



PUBLIC WORKS DEPARTMENT

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Scott L. Mozier
Public Works Director

September 28, 2023

Mr. Jeffrey M. Reid
McCormick, Barstow, Sheppard, Wayte & Carruth, LLP
7647 N. Fresno Street
Fresno, CA 93729-8912

Via email: [REDACTED]

RE: Community Facilities District No. 18
Public Safety Services

RECEIVED
2023 SEP 28 A 11:00
CITY OF FRESNO
CITY CLERK'S OFFICE

Dear Mr. Reid:

The City of Fresno received your letter dated September 6, 2023 that was provided on behalf of the Building Industry Association (BIA) for Fresno and Madera County. This letter is being provided in response to the comments, concerns and analysis you provided.

The City of Fresno remains strongly committed to supporting new residential developments within the City Sphere of Influence. The City leadership team meets regularly with BIA members to identify issues and opportunities for improvement in the development process. The City-County tax sharing agreement has been a standing agenda item at those BIA-Fresno Liaison committee meetings, and the industry has regularly been advised of the fiscal challenges faced by the City which result from the adverse 62% County /38% City tax sharing agreement for properties annexed after January 2003 (see attached map). The BIA was kept informed about the consultant agreement with NBS that was approved by the Council in January 2022. The CFD for Public Safety Services was discussed again at the May 18, 2022 Liaison Committee meeting. In August 2022, City staff shared with the BIA at the Liaison Committee meeting of the results of the fiscal impact study, and that it would be applied to all new residential development within the 62/38 area, i.e. those properties annexed after January 2003, since the revenue shortfall was applicable to not only new annexations but any residential development within the 62/38 area.

A follow-up meeting was held on September 20, 2022 with BIA representatives and City staff to go over the NBS fiscal impact analysis. To allow more time for a subcommittee of interested BIA representatives to work with City staff, City representatives agreed to postpone the Resolution of Intention to form the new district until October 20, 2022. After another BIA-Fresno Liaison meeting where CFD 18 was on the agenda on November 16, 2022, the public hearing to form the new CFD 18 for Public Safety services was held on December 1, 2022. Annexation No. 2 also occurred through publicly noticed agendas, with affirmative ballots returned by developers within the Parc West development. This was a requirement contained in the Parc West Development Agreement after significant discussion at the City Council level about new development being able to fund public safety services in light of the City-County tax sharing agreement.

The City of Fresno staff team is disappointed that after a substantial level of BIA outreach and coordination over the past year, the City is now receiving this letter. The BIA coordination included not only the updates in the larger Liaison Committee meetings, but City staff sharing the draft fiscal impact analysis and rate study, then working with the consultant to modify the analysis based upon industry feedback. The public safety CFD is a vehicle that allows for new residential development to move forward and provide the much-needed housing in our region, without creating an adverse fiscal impact to the City of Fresno that would drain resources from services to existing residents and businesses.

In regards to the updated 2023 Zillow Home Value Index and assumed household income levels to afford new homes, the City team was more than willing to evaluate those figures. However, it is critical that an updated analysis for 2023 would need to consider not only updated revenue generated from new residential development but also the updated 2023 costs for public safety services. Shown below is a side-by-side comparison of the figures from the NBS study which incorporated City FY2022 budget figures, and updated calculations from City staff based upon the methodology from the fiscal impact study, with BIA recommendations for property values and income, plus the FY2024 public safety costs per the adopted City budget. After our September 25, 2023, meeting with the BIA where staff shared the comparison, the FY2024 figures have been updated as follows:

1. The Fire Department operating budget figure has been reduced to \$100,616,000 to more appropriately exclude debt service.
2. The Police Department operating budget figure has been reduced by \$4,561,800 for contract law enforcement services.
3. While the FY2022 budget was only able to provide 64% of General Fund revenues for Public Safety expenditures, in the FY2024 Adopted Budget this was increased to 68.6%. The projected revenue has been recalculated accordingly, which resulted in a 7.2% increase in the property tax portion of the total revenue.

	NBS Study with FY2022 Budget Figures	BIA Proposed Income & Home Values, with City FY2024 Public Safety Expenses
Average Single Family Home Value	\$399,000	\$503,476
Homeowner Exemption	\$7,000	\$7,000
Average Assessed Value	\$392,000	\$496,476
Estimated Household Income per SFR Unit	\$101,908	\$150,000
Total City Revenues for the Case Study Project (4,080 new residents)	\$1,205,724	\$1,601,116
Fire Dept Expenditures	\$75,290,500	\$100,616,000
Police Dept Expenditures	\$194,538,900	\$255,802,400
Demand Adjustment Percentage	95%	95%
Adjusted Fire Expenditures	\$71,525,975	\$95,585,200

Adjusted Police Expenditures	\$184,811,955	\$243,012,280
Residential Population Served	552,238	557,760 (added 1%)
Employee Population Served	424,515	428,760 (added 1%)
Current Persons Served (Residential + 50% Employees)	764,496	772,140
Amount per Person Served (Fire)	\$93.56	\$123.79
Amount per Person Served (Police)	\$241.74	\$314.73
Total City Expenditures for the Case Study Project	(\$1,368,037)	(\$1,789,179)
Net Fiscal Impact	(\$162,314)	(\$188,063)
CFD Special Tax Required per Single Family Home	\$164/year	\$190/year

As shown in this simple overview, although the revenues have grown, the expenditures have grown at a faster rate resulting in a greater revenue shortfall.

In a separate email, you proposed that the costs for public safety services should exclude revenue sources other than the General Fund. This component of the Fire Department and Police Department adopted budgets are critical for providing public safety services and are funding ongoing personnel expenses, not one-time costs. The principal non-General Fund revenues are the American Rescue Plan Act (ARPA) revenue replacement funds and the SAFER grant for the Fire Department. To argue that sworn police officers and firefighters funded for this fiscal year by ARPA or SAFER grant resources should not be counted, would be to suggest that the level of public safety services available without these officers and firefighters is adequate. City staff believes that these positions are essential, and recognizes that after the ARPA and SAFER grants time out, these public safety positions will all become General Fund positions. As such the ARPA and SAFER components of the Fire and Police Department budgets should be fully considered for the analysis of the real cost of providing services as compared to the projected revenues.

In summary, a review of the updated revenue calculations in conjunction with actual public safety service costs yielded a conclusion that a revenue shortfall still exists, which in fact has grown since the original analysis based upon FY2022 financial data.

Mr. Jeffrey M. Reid
Community Facilities District No. 18
September 28, 2023

Should you have any questions, please feel free to contact me at (559) 621-8650.

Sincerely,

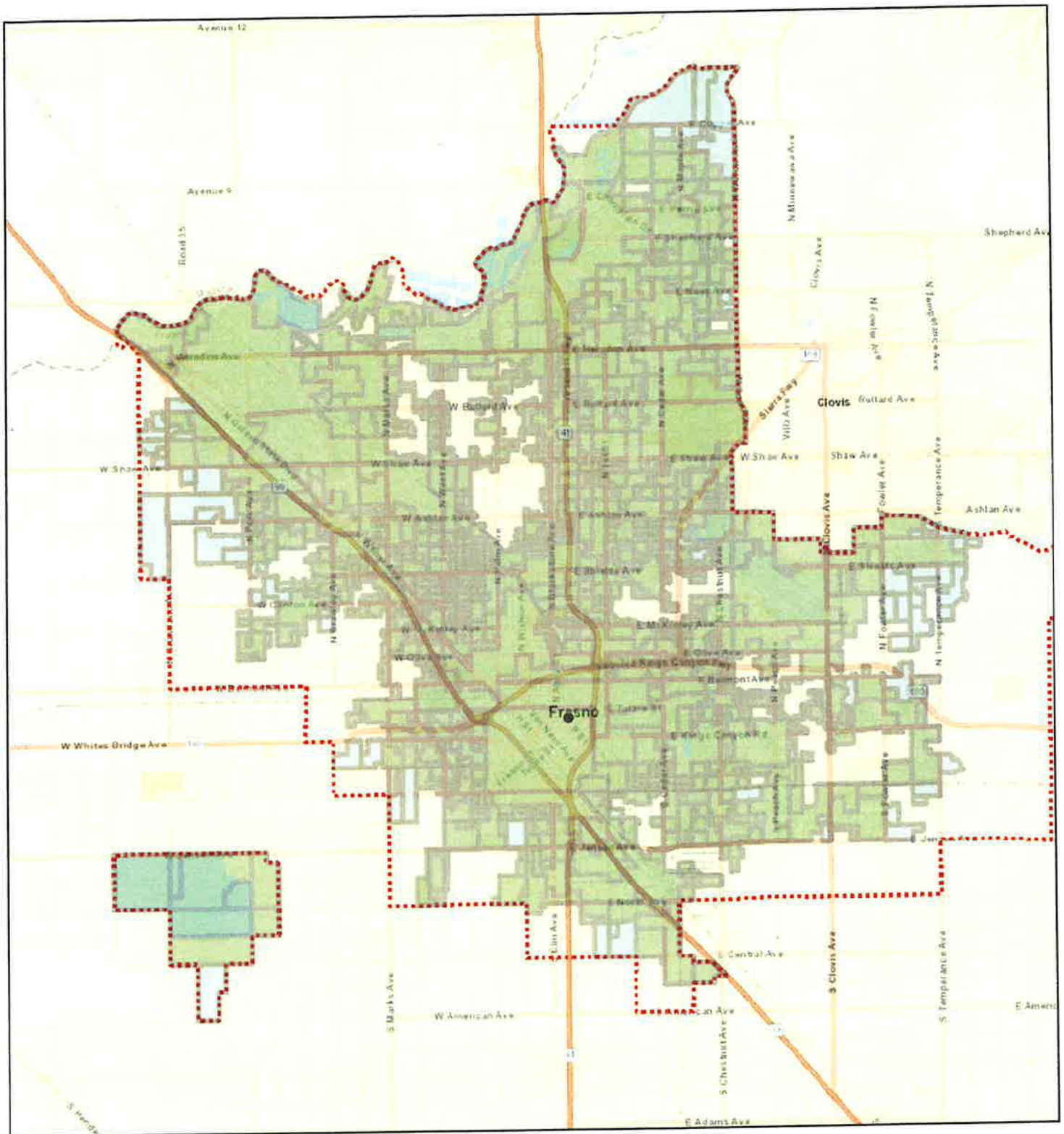


Scott Mozier, PE
Public Works Director

Attachment – Annexation Map

c: Mike Prandini, Building Industry Association of Fresno/Madera Counties
Mayor Jerry P. Dyer
Georgianne A. White, City Manager
Ruth F. Quinto, Assistant City Manager
Andrew Janz, City Attorney
Jennifer Clark, Director, Planning & Development

Annexation Timelines



LEGEND



Fresno Sphere

Annexation after Jan 2003

Annexation before Jan 2003

Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c) OpenStreetMap contributors, and the GIS User Community