Payments, etc.), to UAL restructuring projects. In 2015, he led the firm's efforts to pioneer some of the first UAL "smoothing" transactions, which were executed as privately placed lease revenue bonds given that POBs were not feasible at that time. During the re-emergence of the POB market, Mr. Meyer worked on over \$2.0 billion of pension bond transactions for cities, utilities districts and fire districts. This experience includes all types of UAL financing structures: both privately placed debt as well as publicly offered, validated and non-validated POBs, as well as alternative structured like lease revenue bonds and utility revenue bonds.

Mr. Meyer has worked on several unique financing programs in his career including the 2004 Vehicle License Fee (VLF) pooled financing (>100 different city participants), 2009 Beverly Hills OPEB Buyout, 2016 Berkeley Parking Revenue Bonds for a new downtown garage, transportation revenue secured financings (gas tax and local sales tax return) for Oxnard and Lancaster, and lease bonds to fund CalPERS UAL in the cities of Torrance, Ukiah, West Covina, Lakeport and Arcata.

Prior to NHA Advisors, Mr. Meyer served as a Principal with Eric Scriven (NHA partner) at p2 Capital Advisors (2012 to 2014), providing independent consulting and advisory work to numerous California public agencies. Prior to that, he served as a Vice President at De La Rosa Investment Bankers.

From 2013 to 2017, Mr. Meyer also helped coach the Division I UC Davis Men's Tennis team and obtain the program's first national ranking and NCAA tournament berth. Mr. Meyer enjoys being active and in nature, spending his free time backpacking, hiking, surfing, playing sports and is a dedicated practitioner of yoga and meditation.



**Public Finance  
Professional Since:  
2021**

### Expertise

- General Fund Financing
- Pension Obligations
- Utility Financing
- Financial Modeling
- Credit Research and Presentations

### Education



- B.A. Applied Mathematics

### Licenses & Registrations

- Registered with the SEC and MSRB
- Series 50 License

## Matt DeFilippis, *Senior Analyst*

Since joining NHA in 2021, Mr. DeFilippis has provided quantitative, research, and management support to his colleagues so that NHA can best serve California special districts and cities. His work has covered a variety of assignments, including CalPERS pension liability analysis and modeling, coverage analysis for utility financings, refinancing discovery and analysis, and more. Mr. DeFilippis has assisted on multiple financings for California agencies, totaling over \$450 million in par.

Most recently, Mr. DeFilippis provided municipal advisory services on two California utility bond transactions that closed in late 2024 for the City of Gonzales and Laguna Beach County Water District. Mr. DeFilippis also assisted the city of Fort Bragg and Rincon del Diablo Municipal Water District in financing solar panels through an equipment lease/purchase agreement.

Mr. DeFilippis has provided advisory services to multiple California fire districts, including Sonoma County Fire District (2022 Pension Liability Refunding), San Miguel Consolidated Fire Protection District (2022 Pension Liability Refunding), and North County Fire Protection District in San Diego County (CalPERS pension analysis and financial forecast modeling).

When not working on bond financings, Mr. DeFilippis provides support for a variety of NHA's other projects, including financial forecast modeling and CalPERS pension liability analysis and education for public agencies.

Mr. DeFilippis received his B.A. in Applied Mathematics from the University of California, Berkeley.

In his spare time, Mr. DeFilippis enjoys exploring the outdoors, both on foot and on bike. Some of his favorite trips include backpacking Southern Oregon/Northern California, climbing Mount Shasta, and watching the sunrise from Half Dome.



## **APPENDIX D: NHA'S REQUIRED MUNICIPAL ADVISOR DISCLOSURES**

**Fiduciary Duty**

NHA Advisors, LLC (“NHA”) is registered as a Municipal Advisor with the U. S. Securities and Exchange Commission (“SEC”) and Municipal Securities Rulemaking Board (“MSRB”). As such, NHA has a fiduciary duty to the Town and must provide both a Duty of Care and a Duty of Loyalty that entail the following.

**Duty of Care:**

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the Town with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the Town’s determination as to whether to proceed with a course of action or that form the basis for any advice provided to the Town; and
- d) undertake a reasonable investigation to determine that NHA is not forming any recommendation on materially inaccurate or incomplete information; NHA must have a reasonable basis for:
  - i. any advice provided to or on behalf of the Town;
  - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the Town, any other party involved in the municipal securities transaction or municipal financial product, or investors in the Town securities; and
  - iii. any information provided to the Town or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

**Duty of Loyalty:**

NHA must deal honestly and with the utmost good faith with the Town and act in the Town’s best interests without regard to the financial or other interests of NHA. NHA will eliminate or provide full and fair disclosure (included herein) to the Town about each material conflict of interest (as applicable). NHA will not engage in municipal advisory activities with the Town as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the Town’s best interest.

**Conflicts of Interest and Other Matters Requiring Disclosures**

As of the commencement date of the Project, there are no actual or potential material conflicts of interest, other than those potential conflicts noted below, that NHA is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If NHA becomes aware of any material potential conflict of interest that arises after this disclosure, NHA will disclose the detailed information in writing to the Town in a timely manner.

Pursuant to MSRB Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of NHA and its associated persons.

The following are potential conflicts of interest to be considered.

- NHA represents that in connection with the issuance of municipal securities, NHA may receive compensation from the Town for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the



## LOS GATOS – PROPOSAL FOR STUDY 3 (ALM) AND OPTIONAL STUDY 4 (WILDFIRE RISK MITIGATION)

requirements of MSRB Rule G-42, NHA hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding NHA' ability to provide unbiased advice to enter into such transaction. The contingent fee arrangement creates an incentive for NHA to recommend unnecessary financings or financings that are disadvantageous to the Town, or to advise the Town to increase the size of the issue. This potential conflict of interest will not impair NHA' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Town.

- NHA' fees under this potential agreement may be based on hourly fees of NHA' personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest because it could create an incentive for NHA to recommend alternatives that would result in more hours worked. This conflict of interest will not impair NHA' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Town.
- NHA' fees under this potential agreement may be a fixed amount established at the outset of this potential agreement. The amount is usually based upon an analysis by the Town and NHA of, among other things, the expected duration and complexity of the transaction and the scope of services to be performed by NHA. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, NHA may suffer a loss. Thus, NHA may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest will not impair NHA' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Town.
- The fee paid to NHA increases the cost of investment to the Town. The increased cost occurs from compensating NHA for municipal advisory services provided.
- NHA serves a wide variety of other clients that may, from time to time, have interests that could have a direct or indirect impact on the interests of another NHA client. For example, NHA serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the Town. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, NHA could potentially face a conflict of interest arising from these competing client interests. NHA fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the Town.
- Gerald Craig Hill, the Managing Principal of NHA is currently serving as an outside director for the HdL Companies based in Diamond Bar, CA. HdL Companies is a software and professional services consulting company providing revenue data and collections information to local governments, potentially including NHA's clients. HdL Companies have affiliates including, but not limited to, HdL Coren & Cone. From time to time, NHA utilizes the services of HdL Coren & Cone for its clients. NHA is mindful of this conflict of interest and fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith when this situation arises.
- NHA does not have any affiliate that provides any advice, service, or product to or on behalf of the Town that is directly or indirectly related to the municipal advisory activities to be performed by NHA.
- NHA has not made any payments directly or indirectly to obtain or retain NHA' municipal advisory business.
- NHA has not received any payments from third parties to enlist NHA' recommendation to the Town of its services, any municipal securities transaction, or any municipal finance product.
- NHA has not engaged in any fee-splitting arrangements involving NHA and any provider of investments or services to the Town.



## LOS GATOS – PROPOSAL FOR STUDY 3 (ALM) AND OPTIONAL STUDY 4 (WILDFIRE RISK MITIGATION)

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- NHA does not have any legal or disciplinary event that is material to the Town's evaluation of the municipal advisory or the integrity of its management or advisory personnel.
- NHA does not act as principal in any of the transaction(s) related to this potential agreement.

### **Legal Events and Disciplinary History**

NHA does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Town may electronically access NHA's most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html)

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.

### **Recommendations**

If NHA makes a recommendation of a municipal securities transaction or municipal financial product or if the review of a recommendation of another party is requested in writing by the Town and is within the scope of the engagement, NHA will determine, based on the information obtained through reasonable diligence of NHA whether a municipal securities transaction or municipal financial product is suitable for the Town. In addition, NHA will inform the Town of:

- the evaluation of the material risks, potential benefits, structure, and other characteristics of the recommendation;
- the basis upon which NHA reasonably believes that the recommended municipal securities transaction or municipal financial product is, or is not, suitable for the Town; and
- whether NHA has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the Town objectives.

If the Town elects a course of action that is independent of or contrary to the advice provided by NHA, NHA is not required on that basis to disengage from the Town.

### **Municipal Securities Rulemaking Board Rule G-10 Disclosure**

Pursuant to MSRB Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- NHA is currently registered as a Municipal Advisor with the SEC and MSRB.
- Within the MSRB website at [www.msrb.org](http://www.msrb.org), the Town may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.



## LOS GATOS – PROPOSAL FOR STUDY 3 (ALM) AND OPTIONAL STUDY 4 (WILDFIRE RISK MITIGATION)

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### **Record Retention**

Effective July 1, 2014, pursuant to the SEC record retention regulations, NHA is required to maintain, in writing, all communication and created documents between NHA and the Town for five (5) years.

If there are any questions regarding the above, please do not hesitate to contact NHA.

## **Town of Los Gatos**

### **REQUEST FOR PROPOSALS**

# **FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

**Date Issued:** 8/20/2025

**Proposal Submittal Deadline:** 9/22/2025, by 4:00 p.m. Pacific Standard Time

**Issued By:**

Issued By:  
Town of Los Gatos – Finance Department  
110 E Main Street, Los Gatos, CA 95030  
[www.losgatosca.gov](http://www.losgatosca.gov)  
[Finance@losgatosca.gov](mailto:Finance@losgatosca.gov)

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### Schedule of Activities (Tentative):

<b>Activity</b>	<b>Anticipated Date</b>
RFP Release	8/20/2025
Deadline for Questions	9/15/2025
Last Day to Issue Addenda	9/17/2025
Proposal Submission Deadline (4:00 p.m.)	9/22/2025
Proposal Evaluation	Week of September 22, 2025
Consultant Interviews (if necessary)	Week of September 29, 2025
Contract Negotiation and Execution	Week of September 29, 2025

### Town Contacts:

Gitta Ungvari, Finance Director  
Email: [Finance@losgatosca.gov](mailto:Finance@losgatosca.gov)

## **A. PURPOSE**

The Town of Los Gatos is seeking proposals from qualified firms to perform one or combined studies including:

1. A Fiscal Condition Analysis with Five-Year and Long-Term Financial Projections, and or
2. A Fiscal Impact Analysis for proposed and planned growth.

And to provide a separate proposal not to be combined for the following

3. An Asset Liability Management (ALM) Study.

Proposers may submit responses for each of the first two studies individually and as a combined packaged. For the third study, the Town is looking for a proposal that is not combined with the first two studies.

The three studies are listed in priority order with the most time sensitive being the fiscal condition analysis with five-year and long-term financial projections. Based on the proposals, the Town will determine which of the proposals to accept with emphasis on the most time sensitive analysis.

The Town reserves the right, at its sole discretion, to cancel, withdraw, postpone, or modify this RFP at any time, including after receipt of proposals, without incurring any obligation or liability to any proposer. The Town also reserves the right, after contract execution, to terminate the agreement for convenience, without cause, upon thirty (30) days written notice, with no liability beyond payment for work satisfactorily performed to the date of termination.

Issuance of this RFP does not commit the Town to award a contract, to pay any costs incurred in the preparation of a proposal, or to procure or contract for any services.

## **B. OVERVIEW**

The Town is undertaking this analysis to obtain an independent, data-driven assessment of its fiscal condition and near-term outlook. Current internal five-year projections indicate structural operating deficits, and the Town seeks third-party validation of assumptions, methodologies, and results to inform decision-making by staff, the Finance Commission, and the Town Council. The selected Consultant will evaluate historical trends and structural drivers, develop a transparent five-year multi-scenario forecast, and quantify risks, sensitivities, and reserve implications, while clearly distinguishing one-time from ongoing resources. The objective is to provide a public-facing foundation for budget strategy, service level planning, and proactive risk management.

Concurrently, the Town faces multiple large development proposals, including affordable housing projects associated with the General Plan and Housing Element. The Town requires a clear understanding of the net fiscal effects of this growth—revenues and costs, operating and capital, timing and step-cost triggers (e.g., staffing, equipment, facilities)—under best-case, baseline, and worst-case scenarios through 2040. In addition, the Town seeks to inventory and evaluate key asset-liability exposures (pension, OPEB, bonded debt, and unfunded infrastructure needs) to guide prudent funding strategies, reserve calibration, and long-term sustainability. Together, these efforts will produce integrated tools and findings that support transparent policymaking and durable fiscal health.

At the April 14, 2025 Finance Commission meeting, the Commission recommended consolidating prior scope efforts for these studies into a single Request for Proposal process. The Commission approved eight key recommendations:

1. **Consolidate scopes** into a single RFP with three separate line items:
  - Fiscal Analysis and Five-Year Forecast
  - Long-Term Outlook (to 2040, aligned with the General Plan and Housing Element)
  - Optional standalone ALM Study
2. **Require scenario planning** using defined sets of assumptions for:
  - Best, worst, and most likely cases
  - National and macroeconomic conditions (e.g., recession, tariffs, labor costs)
  - Risk and opportunity matrix
  - Consultant's own recommended scenario modifications or additions
3. **Stakeholder engagement** including interviews with internal staff and external partners (e.g., Sewer District, Fire Department).
4. **Define accounting basis and format** (e.g., government-wide vs. fund-based reporting) to ensure clarity, usability, and reconciliation across documents.
5. **Include cost** as a decision matrix criterion to evaluate overall value of proposals.
6. **Require explanation of tools and methodologies**, including the use of AI, data sources, forecasting models, and technical platforms.
7. **Request work samples** similar to proposed scopes to assess consultant capability.
8. **Articulate specific questions** to be answered:
  - What is the Town's fiscal condition over the next five years? (Study 1)
  - What is the long-term financial outlook? (Study 1 and/or Study 2)
  - What is the fiscal impact of projected development under the 2040 Plan and Housing Element? (Study 2)

### C. MINIMUM QUALIFICATIONS

To the satisfaction of the Town of Los Gatos, each proposer shall ensure their proposal, as applicable, includes sufficient information to facilitate the following

- Demonstrated experience conducting fiscal analyses and long-range financial forecasting for California municipalities.
- Familiarity with local government budgeting, finance, infrastructure liabilities, pensions, economic development analysis, and General Plan documents.
- Experience engaging with a wide variety of constituencies including but not limited to internal departments, elected officials, and other non-Town constituencies.
- Strong presentation, communication, and public reporting skills.
- Ability to deliver user-friendly financial models and documentation.

### D. GENERAL PROVISIONS AND REQUIREMENTS

The Town may establish general provisions and requirements related to the work being performed including but not limited to:

1. Possession of all licenses required to perform services in California, if applicable.
2. Town approval required for any key personnel changes.
3. All deliverables must be provided in PDF and native editable formats.

4. All materials prepared or supporting prepared deliverables become the property of the Town.

## E. SCOPE OF SERVICES

### **Study 1 — Fiscal Condition Analysis with Five-Year Forecast**

**Objective.** Provide a rigorous, view of the Town’s current fiscal condition; produce a five-year multi-scenario operating forecast; quantify risks and opportunities; and deliver a transparent, staff-maintainable model aligned with GAAP, GFOA, and State Controller conventions. The work product will tie, where applicable, to other authoritative documentation such as the ACFR/CAFR, adopted budget, State Controller’s Report, or other relevant document.

#### **1) Project Initiation & Workplan**

- **Kickoff meeting:** Confirm goals, deliverables, scope boundaries, schedule, and communication cadence; finalize the assumptions governance process (how assumptions are proposed, reviewed, approved, and versioned).
- **Detailed workplan:** Activities, dates, responsibilities, dependencies, and review milestones; identify critical path items.
- **Stakeholder map:** Identify internal staff, department contacts, and external partners (e.g., special districts) for interviews and data validation.

#### **2) Data Intake, Validation & Controls**

- **Minimum data (at least 10 years):** ACFR/CAFRs; California State Controller’s reports; adopted budgets and mid-year updates; trial balances; revenue detail (property, sales, TOT, fees/permits/fines, franchise, business license, transfers); labor MOUs; position and pay schedules; CalPERS actuarial reports (normal cost, UAL, amortization bases, projected employer rates); OPEB actuarial valuations; debt schedules and official statements; CIP, deferred maintenance reports, and life-cycle/asset management reports; grants and one-time funds; reserve policies.
- **Data Quality Assurance/Quality Control:** Reconcile to audited financial statements or other applicable document; identify reclassifications and one-time items; maintain a Data Sources Register with date, owner, and quality notes. Implement process to ensure the accuracy, consistency, and completeness of the information presented in deliverables.
- **Accounting basis:** Specify fund-based vs. government-wide views used in analysis; provide crosswalks/reconciliations.

#### **3) Methodology & Assumptions Framework**

- **Method statement:** Document forecasting structure, drivers, and equations utilized; define how scenario variants are applied.
- **Assumptions log:** Centralized register for economic (AV growth, inflation/CPI, wage growth, medical trend), operational (vacancy, hiring, service levels), policy (fees, taxes), financial (interest rates, investment earnings), and actuarial (CalPERS/OPEB) assumptions. Include source, rationale, date, owner.
- **Standards compliance:** Where applicable, align with guidance from, but limited to, GAAP, GFOA best practices, and State Controller reporting.

#### 4) Fiscal Condition Assessment (Current State)

- **Liquidity & reserves:** Trends vs. policy targets; one-time vs. ongoing resource use; working capital indicators.
- **Revenues:** Composition, concentration, and volatility of General Fund revenues (property, sales, TOT, utility/franchise, fees/permits, transfers). Analyze seasonality, elasticity, collection risk, and extraordinary items.
- **Expenditures:** Personnel (base pay, steps, COLA, vacancy/backfill, overtime), benefits (health, workers' comp), pension and OPEB contributions, non-personnel (contracts, utilities, insurance, fleet, fuel), and internal service charges; identify structural cost pressures and unfunded mandates.
- **Liabilities & commitments:** Pensions (UAL by amortization base, rate trajectories), OPEB (pay-go vs. prefunding status), bonded debt (coverage, covenants), leases, and deferred capital/maintenance backlogs.
- **Structural balance:** Historical ongoing revenues vs. ongoing expenditures; reliance on one-time resources; identification of structural gaps.
- **Practices Modeling:** Provide data showing the historical and current condition based on recognized models, such as the ICMA Fiscal Trend Monitoring System, the League of California Cities Municipal Financial Health Diagnostic, or other tools appropriate to provide collective insight to fiscal condition.
- **Benchmarking (if applicable):** Contextualize key ratios versus peer agencies and/or recommended practice ranges.

#### 5) Five-Year Operating Forecast (Baseline, Best-Case, Worst-Case)

- **Baseline (“most likely”):** Reflect adopted policies, existing MOUs, known program changes, and consensus macro assumptions.
- **Best-case:** Favorable macro trajectory (higher taxable sales, steady AV growth, stable TOT), improved investment returns, successful cost containment and vacancy savings.
- **Worst-case:** Recessionary path(s), slower or negative AV growth, elevated wage/medical inflation, lower TOT/consumer spending, state takeaways/mandates, and higher CalPERS rates or revised amortization schedules.
- **Revenue modeling:** Property tax (AV growth components, Prop 13 reassessment dynamics); sales tax (category mix, elasticity to income/price indices); TOT recovery curve; fees/permits (activity volumes/fee policy); other taxes and intergovernmental sources.
- **Expenditure modeling:** Wage steps/COLA per MOU; staffing plan and vacancy factors; health trend; CalPERS employer rates and UAL amortization payments; OPEB contributions; operations & maintenance inflation; known contracts and step-cost triggers.
- **Sensitivity analysis:** Run targeted shocks (e.g.,  $\pm 1-2\%$  AV growth,  $\pm 0.5-1.0$  pts sales growth/elasticity,  $\pm 2-3\%$  medical trend,  $\pm 50-100$  bps investment earnings, pension discount-rate changes) and show fiscal effects. Determine reasonable and appropriate ranges for use in the analysis.
- **Reserves tracking:** Model policy floors, replenishment rules, and draw triggers under each scenario.

## 6) Risk, Opportunity & Stress Testing

- **Risk/Opportunity Matrix:** Probability  $\times$  impact scoring for high-leverage drivers (economy, tax base, tourism/TOT, labor/benefits, state policy, disasters, grant volatility); quantify fiscal exposure ranges.
- **Macro stresses:** Multi-year recession and recovery paths; interest rate shocks; investment earnings variance; inflation spikes.
- **Operational stresses:** Hiring lag or higher vacancy; higher overtime; insurance/premium shocks; major contract repricing; supply chain spikes.
- **Event stresses:** Disaster scenarios (i.e. wildfire/earthquake/flood) with plausible cost and revenue effects; state action (takeaways, deferrals).
- **Mitigation levers:** Revenue measures (policy options), expenditure pacing, capital deferral windows, position management, reserve deployment/replenishment strategies, each with indicative fiscal effect, lead time, and dependencies where reasonable.

## 7) Reserves & Policy Analysis

- **Adequacy tests:** Compare forecast reserves to policy targets under all scenarios and stresses; estimate time to restore reserves if drawn.
- **Policy review:** Evaluate reserve policy structure (levels, triggers, replenishment) and recommend enhancements consistent with GFOA guidance.

## 8) Model Specifications (Editable & Maintainable)

- **Workbook architecture:** Separate Inputs/Assumptions, Drivers, Revenue Modules, Expenditure Modules, Pensions/OPEB, Results by Fund, Reserves, Stress/Sensitivity, Charts & Tables, Reconciliation.
- **Controls:** Version control; cell protections where appropriate; color-coded inputs vs. formulas; scenario toggles; sensitivity sliders; documentation panel/tooltips.
- **Reconciliation:** Crosswalks to audited financials and to adopted budget for Year 1; one-time vs. ongoing segmentation; fund-to-government-wide alignment notes.
- **User guide:** Embedded data dictionary, instructions for updating, and a checklist for annual refresh.

## 9) Engagement & Validation

- **Department interviews:** Validate workload/demand drivers, pipeline initiatives, service level commitments, step-cost triggers, and risks.
- **Finance collaboration:** Agree on key inputs (e.g., macro path, labor/benefit assumptions, revenue elasticities); coordinate with actuaries/auditors as needed.
- **External partners (as relevant):** Validate assumptions with external partners (i.e. sewer, stormwater, etc.) on joint cost drivers or pass-throughs.

## 10) Deliverables

- **Kickoff packet:** Final workplan, data request, and engagement calendar.
- **Interim Findings Memo:** Early condition read-out; emerging risks/opportunities; preliminary assumptions for staff review.

- **Five-Year Forecast Model (editable):** With scenarios, sensitivities, reconciliation tabs, and print-ready exhibits.
- **Risk & Opportunity Matrix + Stress-Test Pack.**
- **Final Report (PDF + native):** Executive summary; current condition; five-year forecast (all scenarios); long-term outlook; risk/stress results; reserve analysis; recommended actions (timing, indicative fiscal effect); appendices (assumptions log, data sources, reconciliation tables, benchmarking).
- **Presentations:** At least two public meetings (Finance Commission and Town Council) and staff work sessions.
- **Training & Handover:** Live walkthrough, update playbook, and placement of all files per Town direction.

## 12) Schedule (Illustrative)

- Weeks 1–2: Kickoff; data intake; interview scheduling; method statement.
- Weeks 3–6: Condition diagnostics; interim findings memo.
- Weeks 7–10: Five-year forecasting; scenario build; sensitivities.
- Weeks 11–12: Reserves/policy analysis; risk matrix; stress tests.
- Weeks 13–14: Draft report/model; staff review and revisions.
- Weeks 15–16: Final report/model; presentations; training and handover.

## 13) Town Support (Anticipated)

- Timely access to financials, audit and actuarial reports, MOUs/position data, CIP/backlog, development and fee pipelines, debt/grants, and reserve policies; scheduling of interviews; facilitation of external partner conversations as needed.

## Study 2 — Fiscal Impact Analysis

The Consultant will complete a robust Fiscal Impact Analysis mirroring the analytical structure and depth of the 2020 Comprehensive Plan Fiscal Impact Analysis for Annapolis, Maryland or equivalent (Attachment 6). The analysis shall include:

### 1) Growth-Based Cost Modeling

- Distinguish fixed vs. variable General Fund operating costs.
- Project variable operating and staffing costs by department (e.g., General Government, Police, Parks and Public Works, Library) using appropriate demand bases (residential population, service population, or employment).
- Disaggregate costs into staffing vs. non-staffing components and identify per-unit cost escalators.

### 2) Revenue Modeling

- Property tax and related in-lieu components based on development assumptions (e.g., housing units, commercial sq. ft.).
- Sales and use tax, transient occupancy tax (TOT), franchise fees, business license tax, and fees/permits/fines using Town-specific volumes and policy assumptions.
- Other locally controlled revenues (i.e. third party partners).

### 3) Scenario-Based Forecasts

- Develop best-case, baseline, and worst-case scenarios over a 20-year horizon.
- Conduct sensitivity testing on service-population growth, property values, cost escalation, and revenue volatility (including recession simulations).

### 4) Capital Cost Estimation

- Provide rough-order-of-magnitude (ROM) capital cost estimates tied to infrastructure demands generated by new growth.
- Recommend methodologies the Town can reuse for site-specific capital forecasting.

### 5) Results & Communication

- Estimate net fiscal impact (revenues vs. costs) at buildout and annually through 2040.
- Present findings with clear charts/tables comparing revenue/cost deltas and stress-tested variance bands.
- Highlight fiscal implications by development type (e.g., residential vs. commercial) and intensity/density.

### 6) Methodological Transparency

- Clearly define data sources, modeling assumptions, and calibration approach.
- Collaborate with staff to validate variables and use Town-specific historical financials, land use policies, and demographic projections.

## **Study 3 — Asset Liability Management (ALM) Study**

The Consultant shall:

- **Inventory & Evaluate Liabilities:** Provide an inventory and evaluation of key liabilities including but not limited to pension, OPEB, bonded debt, and unfunded infrastructure needs.
- **Funding Needs & Risk Reduction:** Offer a standalone analysis of long-term funding needs and identify strategies to reduce risk.
- **ALM Modeling:** Present model outputs showing fund balance sustainability and risk exposure across scenarios.
- **Reserve Guidance:** Provide guidance on optimal reserves and potential reserve policy enhancements.

## **Combined Studies —Study 1 and 2**

The Consultant shall deliver a unified analysis that:

- Integrates the Fiscal Condition & Forecast (Study 1) with the Fiscal Impact Analysis (Study 2) to provide a coherent picture of short and long-term fiscal sustainability.
- Ensure consistency in assumptions across the impact and forecast models, using development assumptions and infrastructure costs as key inputs.
- Packages results into a single report with distinct sections, shared assumptions, and harmonized formats.

## All Studies — Required Elements

All proposals for all Studies must include:

- Scenario analysis with well-documented assumptions, covering macroeconomic and local risks.
- A risk & opportunity matrix that quantifies high-impact variables and their fiscal effects.
- Interviews with all Town departments and relevant external agencies (e.g., Sewer District, Fire Department) to inform assumptions.
- Accounting/Reporting transparency, specifying whether analyses are government-wide or fund-based, source of the information, and how they reconcile.
- Editable deliverables (e.g., Excel models, PowerPoint decks) with a documented methodology and user guide.
- Public presentations: at least two meetings (Finance Commission and Town Council), plus staff work sessions as needed.
- Work samples of comparable scope and complexity.
- Disclosure of AI/data tools: clarify if/how AI or specialized analytics are used in modeling.
- Standards compliance: GAAP, GFOA, and California State Controller standards.
- Usability & training: a clear plan for long-term usability, including staff training where needed.

## F. PROPOSAL FORMAT AND SUBMITTAL REQUIREMENTS

### 1 Proposal Format and Organization

Proposals shall be clear, concise, and organized in the order below. Provide one (1) searchable PDF and any native files specifically requested (e.g., Excel models), using the section headers shown to facilitate review.

- 1. Cover Letter (maximum 2 pages)**

Briefly summarize qualifications and project understanding; identify the primary contact authorized to bind the firm. Confirm acceptance of the Town's Sample Consultant Services Agreement (**Attachment 5**) or list any specific exceptions/edits requested.
- 2. Completed Certification Forms (Attachments 1–4)**
  - Attachment 1 – Conflict of Interest Statement
  - Attachment 2 – Non-Collusion Declaration
  - Attachment 3 – References
  - Attachment 4 – Statement Regarding Insurance Coverage and Worker's Compensation Insurance Acknowledgment Certificate
- 3. Scope Comments and Methodology**

Comment on the Scope of Services and describe the proposed approach, specialized methods/tools, milestones, QA/QC, and how deliverables will be provided to the Town (including assumptions governance and documentation practices).
- 4. Experience and Expertise**

Demonstrate experience performing similar studies for California municipalities, including fiscal condition analysis, forecasting, fiscal impact analysis, and ALM. Include relevance to local government budgeting, finance, infrastructure liabilities, pensions/OPEB, and General Plan/Housing Element contexts.
- 5. Key Personnel and Resumes**

Identify the Project Manager and key staff; provide brief role descriptions and relevant qualifications. Commit to maintaining the proposed team; note any planned subcontractors.

6. **Timeline and Work Plan**

Provide a realistic schedule with major tasks, interim deliverables, review points, and public meetings (Finance Commission and Town Council). Indicate opportunities for phasing.

7. **Samples of Comparable Projects (1–3)**

Provide recent examples demonstrating similar scope, scale, and complexity (links or PDFs).

8. **Disclosure of Litigation/Discipline (last 5 years)**

Disclose and explain any relevant matters; indicate status/outcome.

9. **References (Attachment 3)**

Provide a minimum of three (3) current references from comparable engagements within the past five (5) years, including contact information.

10. **Preliminary Fee Schedule (itemized by Study)**

Provide an itemized fee proposal for **Study 1, Study 2, Study 3, and/or Combined Study 1 and 2** (as applicable), inclusive of travel and incidental expenses. Identify personnel classifications, hourly rates, estimated hours by task, and optional services.

11. **Statement of Insurance Coverage (Attachment 4)**

Identify carriers, types, and limits; confirm ability to meet Town requirements if selected.

12. **Tools, Data Sources, and Use of AI**

Summarize data sources, technical platforms, and any AI/advanced analytics used in modeling; describe transparency, validation, and human-in-the-loop review.

## 2 Submittal Instructions

- **Due Date/Time:** Proposals must be received **electronically** by **9/22/2025, 4:00 p.m. Pacific Time**. Late submittals will be deemed non-responsive.
- **Delivery Method:** Email the proposal PDF (and any required native files) to **Finance@losgatosca.gov**. If using a file-sharing link, include access permissions that do not expire before award. The Proposer is responsible for confirming receipt due to potential email size limits.
- **Email Subject Line:** “Town of Los Gatos – Fiscal Analysis Proposal (Studies 1, 2, 3, or Combined 1 and 2)”.
- **Single Proposal:** Each Proposer may submit **only one** proposal; alternate proposals are not permitted unless requested by the Town. Providing separate complete documents for each study option will collectively be considered only one proposal.
- **Format:** One (1) searchable PDF is preferred. Provide **Excel** versions for any financial models included in the submittal. Bookmark major sections and use consistent tab labels in workbooks.

## 3 Questions and Addenda

- **Questions:** Direct all questions in writing to the Town’s Contact at **Finance@losgatosca.gov** by **9/15/2025** (see Schedule of Activities). Do not contact other Town officials or evaluators. Responses will be issued only by **Addendum**.
- **Addenda:** The Town will issue addenda on its website. Proposers are responsible for checking for updates and must acknowledge all addenda in the proposal. The **last day to issue addenda** is **9/17/2025** (see Schedule of Activities).

## 4 Proposal Conditions

- **Responsibility for Delivery:** Proposers assume full responsibility for timely delivery. The Town is not responsible for email transmission issues or access restrictions on shared links. Proposals received after the deadline will not be considered.
- **RFP Schedule:** See Schedule of Activities. The Town reserves the right to amend the schedule as necessary.
- **Use of Town Forms/Attachments:** Proposers shall submit Town forms (Attachments 1–4) as provided in this RFP.
- **Contract Template:** The Town’s Sample Consultant Services Agreement (Attachment 5) is provided for reference; proposers shall accept or propose specific exceptions in the Cover Letter.
- **Acceptance or Rejection:** The Town reserves the right to accept or reject any and all proposals for any reason, including but not limited to, lack of budget for studies, etc.
- **Public Records:** All materials may become public records per the California Public Records Act.

## 5 Acknowledgment of Minimum Qualifications

By submitting, the Proposer affirms it meets the Minimum Qualifications and agrees to the General Provisions and Requirements as stated in Sections C and D of this RFP.

## G. EVALUATION PROCESS

Proposals will be evaluated based on:

1. Conflict of Interest/Non-Collusion Declarations (Pass/Fail)
2. Proposal Completeness and Organization (15 points)
3. Understanding of Scope and Methodology (20 points)
4. Qualifications and Experience (20 points)
5. Accessibility and Communication (15 points)
6. References and Work Samples (10 points)
7. Pricing and Cost-Effectiveness (20 points)

The Town reserves the right to conduct interviews. Evaluation is at the sole discretion of the Town. Selection will be based on best fit as determined by the Town and will not be solely determined on points or price. The point values and evaluation criteria described herein are guidelines only; the Town reserves the right to weigh, interpret, or disregard criteria at its sole discretion. Any changes to the Town’s standard contract for service will also be considered in the evaluation.

The Town may, at its sole discretion, terminate evaluation of any or all proposals at any time and may reopen, cancel, or postpone the procurement process without award. Proposals shall remain valid for a period of one hundred twenty (120) days from the proposal due date unless otherwise agreed in writing by the Town. Proposers may not withdraw their proposal within this period without the written consent of the Town. Proposers shall have no claim whatsoever for compensation or reimbursement in such event.

## H. ADDITIONAL INFORMATION

- All costs incurred in the preparation, submission, or presentation of a proposal in response to this RFP, including but not limited to, travel, interviews, presentations, and negotiation activities,

shall be borne solely by the proposer. The Town shall have no obligation for any such costs, regardless of whether a contract is awarded.

- All materials may become public under the California Public Records Act (PRA). The Town will not be liable for the disclosure of any materials submitted in response to this RFP that are required to be disclosed under the PRA or other applicable law. The Town reserves the right to reject any or all proposals.
- Equal opportunity requirements apply.
- All work must comply with local, state, and federal law.
- Selection of a proposer and commencement of negotiations does not obligate the Town to execute a contract. The Town may terminate negotiations and select another proposer, issue a new RFP, or take no further action.
- Any communication, verbal or written, made by the Town or its representatives during this solicitation process shall be considered non-binding unless incorporated into a formal, written agreement executed by the Town.
- Any dispute arising under or related to this RFP shall be governed by the laws of the State of California, and the venue for any legal action shall be the Superior Court of California in and for the County of Santa Clara. The Town's total liability in connection with this RFP shall be limited to the amount, if any, payable under a duly executed contract.

## **I. ATTACHMENTS**

1. Conflict of Interest Statement
2. Non-Collusion Declaration
3. References Form
4. Insurance Certification
5. Sample Consultant Services Agreement
6. 2020 Comprehensive Plan Fiscal Impact Analysis for Annapolis, Maryland

The Town of Los Gatos thanks you for your interest in this important initiative.

**ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I/We \_\_\_\_\_ (Insert Name) have the following financial, business, or other relationship with Town of Los Gatos that may have an impact upon the outcome of the contract. If none, please specify that no other relationships may have an impact on this contract or Project.

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I/We \_\_\_\_\_ (Insert Name) have the following current clients who may have a financial interest in the outcome of this contract. If none, please specify that no other clients may have a financial interest with an impact on this contract or Project.

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Pursuant to Government Code section 1090 and any other laws, rules and regulations that may apply, the Proposer covenants that neither it, its subcontractors nor employees presently have an interest, and shall not acquire any interest, direct or indirect, financial or otherwise that would conflict in any manner or degree with contract awarded from this RFP. Proposer certifies that to the best of its knowledge, no one who has or will have any financial interest in the contract awarded from this RFP is an officer or employee of the Town. Through its submittal of a proposal, Proposer acknowledges that it is familiar with Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California and will immediately notify the Town if it becomes aware of any facts concerning the contract to be awarded that constitute a violation of said provisions.

Furthermore, if there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-proposal to a Proposer, or who has quoted prices on materials to a Proposer, is not thereby disqualified from submitting a sub-proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is

interested in more than one proposal for the same work will cause the rejection of all proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. Proposers shall submit as part of their proposals documents the completed Non-Collusion Declaration provided herein.

I, on behalf of the Proposer, declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on \_\_\_\_\_ [date], at \_\_\_\_\_ [city], \_\_\_\_\_ [state].

\_\_\_\_\_  
Proposer Name (Person, Firm, Corp.) Title of Authorized Representative

\_\_\_\_\_  
Address Name of Authorized Representative

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
(Date) (Signed)

**ATTACHMENT 2 – NON-COLLUSION DECLARATION**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

The undersigned declares:

I am the \_\_\_\_\_ [Insert Title] of \_\_\_\_\_, [Insert name of company, corporation, LLC, partnership or joint venture] the party making the foregoing proposal.

The proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The proposal is genuine and not collusive or sham. The Respondent has not directly or indirectly induced or solicited any other respondent to put in a false or sham proposal. The Respondent has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or to refrain from responding. All statements contained in the proposal are true.

Any person executing this declaration on behalf of a respondent that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the respondent.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on \_\_\_\_\_ [date], at \_\_\_\_\_ [city], \_\_\_\_ [state].

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENT 3 - REFERENCES**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST, FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

**List three (3) references for work of a similar nature to the Services performed within the last five (5) years. Use additional sheets as necessary.**

1. \_\_\_\_\_

Name of Agency	Agency Address
Contact Name	Contact Title
Contact Telephone	Contact Email Address
Contract Period	Contract Amount

---

**Description of services performed including costs.**

2. \_\_\_\_\_

Name of Agency	Agency Address
Contact Name	Contact Title
Contact Telephone	Contact Email Address
Contract Period	Contract Amount

---

**Description of services performed including costs.**

3. \_\_\_\_\_

Name of Agency	Agency Address
Contact Name	Contact Title
Contact Telephone	Contact Email Address
Contract Period	Contract Amount

---

---

**Description of services performed including costs.**

I hereby certify that the Proposer performed the work listed above.

\_\_\_\_\_  
Signature of Proposer

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

**ATTACHMENT 4 - STATEMENT REGARDING INSURANCE COVERAGE AND  
WORKER'S COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE**

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE  
PROPOSAL**

**FISCAL CONDITION ANALYSIS WITH FIVE-YEAR AND LONG-TERM FORECAST,  
FISCAL IMPACT ANALYSIS, AND ASSET LIABILITY MANAGEMENT STUDY**

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the RFP. Should the Proposer be awarded a contract for Services, Proposer further certifies that the Proposer can meet the specified requirements for insurance, including insurance coverage of any subcontractors, and agrees to name the Town as additional insured for the Services specified.

By certifying this form, the Proposer also understands the Worker's Compensation insurance requirement per the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

\_\_\_\_\_  
Name of Proposer (Person, Firm, or Corporation)

\_\_\_\_\_  
Signature of Proposer's Authorized Representative

\_\_\_\_\_  
Name & Title of Authorized Representative

\_\_\_\_\_  
Date of Signing

**ATTACHMENT 5 – SAMPLE CONSULTANT SERVICES AGREEMENT**

**[ATTACHED BEHIND THIS PAGE]**

## AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made and entered into on \_\_\_\_\_(DATE) by and between TOWN OF LOS GATOS, a California municipal corporation, (“Town”) and \_\_\_\_\_ NAME OF COMPANY, (“Consultant”), whose address is \_\_\_\_\_ ADDRESS OF COMPANY. This Agreement is made with reference to the following facts.

### I. RECITALS

- 1.1 The Town desire to engage Consultant to provide **XXXXXXXXXX**.
- 1.2 The Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.
- 1.3 Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain Consultant.

### II. AGREEMENTS

- 2.1 Scope of Services. Consultant shall provide services as described in that certain proposal sent to the Town on (DATE), which is hereby incorporated by reference and attached as Exhibit A.
- 2.2 Term and Time of Performance. This contract will remain in effect from \_\_\_\_\_ to \_\_\_\_\_. Consultant shall perform the services described in this agreement as follows: **XXXXXXXXXX**.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.
- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town’s property and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Consultant shall not make any of the these documents or information available to any

individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.

- 2.6 Compensation. Compensation for Consultant's professional services **shall not exceed \$XXXX**, inclusive of all costs. Payment shall be based upon Town approval of each task.
- 2.7 Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:

Invoices:

Town of Los Gatos  
Attn: Accounts Payable  
P.O. Box 655  
Los Gatos, CA 95031-0655  
Email preferred: [ap@losgatosca.gov](mailto:ap@losgatosca.gov)

- 2.8 Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.
- 2.9 Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.
- 2.10 Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

- 2.11 Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 Equal Employment Opportunity. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

### **III. INSURANCE AND INDEMNIFICATION**

- 3.1 Minimum Scope of Insurance:
- i. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: two million dollars (\$2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
  - ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.
  - iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the Town before work commences.
  - iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is

sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

- i. The Town, its elected and appointed officials, employees, and agents, are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the automobile or professional liability insurance required for professional errors and omissions.
- ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its elected and appointed officials, employees, and agents. Any insurance or self-insurances maintained by the Town, its elected and appointed officials, employees, and agents, shall be excess of the Consultant's insurance and shall not contribute with it.
- iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its elected and appointed officials, employees, and agents.
- iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

- 3.2 All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.
- 3.3 Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.
- 3.4 Indemnification. The Consultant shall save, keep, hold harmless and indemnify and defend the Town, its elected and appointed officials, employees, and agents, from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing the work described in this contract.

#### IV. GENERAL TERMS

- 4.1 Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.
- 4.2 Governing Law and Venue. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.
- 4.3 Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.
- 4.4 Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.
- 4.5 Disputes. In any dispute over any aspect of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, including costs of appeal.
- 4.6 Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:
- |                     |                 |
|---------------------|-----------------|
| Town of Los Gatos   | CONSULTANT NAME |
| Attn: Town Clerk    | Attn:           |
| 110 E. Main Street  | ADDRESS         |
| Los Gatos, CA 95030 |                 |
- or personally delivered to Consultant to such address or such other address as Consultant designates in writing to Town.
- 4.7 Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.
- 4.8 Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement,

unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

IN WITNESS WHEREOF, the Town and Consultant have executed this Agreement.

Town of Los Gatos by:

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Chris Constantin, Town Manager

Recommended by:

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Consultant, by:

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Gitta Ungvari, Finance Director

Approved as to Form:

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Gabrielle Whelan, Town Attorney

bae urban economics

# DRAFT 2020 Comprehensive Plan Fiscal Impact Analysis

*For the City of Annapolis, Maryland*

August 8, 2020



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## EXECUTIVE SUMMARY

As part of the Annapolis Comprehensive Plan update, BAE Urban Economics has prepared a fiscal impact analysis of new growth in Annapolis between 2020 and 2040. Among the key features of the Comprehensive Plan are the development and growth projections that serve as the basis for the policies and strategies set forth in it. A fiscal impact analysis is a powerful tool to assess whether the new growth assumed in the plan will strain government services or generate net revenues that allow the government to improve and expand services and invest in economic growth. By 2040, Annapolis is projected to grow by 583 new households and 4,347 new residents. The service population is projected to grow by 4,388. Growth projections are based on population, jobs, and household projections from the Baltimore Metropolitan Council (BMC), Round 9 projections, published in 2016.

### Methodology Overview

This fiscal impact analysis evaluates operating costs and revenues in the General Fund. The analysis uses the Fiscal Year 2020 (FY20) Adopted Budget as a baseline to estimate the current level of service provided by the city government in terms of operating costs. Operating cost projections are based on the growth in either the residential population demand base or the service population demand base, which is the residential population plus 50 percent of jobs. Revenues other than real property tax and income tax revenue were projected similarly, based on an average revenue per chosen demand base. Real property tax and income tax revenue were calculated based on the development assumptions in the Comprehensive Plan. The Annapolis property tax rate is applied to the assumed assessed values of new development. Income tax revenue is based on the property values of new residential development and calculating a minimum income required to purchase or rent a given unit.

An estimate of capital costs is provided, but it is not incorporated into the fiscal impact analysis, as the assumptions behind the calculations are more tenuous and less reliable than the evaluation of operating costs and revenues. However, to the extent that growth will generate capital costs, these are expected to be minimal as Annapolis will not require new, additional major capital infrastructure.

Given the recent COVID-19 outbreak and its potential effects on the economy, various property tax revenue scenarios are tested for impact on the overall growth-related revenue estimate. Although the crisis may impact the fiscal resiliency of the City, it is important to note the fiscal impact is calculated for the next 20 years.

### Summary of Findings

This analysis finds that the growth projected in the Comprehensive Plan update will have an estimated net fiscal impact totaling \$776,000 to the City of Annapolis General Fund by 2040, which is calculated by adding approximately \$3.3 million in new revenues and subtracting

\$2.5 million in new operating costs. Capital costs are estimated to be \$553,600. This is a marginally positive fiscal impact and a sensitivity analysis suggests the fiscal impact could reasonably turn out negative, although this would also be marginal relative to the size of the FY20 adopted budget. This result is explained by the heavily residential development program assumed in the model, which serves as the basis for the fiscal impact.

## INTRODUCTION

This report presents an analysis of the projected net fiscal impact that the population and employment growth envisioned in the City of Annapolis Comprehensive Plan update will have on the City of Annapolis General Fund between 2020 and 2040. Fiscal impact analysis is a powerful tool to assess the revenues and costs associated with new development within a jurisdiction. New homeowners and businesses generate revenues to local governments by paying taxes, fees, and fines. They also bring about new costs for a jurisdiction in the form of new or improved roads, more schools and parks, and increased investment in public safety. These costs are comprised of both operating and capital components; growth can require both new infrastructure and an increase in operating capacity to maintain a given level of service. Fiscal impact analysis allows a jurisdiction to compare the revenues and costs from new growth, which can inform decisions ranging from assessing the feasibility of a new development to updating tax rates and reevaluating existing services.

Fiscal impacts are calculated in terms of impact on the annual budget. In general, the formula for calculating the fiscal impact per land use (i.e. low-density residential, mixed use, etc.) or development type (single-family detached, multi-family, office, etc.) is:

$$\begin{array}{r} \text{Annual Fiscal} \\ \text{Impact} \\ \text{(of new growth)} \end{array} = \begin{array}{r} \text{Revenues} \\ \text{(of new growth)} \end{array} - \begin{array}{r} \text{Operating Costs} \\ \text{(of new growth)} \end{array} - \begin{array}{r} \text{Capital Costs} \\ \text{(of new growth)} \end{array}$$

A fiscal impact analysis of a comprehensive plan allows jurisdictions to assess the feasibility of the new growth projected in the plan. In coordination with the city and the comprehensive planning team, BAE Urban Economics conducted a thorough fiscal impact analysis for the City of Annapolis to estimate the revenues and costs associated with new growth based on the FY20 adopted budget, the Capital Improvement Program (CIP), and detailed discussions with city department heads and staff. Discussions with city staff focused on how department operations would change in response to new growth, as measured in the revenues and expenditures of each department. These discussions were the basis of deciding how to model revenues and costs with respect to the growth in the Comprehensive Plan.

Critically, a fiscal impact analysis does not account for the economic impacts of the Comprehensive Plan. Most components of the plan are intended to improve the Annapolis economy, whether directly or indirectly. Whether it is through improved environmental and social outcomes or directly through economic development policies, the Comprehensive Plan seeks to make Annapolis a desirably place to live. The economic impacts of the Comprehensive Plan will ultimately be based on more specific notions of, for example, the kinds of new jobs and incomes that come to Annapolis as a result of the plan, and the impact the plan has on resident's incomes, property values and overall standing. The plan details

how the city plans to become more efficient and sustainable, which will also deliver economic benefits. Indeed, there are analyses that model these impacts and are useful to conduct as they would give an indication of future fiscal standing. However, a fiscal impact analysis specifically avoids considering the dynamic impact of the Plan on the economy. Instead, it seeks to determine whether the City is projected to accommodate the plan's assumed level of new growth at the level of service the government currently extends through its operations, staff, and capital infrastructure without raising taxes or other sources of revenue.

|||

Therefore, the dollar value of the fiscal impact is less important than whether the impact is positive or negative, and what the magnitude of the impact is. The fiscal impact is not a prediction of the annual budget levels in FY2040 but rather, an indication of risks or opportunities presented by the deficit or surplus generated by new growth.

## METHODOLOGY

A variety of methodologies were used to project growth-related impacts to different sources of revenue and for the different departments within the City. In general, through meetings and consultations with city staff, components of the FY20 adopted budget were designated as 'fixed' or 'variable'; that is, determinations were made regarding which revenues and costs would be impacted by growth. Ultimately, only revenues and expenditures from the General Fund were analyzed as Enterprise Funds<sup>1</sup> are not impacted by growth, and Internal Service Funds<sup>2</sup> are accounted for in the operating costs of departmental budgets in the General Fund.

*GFAR  
Capital  
Fund?*

Operating cost projections are based on the growth in either the residential population demand base or the service population demand base, which is the residential population plus 50 percent of jobs. Revenues other than real property tax and income tax revenue were projected similarly, based on an average revenue per chosen demand base. Real property tax and income tax revenue were calculated based on the development assumptions in the Comprehensive Plan. The Annapolis property tax rate is applied to the assumed assessed values of new development. Income tax revenue is based on the property values of new residential development and calculating a minimum income required to purchase or rent a given unit.

An estimate of growth-related capital costs and school costs is also provided, but these costs are not incorporated into the fiscal impact analysis itself. The city of Annapolis does not bear any schools costs, as schools are provided by Anne Arundel County. Moreover, as the city is built out, there will be limited new capital costs in terms of major infrastructure, which include roads classified as arterials or higher, and new sewer and water line (not including connections). Sidewalks, road connections to entrances and other site related infrastructure are not typically included in the fiscal impact analysis of a comprehensive plan, where the goal is to establish an order of magnitude for the fiscal impact, and the cost of smaller infrastructure can vary considerably.

*unfunded  
capital  
needs*

The costs of smaller infrastructure, to the extent there are any, depend largely on assumptions about development types and potential sites, which is more information than established currently in the Comprehensive Planning process. It is certainly useful to conduct a fiscal impact analysis with more specific assumptions that are informed by proposed development

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<sup>1</sup> "The Enterprise Funds are used to account for those activities of the City that are financed and operated in a manner similar to private business enterprises where costs and expenses, including depreciation, are recovered principally through user charges. Individual operations that the City has designated as enterprise funds include Water, Sewer, Parking, Transportation, Watershed Restoration, and Refuse funds."

<sup>2</sup> Internal Services Funds, including Health Insurance, Self-Insurance, Fleet Operations, and Fleet Replacement activities, provide service to the City government, and are paid for primarily through departmental budgets. As a result, increases in operating costs to departmental budgets will account for transfers from those departments to the Internal Service Funds.

types on a given site or in a given area, but it can only be done when there are proposed or finalized land use changes. In fact, fiscal impact analyses are often used to evaluate individual development projects. For the purposes of the current Comprehensive Plan, a fiscal analysis will be ultimately conducted for specific potential development sites to study the impact of potential zoning changes. Nonetheless, a rough estimate of capital costs is provided in this report based on the average spending in the Capital Improvement Plan for FY20 through FY25. As the estimate is less rigorously conceived than the estimates of revenues and operating costs, it is not included in the fiscal impact result.

As shown in the fiscal impact analysis presented in this report, 87.2 percent of the \$80.8 million in City FY20 General Fund revenues are held variable, meaning that these revenues will generally increase in relation to the City's population and employment growth through 2040. Notably, projecting growth-related real property tax revenues accounts for over 64 percent of potential General Fund revenues based on FY20 levels.

**Table 1: FY20 General Fund Revenues Held Variable**

Source of Revenue	FY20 Revenue Held Variable	FY20 Adopted Budget	% Variable
Taxes (a)	\$ 54,834,000	\$ 54,983,800	99.7%
Licenses & Permits	\$ 3,256,300	\$ 3,256,300	100.0%
Fines & Forfeitures	\$ 435,000	\$ 435,000	100.0%
Interest, Rent, Other	\$ -	\$ 1,549,000	0.0%
Intergovernmental (b)	\$ 6,343,000	\$ 11,565,000	54.8%
Charges for Service	\$ 5,626,500	\$ 5,626,500	100.0%
Other	\$ -	\$ 3,423,500	0.0%
<b>Total</b>	<b>\$ 70,494,800</b>	<b>\$ 80,839,100</b>	<b>87.2%</b>

Notes:

- (a) Taxes include real and personal property taxes, and penalties and interest.
- (b) Of intergovernmental sources of revenue, only the income tax is projected.

The fiscal impact analysis presented in this report estimates that 53.4 percent of the approximately \$83.0 million in General Fund operating expenses in the FY20 adopted budget are variable, while the remaining expenditures were determined to be unaffected by new growth. Non-staff operating expenditures and staffing costs were analyzed separately. Operating expenditure line items were held fixed or variable depending on if they were determined to be affected by growth.

Similarly, operating costs related to staff salaries, wages, and benefits were projected based on the need for new staff, which was based on the level of employed staff per department in FY20. Certain positions in each department, such as chiefs and directors, were held fixed

while lower level staff were held variable. The percentages of FY20 General Fund expenditures held variable are summarized in Table 2.

**Table 2: FY20 General Fund Expenditures Held Variable**

<b>Department</b>	<b>Variable Expenditures</b>	<b>Variable Staff Costs</b>	<b>FY20 Adopted Budget</b>	<b>% Variable</b>
General Government (a)	\$ 1,363,650	\$ 5,359,113	\$ 30,581,430	22.0%
Police	\$ 2,458,830	\$ 13,336,939	\$ 19,620,830	80.5%
Fire	\$ 1,380,370	\$ 11,894,367	\$ 19,286,270	68.8%
Emergency Management (b)	\$ -	\$ -	\$ 417,520	0.0%
Public Works	\$ 2,386,250	\$ 3,337,587	\$ 7,885,250	72.6%
Parks	\$ 1,597,850	\$ 1,155,655	\$ 5,176,700	53.2%
<b>Total</b>	<b>\$ 9,186,950</b>	<b>\$ 35,083,661</b>	<b>\$ 82,968,000</b>	<b>53.4%</b>

Notes:

(a) General government includes: City Council and the Office of the Mayor, Human Resources, Management Information Technology, Finance, Planning & Zoning, and the Office of Environmental Policy.

(b) Emergency management expenditures were determined to be fixed as they all growth-related needs over the next 20 years will come from non-local allocations.

Operating costs were projected linearly; for each variable line item and staffer within each department, projections of the increased costs generated by new growth were based on the rates of growth in either service population or residential population. The service population, which is defined as the residential population plus 50 percent of jobs, is projected to grow faster over the next 20 years than the growth in the residential population and is a useful proxy to measure the growth-related costs of services provided to residents and workers. For example, public works costs are likely to increase alongside the growth in the service population, as both workers and residents demand public works services. Parks costs, on the other hand, would not be impacted by an increase in workers, and are more appropriately projected by population growth.

A level of service was determined for the non-staff operating expenditures by dividing the amount budgeted for a given variable line item in FY20 by the size of the base year service or residential population. For example, based on the \$320,050 appropriated for supplies<sup>3</sup> in the Planning & Zoning Department, an average \$3.18 is spent per member of the service population (55,763 in 2020). The level of service is multiplied by the growth in the given demand base. Growth projections used in this fiscal impact analysis are discussed in the next section.

Similarly, a level of service for staffing is based on dividing the number of employed staff by the appropriate base year population. For example, based on the 14 'Equipment Operator' positions in the Department of Public Works, there are 0.00025 of them per member of the service population in 2020. This is multiplied by the change in service population to

<sup>3</sup> This budget refers to the line item for "Supplies and Other" within the Department budget for Planning & Zoning. Expenditures within this line item include office supplies, training for staff and memberships.

determine how many new Equipment Operators are needed, which is then multiplied by the total salary and benefits received by each Equipment Operator to determine a cost. Based on an analysis of salaries, it was found that, on average, city staff across all departments receive benefits (i.e. health insurance) valued at 35 percent of their salary. This cost increase is incorporated into salary levels of staff when calculating the costs of growth-related staff needs.

Capital costs are also estimated, although not incorporated into the fiscal impact as the assumptions about growth-related capital needs are less rigorously evaluated than the analysis of operating costs and revenues. While it is very unlikely that the city will require new, additional major capital infrastructure to service growth, there may be increased costs due to additional wear and tear on existing infrastructure. Using the average spending in the CIP between FY20 and FY25 per service population, we estimate how much additional spending in the CIP would be required by the growth in the service population by 2040. It is important to note that more detailed analysis of specific capital costs that are sensitive to development type and land use can be conducted once there are reliable assumptions that can be made. There is no reason, however, to expect that more detailed fiscal impact analyses that are land use- and site-specific will lead to an increase in the estimate of capital costs provided in this report, as it is simply unknown what, if anything, the city would be responsible for in a given development project.

In terms of revenues, real property taxes are calculated directly based on the number of new residential units and nonresidential square footage contained within the comprehensive plan, and their respective market values, which are used as proxies for estimating assessed values. Furthermore, income tax revenue is based on calculating the household incomes needed to purchase or rent the new residential units, and then applying Annapolis' share of Anne Arundel County's income tax rate. All other costs and revenues, such as fines and fees, are projected based on the existing average levels of revenues per service population today.

All calculations presented for costs, revenues and impacts are rounded to the nearest \$1,000.

## PROJECTIONS

Projections of the residential population, jobs, and households are based on growth rates developed by the Baltimore Metropolitan Council (BMC). As shown in Table 3, the residential population of Annapolis is expected to grow by 4,347 between 2020 and 2040, while jobs are projected to grow by 82 in total. Therefore, the service population, which is defined as the residential population plus 50 percent of jobs, is anticipated to grow by 4,388. It is important to note that household growth is projected to increase at a lower rate than population growth, meaning that existing Annapolis households in 2020 will become larger. Using the average household sizes, new households can account for up to 1,478 of the 4,347 new residents, or only one-third of new growth. Therefore, the estimate of income tax revenues in this fiscal impact analysis is conservative as only the incomes of residents in new households are calculated. All projections used in this fiscal impact analysis are based directly on projections within the 2020 Comprehensive Plan.

**Table 3: Summary of Demographic Projections**

Annapolis	Base					Overall Change 2020-2040	% Change 2020-2040
	2020	2025	2030	2035	2040		
Population (a) (b)	40,262	40,765	40,918	43,852	44,609	4,347	10.8%
Households (a) (c)	16,426	16,527	16,868	16,929	16,989	563	3.4%
Avg. Household Size	2.45	2.47	2.43	2.59	2.63	0.17	7.1%
Jobs (d)	31,001	31,026	31,041	31,060	31,083	82	0.3%
Service Population (e)	55,763	56,278	56,438	59,382	60,151	4,388	7.9%

Notes:

- (a) Projections for population and households follow trends published in Round 9 of the BMC forecasts.
- (b) Base year data reflects 2018 estimates from Esri, scaled by the BMC Round 9 annual growth rate from 2015-2020 (0.06%)
- (c) Household projections account for 132 residential units currently in the construction pipeline as of April 1, 2020. Projections based on the BMC trend and Esri base year estimate include an additional 6.65 units (132/20) each year.
- (d) Base year estimate and trends are based on BMC Round 9 estimates, with no adjustments.
- (e) Service population is defined as the residential population plus 50% of jobs.

Source: Baltimore Metropolitan Council, Round 9; Department of Planning & Zoning; Esri; BAE, 2020.

## OPERATING COSTS IMPACT

The impact of new growth on operating costs from 2020 to 2040 is based on expenditures in the General Fund. Expenditures were analyzed by department and summarized in categories including General Government, Police, Fire, Public Works, and Recreation and Parks.

Among General Government expenditures, budget items for Management Information Technology (MIT), Finance, and Planning and Zoning were held variable as the needs for these departments are likely to increase as the city grows, based on discussions with city staff. Projected increases in expenditures in the General Government category were based on the projected growth in service population, as these departments are affected by both residential growth and the presence of jobs and businesses. Providing the same level of service over the

next 20 years to new growth, as represented by the variable non-staff operating expenditures in these departments, will generate approximately an additional \$107,000 in operating costs at plan buildout in 2040. Staffing is also only projected to increase in these departments. Based on the growth in the service population, General Government will need to hire four or five new staffers to maintain the ratio of these staffers to the service population in 2020. The weighted average salary of these positions is \$64,000, for a total cost of approximately \$396,000, including accounting for an additional 35 percent in benefits.

Police operating expenditures are projected based on the growth in households, and no operating expenditures were held fixed. Household growth is chosen as the demand base because public safety costs can reasonably be expected to increase alongside development, as indicated by the Chief of Police. However, the growth-related impact on police costs realistically lies between the development growth and population growth. As a result, growth-related impacts of public safety costs are adjusted in a sensitivity analysis of overall findings later in this report.

Staff needs were projected for all administrative positions, while only the Police Chief, Major, and Captain positions were held fixed in terms of uniformed officers. From 2020 to 2040, police operating expenditures will cost approximately \$84,000. Administrative staff will need to increase by one staffer to maintain the existing level of service, while the number of uniformed officers will need to increase by four or five. In total, including 35 percent for benefits, staffing costs between 2020 and 2040 will be \$457,000.

Growth-related operating costs for the Fire Department by 2040 are slightly below the growth-related operating costs for police. Based on the growth in the service population, Annapolis will need to spend \$81,000 for operations and \$408,000 in staff costs. This includes adding four or five firefighters below the rank of Fire Captain.

The FY20 Department of Public Works budget is subdivided into six categories including Administration, Engineering and Construction, Streets, Traffic Control and Maintenance, Snow, and Facilities. All operating expenditures were projected based on the increase in service population between 2020 and 2040 and maintaining the existing level of service. The projected cumulative operating expenditures over the next twenty years would cost approximately \$188,000. Leadership and management positions within the various departments within Public Works were held fixed, while the rest were projected based on the growth in service population as well. Between 2020 and 2040, this analysis estimates that growth-related Public Works staff costs will be approximately \$444,000, including benefits. This represents hiring approximately five new staff.

Recreation and Parks costs round out the General Fund expenditures. Of the 11 subcategories within the Recreation and Parks budget, only costs for Arts in Public Places are held fixed. Recreation and Parks costs are projected based on the growth in the residential

population as growth in nonresident workers will not generate an additional need. Operating expenditures between 2020 and 2040 are estimated to be \$212,000. Non-management level employees at the Pip Moyer Recreation Center are projected to increase, as well as custodial and administrative parks workers and harbormaster staff costs. In total, including 35 percent benefits, staff costs for Recreation and Parks will cost in total \$125,000 by 2040, representing one to two additional staff. Notably, there are several contractual workers identified in the Recreation and Parks budget, although these staff are accounted for in the projection of contractual services within the operating expenditures, not staff costs.

In total, the cumulative growth-related impact to the General Fund expenditures between 2020 and 2040 is approximately \$2.5 million, as shown in Table 4. This includes \$672,000 in new operating expenditures and \$1.8 million in staff costs. Total projected operating and staffing costs represent a 3.0 percent increase over the FY20 adopted budget levels. The Police and Fire departments represent 59.7 percent of the growth-related operating costs, followed by Public Works (16.5 percent), General Government (15 percent), and Recreation and Parks (8.8 percent).

**Table 4: Growth-Related Operating Costs, 2020-2040**

<b>Department</b>	<b>2020 Adopted Budget</b>	<b>Operating Expenditure Impact, by 2040</b>	<b>Staff Costs Impact, by 2040</b>	<b>Total Impact, by 2040</b>	<b>% Total Impact, by 2040</b>	<b>% Increase since 2020</b>
General Government (a)	\$ 30,581,000	\$ 107,000	\$ 396,000	\$ 503,000	20.1%	1.6%
Police	\$ 19,621,000	\$ 84,000	\$ 457,000	\$ 541,000	21.6%	2.8%
Fire	\$ 19,286,000	\$ 81,000	\$ 408,000	\$ 489,000	19.5%	2.5%
Public Works	\$ 7,885,000	\$ 188,000	\$ 444,000	\$ 632,000	25.3%	8.0%
Recreation and Parks	\$ 5,217,000	\$ 212,000	\$ 125,000	\$ 337,000	13.5%	6.5%
<b>Total</b>	<b>\$ 82,590,000</b>	<b>\$ 672,000</b>	<b>\$ 1,830,000</b>	<b>\$ 2,502,000</b>	<b>100.0%</b>	<b>3.0%</b>

Notes:

(a) General Government includes: City Council and the Office of the Mayor, Human Resources, Management Information Technology, Finance, Planning & Zoning, and the Office of Environmental Policy.

Sources: City of Annapolis, FY 2020 Adopted Budget; BAE, 2020.

## REVENUE IMPACT

The impact of growth on Annapolis General Fund revenues will come primarily from real property taxes, which account for 64 percent of FY20 revenues. The other major source of revenue is intergovernmental transfers, which account for 14.3 percent of FY20 revenues. While some intergovernmental transfers, such as the utility tax or highway tax, are likely to increase over the next 20 years, these are State-based transfers for which analysis is beyond this report. However, income tax revenue is projected, which accounts for nearly 55 percent of intergovernmental transfers.

Real property tax revenue is calculated directly based on an assumption of the future development in Annapolis by 2040 and associated property values. Importantly, proposed land use changes and development types have not yet been finalized in the Comprehensive Plan at the time of the writing of this report, and the assumptions here are subject to change. Iterations of the fiscal impact model can be performed as the planning process advances, of after it is complete.

Income tax is based on the incomes of the households that occupy the new projected development. As a result, income tax revenue projections in this fiscal impact analysis are potentially underestimated as new households do not account for all the population growth Annapolis is projected to experience between 2020 and 2040. The BMC Round 9 projections of population for Annapolis assume an increase in the household size of existing households, which will likely result in an increase in income tax revenue from additional residents in existing households. However, this analysis does not estimate this additional income tax revenue associated with additional residents in existing households due to a lack of information in the projections related to the age, employment, and income of these residents. The income tax revenue calculations shown in this analysis therefore represent a somewhat conservative estimate of income tax revenues attributable to the projected growth. All other revenues to the General Fund are either held fixed or projected by either growth in the service population, residential population, or jobs.

### **Property Tax Revenue Impact of New Growth, 2020-2040**

Property tax revenues are calculated directly based on a preliminary assumption of the development projections in the Annapolis Comprehensive Plan. The Annapolis property tax is applied to the estimated market value of the new development in 2040, which is calculated based on assumptions of rents, sale prices, and vacancy rates. The property tax revenue at buildout in 2040 is shown in order to compare the impact of growth-related operating costs. However, the assessed property values assumed throughout the development period are the market values assumed, which are based on market conditions in FY19 and do not include

inflation. A sensitivity analysis accounting for potential recession-level effects of the Covid-19 crisis on property values is also provided later in this report.

Assumptions for determining the market value of new residential development are shown in Table 5. There will be a total of 600 new homes built. The market value of the for-sale units is based on the market values for new construction from FY19, as reported in the market study for the Annapolis Comprehensive Plan. The market rate values for new construction are higher than the median sale price. The total market value of for-sale units, which is simply the number of units multiplied by the respective sale price by unit type, is \$317.6 million.

The market value of for-rent multifamily units is also based on the rents reported in the market study, and in addition, assumes a five percent vacancy rate and average annual expenses based on the National Apartment Association's '2019 NAA Survey of Operating Income & Expenses in Rental Apartment Communities.' Using a cap rate of 4.75 percent, the estimated

market value of the for-rent multifamily properties is determined. The market value of the all for-rent units, including affordable units, is \$22.0 million.

**Table 5: Assessed Value Assumption for New Residential Units, 2020-2040**

<b>Total New Residential Units *</b>	<b>600</b>
<b>Market-Rate Residential</b>	
<b>For Rent</b>	
Number of New Units	109
Average Monthly Rent (a)	\$1,600
Vacancy Rate	5%
Average Annual Expense per Unit (b)	\$ 8,661
NOI (per unit)	\$ 9,579
<b>For Sale</b>	
New Single Family Homes	69
Sale Price (c)	\$ 700,000
New For-Sale Townhomes	322
Sale Price	\$ 650,000
New Condos	100
Sale Price	\$ 600,000
<b>Summary</b>	
For-Rent Residential NOI	\$ 1,044,111
Residential Capitalization Rate	4.75%
Estimated Market Value	\$ 21,981,000
For-Sale Total Value	\$ 317,599,000

Notes:

- (a) Based on the Q3 2019 Asking rents from the 'Demographic and Economic Profile and Real Estate Market Analysis.'
- (b) Based on the estimated operating costs for mid & hi-rise rental properties from the National Apartment Association's '2019 NAA Survey of Operating Income & Expenses in Rental Apartment Communities.'
- (c) Based on new construction sale price from the 'Demographic and Economic Profile and Real Estate Market Analysis.'

Sources: City of Annapolis; National Apartment Association; BAE, 2020.

The estimated market value of new nonresidential development is based on assumptions of NNN rent (per square foot) from the market study and a 5.0 percent vacancy rate that are used to determine a net operating income (NOI) per square foot. A 6.25 cap rate is applied to the NOI multiplied by the projected increase in nonresidential development. The only nonresidential development projected in the Comprehensive Plan is a net 20,000 square feet increase in the retail inventory and a net 20,000 square feet increase in the office inventory. As shown in Table 6, the estimated market value of new retail development by 2040 is \$8.5 million, and the estimated market value of new office development is \$8.2 million.

**Table 6: Assessed Value Assumptions for New Nonresidential Units, 2020-2040**

<b>Nonresidential</b>	
<b>Retail</b>	
NNN Rent (per sq. ft. per year)	\$ 28.00
Vacancy Rate	5%
NOI (per sq. ft.)	\$ 26.60
Net New Retail (SF)	20,000
<b>Office</b>	
NNN Rent (per sq. ft. per year)	\$ 27.00
Vacancy Rate	5%
NOI (per sq. ft.)	\$ 25.65
Net New Retail (SF)	20,000
<b>Summary</b>	
Retail NOI (a)	\$ 532,000
Nonresidential Capitalization Rate	6.25%
Estimated Market Value	\$ 8,512,000
Office NOI (b)	\$ 513,000
Nonresidential Capitalization Rate	6.25%
Estimated Market Value	\$ 8,208,000

In total, at plan buildout in 2040, the market value of new development, which represents the assessed value for real property tax revenue purposes, is approximately \$356.3 million.

Applying the Annapolis real property tax rate of 0.7380 per \$100 of assessed value generates annual revenue at buildout of \$2.6 million. This is summarized in Table 7.

**Table 7: Annual Real Property Tax Revenue at Plan Buildout, 2040**

	<u>City of Annapolis</u>
Assessed Value of New Res. Development, 2020-2040	\$ 339,580,000
Assessed Value of New Non-Res. Development, 2020-2040	\$ 16,720,000
<b>Assessed Value of Total New Development, 2020-2040</b>	<b>\$ 356,300,000</b>
Property Tax (per \$100 of assessed value)	0.7380
<b>Annual Property Tax Revenue at Plan Buildout</b>	<b>\$ 2,629,000</b>

**Income Tax Revenue Impact of New Growth, 2020-2040**

This analysis uses the home sale price and rent assumptions shown in Table 5 above to estimate household incomes among new households in Annapolis and applies Annapolis' share of Anne Arundel County's income tax rate, which is an effective tax rate of 0.7025 percent, to estimate income tax revenues from these households. Income assumptions for the new for-rent units are calculated by assuming a vacancy rate of 5.0 percent and a rent-to-income ratio of 25 percent, which would imply these renters are not cost-burdened. For the new for-sale units, the revenue calculations assume a 20 percent down payment on the median sale price, a fixed 30-year mortgage rate of 4.50 percent, and a monthly mortgage payment to gross monthly income ratio of 28 percent. The effective Annapolis income rate is applied to the incomes calculated using this method and multiplied by the number of new units. Applying this method to new single-family units with an assumed sale price, for example, of \$700,000 would require a household income of \$121,604, which is above the

2019 household median income in Annapolis (\$80,010). Assumptions for growth-related income tax revenue are shown in Table 8.

**Table 8: Growth-related Income Tax Revenue Calculation Assumptions**

<b>Market-Rate Residential</b>	
<b>For Rent</b>	
New For-Rent Units	109
Average Monthly Rent (a)	\$ 1,600
Vacancy Rate	5%
Annual Household Income (b)	\$ 76,800
<b>New Income Tax Revenue (c)</b>	<b>\$ 38,000</b>
<b>For Sale</b>	
<b>New Single Family Homes</b>	
	69
Sale Price (d)	\$ 700,000
Loan Amount (e)	\$ 560,000
Mortgage Rate (f)	4.50%
Loan Term (months)	360
Monthly Payment	\$ 2,837
Annual Income (f)	\$ 121,604
<b>New Income Tax Revenue (g)</b>	<b>\$ 40,000</b>
<b>New Townhomes</b>	
	322
Sale Price (d)	\$ 650,000
Loan Amount (e)	\$ 520,000
Mortgage Rate (f)	4.50%
Loan Term (months)	360
Monthly Payment	\$ 2,635
Annual Income (f)	\$ 112,918
<b>New Income Tax Revenue</b>	<b>\$ 174,000</b>
<b>New Condos</b>	
	100
Sale Price (d)	\$ 600,000
Loan Amount (e)	\$ 480,000
Mortgage Rate (f)	4.50%
Loan Term (months)	360
Monthly Payment	\$ 2,432
Annual Income (f)	\$ 104,232
<b>New Income Tax Revenue</b>	<b>\$ 50,000</b>

Notes:

- (a) Based on the Q3 2019 Asking rents from the 'Demographic and Economic Profile and Real Estate Market Analysis.'
- (b) Assumption of Rent-to-Income ratio: 25.00%
- (c) The Anne Arundel County income tax rate in FY20: 2.81%  
Annapolis' percentage of Anne Arundel County Income Tax: 17.00%
- (d) Based on median sale price from the 'Demographic and Economic Profile and Real Estate Market Analysis.'
- (e) Loan amount assumes 20% down payment.
- (f) Assumes Fixed-rate mortgage.
- (f) Assumption of monthly mortgage payment as percentage of gross monthly income: 28%  
(gross monthly income multiplied by 12 for annual income)

Source: BAE, 2020

As shown in Table 9, Combining the estimated new income tax revenue from new renter-occupied households (\$38,000) and the new income tax revenue from new owner-occupied households (\$264,000) generates a total new incomes tax revenue of \$302,000 between 2020 and 2040.

**Table 9: Growth-related Income Tax Revenue, 2020-2040**

	City of Annapolis
Income Tax Revenue from For-Rent Units	\$ 65,000
Income Tax Revenue from For-Sale Units	\$ 212,000
<b>New Income Tax Revenue</b>	<b>\$ 277,000</b>

Source: BAE, 2020

### Overall Growth-related Impact to General Fund Revenues, 2020-2040

Other revenues in the General Fund were also accounted for in the fiscal impact analysis based on dividing FY20 revenues by a given population and multiplying by the growth in that population. Personal property tax revenue between 2020 and 2040 were projected in terms of jobs growth, as personal property is assessed on businesses. Licenses and Permits and Charges for Services revenue were projected by the growth in residential population, while fines and forfeiture revenues were projected by the growth in service population. All other revenues were held fixed. The impact of growth on other revenues between 2020 and 2040 is approximately \$347,000.

Table 10 summarizes the growth-related impact to General Fund revenues. By 2040, new growth will generate an estimated \$3.3 million in revenue. Real property tax revenue

generates 80.2 percent of the total impact, which suggests that the fiscal impact relies heavily on the market value assumptions of new development.

**Table 10: Growth-related Impact to General Fund Revenues, 2020-2040**

Source of Revenue	2020 Adopted Budget (a)	Revenue Impact, by 2040	% Total Impact, by 2040
Real Property Tax (b)	\$ 51,884,000	\$ 2,629,000	80.2%
Personal Property Tax (c)	\$ 2,950,000	\$ 8,000	0.2%
Income Tax (d)	\$ 6,343,000	\$ 302,000	9.2%
License & Permits (e)	\$ 3,256,300	\$ 112,000	3.4%
Fines & Forfeitures (f)	\$ 435,000	\$ 34,000	1.0%
Charges for Service (g)	\$ 5,626,500	\$ 193,000	5.9%
<b>Total</b>	<b>\$ 70,494,800</b>	<b>\$ 3,278,000</b>	<b>100%</b>

Notes:

- (a) Revenues shown are only for those revenue sources held variable, so total of FY20 adopted budget levels do not match FY20 General Fund revenues.
- (b) Property taxes are calculated based on the projections of new residential development for the Comprehensive Plan. The assumed projected 'development program' in place currently is a placeholder.
- (c) Projected based on base year personal property tax revenue per job.
- (d) Revenue tax is based on the household revenues of new residential development. As a result, this is a low estimate as new residential development does not account for the entirety of the projected population growth by 2040.
- (e) Projected based on base year licenses and permits revenue per resident.
- (f) Projected based on base year fines and forfeitures revenue 'service person.'
- (g) Projected based on base year charges for service revenue per resident.

## FISCAL IMPACT ANALYSIS OF NEW GROWTH

Combining the growth-related impacts to operating costs, capital costs, and revenues determines the overall fiscal impact by 2040. As shown in Figure 1, the fiscal impact of new growth will be \$776,000 by 2040. If new growth generates this fiscal impact by 2040, the impact at plan buildout in 2040 would be a 0.94 percent increase to the FY20 adopted budget of \$82.6 million. While this represents a positive fiscal impact, the impact is marginally above

zero. As the sensitivity analysis will demonstrate, reasonable fluctuations in the operating costs impact and revenue impact can generate a negative fiscal impact.

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**Figure 1: Fiscal Impact of New Growth, 2020-2040**



Source: BAE, 2020

This relatively marginal impact is owed to the largely residential development program assumed in the comprehensive plan. Job growth over the over the next 20 years is projected to be 82 in total, which is a small overall percentage of the increase in the service population, meaning that growth in residents is driving demand for services. Not only this, but also despite the relatively small increase in nonresidential development projected, this development accounts for 16 percent of the increase in property tax revenues. Therefore, residential development is about fiscally neutral, or potentially an overall cost to the City by 2040 based on the level of service provided in 2020, and new nonresidential development is critical to ensuring fiscal sustainability.

Given this finding about the importance of nonresidential development, it would be wise for the city to consider flexibility in zoning as well as assessing the fiscal impact of growth of significant new developments.

### Sensitivity Analysis of Fiscal Impacts

The analysis in this report suggests that Annapolis can expect to generate a fiscal impact of \$776,000 over the next 20 years. Given the assumptions in the methodology, there is some error inherent it. However, we can test realistic limits for vulnerable assumptions to evaluate a range of potential fiscal impacts. As public safety costs may be underestimated, a range of growth rates is applied to operating costs held variable for Police and Fire to assess the impact on growth-related operating costs by 2040. Furthermore, given the recent COVID-19 outbreak

and its potential effects on the economy, various property tax revenue scenarios are tested for impact on the overall growth-related revenue estimate.

Public safety costs are unlikely to grow in relation to the growth in the service population and is more likely to be related to development. However, some of the population growth in Annapolis will come from existing development, so projecting public safety costs by household growth alone may be an underestimate if the public safety departments continues to provide the level of service assumed in this analysis. Thus, the current estimate of the percentage increase to Public Safety costs, which at 2.65 percent is lower than household growth rate, is almost certainly an underestimate. As a result, the sensitivity analysis shows the impact by scaling public safety costs from the current estimated increase of 2.65 percent to an increase of 10.8 percent, which is the population growth rate projected over the next 20 years. Realistically, public safety costs should increase from somewhere between the household growth rate (3.43 percent) and the service population growth rate (7.87 percent). If public safety costs increase by 4.64 percent, the fiscal impact will be exactly \$0. Table 11 shows the fiscal impact of new growth if the revenue estimate is fixed and costs are adjusted to account for variability in public safety costs.

**Table 11: Fiscal Impact Analysis with Public Safety Costs Adjustments**

		Current Estimate - 2.65%	Low Estimate - 3.43%	\$0 Estimate - 4.64%	High Estimate - 10.8%
	Non-Public Safety Growth-related Impact by 2040	Public Safety Costs Projected by HH Growth with Fixed Costs	Public Safety Costs Increase by HH Growth Rate	Public Safety Costs Increase by 4.64% (\$0 Fiscal Impact)	Public Safety Costs Increase by Pop. Growth Rate
Revenue	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000
Operating Costs	\$ (1,472,000)	\$ (2,502,000)	\$ (2,805,543)	\$ (3,278,000)	\$ (5,672,666)
<b>Total Fiscal Impact</b>	<b>\$ 1,806,000</b>	<b>\$ 776,000</b>	<b>\$ 472,457</b>	<b>\$ -</b>	<b>\$ (2,394,666)</b>

Source: BAE, 2020.

Alternatively, the fiscal impacts assuming the operating costs estimate is fixed accounts for adjustments to revenue estimate Table 12. The current COVID-19 public health emergency represents a significant threat to the economy. If the effects of COVID-19 on home values were to have the same effect that the 2008 recession had on home values and the operating costs estimate in this study is held fixed, the fiscal impact of new growth would range between \$107,000 and \$266,887. In Annapolis, based on data obtained from Zillow, the peak of home values was in June 2007, and reached its nadir in June 2012. During this period, home values fell by 25.4 percent. Between June 2007 and June 2009, home values fell by 19.4 percent in Annapolis before levelling off for a few months and declining again overall until June 2012. The revenue estimate in this fiscal impact analysis is adjusted by applying these

respective declines in home values to the real property tax revenue estimate of \$2.5 million by 2040.

**Table 12: Fiscal Impact Analysis with Revenue Adjustments**

Fiscal Impact	Total Projected Growth-related Impact by 2040	Scenario: Market Value of New Growth Declines by 25.4% (a)	Scenario: Market Value of New Growth Declines by 19.4% (b)
Revenue	\$ 3,278,000	\$ 2,609,353	\$ 2,768,887
Operating Costs	\$ (2,502,000)	\$ (2,502,000)	\$ (2,502,000)
Total Fiscal Impact	\$ 776,000	\$ 107,353	\$ 266,887

% Increase over FY20 Adopted Budget -

\$	82,590,000	0.9%	0.1%	0.3%
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Notes:

(a) In this scenario, the market value of new growth is adjusted by the decline in market value in Annapolis from the peak sale price in June 2007 to the lowest sale price in June 2012 (-25.43%). This reflects the decline in residential sale prices only, but will be applied to the overall market value of new development that includes new retail and office development.

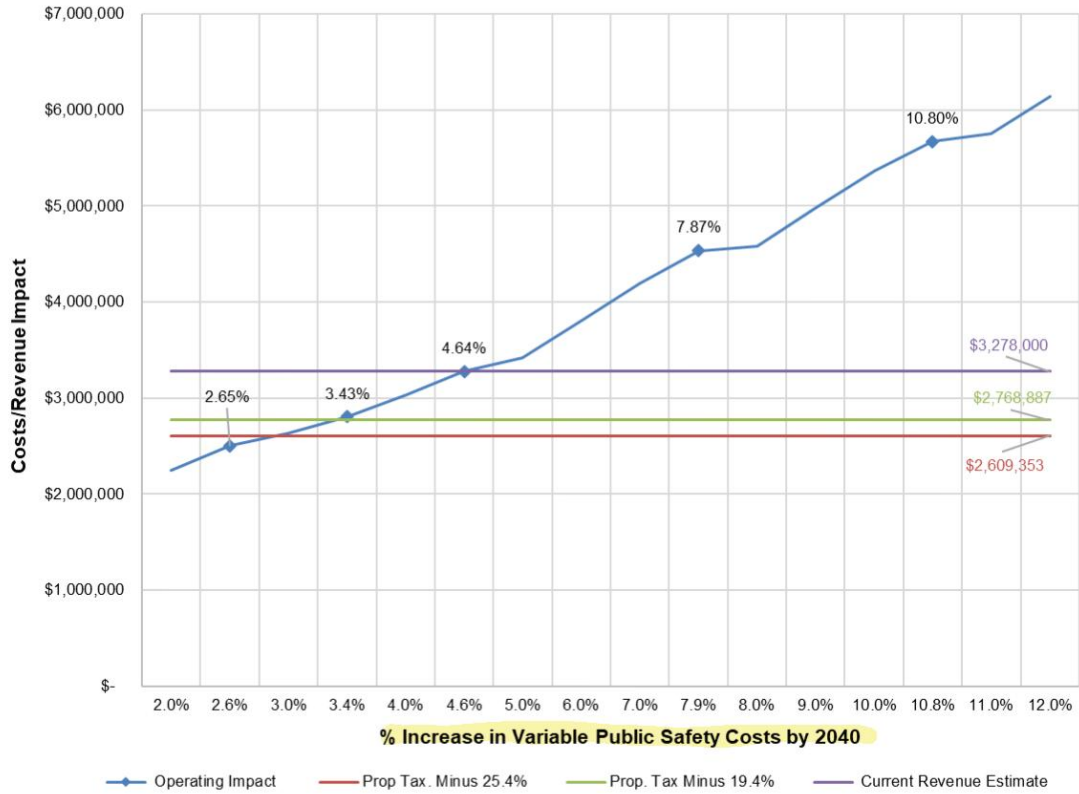
(b) In this scenario, the market value of new growth is adjusted by the decline in market value in Annapolis from the peak sale price in June 2007 to the sale price in June 2009, when prices stabilized briefly before falling again. This decline was - 19.37%. This reflects the decline in residential sale prices only but will be applied to the overall market value of new development that includes new retail and office development.

Source: Zillow; BAE, 2020.

In Figure 2, the sensitivity analysis of operating costs and revenues are combined to show the range of potential impacts. By showing the change in operating costs resulting from increasing growth-related public safety costs from the household growth as well as the three revenue estimates, the ranges of error that generate a fiscally neutral or fiscally positive impact are revealed. The lowest estimate (2.65 percent) of the increase in public safety costs and the low estimate of revenues that assumes peak recession declines in home values would generate essentially a fiscally neutral result. If new growth generates the revenues estimated in this analysis with no recession-related impacts, public safety costs can increase by up to 4.64 percent in order to generate a fiscally neutral result, which would be higher than the

growth in public safety costs currently assumed, but still below the rate of growth in both the service (7.9 percent) and residential population (10.8 percent).

**Figure 2: Sensitivity Analysis**



Source: BAE, 2020

Therefore, it is reasonable to expect that public safety could increase by enough to generate fiscally neutral, or potentially negative results as public safety costs are likely to be increase somewhere between the rates of growth in households and the residential population, and any increase in public safety costs over 4.64 percent would generate negative fiscal result. Indeed, if COVID-19 negatively affects property values, the margin by which public safety costs can increase relative to the household growth rates becomes slimmer. Based on the analysis of the effect the Great Recession had on Annapolis property values, public safety costs increasing at a rate greater than 3.4 percent would yield a negative fiscal result. Notably, the margins of fiscally negative results are still relatively small, and they do not vastly exceed to the magnitude of the marginally positive results that seem likely.



## OTHER COST CONSIDERATIONS

While excluded from the fiscal impact analysis, it was determined that identifying an order of magnitude for growth-related capital costs would be a useful metric for the city to consider, based on discussion with staff. There is no capital outlay in the General Fund, and growth is not expected to generate a need for new major capital infrastructure, such as new water and sewer systems of roads classified as arterial or above. Additionally, while public schools are provided by Anne Arundel County, a high-level cost estimate of students from new growth in Annapolis is provided.

### Capital Costs Impact

In a fiscal impact analysis of a comprehensive plan, capital costs considered are limited to major infrastructure. This includes new, additional roads classified as arterials or higher, as well as new water and sewer lines, pump stations, schools, and vehicles. The reason arterials are the smallest road-type to be considered is that these are the roads for which regular maintenance occurs and can trigger the need for additional staff. Smaller roads and road connections as required by any given development project may or may not accrue as one-time construction costs to the city, and these can be evaluated in more detail with specific assumptions about proposed development projects and their location within the city. Furthermore, the additional inventory of these kinds of transportation improvements do not trigger the need for new staff on their own. That is, projecting staffing costs based on the number of staff employed today is enough to keep up with additional maintenance costs generated by roads smaller than arterials.

In addition, based on discussion with the Department of Public Works, it was determined that the water and sewer systems have adequate capacity to manage the growth projected in this analysis. While new development requires connection to the system, the utilities charge connections fees and ultimately operate as enterprise funds that generated a net profit in FY20. Vehicles are managed through an internal revenue fund and thus growth-related vehicle needs are captured in the analysis of operating costs. As discussed in the next subsection, school-related capital costs are borne by Anne Arundel County Public Schools.

Nonetheless, there may be growth-related capital costs generated by the additional demand for existing infrastructure. Indeed, roads smaller than arterials can require some capital costs based on wear and tear, even if not as regularly as arterials. The FY20 Five-Year Capital Improvement Plan (CIP) provides a useful estimate of the capital costs associated with the existing service population. As shown in Table 13, the average size of the CIP between FY20 and FY25 is \$6.3 million. The average size of the service population served between 2020 and 2025 is 56,020. Dividing the average annual CIP by the average size of the population of the 5-year CIP yields an average capital cost per service population of \$113, which multiplied by the projected growth in the service population between 2020 and 2040 equals a growth-

related increase to the CIP of \$553,600. This is notably less than the net revenues estimated in this fiscal impact analysis (\$776,000), which implies that if the cost and revenue estimates in this analysis are considered accurate, including this estimate of capital costs would still yield a marginal, fiscally positive result.

**Table 13: Estimate of Growth-Related Capital Costs**

Five-Year Capital Improvement Program					
FY20	FY21	FY22	FY23	FY24	FY25
\$ 4,856,220	\$ 5,675,700	\$ 7,397,500	\$ 11,993,800	\$ 4,050,000	\$ 4,050,000
<b>Average CIP, FY20-FY25</b>		<b>Average Service Population, FY20-FY40</b>			
\$ 6,337,200		56,020			
<b>CIP Spending per Service Pop.</b>		<b>Growth in Service Pop., 2020-2040</b>			
\$ 113		4,894			
<b>Growth-related Increase to CIP</b>					
\$ 553,600					

### School Costs Impact

Anne Arundel County Public Schools (AACPS), which serves Annapolis residents, determines a yield rate for elementary, middle, and high school students based on development type. On average, for the Annapolis High School feeder system, each new household is assumed to generate 0.142 elementary school students, 0.054 middle school students and 0.063 high school students. Applying these rates to the projected 582 new households yields 151 new students. The AACPS budget is based on developing a cost-per-pupil and in FY20, the cost-per-pupil was \$14,473, based on guidelines recommended by the Maryland State Department of Education. The number in new students in Annapolis over the next 20 years will not generate the need for an additional school at any level, so there are no capital costs associated with new growth-related students in Annapolis, although the system overall may

add more schools. As shown in Table 14, multiplying the cost per pupil by the estimated yield from new growth generates an estimated cost of \$2.2 million.

**Table 14: Growth-Related Public School Costs**

<b>New Households, by 2040</b>	<b>582</b>
ES Student Yield (a)	83
MS Student Yield (b)	31
HS Student Yield (c)	37
<b>Total</b>	<b>151</b>
<b>Cost per Pupil (d)</b>	<b>\$ 14,473</b>
<b>Growth-Related Cost, by 2040</b>	<b>\$ 2,181,390</b>

Notes:

- (a) Average Elementary School Student Yield Rate for the Annapolis HS Feeder System: 0.142
- (b) Average Middle School Student Yield Rate for the Annapolis HS Feeder System: 0.054
- (c) Average High School Student Yield Rate for the Annapolis HS Feeder System: 0.063
- (d) The cost per pupil is obtained from the FY20 Anne Arundel Public Schools Operating & Capital Budgets. It is calculated following the guidelines recommended by the Maryland State Department of Education

Source: Student Yield Study for Anne Arundel County Public Schools, November 2019; FY2020 Anne Arundel County Public Schools Approved Operating & Capital Budgets; BAE, 2020

## CONCLUSION

Based on the methodology and assumptions in this fiscal impact analysis, Annapolis is projected to generate a marginally net positive fiscal impact based on the taxes received by new development and the costs it incurs. While the real property tax is large enough to generate most of the revenues needed to accommodate new growth, new growth incurs enough costs that the City will be unable to increase the level of service it provides. However, if there is more nonresidential development than currently projected, even more revenue will be generated without the incurring the same level of costs, as nonresidential development demands fewer services from the City. Therefore, the City may be more fiscally resilient if it increases the amount of nonresidential development projected over the next 20 years, although the current residential program yields more or less fiscally neutral results. Critically, over 80.2 percent of the revenues estimated in the fiscal impact come from property taxes paid by new development, even though most of the growth in Annapolis over the next 20 years is explained by the increase to the size of the average Annapolis household.

Nonetheless, the overall marginal findings suggest that, as currently projected, new growth itself is neither a huge winner nor a huge loser for the City based on the current levels of service the City provides. With the skew towards residential development, development itself is not an opportunity for the City, although new growth will help to generate economic activity that will promote economic growth, which is ultimately unaccounted for in a fiscal analysis. Fiscal impact analysis does not consider the impact of growth on income levels, the number of jobs and other measures that reflect the state of the private sector economy, which if positively impacted by growth, would in turn have some effect on the fiscal impact. This dynamic relationship is difficult to model and as a result, fiscal impacts and economic impacts are typically evaluated independently.

bae urban economics

DRAFT 2020 Comprehensive Plan Fiscal Impact Analysis  
*For the City of Annapolis, Maryland*

August 8, 2020



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## EXECUTIVE SUMMARY

As part of the Annapolis Comprehensive Plan update, BAE Urban Economics has prepared a fiscal impact analysis of new growth in Annapolis between 2020 and 2040. Among the key features of the Comprehensive Plan are the development and growth projections that serve as the basis for the policies and strategies set forth in it. A fiscal impact analysis is a powerful tool to assess whether the new growth assumed in the plan will strain government services or generate net revenues that allow the government to improve and expand services and invest in economic growth. By 2040, Annapolis is projected to grow by 583 new households and 4,347 new residents. The service population is projected to grow by 4,388. Growth projections are based on population, jobs, and household projections from the Baltimore Metropolitan Council (BMC), Round 9 projections, published in 2016.

### Methodology Overview

This fiscal impact analysis evaluates operating costs and revenues in the General Fund. The analysis uses the Fiscal Year 2020 (FY20) Adopted Budget as a baseline to estimate the current level of service provided by the city government in terms of operating costs. Operating cost projections are based on the growth in either the residential population demand base or the service population demand base, which is the residential population plus 50 percent of jobs. Revenues other than real property tax and income tax revenue were projected similarly, based on an average revenue per chosen demand base. Real property tax and income tax revenue were calculated based on the development assumptions in the Comprehensive Plan. The Annapolis property tax rate is applied to the assumed assessed values of new development. Income tax revenue is based on the property values of new residential development and calculating a minimum income required to purchase or rent a given unit.

An estimate of capital costs is provided, but it is not incorporated into the fiscal impact analysis, as the assumptions behind the calculations are more tenuous and less reliable than the evaluation of operating costs and revenues. However, to the extent that growth will generate capital costs, these are expected to be minimal as Annapolis will not require new, additional major capital infrastructure.

Given the recent COVID-19 outbreak and its potential effects on the economy, various property tax revenue scenarios are tested for impact on the overall growth-related revenue estimate. Although the crisis may impact the fiscal resiliency of the City, it is important to note the fiscal impact is calculated for the next 20 years.

### Summary of Findings

This analysis finds that the growth projected in the Comprehensive Plan update will have an estimated net fiscal impact totaling \$776,000 to the City of Annapolis General Fund by 2040, which is calculated by adding approximately \$3.3 million in new revenues and subtracting

\$2.5 million in new operating costs. Capital costs are estimated to be \$553,600. This is a marginally positive fiscal impact and a sensitivity analysis suggests the fiscal impact could reasonably turn out negative, although this would also be marginal relative to the size of the FY20 adopted budget. This result is explained by the heavily residential development program assumed in the model, which serves as the basis for the fiscal impact.

## INTRODUCTION

This report presents an analysis of the projected net fiscal impact that the population and employment growth envisioned in the City of Annapolis Comprehensive Plan update will have on the City of Annapolis General Fund between 2020 and 2040. Fiscal impact analysis is a powerful tool to assess the revenues and costs associated with new development within a jurisdiction. New homeowners and businesses generate revenues to local governments by paying taxes, fees, and fines. They also bring about new costs for a jurisdiction in the form of new or improved roads, more schools and parks, and increased investment in public safety. These costs are comprised of both operating and capital components; growth can require both new infrastructure and an increase in operating capacity to maintain a given level of service. Fiscal impact analysis allows a jurisdiction to compare the revenues and costs from new growth, which can inform decisions ranging from assessing the feasibility of a new development to updating tax rates and reevaluating existing services.

Fiscal impacts are calculated in terms of impact on the annual budget. In general, the formula for calculating the fiscal impact per land use (i.e. low-density residential, mixed use, etc.) or development type (single-family detached, multi-family, office, etc.) is:

$$\begin{array}{r} \text{Annual Fiscal} \\ \text{Impact} \\ \text{(of new growth)} \end{array} = \begin{array}{r} \text{Revenues} \\ \text{(of new growth)} \end{array} - \begin{array}{r} \text{Operating Costs} \\ \text{(of new growth)} \end{array} - \begin{array}{r} \text{Capital Costs} \\ \text{(of new growth)} \end{array}$$

A fiscal impact analysis of a comprehensive plan allows jurisdictions to assess the feasibility of the new growth projected in the plan. In coordination with the city and the comprehensive planning team, BAE Urban Economics conducted a thorough fiscal impact analysis for the City of Annapolis to estimate the revenues and costs associated with new growth based on the FY20 adopted budget, the Capital Improvement Program (CIP), and detailed discussions with city department heads and staff. Discussions with city staff focused on how department operations would change in response to new growth, as measured in the revenues and expenditures of each department. These discussions were the basis of deciding how to model revenues and costs with respect to the growth in the Comprehensive Plan.

Critically, a fiscal impact analysis does not account for the economic impacts of the Comprehensive Plan. Most components of the plan are intended to improve the Annapolis economy, whether directly or indirectly. Whether it is through improved environmental and social outcomes or directly through economic development policies, the Comprehensive Plan seeks to make Annapolis a desirably place to live. The economic impacts of the Comprehensive Plan will ultimately be based on more specific notions of, for example, the kinds of new jobs and incomes that come to Annapolis as a result of the plan, and the impact the plan has on resident's incomes, property values and overall standing. The plan details

how the city plans to become more efficient and sustainable, which will also deliver economic benefits. Indeed, there are analyses that model these impacts and are useful to conduct as they would give an indication of future fiscal standing. However, a fiscal impact analysis specifically avoids considering the dynamic impact of the Plan on the economy. Instead, it seeks to determine whether the City is projected to accommodate the plan's assumed level of new growth at the level of service the government currently extends through its operations, staff, and capital infrastructure without raising taxes or other sources of revenue.

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Therefore, the dollar value of the fiscal impact is less important than whether the impact is positive or negative, and what the magnitude of the impact is. The fiscal impact is not a prediction of the annual budget levels in FY2040 but rather, an indication of risks or opportunities presented by the deficit or surplus generated by new growth.

## METHODOLOGY

A variety of methodologies were used to project growth-related impacts to different sources of revenue and for the different departments within the City. In general, through meetings and consultations with city staff, components of the FY20 adopted budget were designated as 'fixed' or 'variable'; that is, determinations were made regarding which revenues and costs would be impacted by growth. Ultimately, only revenues and expenditures from the General Fund were analyzed as Enterprise Funds<sup>1</sup> are not impacted by growth, and Internal Service Funds<sup>2</sup> are accounted for in the operating costs of departmental budgets in the General Fund.

*GFAR  
Capital  
Fund?*

Operating cost projections are based on the growth in either the residential population demand base or the service population demand base, which is the residential population plus 50 percent of jobs. Revenues other than real property tax and income tax revenue were projected similarly, based on an average revenue per chosen demand base. Real property tax and income tax revenue were calculated based on the development assumptions in the Comprehensive Plan. The Annapolis property tax rate is applied to the assumed assessed values of new development. Income tax revenue is based on the property values of new residential development and calculating a minimum income required to purchase or rent a given unit.

An estimate of growth-related capital costs and school costs is also provided, but these costs are not incorporated into the fiscal impact analysis itself. The city of Annapolis does not bear any schools costs, as schools are provided by Anne Arundel County. Moreover, as the city is built out, there will be limited new capital costs in terms of major infrastructure, which include roads classified as arterials or higher, and new sewer and water line (not including connections). Sidewalks, road connections to entrances and other site related infrastructure are not typically included in the fiscal impact analysis of a comprehensive plan, where the goal is to establish an order of magnitude for the fiscal impact, and the cost of smaller infrastructure can vary considerably.

*unfunded  
capital  
needs*

The costs of smaller infrastructure, to the extent there are any, depend largely on assumptions about development types and potential sites, which is more information than established currently in the Comprehensive Planning process. It is certainly useful to conduct a fiscal impact analysis with more specific assumptions that are informed by proposed development

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<sup>1</sup> "The Enterprise Funds are used to account for those activities of the City that are financed and operated in a manner similar to private business enterprises where costs and expenses, including depreciation, are recovered principally through user charges. Individual operations that the City has designated as enterprise funds include Water, Sewer, Parking, Transportation, Watershed Restoration, and Refuse funds."

<sup>2</sup> Internal Services Funds, including Health Insurance, Self-Insurance, Fleet Operations, and Fleet Replacement activities, provide service to the City government, and are paid for primarily through departmental budgets. As a result, increases in operating costs to departmental budgets will account for transfers from those departments to the Internal Service Funds.

types on a given site or in a given area, but it can only be done when there are proposed or finalized land use changes. In fact, fiscal impact analyses are often used to evaluate individual development projects. For the purposes of the current Comprehensive Plan, a fiscal analysis will be ultimately conducted for specific potential development sites to study the impact of potential zoning changes. Nonetheless, a rough estimate of capital costs is provided in this report based on the average spending in the Capital Improvement Plan for FY20 through FY25. As the estimate is less rigorously conceived than the estimates of revenues and operating costs, it is not included in the fiscal impact result.

As shown in the fiscal impact analysis presented in this report, 87.2 percent of the \$80.8 million in City FY20 General Fund revenues are held variable, meaning that these revenues will generally increase in relation to the City's population and employment growth through 2040. Notably, projecting growth-related real property tax revenues accounts for over 64 percent of potential General Fund revenues based on FY20 levels.

**Table 1: FY20 General Fund Revenues Held Variable**

Source of Revenue	FY20 Revenue Held Variable	FY20 Adopted Budget	% Variable
Taxes (a)	\$ 54,834,000	\$ 54,983,800	99.7%
Licenses & Permits	\$ 3,256,300	\$ 3,256,300	100.0%
Fines & Forfeitures	\$ 435,000	\$ 435,000	100.0%
Interest, Rent, Other	\$ -	\$ 1,549,000	0.0%
Intergovernmental (b)	\$ 6,343,000	\$ 11,565,000	54.8%
Charges for Service	\$ 5,626,500	\$ 5,626,500	100.0%
Other	\$ -	\$ 3,423,500	0.0%
<b>Total</b>	<b>\$ 70,494,800</b>	<b>\$ 80,839,100</b>	<b>87.2%</b>

Notes:

- (a) Taxes include real and personal property taxes, and penalties and interest.
- (b) Of intergovernmental sources of revenue, only the income tax is projected.

The fiscal impact analysis presented in this report estimates that 53.4 percent of the approximately \$83.0 million in General Fund operating expenses in the FY20 adopted budget are variable, while the remaining expenditures were determined to be unaffected by new growth. Non-staff operating expenditures and staffing costs were analyzed separately. Operating expenditure line items were held fixed or variable depending on if they were determined to be affected by growth.

Similarly, operating costs related to staff salaries, wages, and benefits were projected based on the need for new staff, which was based on the level of employed staff per department in FY20. Certain positions in each department, such as chiefs and directors, were held fixed

while lower level staff were held variable. The percentages of FY20 General Fund expenditures held variable are summarized in Table 2.

**Table 2: FY20 General Fund Expenditures Held Variable**

<b>Department</b>	<b>Variable Expenditures</b>	<b>Variable Staff Costs</b>	<b>FY20 Adopted Budget</b>	<b>% Variable</b>
General Government (a)	\$ 1,363,650	\$ 5,359,113	\$ 30,581,430	22.0%
Police	\$ 2,458,830	\$ 13,336,939	\$ 19,620,830	80.5%
Fire	\$ 1,380,370	\$ 11,894,367	\$ 19,286,270	68.8%
Emergency Management (b)	\$ -	\$ -	\$ 417,520	0.0%
Public Works	\$ 2,386,250	\$ 3,337,587	\$ 7,885,250	72.6%
Parks	\$ 1,597,850	\$ 1,155,655	\$ 5,176,700	53.2%
<b>Total</b>	<b>\$ 9,186,950</b>	<b>\$ 35,083,661</b>	<b>\$ 82,968,000</b>	<b>53.4%</b>

Notes:

(a) General government includes: City Council and the Office of the Mayor, Human Resources, Management Information Technology, Finance, Planning & Zoning, and the Office of Environmental Policy.

(b) Emergency management expenditures were determined to be fixed as they all growth-related needs over the next 20 years will come from non-local allocations.

Operating costs were projected linearly; for each variable line item and staffer within each department, projections of the increased costs generated by new growth were based on the rates of growth in either service population or residential population. The service population, which is defined as the residential population plus 50 percent of jobs, is projected to grow faster over the next 20 years than the growth in the residential population and is a useful proxy to measure the growth-related costs of services provided to residents and workers. For example, public works costs are likely to increase alongside the growth in the service population, as both workers and residents demand public works services. Parks costs, on the other hand, would not be impacted by an increase in workers, and are more appropriately projected by population growth.

A level of service was determined for the non-staff operating expenditures by dividing the amount budgeted for a given variable line item in FY20 by the size of the base year service or residential population. For example, based on the \$320,050 appropriated for supplies<sup>3</sup> in the Planning & Zoning Department, an average \$3.18 is spent per member of the service population (55,763 in 2020). The level of service is multiplied by the growth in the given demand base. Growth projections used in this fiscal impact analysis are discussed in the next section.

Similarly, a level of service for staffing is based on dividing the number of employed staff by the appropriate base year population. For example, based on the 14 'Equipment Operator' positions in the Department of Public Works, there are 0.00025 of them per member of the service population in 2020. This is multiplied by the change in service population to

<sup>3</sup> This budget refers to the line item for "Supplies and Other" within the Department budget for Planning & Zoning. Expenditures within this line item include office supplies, training for staff and memberships.

determine how many new Equipment Operators are needed, which is then multiplied by the total salary and benefits received by each Equipment Operator to determine a cost. Based on an analysis of salaries, it was found that, on average, city staff across all departments receive benefits (i.e. health insurance) valued at 35 percent of their salary. This cost increase is incorporated into salary levels of staff when calculating the costs of growth-related staff needs.

Capital costs are also estimated, although not incorporated into the fiscal impact as the assumptions about growth-related capital needs are less rigorously evaluated than the analysis of operating costs and revenues. While it is very unlikely that the city will require new, additional major capital infrastructure to service growth, there may be increased costs due to additional wear and tear on existing infrastructure. Using the average spending in the CIP between FY20 and FY25 per service population, we estimate how much additional spending in the CIP would be required by the growth in the service population by 2040. It is important to note that more detailed analysis of specific capital costs that are sensitive to development type and land use can be conducted once there are reliable assumptions that can be made. There is no reason, however, to expect that more detailed fiscal impact analyses that are land use- and site-specific will lead to an increase in the estimate of capital costs provided in this report, as it is simply unknown what, if anything, the city would be responsible for in a given development project.

In terms of revenues, real property taxes are calculated directly based on the number of new residential units and nonresidential square footage contained within the comprehensive plan, and their respective market values, which are used as proxies for estimating assessed values. Furthermore, income tax revenue is based on calculating the household incomes needed to purchase or rent the new residential units, and then applying Annapolis' share of Anne Arundel County's income tax rate. All other costs and revenues, such as fines and fees, are projected based on the existing average levels of revenues per service population today.

All calculations presented for costs, revenues and impacts are rounded to the nearest \$1,000.

## PROJECTIONS

Projections of the residential population, jobs, and households are based on growth rates developed by the Baltimore Metropolitan Council (BMC). As shown in Table 3, the residential population of Annapolis is expected to grow by 4,347 between 2020 and 2040, while jobs are projected to grow by 82 in total. Therefore, the service population, which is defined as the residential population plus 50 percent of jobs, is anticipated to grow by 4,388. It is important to note that household growth is projected to increase at a lower rate than population growth, meaning that existing Annapolis households in 2020 will become larger. Using the average household sizes, new households can account for up to 1,478 of the 4,347 new residents, or only one-third of new growth. Therefore, the estimate of income tax revenues in this fiscal impact analysis is conservative as only the incomes of residents in new households are calculated. All projections used in this fiscal impact analysis are based directly on projections within the 2020 Comprehensive Plan.

**Table 3: Summary of Demographic Projections**

Annapolis	Base					Overall Change 2020-2040	% Change 2020-2040
	2020	2025	2030	2035	2040		
Population (a) (b)	40,262	40,765	40,918	43,852	44,609	4,347	10.8%
Households (a) (c)	16,426	16,527	16,868	16,929	16,989	563	3.4%
Avg. Household Size	2.45	2.47	2.43	2.59	2.63	0.17	7.1%
Jobs (d)	31,001	31,026	31,041	31,060	31,083	82	0.3%
Service Population (e)	55,763	56,278	56,438	59,382	60,151	4,388	7.9%

Notes:

- (a) Projections for population and households follow trends published in Round 9 of the BMC forecasts.
- (b) Base year data reflects 2018 estimates from Esri, scaled by the BMC Round 9 annual growth rate from 2015-2020 (0.06%)
- (c) Household projections account for 132 residential units currently in the construction pipeline as of April 1, 2020. Projections based on the BMC trend and Esri base year estimate include an additional 6.65 units (132/20) each year.
- (d) Base year estimate and trends are based on BMC Round 9 estimates, with no adjustments.
- (e) Service population is defined as the residential population plus 50% of jobs.

Source: Baltimore Metropolitan Council, Round 9; Department of Planning & Zoning; Esri; BAE, 2020.

## OPERATING COSTS IMPACT

The impact of new growth on operating costs from 2020 to 2040 is based on expenditures in the General Fund. Expenditures were analyzed by department and summarized in categories including General Government, Police, Fire, Public Works, and Recreation and Parks.

Among General Government expenditures, budget items for Management Information Technology (MIT), Finance, and Planning and Zoning were held variable as the needs for these departments are likely to increase as the city grows, based on discussions with city staff.

Projected increases in expenditures in the General Government category were based on the projected growth in service population, as these departments are affected by both residential growth and the presence of jobs and businesses. Providing the same level of service over the

next 20 years to new growth, as represented by the variable non-staff operating expenditures in these departments, will generate approximately an additional \$107,000 in operating costs at plan buildout in 2040. Staffing is also only projected to increase in these departments. Based on the growth in the service population, General Government will need to hire four or five new staffers to maintain the ratio of these staffers to the service population in 2020. The weighted average salary of these positions is \$64,000, for a total cost of approximately \$396,000, including accounting for an additional 35 percent in benefits.

Police operating expenditures are projected based on the growth in households, and no operating expenditures were held fixed. Household growth is chosen as the demand base because public safety costs can reasonably be expected to increase alongside development, as indicated by the Chief of Police. However, the growth-related impact on police costs realistically lies between the development growth and population growth. As a result, growth-related impacts of public safety costs are adjusted in a sensitivity analysis of overall findings later in this report.

Staff needs were projected for all administrative positions, while only the Police Chief, Major, and Captain positions were held fixed in terms of uniformed officers. From 2020 to 2040, police operating expenditures will cost approximately \$84,000. Administrative staff will need to increase by one staffer to maintain the existing level of service, while the number of uniformed officers will need to increase by four or five. In total, including 35 percent for benefits, staffing costs between 2020 and 2040 will be \$457,000.

Growth-related operating costs for the Fire Department by 2040 are slightly below the growth-related operating costs for police. Based on the growth in the service population, Annapolis will need to spend \$81,000 for operations and \$408,000 in staff costs. This includes adding four or five firefighters below the rank of Fire Captain.

The FY20 Department of Public Works budget is subdivided into six categories including Administration, Engineering and Construction, Streets, Traffic Control and Maintenance, Snow, and Facilities. All operating expenditures were projected based on the increase in service population between 2020 and 2040 and maintaining the existing level of service. The projected cumulative operating expenditures over the next twenty years would cost approximately \$188,000. Leadership and management positions within the various departments within Public Works were held fixed, while the rest were projected based on the growth in service population as well. Between 2020 and 2040, this analysis estimates that growth-related Public Works staff costs will be approximately \$444,000, including benefits. This represents hiring approximately five new staff.

Recreation and Parks costs round out the General Fund expenditures. Of the 11 subcategories within the Recreation and Parks budget, only costs for Arts in Public Places are held fixed. Recreation and Parks costs are projected based on the growth in the residential

population as growth in nonresident workers will not generate an additional need. Operating expenditures between 2020 and 2040 are estimated to be \$212,000. Non-management level employees at the Pip Moyer Recreation Center are projected to increase, as well as custodial and administrative parks workers and harbormaster staff costs. In total, including 35 percent benefits, staff costs for Recreation and Parks will cost in total \$125,000 by 2040, representing one to two additional staff. Notably, there are several contractual workers identified in the Recreation and Parks budget, although these staff are accounted for in the projection of contractual services within the operating expenditures, not staff costs.

In total, the cumulative growth-related impact to the General Fund expenditures between 2020 and 2040 is approximately \$2.5 million, as shown in Table 4. This includes \$672,000 in new operating expenditures and \$1.8 million in staff costs. Total projected operating and staffing costs represent a 3.0 percent increase over the FY20 adopted budget levels. The Police and Fire departments represent 59.7 percent of the growth-related operating costs, followed by Public Works (16.5 percent), General Government (15 percent), and Recreation and Parks (8.8 percent).

**Table 4: Growth-Related Operating Costs, 2020-2040**

<b>Department</b>	<b>2020 Adopted Budget</b>	<b>Operating Expenditure Impact, by 2040</b>	<b>Staff Costs Impact, by 2040</b>	<b>Total Impact, by 2040</b>	<b>% Total Impact, by 2040</b>	<b>% Increase since 2020</b>
General Government (a)	\$ 30,581,000	\$ 107,000	\$ 396,000	\$ 503,000	20.1%	1.6%
Police	\$ 19,621,000	\$ 84,000	\$ 457,000	\$ 541,000	21.6%	2.8%
Fire	\$ 19,286,000	\$ 81,000	\$ 408,000	\$ 489,000	19.5%	2.5%
Public Works	\$ 7,885,000	\$ 188,000	\$ 444,000	\$ 632,000	25.3%	8.0%
Recreation and Parks	\$ 5,217,000	\$ 212,000	\$ 125,000	\$ 337,000	13.5%	6.5%
<b>Total</b>	<b>\$ 82,590,000</b>	<b>\$ 672,000</b>	<b>\$ 1,830,000</b>	<b>\$ 2,502,000</b>	<b>100.0%</b>	<b>3.0%</b>

Notes:

(a) General Government includes: City Council and the Office of the Mayor, Human Resources, Management Information Technology, Finance, Planning & Zoning, and the Office of Environmental Policy.

Sources: City of Annapolis, FY 2020 Adopted Budget; BAE, 2020.

## REVENUE IMPACT

The impact of growth on Annapolis General Fund revenues will come primarily from real property taxes, which account for 64 percent of FY20 revenues. The other major source of revenue is intergovernmental transfers, which account for 14.3 percent of FY20 revenues. While some intergovernmental transfers, such as the utility tax or highway tax, are likely to increase over the next 20 years, these are State-based transfers for which analysis is beyond this report. However, income tax revenue is projected, which accounts for nearly 55 percent of intergovernmental transfers.

Real property tax revenue is calculated directly based on an assumption of the future development in Annapolis by 2040 and associated property values. Importantly, proposed land use changes and development types have not yet been finalized in the Comprehensive Plan at the time of the writing of this report, and the assumptions here are subject to change. Iterations of the fiscal impact model can be performed as the planning process advances, of after it is complete.

Income tax is based on the incomes of the households that occupy the new projected development. As a result, income tax revenue projections in this fiscal impact analysis are potentially underestimated as new households do not account for all the population growth Annapolis is projected to experience between 2020 and 2040. The BMC Round 9 projections of population for Annapolis assume an increase in the household size of existing households, which will likely result in an increase in income tax revenue from additional residents in existing households. However, this analysis does not estimate this additional income tax revenue associated with additional residents in existing households due to a lack of information in the projections related to the age, employment, and income of these residents. The income tax revenue calculations shown in this analysis therefore represent a somewhat conservative estimate of income tax revenues attributable to the projected growth. All other revenues to the General Fund are either held fixed or projected by either growth in the service population, residential population, or jobs.

### **Property Tax Revenue Impact of New Growth, 2020-2040**

Property tax revenues are calculated directly based on a preliminary assumption of the development projections in the Annapolis Comprehensive Plan. The Annapolis property tax is applied to the estimated market value of the new development in 2040, which is calculated based on assumptions of rents, sale prices, and vacancy rates. The property tax revenue at buildout in 2040 is shown in order to compare the impact of growth-related operating costs. However, the assessed property values assumed throughout the development period are the market values assumed, which are based on market conditions in FY19 and do not include

inflation. A sensitivity analysis accounting for potential recession-level effects of the Covid-19 crisis on property values is also provided later in this report.

Assumptions for determining the market value of new residential development are shown in Table 5. There will be a total of 600 new homes built. The market value of the for-sale units is based on the market values for new construction from FY19, as reported in the market study for the Annapolis Comprehensive Plan. The market rate values for new construction are higher than the median sale price. The total market value of for-sale units, which is simply the number of units multiplied by the respective sale price by unit type, is \$317.6 million.

The market value of for-rent multifamily units is also based on the rents reported in the market study, and in addition, assumes a five percent vacancy rate and average annual expenses based on the National Apartment Association's '2019 NAA Survey of Operating Income & Expenses in Rental Apartment Communities.' Using a cap rate of 4.75 percent, the estimated

market value of the for-rent multifamily properties is determined. The market value of the all for-rent units, including affordable units, is \$22.0 million.

**Table 5: Assessed Value Assumption for New Residential Units, 2020-2040**

<b>Total New Residential Units *</b>	<b>600</b>
<b>Market-Rate Residential</b>	
<b>For Rent</b>	
Number of New Units	109
Average Monthly Rent (a)	\$1,600
Vacancy Rate	5%
Average Annual Expense per Unit (b)	\$ 8,661
NOI (per unit)	\$ 9,579
<b>For Sale</b>	
New Single Family Homes	69
Sale Price (c)	\$ 700,000
New For-Sale Townhomes	322
Sale Price	\$ 650,000
New Condos	100
Sale Price	\$ 600,000
<b>Summary</b>	
For-Rent Residential NOI	\$ 1,044,111
Residential Capitalization Rate	4.75%
Estimated Market Value	\$ 21,981,000
For-Sale Total Value	\$ 317,599,000

Notes:

- (a) Based on the Q3 2019 Asking rents from the 'Demographic and Economic Profile and Real Estate Market Analysis.'
- (b) Based on the estimated operating costs for mid & hi-rise rental properties from the National Apartment Association's '2019 NAA Survey of Operating Income & Expenses in Rental Apartment Communities.'
- (c) Based on new construction sale price from the 'Demographic and Economic Profile and Real Estate Market Analysis.'

Sources: City of Annapolis; National Apartment Association; BAE, 2020.

The estimated market value of new nonresidential development is based on assumptions of NNN rent (per square foot) from the market study and a 5.0 percent vacancy rate that are used to determine a net operating income (NOI) per square foot. A 6.25 cap rate is applied to the NOI multiplied by the projected increase in nonresidential development. The only nonresidential development projected in the Comprehensive Plan is a net 20,000 square feet increase in the retail inventory and a net 20,000 square feet increase in the office inventory. As shown in Table 6, the estimated market value of new retail development by 2040 is \$8.5 million, and the estimated market value of new office development is \$8.2 million.

**Table 6: Assessed Value Assumptions for New Nonresidential Units, 2020-2040**

<b>Nonresidential</b>	
<b>Retail</b>	
NNN Rent (per sq. ft. per year)	\$ 28.00
Vacancy Rate	5%
NOI (per sq. ft.)	\$ 26.60
Net New Retail (SF)	20,000
<b>Office</b>	
NNN Rent (per sq. ft. per year)	\$ 27.00
Vacancy Rate	5%
NOI (per sq. ft.)	\$ 25.65
Net New Retail (SF)	20,000
<b>Summary</b>	
Retail NOI (a)	\$ 532,000
Nonresidential Capitalization Rate	6.25%
Estimated Market Value	\$ 8,512,000
Office NOI (b)	\$ 513,000
Nonresidential Capitalization Rate	6.25%
Estimated Market Value	\$ 8,208,000

In total, at plan buildout in 2040, the market value of new development, which represents the assessed value for real property tax revenue purposes, is approximately \$356.3 million.

Applying the Annapolis real property tax rate of 0.7380 per \$100 of assessed value generates annual revenue at buildout of \$2.6 million. This is summarized in Table 7.

**Table 7: Annual Real Property Tax Revenue at Plan Buildout, 2040**

	<u>City of Annapolis</u>
Assessed Value of New Res. Development, 2020-2040	\$ 339,580,000
Assessed Value of New Non-Res. Development, 2020-2040	\$ 16,720,000
<b>Assessed Value of Total New Development, 2020-2040</b>	<b>\$ 356,300,000</b>
Property Tax (per \$100 of assessed value)	0.7380
<b>Annual Property Tax Revenue at Plan Buildout</b>	<b>\$ 2,629,000</b>

**Income Tax Revenue Impact of New Growth, 2020-2040**

This analysis uses the home sale price and rent assumptions shown in Table 5 above to estimate household incomes among new households in Annapolis and applies Annapolis' share of Anne Arundel County's income tax rate, which is an effective tax rate of 0.7025 percent, to estimate income tax revenues from these households. Income assumptions for the new for-rent units are calculated by assuming a vacancy rate of 5.0 percent and a rent-to-income ratio of 25 percent, which would imply these renters are not cost-burdened. For the new for-sale units, the revenue calculations assume a 20 percent down payment on the median sale price, a fixed 30-year mortgage rate of 4.50 percent, and a monthly mortgage payment to gross monthly income ratio of 28 percent. The effective Annapolis income rate is applied to the incomes calculated using this method and multiplied by the number of new units. Applying this method to new single-family units with an assumed sale price, for example, of \$700,000 would require a household income of \$121,604, which is above the

2019 household median income in Annapolis (\$80,010). Assumptions for growth-related income tax revenue are shown in Table 8.

**Table 8: Growth-related Income Tax Revenue Calculation Assumptions**

<b>Market-Rate Residential</b>	
<b>For Rent</b>	
New For-Rent Units	109
Average Monthly Rent (a)	\$ 1,600
Vacancy Rate	5%
Annual Household Income (b)	\$ 76,800
<b>New Income Tax Revenue (c)</b>	<b>\$ 38,000</b>
<b>For Sale</b>	
<b>New Single Family Homes</b>	
	69
Sale Price (d)	\$ 700,000
Loan Amount (e)	\$ 560,000
Mortgage Rate (f)	4.50%
Loan Term (months)	360
Monthly Payment	\$ 2,837
Annual Income (f)	\$ 121,604
<b>New Income Tax Revenue (g)</b>	<b>\$ 40,000</b>
<b>New Townhomes</b>	
	322
Sale Price (d)	\$ 650,000
Loan Amount (e)	\$ 520,000
Mortgage Rate (f)	4.50%
Loan Term (months)	360
Monthly Payment	\$ 2,635
Annual Income (f)	\$ 112,918
<b>New Income Tax Revenue</b>	<b>\$ 174,000</b>
<b>New Condos</b>	
	100
Sale Price (d)	\$ 600,000
Loan Amount (e)	\$ 480,000
Mortgage Rate (f)	4.50%
Loan Term (months)	360
Monthly Payment	\$ 2,432
Annual Income (f)	\$ 104,232
<b>New Income Tax Revenue</b>	<b>\$ 50,000</b>

Notes:

- (a) Based on the Q3 2019 Asking rents from the 'Demographic and Economic Profile and Real Estate Market Analysis.'
- (b) Assumption of Rent-to-Income ratio: 25.00%
- (c) The Anne Arundel County income tax rate in FY20: 2.81%  
Annapolis' percentage of Anne Arundel County Income Tax: 17.00%
- (d) Based on median sale price from the 'Demographic and Economic Profile and Real Estate Market Analysis.'
- (e) Loan amount assumes 20% down payment.
- (f) Assumes Fixed-rate mortgage.
- (f) Assumption of monthly mortgage payment as percentage of gross monthly income: 28%  
(gross monthly income multiplied by 12 for annual income)

Source: BAE, 2020

As shown in Table 9, Combining the estimated new income tax revenue from new renter-occupied households (\$38,000) and the new income tax revenue from new owner-occupied households (\$264,000) generates a total new incomes tax revenue of \$302,000 between 2020 and 2040.

**Table 9: Growth-related Income Tax Revenue, 2020-2040**

	City of Annapolis
Income Tax Revenue from For-Rent Units	\$ 65,000
Income Tax Revenue from For-Sale Units	\$ 212,000
<b>New Income Tax Revenue</b>	<b>\$ 277,000</b>

Source: BAE, 2020

### Overall Growth-related Impact to General Fund Revenues, 2020-2040

Other revenues in the General Fund were also accounted for in the fiscal impact analysis based on dividing FY20 revenues by a given population and multiplying by the growth in that population. Personal property tax revenue between 2020 and 2040 were projected in terms of jobs growth, as personal property is assessed on businesses. Licenses and Permits and Charges for Services revenue were projected by the growth in residential population, while fines and forfeiture revenues were projected by the growth in service population. All other revenues were held fixed. The impact of growth on other revenues between 2020 and 2040 is approximately \$347,000.

Table 10 summarizes the growth-related impact to General Fund revenues. By 2040, new growth will generate an estimated \$3.3 million in revenue. Real property tax revenue

generates 80.2 percent of the total impact, which suggests that the fiscal impact relies heavily on the market value assumptions of new development.

**Table 10: Growth-related Impact to General Fund Revenues, 2020-2040**

Source of Revenue	2020 Adopted Budget (a)	Revenue Impact, by 2040	% Total Impact, by 2040
Real Property Tax (b)	\$ 51,884,000	\$ 2,629,000	80.2%
Personal Property Tax (c)	\$ 2,950,000	\$ 8,000	0.2%
Income Tax (d)	\$ 6,343,000	\$ 302,000	9.2%
License & Permits (e)	\$ 3,256,300	\$ 112,000	3.4%
Fines & Forfeitures (f)	\$ 435,000	\$ 34,000	1.0%
Charges for Service (g)	\$ 5,626,500	\$ 193,000	5.9%
<b>Total</b>	<b>\$ 70,494,800</b>	<b>\$ 3,278,000</b>	<b>100%</b>

Notes:

(a) Revenues shown are only for those revenue sources held variable, so total of FY20 adopted budget levels do not match FY20 General Fund revenues.

(b) Property taxes are calculated based on the projections of new residential development for the Comprehensive Plan. The assumed projected 'development program' in place currently is a placeholder.

(c) Projected based on base year personal property tax revenue per job.

(d) Revenue tax is based on the household revenues of new residential development. As a result, this is a low estimate as new residential development does not account for the entirety of the projected population growth by 2040.

(e) Projected based on base year licenses and permits revenue per resident.

(f) Projected based on base year fines and forfeitures revenue 'service person.'

(g) Projected based on base year charges for service revenue per resident.

## FISCAL IMPACT ANALYSIS OF NEW GROWTH

Combining the growth-related impacts to operating costs, capital costs, and revenues determines the overall fiscal impact by 2040. As shown in Figure 1, the fiscal impact of new growth will be \$776,000 by 2040. If new growth generates this fiscal impact by 2040, the impact at plan buildout in 2040 would be a 0.94 percent increase to the FY20 adopted budget of \$82.6 million. While this represents a positive fiscal impact, the impact is marginally above

zero. As the sensitivity analysis will demonstrate, reasonable fluctuations in the operating costs impact and revenue impact can generate a negative fiscal impact.

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**Figure 1: Fiscal Impact of New Growth, 2020-2040**



Source: BAE, 2020

This relatively marginal impact is owed to the largely residential development program assumed in the comprehensive plan. Job growth over the over the next 20 years is projected to be 82 in total, which is a small overall percentage of the increase in the service population, meaning that growth in residents is driving demand for services. Not only this, but also despite the relatively small increase in nonresidential development projected, this development accounts for 16 percent of the increase in property tax revenues. Therefore, residential development is about fiscally neutral, or potentially an overall cost to the City by 2040 based on the level of service provided in 2020, and new nonresidential development is critical to ensuring fiscal sustainability.

Given this finding about the importance of nonresidential development, it would be wise for the city to consider flexibility in zoning as well as assessing the fiscal impact of growth of significant new developments.

### Sensitivity Analysis of Fiscal Impacts

The analysis in this report suggests that Annapolis can expect to generate a fiscal impact of \$776,000 over the next 20 years. Given the assumptions in the methodology, there is some error inherent it. However, we can test realistic limits for vulnerable assumptions to evaluate a range of potential fiscal impacts. As public safety costs may be underestimated, a range of growth rates is applied to operating costs held variable for Police and Fire to assess the impact on growth-related operating costs by 2040. Furthermore, given the recent COVID-19 outbreak

and its potential effects on the economy, various property tax revenue scenarios are tested for impact on the overall growth-related revenue estimate.

Public safety costs are unlikely to grow in relation to the growth in the service population and is more likely to be related to development. However, some of the population growth in Annapolis will come from existing development, so projecting public safety costs by household growth alone may be an underestimate if the public safety departments continues to provide the level of service assumed in this analysis. Thus, the current estimate of the percentage increase to Public Safety costs, which at 2.65 percent is lower than household growth rate, is almost certainly an underestimate. As a result, the sensitivity analysis shows the impact by scaling public safety costs from the current estimated increase of 2.65 percent to an increase of 10.8 percent, which is the population growth rate projected over the next 20 years. Realistically, public safety costs should increase from somewhere between the household growth rate (3.43 percent) and the service population growth rate (7.87 percent). If public safety costs increase by 4.64 percent, the fiscal impact will be exactly \$0. Table 11 shows the fiscal impact of new growth if the revenue estimate is fixed and costs are adjusted to account for variability in public safety costs.

**Table 11: Fiscal Impact Analysis with Public Safety Costs Adjustments**

		Current Estimate - 2.65%	Low Estimate - 3.43%	\$0 Estimate - 4.64%	High Estimate - 10.8%
	Non-Public Safety Growth-related Impact by 2040	Public Safety Costs Projected by HH Growth with Fixed Costs	Public Safety Costs Increase by HH Growth Rate	Public Safety Costs Increase by 4.64% (\$0 Fiscal Impact)	Public Safety Costs Increase by Pop. Growth Rate
Revenue	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000	\$ 3,278,000
Operating Costs	\$ (1,472,000)	\$ (2,502,000)	\$ (2,805,543)	\$ (3,278,000)	\$ (5,672,666)
<b>Total Fiscal Impact</b>	<b>\$ 1,806,000</b>	<b>\$ 776,000</b>	<b>\$ 472,457</b>	<b>\$ -</b>	<b>\$ (2,394,666)</b>

Source: BAE, 2020.

Alternatively, the fiscal impacts assuming the operating costs estimate is fixed accounts for adjustments to revenue estimate Table 12. The current COVID-19 public health emergency represents a significant threat to the economy. If the effects of COVID-19 on home values were to have the same effect that the 2008 recession had on home values and the operating costs estimate in this study is held fixed, the fiscal impact of new growth would range between \$107,000 and \$266,887. In Annapolis, based on data obtained from Zillow, the peak of home values was in June 2007, and reached its nadir in June 2012. During this period, home values fell by 25.4 percent. Between June 2007 and June 2009, home values fell by 19.4 percent in Annapolis before levelling off for a few months and declining again overall until June 2012. The revenue estimate in this fiscal impact analysis is adjusted by applying these

respective declines in home values to the real property tax revenue estimate of \$2.5 million by 2040.

**Table 12: Fiscal Impact Analysis with Revenue Adjustments**

Fiscal Impact	Total Projected Growth-related Impact by 2040	Scenario: Market Value of New Growth Declines by 25.4% (a)	Scenario: Market Value of New Growth Declines by 19.4% (b)
Revenue	\$ 3,278,000	\$ 2,609,353	\$ 2,768,887
Operating Costs	\$ (2,502,000)	\$ (2,502,000)	\$ (2,502,000)
Total Fiscal Impact	\$ 776,000	\$ 107,353	\$ 266,887

% Increase over FY20 Adopted Budget -

\$	82,590,000	0.9%	0.1%	0.3%
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Notes:

(a) In this scenario, the market value of new growth is adjusted by the decline in market value in Annapolis from the peak sale price in June 2007 to the lowest sale price in June 2012 (-25.43%). This reflects the decline in residential sale prices only, but will be applied to the overall market value of new development that includes new retail and office development.

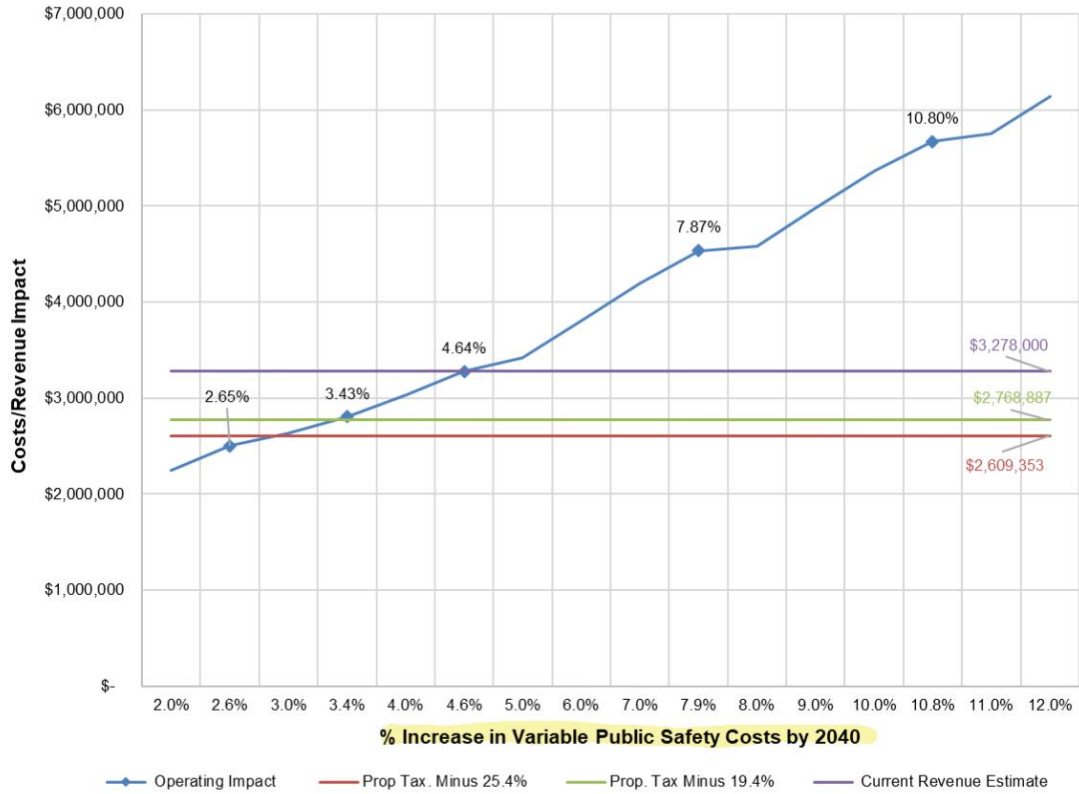
(b) In this scenario, the market value of new growth is adjusted by the decline in market value in Annapolis from the peak sale price in June 2007 to the sale price in June 2009, when prices stabilized briefly before falling again. This decline was - 19.37%. This reflects the decline in residential sale prices only but will be applied to the overall market value of new development that includes new retail and office development.

Source: Zillow; BAE, 2020.

In Figure 2, the sensitivity analysis of operating costs and revenues are combined to show the range of potential impacts. By showing the change in operating costs resulting from increasing growth-related public safety costs from the household growth as well as the three revenue estimates, the ranges of error that generate a fiscally neutral or fiscally positive impact are revealed. The lowest estimate (2.65 percent) of the increase in public safety costs and the low estimate of revenues that assumes peak recession declines in home values would generate essentially a fiscally neutral result. If new growth generates the revenues estimated in this analysis with no recession-related impacts, public safety costs can increase by up to 4.64 percent in order to generate a fiscally neutral result, which would be higher than the

growth in public safety costs currently assumed, but still below the rate of growth in both the service (7.9 percent) and residential population (10.8 percent).

**Figure 2: Sensitivity Analysis**



Source: BAE, 2020

Therefore, it is reasonable to expect that public safety could increase by enough to generate fiscally neutral, or potentially negative results as public safety costs are likely to be increase somewhere between the rates of growth in households and the residential population, and any increase in public safety costs over 4.64 percent would generate negative fiscal result. Indeed, if COVID-19 negatively affects property values, the margin by which public safety costs can increase relative to the household growth rates becomes slimmer. Based on the analysis of the effect the Great Recession had on Annapolis property values, public safety costs increasing at a rate greater than 3.4 percent would yield a negative fiscal result. Notably, the margins of fiscally negative results are still relatively small, and they do not vastly exceed to the magnitude of the marginally positive results that seem likely.



## OTHER COST CONSIDERATIONS

While excluded from the fiscal impact analysis, it was determined that identifying an order of magnitude for growth-related capital costs would be a useful metric for the city to consider, based on discussion with staff. There is no capital outlay in the General Fund, and growth is not expected to generate a need for new major capital infrastructure, such as new water and sewer systems of roads classified as arterial or above. Additionally, while public schools are provided by Anne Arundel County, a high-level cost estimate of students from new growth in Annapolis is provided.

### Capital Costs Impact

In a fiscal impact analysis of a comprehensive plan, capital costs considered are limited to major infrastructure. This includes new, additional roads classified as arterials or higher, as well as new water and sewer lines, pump stations, schools, and vehicles. The reason arterials are the smallest road-type to be considered is that these are the roads for which regular maintenance occurs and can trigger the need for additional staff. Smaller roads and road connections as required by any given development project may or may not accrue as one-time construction costs to the city, and these can be evaluated in more detail with specific assumptions about proposed development projects and their location within the city. Furthermore, the additional inventory of these kinds of transportation improvements do not trigger the need for new staff on their own. That is, projecting staffing costs based on the number of staff employed today is enough to keep up with additional maintenance costs generated by roads smaller than arterials.

In addition, based on discussion with the Department of Public Works, it was determined that the water and sewer systems have adequate capacity to manage the growth projected in this analysis. While new development requires connection to the system, the utilities charge connections fees and ultimately operate as enterprise funds that generated a net profit in FY20. Vehicles are managed through an internal revenue fund and thus growth-related vehicle needs are captured in the analysis of operating costs. As discussed in the next subsection, school-related capital costs are borne by Anne Arundel County Public Schools.

Nonetheless, there may be growth-related capital costs generated by the additional demand for existing infrastructure. Indeed, roads smaller than arterials can require some capital costs based on wear and tear, even if not as regularly as arterials. The FY20 Five-Year Capital Improvement Plan (CIP) provides a useful estimate of the capital costs associated with the existing service population. As shown in Table 13, the average size of the CIP between FY20 and FY25 is \$6.3 million. The average size of the service population served between 2020 and 2025 is 56,020. Dividing the average annual CIP by the average size of the population of the 5-year CIP yields an average capital cost per service population of \$113, which multiplied by the projected growth in the service population between 2020 and 2040 equals a growth-

related increase to the CIP of \$553,600. This is notably less than the net revenues estimated in this fiscal impact analysis (\$776,000), which implies that if the cost and revenue estimates in this analysis are considered accurate, including this estimate of capital costs would still yield a marginal, fiscally positive result.

**Table 13: Estimate of Growth-Related Capital Costs**

Five-Year Capital Improvement Program					
FY20	FY21	FY22	FY23	FY24	FY25
\$ 4,856,220	\$ 5,675,700	\$ 7,397,500	\$ 11,993,800	\$ 4,050,000	\$ 4,050,000
<b>Average CIP, FY20-FY25</b>		<b>Average Service Population, FY20-FY40</b>			
\$ 6,337,200		56,020			
<b>CIP Spending per Service Pop.</b>		<b>Growth in Service Pop., 2020-2040</b>			
\$ 113		4,894			
<b>Growth-related Increase to CIP</b>					
\$ 553,600					

### School Costs Impact

Anne Arundel County Public Schools (AACPS), which serves Annapolis residents, determines a yield rate for elementary, middle, and high school students based on development type. On average, for the Annapolis High School feeder system, each new household is assumed to generate 0.142 elementary school students, 0.054 middle school students and 0.063 high school students. Applying these rates to the projected 582 new households yields 151 new students. The AACPS budget is based on developing a cost-per-pupil and in FY20, the cost-per-pupil was \$14,473, based on guidelines recommended by the Maryland State Department of Education. The number in new students in Annapolis over the next 20 years will not generate the need for an additional school at any level, so there are no capital costs associated with new growth-related students in Annapolis, although the system overall may

add more schools. As shown in Table 14, multiplying the cost per pupil by the estimated yield from new growth generates an estimated cost of \$2.2 million.

**Table 14: Growth-Related Public School Costs**

<b>New Households, by 2040</b>	<b>582</b>
ES Student Yield (a)	83
MS Student Yield (b)	31
HS Student Yield (c)	37
<b>Total</b>	<b>151</b>
<b>Cost per Pupil (d)</b>	<b>\$ 14,473</b>
<b>Growth-Related Cost, by 2040</b>	<b>\$ 2,181,390</b>

Notes:

- (a) Average Elementary School Student Yield Rate for the Annapolis HS Feeder System: 0.142
- (b) Average Middle School Student Yield Rate for the Annapolis HS Feeder System: 0.054
- (c) Average High School Student Yield Rate for the Annapolis HS Feeder System: 0.063
- (d) The cost per pupil is obtained from the FY20 Anne Arundel Public Schools Operating & Capital Budgets. It is calculated following the guidelines recommended by the Maryland State Department of Education

Source: Student Yield Study for Anne Arundel County Public Schools, November 2019; FY2020 Anne Arundel County Public Schools Approved Operating & Capital Budgets; BAE, 2020

## CONCLUSION

Based on the methodology and assumptions in this fiscal impact analysis, Annapolis is projected to generate a marginally net positive fiscal impact based on the taxes received by new development and the costs it incurs. While the real property tax is large enough to generate most of the revenues needed to accommodate new growth, new growth incurs enough costs that the City will be unable to increase the level of service it provides. However, if there is more nonresidential development than currently projected, even more revenue will be generated without the incurring the same level of costs, as nonresidential development demands fewer services from the City. Therefore, the City may be more fiscally resilient if it increases the amount of nonresidential development projected over the next 20 years, although the current residential program yields more or less fiscally neutral results. Critically, over 80.2 percent of the revenues estimated in the fiscal impact come from property taxes paid by new development, even though most of the growth in Annapolis over the next 20 years is explained by the increase to the size of the average Annapolis household.

Nonetheless, the overall marginal findings suggest that, as currently projected, new growth itself is neither a huge winner nor a huge loser for the City based on the current levels of service the City provides. With the skew towards residential development, development itself is not an opportunity for the City, although new growth will help to generate economic activity that will promote economic growth, which is ultimately unaccounted for in a fiscal analysis. Fiscal impact analysis does not consider the impact of growth on income levels, the number of jobs and other measures that reflect the state of the private sector economy, which if positively impacted by growth, would in turn have some effect on the fiscal impact. This dynamic relationship is difficult to model and as a result, fiscal impacts and economic impacts are typically evaluated independently.



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 10/21/2025

ITEM NO: 7

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DATE: October 16, 2025  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: **Authorize the Town Manager to Negotiate and Execute an Agreement with NHA Advisors, LLC (NHA) to deliver Fiscal Condition Analysis, Fiscal Impact Analysis, Asset Liability Management, and Wildfire Risk Mitigation Studies, including any optional services as directed by the Town Council, in the Amount Not to Exceed Amount of \$250,500 and Authorize an Expenditure Budget Adjustment up to \$250,500 from the Available Unassigned fund Balance**

RECOMMENDATION: Authorize the Town Manager to enter into an Agreement with NHA Advisors, LLC (NHA) to deliver Fiscal Condition Analysis, Fiscal Impact Analysis, Asset Liability Management, and Wildfire Risk Mitigation Studies including any optional services as directed by the Town Council, in the not to exceed amount of \$250,500; and authorize an Expenditure Budget Adjustment of \$250,500 from the available Unassigned fund Balance.

FISCAL IMPACT:

The requested budget adjustment in the amount of \$250,500 will reduce the Town's Unassigned Fund Balance. This amount reflects the full cost of all proposed services, including optional components. The final agreement amount may be lower, depending on the specific services selected by the Town Council.

STRATEGIC PRIORITY:

This initiative supports the Town's strategic priority of ensuring prudent financial management to result in structurally balanced five-year forecasts and fully funded five-year Capital Improvement Plans, managing liabilities such as pension costs and leveraging the Town's assets, efficiencies, partnerships, and revenue streams. The study is a material component in identifying the path to support this priority.

PREPARED BY: Gitta Ungvari  
Finance Director

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Reviewed by: Town Manager and Town Attorney

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PAGE 2 OF 6

SUBJECT: Authorize the Town Manager to Negotiate and enter into Agreement with NHA

DATE: October 14, 2025

This initiative supports the Town's core goals of:

- **Fiscal Stability:** Providing independent, data-driven forecasts and risk assessments to ensure sustainable financial planning.
- **Community Character:** Evaluating fiscal impacts of growth to balance economic vitality with quality-of-life considerations.
- **Good Governance:** Developing clear, auditable tools for decision-making and aligning long-term fiscal strategies with policy objectives.

#### BACKGROUND:

At its meeting on April 14, 2025, the Finance Commission discussed draft scopes of work for a Fiscal Impact Analysis and a Fiscal Condition Analysis with a Five-Year Projection. After reviewing the objectives and overlaps between the two scopes, the Commission recommended consolidating them into a single RFP process with three separate line items: (1) Fiscal Condition Analysis and Five-Year Forecast, (2) Long-Term Outlook to 2040 aligned with the General Plan and Housing Element, and (3) a standalone Asset Liability Management Study.

The Commission emphasized scenario planning, stakeholder engagement, transparency in methodology, and clear articulation of questions to be addressed regarding the Town's short- and long-term fiscal condition and the fiscal impacts of projected development under the 2040 General Plan and Housing Element. Based on the Commission's feedback, staff prepared a draft RFP (Attachment 2), which was approved on August 11, 2025. The RFP was issued on August 20, 2025, and closed on September 22, 2025. Responses to questions were posted publicly (Attachment 3).

#### DISCUSSION:

The Town received five proposals in response to the RFP. While the RFP did not require firms to address all three studies, it was encouraged where feasible. Of the five proposals submitted, two firms did not demonstrate experience in the State of California.

Three staff members independently reviewed and evaluated the proposals, ranking them based on quality. Upon comparison, the rankings were found to be consistent across all three reviewers. NHA ranked the highest with the reviewers. The highest-ranked firm submitted proposals for all three studies and also included an optional Fire Risk Assessment Study (Attachment 1). If the Council wishes to include this additional study, staff will work with the firm to determine the most appropriate level of optional services for the Town.

NHA Advisors, LLC submitted a proposal to provide Study 1: Fiscal Condition Analysis and Study 2: Fiscal Impact Analysis for the Town of Los Gatos. Their proposal represents a collaborative effort among three experienced firms:

- **NHA Advisors, LLC** – Lead advisor and project manager for Studies 1 and 2

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SUBJECT: Authorize the Town Manager to Negotiate and enter into Agreement with NHA

DATE: October 14, 2025

- **Raftelis Financial Consultants, Inc.** – Subconsultant for Study 1
- **Willdan** – Subconsultant for Study 2

NHA has previously worked with both Raftelis and Willdan on similar projects in California. Their approach emphasizes collaboration, scenario-based modeling, and practical tools that Town staff can use independently.

NHA Advisors, LLC also submitted a separate proposal to provide Study 3: Asset Liability Management (ALM) services as requested in the Town’s RFP. For this task, NHA is the sole service provider, independent of the team assembled for Studies 1 and 2. In addition, NHA included an unsolicited proposal for an optional Study 4, which would develop a long-term funding plan for wildfire risk mitigation in Los Gatos.

NHA brings extensive experience advising California public agencies on CalPERS-related liabilities, debt management, and OPEB strategies. Their approach emphasizes integration with the fiscal condition model developed in Study 1, allowing for scenario planning that accounts for:

- CalPERS performance volatility
- Infrastructure impacts from new development
- Adequacy of cash reserves to withstand “Black Swan” events (e.g., wildfires)

The proposal highlights NHA’s ability to translate complex financial data into clear, actionable insights for decision-makers and the public.

NHA also reaffirmed acceptance of the Town’s Sample Consultant Services Agreement and designated Mark Northcross as the primary contact authorized to bind the firm.

Proposed Project Timeline by Month After Contract Execution:

Month	Study 1: Fiscal Condition Analysis (Raftelis)	Study 2: Fiscal Impact Analysis (Willdan)	Study 3: Asset Liability Management (NHA)
Month 1	Project Initiation	Project Initiation	Project Initiation
Month 2		Data Collection and Review	Inventory and Evaluate Liabilities
Month 3	Assess Financial Condition		

SUBJECT: Authorize the Town Manager to Negotiate and enter into Agreement with NHA

DATE: October 14, 2025

Month	Study 1: Fiscal Condition Analysis (Raftelis)	Study 2: Fiscal Impact Analysis (Willdan)	Study 3: Asset Liability Management (NHA)
Month 4	Develop Forecasting Model	Develop Fiscal Revenue and Cost Inputs	Funding Needs and Risk Reduction Analysis
Month 5	—	— Complete 20-Year Fiscal Impact Analysis	ALM Modeling
Month 6	Final Reporting & Knowledge Transfer	Finalize Fiscal Impact Model	Reserve Guidance

Contract Cost Summary:

Raftelis proposes to conduct the Fiscal Condition Analysis (Study 1) for a base cost of \$105,500, with optional services—such as gap closure strategies and Council decision support—bringing the total to \$165,000 if selected. Willdan submitted a fixed fee proposal of \$18,000 for the Fiscal Impact Analysis (Study 2), which includes up to two meetings, with additional services billed hourly if needed. NHA Advisors proposes to lead the Asset Liability Management Study (Study 3) on a time-and-materials basis, with a not-to-exceed budget of \$50,000, covering liability evaluation, risk analysis, modeling, and reserve guidance. NHA also offers an optional Wildfire Risk Mitigation Study (Study 4) for up to \$45,000, which includes GIS analysis and funding strategy development, with additional optional tasks potentially adding up to \$25,000. In addition, NHA proposes to serve as Team Manager for Studies 1 and 2, coordinating across firms for a not-to-exceed amount of \$17,500.

Study / Task	Firm	Fee Type	Estimated Cost	Notes
Study 1: Fiscal Condition Analysis	Raftelis	Fixed Fee	\$105,500 (base) \$165,000 (with options)	Includes forecasting model, reporting, and optional gap strategies & Council support
Study 2: Fiscal Impact Analysis	Willdan	Fixed Fee	\$18,000	Includes 2 meetings; additional services billed hourly

SUBJECT: Authorize the Town Manager to Negotiate and enter into Agreement with NHA

DATE: October 14, 2025

Study / Task	Firm	Fee Type	Estimated Cost	Notes
<b>Study 3: Asset Liability Management (ALM)</b>	NHA	Time & Materials (Blended Rate: \$285/hr)	\$35,055 – \$49,875 Not-to-Exceed: \$50,000	Includes modeling, reserve guidance, and liability analysis
<b>Optional Study 4: Wildfire Risk Mitigation</b>	NHA	Time & Materials	Not-to-Exceed: \$45,000	Includes GIS work; optional tasks may add up to \$25,000+
<b>Team Management for Studies 1 &amp; 2</b>	NHA	Time & Materials	Not-to-Exceed: \$17,500	Approx. 50 hours of coordination across firms

If all services—Studies 1, 2, and 3 with options, along with the optional wildfire risk mitigation study—are included, the total not-to-exceed amount for the agreement is \$250,500.

**RECOMMENDATION:**

Staff is requesting that the Town Council provide direction regarding which services to include in the agreement. If all services—Studies 1, 2, and 3, along with the optional wildfire risk mitigation study—are included, the total not-to-exceed amount would be \$250,500. If the Council chooses to include only selected services, the agreement will be tailored accordingly to reflect those areas.

Based on the Council’s direction regarding optional services, staff will prepare the draft agreement. To ensure timely initiation of work, staff recommends that the Town Council authorize the Town Manager to negotiate and execute an agreement with NHA Advisors for all three requested services, in an amount not to exceed \$250,500.

**ALTERNATIVES**

The Town Council may consider alternative approaches to the proposed scope of work, which would affect total cost and fiscal impact:

1. Proceed with All Studies (Recommended Option) — Approve all studies including optional components for a not-to-exceed amount of \$250,500. This option provides the most comprehensive fiscal analysis, aligning with long-term financial planning objectives.

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SUBJECT: Authorize the Town Manager to Negotiate and enter into Agreement with NHA

DATE: October 14, 2025

2. Remove Optional Study Components — Excluding the optional elements (Wildfire Risk Mitigation Study and optional tasks within Study 1) would reduce total project costs to approximately \$180,000 to \$190,000, depending on final scope adjustments. This would lower the immediate budget impact by roughly \$60,000 to \$70,000 while maintaining delivery of the three core studies.

3. Select Individual Studies Only — The Council may choose to fund only one or two studies (e.g., Fiscal Condition and Impact Analyses) at an estimated combined cost of \$120,000 to \$130,000. This would provide partial insights but limit integration between financial forecasting and liability management.

Reducing the scope will proportionally reduce the Unassigned Fund Balance adjustment. However, omitting optional studies may limit the Town's ability to evaluate long-term wildfire risk and related fiscal exposures, which could affect future budget forecasting accuracy.

COORDINATION:

This item was developed with the coordination of the Town Manager's Office, the Town Attorney's Office, and the Community Development Department.

Attachments:

1. NHA Proposals
2. Request For Proposals: Fiscal Condition Analysis With Five-Year and Long-Term Forecast, Fiscal Impact Analysis, and Asset Liability Management Study
3. Date issued: questions and answers provided



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 10/21/2025

ITEM NO: 7

DESK ITEM

**DATE:** October 21, 2025  
**TO:** Mayor and Town Council  
**FROM:** Chris Constantin, Town Manager  
**SUBJECT:** **Authorize the Town Manager to Negotiate and Execute an Agreement with NHA Advisors, LLC (NHA) to deliver Fiscal Condition Analysis, Fiscal Impact Analysis, Asset Liability Management, and Wildfire Risk Mitigation Studies, including any optional services as directed by the Town Council, in the Amount Not to Exceed Amount of \$250,500 and Authorize an Expenditure Budget Adjustment up to \$250,500 from the Available Unassigned fund Balance**

**RECOMMENDATION:** Authorize the Town Manager to enter into an Agreement with NHA Advisors, LLC (NHA) to deliver Fiscal Condition Analysis, Fiscal Impact Analysis, Asset Liability Management, and Wildfire Risk Mitigation Studies including any optional services as directed by the Town Council, in the not to exceed amount of \$250,500; and authorize an Expenditure Budget Adjustment of \$250,500 from the available Unassigned fund Balance.

**REMARKS:**

Staff clarifies that the contract cost summary of \$250,500, as referenced in the staff report, does not include the optional Wildfire Risk Mitigation Study. This study was not part of the original Request for Proposal (RFP) but was instead offered as an optional service by the prospective vendor.

The \$250,500 amount includes all optional services for Study 1, Study 2, and Study 3 as outlined in the proposal.

**PREPARED BY:** Gitta Ungvari  
Finance Director

Reviewed by: Town Manager and Town Attorney

SUBJECT: Authorize the Town Manager to Negotiate and enter into Agreement with NHA

DATE: October 21, 2025

Study / Task	Firm	Estimated Cost	Notes
<b>Study 1: Fiscal Condition Analysis</b>	Raftelis	\$105,500 (base)	Includes forecasting model, reporting, and optional gap strategies & Council support
		\$165,000 (with options)	
<b>Study 2: Fiscal Impact Analysis</b>	Willdan	\$18,000	Includes 2 meetings; additional services billed hourly
<b>Study 3: Asset Liability Management (ALM)</b>	NHA	\$35,055 – \$49,875 Not-to-Exceed: \$50,000	Includes modeling, reserve guidance, and liability analysis
<b>Optional Study 4: Wildfire Risk Mitigation</b>	NHA	Not-to-Exceed: \$45,000	Includes GIS work; optional tasks may add up to \$25,000+
<b>Team Management for Studies 1 &amp; 2</b>	NHA	Not-to-Exceed: \$17,500	Approx. 50 hours of coordination across firms

<b>Total Estimated Cost:</b>	<b>\$ 250,500</b>
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In addition, cognizant of the cost, the staff provides an alternative recommendation that includes only the **base costs of Study 1, Study 2**, along with **Team Management for both studies**, and **Study 3**, totaling not to exceed \$191,000.

Study / Task	Firm	Estimated Cost	Notes
<b>Study 1: Fiscal Condition Analysis</b>	Raftelis	\$ 105,500	Includes forecasting model, and reporting
<b>Study - OPTIONAL A</b>		\$ 29,750	Optional Gap Closure Strategies
<b>Study - OPTIONAL B</b>		\$ 29,750	Decision- Support for Town Council
<b>Study 2: Fiscal Impact Analysis</b>	Willdan	\$ 18,000	Includes 2 meetings; additional services billed hourly
<b>Study 3: Asset Liability Management (ALM)</b>		\$ 50,000	Includes modeling, reserve guidance, and liability analysis, not to exceed amount
<b>Optional Study 4: Wildfire Risk Mitigation</b>	NHA	Not-to-Exceed: \$45,000	Includes GIS work; optional tasks may add up to \$25,000+
<b>Team Management for Studies 1 &amp; 2</b>	NHA	\$ 17,500	Approx. 50 hours of coordination across firms, not to exceed amount

<b>Total Estimated Cost:</b>	<b>\$ 191,000</b>
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Additional services may be added during the course of the studies or after their completion, as needed.

Attachments previously distributed with the staff report:

1. NHA Proposals
2. Request For Proposals: Fiscal Condition Analysis With Five-Year and Long-Term Forecast, Fiscal Impact Analysis, and Asset Liability Management Study
3. Date issued: questions and answers provided