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To: Saddle Creek Community Services District

From: Stephanie Parson and Tim Seufert, NBS

Date: December 19, 2016

RE: Proposed Special Tax Rate Structure

The Saddle Creek Community Services District (“Saddle Creek CSD”) is looking to establish a special tax to fund ongoing services and capital improvement projects. This new special tax will replace an existing special tax that was established back in 2000. When the tax rate for the original special tax was developed, it was based upon a projected development of over 1,100 homes. Unfortunately, development has not occurred as anticipated, and the Saddle Creek CSD needs a reliable and stable funding source to cover the annual operating shortfall and to provide for necessary capital improvements.

According to data obtained from the Calaveras County Auditor-Controller’s office, the 2016/17 total special tax levy amount for the existing Saddle Creek CSD parcel tax is \$595,403.20. The 2016/17 special tax rate per residential lot, created by a recorded subdivision map, is \$1,063.22. There is no special tax levied upon large lot undeveloped property, the sports club property, or the golf course property.

Saddle Creek CSD provided NBS a proposed operating budget for the next five years in order to develop possible special tax rates. The proposed calendar year operating budgets are summarized in the table below:

Description	2018	2019	2020	2021	2022
Operational Expenses	\$386,734	\$399,265	\$412,423	\$426,240	\$447,552
Personnel Expenses	455,057	482,331	514,024	547,852	575,245
Capital Outlay	225,743	226,481	227,235	228,003	228,786
Reserves	65,008	66,695	68,466	70,326	71,733
<b>Total:</b>	<b>\$1,132,542</b>	<b>\$1,174,772</b>	<b>\$1,222,148</b>	<b>\$1,272,421</b>	<b>\$1,323,316</b>

**Proposed Special Tax Benefit Factors:**

In developing the tax rate structure for the new special tax, the large lot undeveloped property, the sports club property, and the golf course property were included in the analysis. Similar to the existing special tax, all residential lots, created by a recorded subdivision map, are levied at the same special tax rate. Using the residential lot as the basis for the tax rate analysis, special tax rates were developed for the other land use categories within the Saddle Creek CSD. For purposes of this tax rate analysis, residential lots within the Saddle Creek CSD are assigned 1.00 benefit factor per residential lot.

Large Lot Undeveloped Property

Large lot undeveloped property represents the vacant land within Saddle Creek CSD that needs to be further subdivided before a building permit can be issued upon the property. The Saddle Creek Specific Plan projected construction at densities of 1.50 to 1.86 dwelling units per acre, or an average density of 1.68 dwelling units per acre. Comparing this average density to the benefit factors assigned for residential

lots, it is determined that the large lot undeveloped property will receive a benefit factor of 1.68 per acre. However, the large lot undeveloped property does not benefit from the ongoing services and planned capital improvements in the same way that residential property benefits. To recognize this reduction in benefit, the large lot undeveloped property's benefit factor has been adjusted to 25% of the calculated benefit factor. The assigned benefit factor for large lot undeveloped property is 0.42 per acre.

<b>Description</b>	<b>Benefit Factor Calculation</b>
Calculated Benefit Factor	1.68 per acre
Benefit Percentage	25%
Assigned Benefit Factor	0.42 per acre

#### Sports Club Property

Benefit factors for the sports club property and the golf course property were established by utilizing trip generation information. Residential estate housing property generates 12 trips per dwelling unit. Again, using the average density of 1.68 dwelling units per acre identified above, the residential property generates approximately 20 trips per acre. Indoor recreational facilities also generate approximately 30 trips per acre. However, the assigned benefit factor for the sports club property must take into consideration that the Saddle Creek sports club is exclusive to property owners of Saddle Creek and guests staying at the Lodge Bungalows. To recognize the limited benefit from the capital improvements and services, from non-homeowner guests of the sports club, the calculated benefit factor of 1.00 has been adjusted to 25% of the calculated rate. The assigned benefit factor for the sports club property is 0.25 per acre.

<b>Description</b>	<b>Benefit Factor Calculation</b>
Sports Club Trip Generation per acre	30
Residential Trip Generation per acre	20
Calculated Benefit Factor	1.50 per acre
Benefit Percentage	25%
Assigned Benefit Factor	0.375 per acre

#### Golf Course Property

Again, using trip generation information, golf courses generate approximately 600 trips per golf course, which is 50 times more trips than that of a residential dwelling unit. The Saddle Creek Golf Club is not a private course that is exclusive to the residents of only Saddle Creek, but is a public golf course that is open to everyone. Similar to the sports club property, it is recognized that there are some golfers who are also residents within the Saddle Creek development. To account for those golfers who may also be homeowners within Saddle Creek, and to provide a comparison, the calculated benefit factor for the golf course property has been adjusted to 75% of the calculated rate. The assigned benefit factor for the golf course property is 37.50 per golf course property.

<b>Description</b>	<b>Benefit Factor Calculation</b>
Golf Course Trip Generation	600
Residential Trip Generation	12
Calculated Benefit Factor	50.00 per course
Benefit Percentage	75%
Assigned Benefit Factor	37.50 per course

The table below recaps the assigned benefit factors for property within the Saddle Creek CSD.

<b>Land Use Category</b>	<b>Benefit Factor</b>	<b>Special Tax Levied Per</b>
Residential Lot	1.00	Lot
Large Lot Undeveloped Property	0.42	Acre
Sports Club Property	0.375	Acre
Golf Course Property	25.00	Parcel(1)
Common Area / Roads	0.00	Parcel

- (1) The golf course property special tax will be assigned and levied upon the developed parcel that includes the Saddle Creek Lodge, currently parcel 055-051-067. If that parcel changes in future years, the special tax shall be levied on the successor parcel that includes the Saddle Creek Lodge.

**Proposed Special Tax Rates:**

Applying the assigned benefit factors from above, special tax rates were developed. For purposes of this analysis, the annual special tax rates were assumed to escalate by 2% each year. Although, Saddle Creek CSD should consider an annual escalator that is similar to the escalator in place for the existing special tax, but also include a minimum annual increase of 2%. In order to achieve sufficient special tax revenue to cover the proposed budget for each of the upcoming five years, the 2017/18 special tax rates are:

<b>Land Use Category</b>	<b>2017/18 Special Tax Rate</b>	<b>Tax Levied Per</b>
Residential Lot	\$1,703	Lot
Large Lot Undeveloped Property	720	Acre
Sports Club Property	640	Acre
Golf Course Property	63,860	Parcel(1)
Common Area / Roads	0	Parcel

- (1) The golf course property special tax will be assigned and levied upon the developed parcel that includes the Saddle Creek Lodge, currently parcel 055-051-067. If that parcel changes in future years, the special tax shall be levied on the successor parcel that includes the Saddle Creek Lodge.

**Proposed Special Tax Revenue:**

Applying the above special tax rates to each parcel within the Saddle Creek CSD, the proposed 2017/18 special tax revenue generated by each land use category is shown below.

<b>Land Use Category</b>	<b>Proposed 2017/18 Special Tax Revenue</b>
Residential Lot	\$953,680
Large Lot Undeveloped Property	191,470
Sports Club Property	63,860
Golf Course Property	2,016
Common Area / Roads	0
<b>Total:</b>	<b>\$1,211,026</b>

The special tax revenue exceeds the proposed 2018 calendar year budget amount by over 8%. However, with the annual escalation applied to the special tax rates, these escalated tax rates will provide sufficient revenue to meet the proposed budget for calendar year 2022. The annual difference between the special tax revenue generated and the proposed budget is provided in the table below.

<b>Description</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Proposed Budget	\$1,132,542	\$1,174,772	\$1,222,148	\$1,272,421	\$1,323,316
Special Tax Revenue(1)	\$1,224,347	\$1,248,834	\$1,273,810	\$1,299,287	\$1,325,272
<i>Difference</i>	<i>\$91,805</i>	<i>\$74,062</i>	<i>\$51,662</i>	<i>\$26,866</i>	<i>\$1,956</i>

(1) Based on the timing of the apportionment of funds from Calaveras County, the special tax revenue that will cover the calendar year budget is based upon 45% of the current fiscal year special tax revenue levied and 55% of the subsequent fiscal year special tax revenue levied.

It should be noted that the Saddle Creek CSD does not need to levy the full special tax amount in a given fiscal year. If there are sufficient reserves in place, Saddle Creek CSD can levy an amount that is less than the maximum to cover the annual costs for that particular fiscal year. For example, in 2017/18, the Saddle Creek CSD could levy approximately 92% of the maximum special tax rate or \$1,578 per residential lot.

**Next Steps:**

The Saddle Creek CSD needs to approve the special tax rate structure. Once approved, the necessary steps will be taken to provide the Calaveras County Election's Office with the necessary documentation to conduct the election.