

5.0 FINANCING

5.1 INTRODUCTION

This section of the SAP lists and describes the revenue sources and financing mechanisms that are currently utilized by the City to fund the development and operation of the various facilities and services discussed within Chapter 4 of this SAP. Revenue sources and financing mechanisms that are not currently used but that are being reviewed and considered by the City for future funding are also described.

5.2 EXISTING REVENUE SOURCES

The following list presents sources of revenue that are currently utilized by the City to accumulate finances necessary to develop and operate the various facilities and services discussed within the SAP. Complete budgetary information is available for viewing at the City Finance Department.

Sales Tax

The City receives one percent of State sales tax charged for point-of-sale purchases made at businesses within the City boundaries. City sales tax revenue is deposited into the General Fund, which is further discussed below. The City Finance Department estimates that approximately \$7.1 million in sales tax revenue will be deposited into the General Fund during fiscal year 2004.

A sales tax increase within the City of one-half of one percent was approved by voters in 1989 for a 20-year duration for the purpose of funding local roadway and circulation improvement projects. This program, known as the Local Transportation Authority, is set to expire in 2009.

Property Tax

The City levies a tax to owners of property within the City. This tax, collected annually, is deposited into the General Fund. The City Finance Department estimates that approximately \$2.2 million in property tax revenue will be deposited into the General Fund during fiscal year 2004. Pursuant to a master tax agreement entered into between the City and the County, these two jurisdictions exchange property tax revenue when an annexation from the County to the City occurs.

Motor Vehicle In-Lieu Fee

Motor vehicle in-lieu fees (VLF) are levied by the State for the ownership of automobiles within the State. Funds are then returned to the County based on population and distributed by the County to the various cities, again based on population. The City places this VLF revenue in the General Fund. The City Finance Department estimates that approximately \$2.3 million in VLF revenue will be deposited in the General Fund during fiscal year 2004.

Development Impact Fees

Jurisdictions often charge private developers various development impact fees to assure that the demand for and physical and financial impacts to public services and facilities caused by development projects are adequately addressed. The City adopted a development impact fee program in 1989 that included fees for the following categories:

- Library
- Police
- Fire
- Streets
- Parks and Recreation
- Water and Wastewater Treatment
- Other Public Facilities (includes administrative facilities)

The fee structure is outlined in the Development Impact Fee Report, which was prepared in 1989 and revised in 1994. A copy of the Development Impact Fee Report included as Appendix D of this SAP. Development impact fees are used exclusively to fund the capital costs of new and improved facilities specifically related to the category for which fees are charged. When the City implemented the development impact fees program, it was their intent that rates were to be reviewed annually to assure adequate and proper charges. According to a representative of the City Finance Department, the rates have not been updated since 1994, and the City currently charges rates adopted in 1994. The City Finance Department has recommended that the City revise the development impact fees program to bring the rates up to date.

User Fees

Certain public services and facilities operated by the City entail various user fees that are charged to patrons or other users on a fee-for-service basis. User fees are charged for services such as vehicle impound and release (ECPD), fire permit inspection and issuance (ECFD), summer day camp (DPR), and late or damaged book fees (El Centro Public Library). Revenue generated by these fees is deposited into the General Fund. City services provided through the Planning Department, Building Department, and Engineering Department regarding project processing, permitting, and review also incur user fees that are deposited into the General Fund. A Cost Recovery Study was prepared for the City Finance Department in May 2003 that examined how the City could more efficiently utilize user fees to increase revenue and recover the costs of operating City facilities and services. Findings from this study have not yet been incorporated into City policy.

Gasoline Tax

The State levies a tax on all in-state sales of gasoline. A portion of the revenue derived from this State tax is distributed to local jurisdictions. The City receives revenue from this program and deposits money into a fund that is used for roadway improvements.

Local Bonds

The City often borrows money from private investors by the issuance of bonds. By this mechanism, the City raises capital by collecting money from investors while agreeing to repay the borrowed money at an established interest rate. Bonds are proposed for specific improvement or development projects (such as the expansion of administrative facilities or the installation of water pipelines) and must be approved by a two-thirds public vote in order to be offered to investors. Bonded revenue is not placed in the General Fund, but is placed in special funds established for improvement projects or in capacity fee funds for water and wastewater, which are further discussed below.

State Circulation/Roadway Funding Sources

The City has recently applied for funding from the following three programs for specific circulation and roadway projects.

- State Transportation Improvement Program (STIP): Funds from this program are allocated for specific projects by a joint decision of Caltrans and the Imperial Valley Association of Governments.
- Hazard Elimination Safety (HES) program: Funds from this Caltrans-administered program may be applied to specific projects that are intended to correct or substantially improve an existing safety hazard, such as the undergrounding of open canals near roadways or the installation of traffic signals at busy intersections.
- Transportation Development Act – Article 3: Article 3 funds are granted by the State Transportation Commission for specific projects related to pedestrian, bicycle, and wheelchair mobility.

Community Development Block Grants

The City applies for Community Development Block Grants from the U.S. Department of Housing and Urban Development that may be used for specific projects related to community revitalization, such as the El Dorado Colonia redevelopment project discussed throughout this SAP.

5.3 FUTURE REVENUE SOURCES

The following list presents sources of revenue that the City Finance Department is considering to utilize in the future to increase their available financial resources and to operate more efficiently.

Updated User Fees

A Cost Recovery Study was prepared for the City by MAXIMUS, Inc. in May 2003. A copy of the Cost Recovery Study Findings is included as Appendix E of this SAP. The study identifies potential increases to existing fees and also identified user fees that do not currently exist but that could feasibly be charged to increase revenue for the City and recover costs. The City has yet to implement any of the additional fees suggested by the study, but is currently considering the study's findings and determining which user fees to implement. Specific user fees that are not currently charged but that may be charged in the future included fees for services provided by the public library, ECPD, ECFD, and DPR.

Updated Development Impact Fees

While the City currently charges development impact fees for administration, library, law enforcement, fire protection, streets, parks, recreation, and public facilities, the City Finance Department has identified that the current fees structures are out of date and should be updated. The City Finance Department has recommended that rates be revised so that new and more relevant development impact fees may be implemented in order to provide effective and efficient sources of revenue for the City.

State and Federal Funding

Various government programs are available at the state and federal levels to assist local jurisdictions in financing public facilities and services. The City will continue to seek out such sources of revenue in the future. Most funding sources at the state level require an application requesting assistance and specifying the projects or purposes for which the funds can be used. Financial assistance from the state can include grants, low interest loans, and matching funds.

At the federal level, financial assistance includes grants and federal matching funds for state run assistance programs. Such state and federal grants and other sources of revenue being considered or that may be considered by the City include Community Development Block Grants issued by the U.S. Department of Housing and Urban Development, Congestion Mitigation and Air Quality Improvement Program funding from the U.S. Department of Transportation, and Intermodal Surface Transportation Efficiency Act money from the federal government.

5.4 EXISTING FINANCING MECHANISMS

The following are financing mechanisms currently utilized by the City.

General Fund

The General Fund is the main financing mechanism for the City. Money is deposited into the General Fund from many different sources, including City-lobbied sales tax and property tax, state sources such as the VLF, and user fees charged for various services and use of public facilities. Money within the fund is then distributed to various City departments in order to fund personnel costs and to pay for the development, maintenance, and operation of facilities and programs. The City Finance Department is responsible for maintaining the balance of the General Fund, budgeting resources within the General Fund, and allocating funds to the various departments.

Capacity Fee Funds

The City maintains capacity fee funds for the water and wastewater systems. These funds are comprised of money charged to developers implementing projects that would contribute to demand on the City's water and wastewater facilities. Money received from investors by the issuance of bonds is contributed to the capacity fee funds, and these funds are usually in operation with a certain amount of debt, with interest payments and repayment of bonds coming out of the respective funds. The revenue in these funds is used to finance improvement projects for the respective facilities, but is not used for personnel or other operational costs.

Enterprise Funds

Respective enterprise funds for the municipal water and wastewater systems are also maintained and utilized by the City. These funds are separate from the capacity fee funds and are comprised of money that is collected by connection fees, maintenance fees, water usage fees (Water Enterprise Fund only), and interest accrued for late payment. Operations, maintenance, salaries, equipment purchases, and water sales are funded by the City's water and wastewater enterprise funds. These funds are also responsible for contributing money to the General Fund, as the municipal water and wastewater systems are major generators of revenue for the City.

Developer/Builder Contributions

Many of the improvements to municipal water, wastewater, drainage, and circulation systems that are required to serve new development within the City can be directly funded and constructed by the developer and/or builder through private funding sources and are not the responsibility of the City. Facilities earmarked for developer/builder funding are typically those that normally would have been imposed as a condition of approval of a tentative map under the City's existing development review process. Requiring such contribution can save the City significant amounts of revenue.

5.5 FUTURE FINANCING MECHANISMS

In addition to the existing financing mechanisms listed above that the City will continue to utilize, the following section identifies financing mechanisms that the City is currently considering to implement.

Special Assessment Districts

Jurisdictions often form special assessment districts to achieve financial and operational efficiency in implementing improvements for a particular geographical location or a certain type or types of improvement. The City does not currently operate any special assessment districts, but is considering establishing a landscape and lighting district for public space and common areas owned by the City. Creation of this district would allow the City to dedicate funds for landscape- and lighting-related improvements in public areas.

Community Facilities Districts

The 1982 Mello-Roos Community Facilities Act allows a district to establish community facilities districts that provide funding for provision of services and development of facilities. Such districts often involve taxes levied on the public that generate revenue that is deposited into special funds specifically for the respective service or facility instead of into the jurisdiction's general fund. The City does not currently operate any community facilities districts. According to a representative of the City Finance Department, the City is considering the creation of one or more such districts as a future finance mechanism to efficiently and effectively fund specific programs or improvements within the City.

5.6 FACILITY FINANCING

The following section provides a brief discussion of the funding sources used for the specific services and facilities included in Chapter 4 of the SAP. Any sources of funding that are not currently being utilized, as well as opportunities for cost avoidance, are identified.

Administrative Facilities

Current Funding

Maintenance and operation of the City's administrative facilities and staff is primarily financed by the General Fund. Large-scale improvement and development projects are funded by development impact fees.

Cost Avoidance Opportunities

The Main Branch of the El Centro Public Library contains a conference room that is sometimes used for meetings when space in City Hall is not available. The Main Branch is located close enough to City Hall to make this a convenient alternative to acquiring additional space or expanding existing City buildings, and continuing to use this library facility is a good cost-saving opportunity for City administrative services.

Recommended Funding

The City will continue to use the General Fund for the maintenance and operation of the administrative facilities. As the City continues to grow, any necessary expansion of the facilities

or acquisition of additional property for administrative facilities could be financed by issuing bonds to private investors and/or by development impact fees.

The City will review the Cost Recovery Study prepared in March 2003 and, where feasible, implement the recommended revisions to the user fees charged for services of the Planning Department, Building Department, and Engineering Department. Updating the City's user fees would provide increased revenue that could be used for improvements and expansion of administrative facilities.

The City Finance Department has recommended that a development impact fees study be prepared to bring such fees up to date and increase revenue for the City. Any increase in development impact fees for administrative services or facilities would increase the funds available to pay for specific large-scale development or improvement projects related to such facilities.

Drainage Facilities

Current Funding

Within the City and the SOI, these facilities are mostly installed and funded by developers as projects are implemented. The wastewater division of the Department of Public Works is responsible for budgeting and allocating resources for the centrally located City-maintained facilities. Thus, funding currently comes from the Wastewater Capacity Fee Fund and the Wastewater Enterprise Fund. Routine maintenance, operation, and personnel costs are accounted for by the Wastewater Enterprise Fund, while any major improvement projects would be paid for out of the Wastewater Capacity Fee Fund.

Cost Avoidance Opportunities

The City is able to avoid some costs for the development of new drainage facilities by requiring developers to construct adequate facilities and retention basins on their projects.

Recommended Funding

Funding responsibilities for project-related facilities shall remain with the developers and secured prior to construction. Improvements to the centrally located City-maintained facilities shall remain under the guidance of the wastewater division of the Department of Public Works. As discussed in Section 4.2, the City plans to prepare a master plan for the municipal drainage facilities that would identify necessary improvements to the system. Such a master plan would also identify potential funding sources for large-scale improvements, including any opportunities for funding sources other than the Wastewater Capacity Fee Fund.

Fire Facilities

Current Funding

The ECFD receives money from the General Fund to finance operational and maintenance costs for facilities, equipment, and personnel. Revenue from user fees charged by the ECFD is paid into the General Fund and redistributed to the ECFD and other City facilities and programs. Development impact fees required of development projects generate revenue that is used for large-scale improvement and development projects related to fire facilities and services.

Cost Avoidance Opportunities

The ECFD operates and shall continue to operate under a mutual aid agreement with the County of Imperial Fire Department for as-needed assistance and backup. This method helps the ECFD avoid costs while assuring that people and property within the City, the SOI, and the rest of the County are covered by adequate fire and emergency response. The two agencies also share a hazardous materials emergency response unit, which aids in avoiding costs for both agencies.

Recommended Funding

The ECFD will continue to receive funding from the General Fund.

As discussed above in Section 5.3, a Cost Recovery Study has been prepared and is being reviewed by the City Finance Department. This study includes new or revised user fees for services performed by the ECFD. Increased user fees for the department would increase department contribution to the General Fund.

As discussed in Section 5.3, the City Finance Department has recommended that a development impact fees study be prepared to bring such fees up to date and increase revenue for the City. Any increase in development impact fees for ECFD service or facilities would increase funds available for large-scale development and improvement projects.

The City also may consider the establishment of a community facilities district for the ECFD to centralize funding for the department and allow an efficient and effective means of financing department needs.

Major ECFD projects, such as the construction of the two new fire stations discussed above in Chapter 4.3 could necessitate the issuance by the City of bonds to private investors.

Law Enforcement

Current Funding

The ECPD receives money from the General Fund to finance operational and maintenance costs for facilities, equipment, and personnel. Revenue from user fees charged by the ECPD is paid into the General Fund and redistributed to the ECPD and other City facilities and programs. Development impact fees required of development projects generate revenue that is used for large-scale improvement and development projects related to police facilities and services

Cost Avoidance Opportunities

While the ECPD cooperates with the Imperial County Sheriffs Department for the provision of as-needed emergency back up services, the two agencies do not currently share any facilities and would not share any facilities in the future. There are no substantial cost avoidance opportunities for the ECPD.

Recommended Funding

The ECPD will continue to receive funding from the General Fund.

A Cost Recovery Study has been prepared and is being reviewed by the City Finance Department. This study includes new or revised user fees for services performed by the ECPD.

Increased user fees for the department would increase department contribution to the General Fund.

The City Finance Department has recommended that a development impact fees study be prepared to bring such fees up to date and increase revenue for the City. Any increase in development impact fees for ECPD service or facilities would increase funds available for large-scale development and improvement projects.

The City also may consider the establishment of a community facilities district for the ECPD to centralize funding for the department and allow an efficient and effective means of financing department needs.

Major ECPD projects, such as the renovation of existing stations or the construction of new police stations could necessitate the issuance by the City of bonds to private investors.

Library Facilities

Current Funding

The El Centro Public Library currently receives funding from the City General Fund, the State Public Library Fund (PLF), and from the State via the California Library Services Act Transaction Based Reimbursement (TBR) program. The library has lost its PLF certification for 2004 and, as such, the library will not be eligible for PLF funding for the 2004 financial year.

Development impact fees are levied for library facilities. Revenue generated by development impact fees are not placed in the General Fund, but are used for specific library improvement projects.

The library also accepts private donations material and funding grants to offset the costs of operation and to implement improvement projects.

Cost Avoidance Opportunities

Through inter-library loan programs, the library shares resources with other libraries in the region. The public library will continue to pursue this opportunity for shared facilities in order to keep costs down while providing acceptable services to City residents.

Recommended Funding

The General Fund will continue to be the primary source of financing for the El Centro Public Library System. To augment the provision of General Fund dollars from the City, the library will continue to apply for all possible funding opportunities from the State, and will continue to accept donations of money or materials.

The City will review the Cost Recovery Study prepared in May 2003 and implement recommended improvements to the library user fee structure. Updating the relevant user fees will provide increased revenue for the General Fund that could be used for improvements and expansion of library facilities.

The City Finance Department has recommended that a development impact fees study be prepared to bring such fees up to date and increase revenue for the City. Any increase in development impact fees for library services or facilities would increase funds available for large-scale development and improvement projects related to library facilities and services.

Park and Recreation Facilities

Current Funding

Funding for DPR comes from the General Fund and development impact fees funds. Revenue from user fees charged by DPR are paid into the General Fund and redistributed to DPR and other City facilities and programs. Development impact fees accrue in separate DPR funds that provide revenue for large-scale improvement projects. Total operational income budgeted from the General Fund for DPR in financial year 2003 was \$1,350,000.

Cost Avoidance Opportunities

City policy requiring private developers to construct parks in conjunction with development projects eliminates substantial cost to the City in that the City is not responsible for purchase or dedication of land or the construction costs. The City will continue this cost avoidance measure.

The City currently maintains mutual use agreements with the El Centro Elementary School District and the El Centro High School District for the use and maintenance of athletic field and park facilities associated with some of the districts' schools. Such joint parks are available to students of the districts and City residents alike. Whenever possible, DPR will maintain such existing relationships and will pursue similar relationships with these districts and other jurisdictions to avoid costs for operation and maintenance of the facilities.

Recommended Funding

The General Fund will continue to be the primary source of financing for DPR.

The City will review the Cost Recovery Study prepared in May 2003 and implement recommended improvements to the library user fee structure. Updating the relevant user fees will provide increased revenue for the General Fund that could be used for improvements and expansion of library facilities.

The City Finance Department has recommended that a development impact fees study be prepared to bring such fees up to date and increase revenue for the City. Any increase in development impact fees for DPR facilities would increase funds available for large-scale development and improvement projects.

Circulation Facilities

Current Funding

Funding for circulation improvements comes from a variety of sources. Local funding sources include development impact fees and the Local Transportation Authority, the latter of which entails a one-half of one percent sales tax increase that was approved for a 20-year duration by the voting public in 1989. General Fund monies are not used to fund circulation and roadway improvement projects.

Because many City facilities are closely related to circulation on State-maintained facilities, funding costs for City programs may be shared by the State through financing programs administered by the State Transportation Commission or Caltrans. A percentage of the State gasoline tax is allocated to the City for use in traffic improvement projects. The following list identifies additional State funding programs to which the City may apply.

- State Transportation Improvement Program (STIP): Funds from this program are allocated for specific projects by a joint decision of Caltrans and the Imperial Valley Association of Governments.
- Hazard Elimination Safety (HES) program: Funds from this Caltrans-administered program may be applied to specific projects that are intended to correct or substantially improve an existing safety hazard.
- Transportation Development Act – Article 3: Article 3 funds are granted by the State Transportation Commission for specific projects related to pedestrian, bicycle, and wheelchair mobility.

The City also receives federal funding for roadway improvements from such sources as the Regional Surface Transportation Program and Community Development Block Grants.

Cost Avoidance Opportunities

While there are no real opportunities to share roadway facilities with any adjacent jurisdiction, the City's system does not exist independently, and circulation within and through the City is mutually affected by the operation of the State and County circulation system. In order to maintain the best possible circulation within City limits, throughout the SOI, and within the County and the greater region as a whole, the City will continue to cooperate with the State, the County, and adjacent cities in monitoring the operation of the regional system and the implementation of necessary improvements. In accordance with General Plan policy, the City will also continue to cooperate with the Imperial Valley Association of Governments to ensure that adequate bus service is available for all segments of the community.

Application to State and federal programs to receive funding for circulation and roadway projects also provides a significant opportunity to avoid direct cost to the City for large-scale development and improvement projects.

Recommended Funding

Other than those sources identified above, there are no substantial funding sources for roadway and circulation improvements within the City.

The City Finance Department has recommended that a development impact fees study be prepared to bring such fees up to date and increase revenue for the City. Any increase in development impact fees for DPR facilities would increase funds available for large-scale development and improvement projects related to the circulation system.

Wastewater Facilities

Current Funding

The City uses funds from revenue bonds, the Wastewater Capacity Fee Fund, and future bond insurance to finance the engineering and implementation of major improvement projects for the wastewater system. Operation, maintenance, salaries, and equipment purchases are financed by the Wastewater Enterprise Fund.

Cost Avoidance Opportunities

The City often requires developers to construct wastewater-related infrastructure that will connect the specific development with the existing City wastewater system. This requirement helps the City avoid substantial costs associated with infrastructure development.

Recommended Funding

The City shall continue to use the existing financing mechanisms described above to finance the City's wastewater engineering, construction, operation, and maintenance. Bond measures may continue to be required to finance the large-scale improvements recommended within the full buildout timeframe.

Water Facilitates

Current Funding

The City uses funds from revenue bonds, the Water Capacity Fee Fund, and future bond insurance to finance the engineering and implementation of major improvement projects for the wastewater system. Operation, maintenance, salaries, and equipment purchases are financed by the Water Enterprise Fund.

Cost Avoidance Opportunities

The City often requires developers to construct water-related infrastructure that will connect the specific development with the existing City water system. This requirement helps the City avoid substantial costs associated with infrastructure development.

Recommended Funding

The City shall continue to use the existing financing mechanisms described above to finance the City's water engineering, construction, operation, and maintenance. Bond measures may continue to be required to finance the large-scale improvements recommended within the full buildout timeframe.

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