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To: Saddle Creek Community Services District

From: Stephanie Parson and Tim Seufert, NBS

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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 operating budget is summarized in the table below:

Description	2017/18	2018/19	2019/20	2020/21	2021/22
Operational Expenses	\$397,144	\$516,214	\$533,503	\$551,656	\$570,717
Personnel Expenses	420,217	440,951	462,998	486,148	510,456
Capital Outlay	110,000	110,000	110,000	110,000	110,000
Studies & Assessments	20,000	20,000	20,000	20,000	25,000
Reserves	149,167	150,625	152,156	153,764	155,452
Total:	\$1,096,527	\$1,237,790	\$1,278,657	\$1,321,568	\$1,371,625

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.

Description	Benefit Factor Calculation
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.

Description	Benefit Factor Calculation
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 50% and 75% of the calculated rate. The assigned benefit factor for the golf course property in Scenario 1 is 25.00 per golf course property and the assigned benefit factor in Scenario 2 is 37.50 per golf course property.

Description	Scenario 1 Benefit Factor Calculation	Scenario 2 Benefit Factor Calculation
Golf Course Trip Generation	600	600
Residential Trip Generation	12	12
Calculated Benefit Factor	50.00 per course	50.00 per course
Benefit Percentage	50%	75%
Assigned Benefit Factor	25.00 per course	37.50 per course

The remainder of this tax analysis will consider two scenarios, where the only difference is the assignment of the benefit factors to the golf course property. The table below recaps the assigned benefit factors for each of the proposed scenarios.

Land Use Category	Scenario 1 Benefit Factor	Scenario 2 Benefit Factor	Special Tax Levied Per
Residential Lot	1.00	1.00	Lot
Large Lot Undeveloped Property	0.42	0.42	Acre
Sports Club Property	0.375	0.375	Acre
Golf Course Property	25.00	37.50	Parcel(1)
Common Area / Roads	0.00	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 each scenario. 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:

Land Use Category	Scenario 1 2017/18 Special Tax Rate	Scenario 2 2017/18 Special Tax Rate	Tax Levied Per
Residential Lot	\$1,820	\$1,785	Lot
Large Lot Undeveloped Property	760	750	Acre
Sports Club Property	680	670	Acre
Golf Course Property	45,500	66,940	Parcel(1)
Common Area / Roads	0	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.

Land Use Category	Scenario 1 Proposed 2017/18 Special Tax Revenue	Scenario 2 Proposed 2017/18 Special Tax Revenue
Residential Lot	\$1,019,200	\$999,600
Large Lot Undeveloped Property	202,107	199,448
Sports Club Property	2,142	2,111
Golf Course Property	45,500	66,940
Common Area / Roads	0	0
Total:	\$1,268,949	\$1,268,099

The 2017/18 special tax revenue exceeds the proposed 2017/18 budget amount by over 15%. 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 2021/22. The annual difference between the special tax revenue generated for each scenario and the proposed budget is provided in the table below.

Description	2017/18	2018/19	2019/20	2020/21	2021/22
Proposed Budget	\$1,096,527	\$1,237,790	\$1,278,657	\$1,321,568	\$1,371,625
Scenario 1:					
Special Tax Revenue	\$1,268,949	\$1,294,328	\$1,320,214	\$1,346,619	\$1,373,551
<i>Difference</i>	<i>\$172,422</i>	<i>\$56,538</i>	<i>\$41,557</i>	<i>\$25,051</i>	<i>\$1,926</i>
Scenario 2:					
Special Tax Revenue	\$1,268,099	\$1,293,460	\$1,319,329	\$1,345,716	\$1,372,630
<i>Difference</i>	<i>\$171,572</i>	<i>\$55,670</i>	<i>\$40,672</i>	<i>\$24,148</i>	<i>\$1,005</i>

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 85% of the maximum special tax rate or \$1,575 per residential lot in Scenario 1 and \$1,545 per residential lot in Scenario 2.

Next Steps:

The Saddle Creek CSD needs to approve a 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.