Town of Moraga

Revenue Enhancement Committee

Final Report to the
Moraga Town Council

November 2009

EXECUTIVE SUMMARY

The charter for the Town of Moraga's Ad Hoc Revenue Enhancement Committee (REC) and the REC's membership were both established by the Moraga Town Council on March 25, 2009. The REC's purpose was: "To recommend to the Town Council potential strategies for enhancing existing and creating new revenue sources to the General Fund and special purpose needs."

The REC's first meeting was held on May 6, 2009. At that time the committee organized its approach to fulfilling the above purpose and planned its future activities. Starting in June, the REC met bi-weekly through early November. The Committee established three subcommittees—Infrastructure, General Fund Revenues, and Economic Development—in order to efficiently focus on the major financial and economic issues currently facing the Town.

The REC reviewed the Town's current financial condition and prospective needs with the Town's staff. Comparative municipal budget data show that Moraga receives substantially less in property and sales taxes per capita than the Town's neighbors and other peer cities.

The Town's operating reserves are minimal. Notwithstanding rigorous financial discipline, revenues and expenditures are currently on trend lines that may soon require severe service cutbacks. Moreover, because the Town has not had the funding to properly maintain its roads and storm drains, both are deteriorating. Major action to halt that deterioration, stabilize both systems and ultimately return both to more satisfactory levels is needed immediately.

The Town's two major shopping centers are no longer serving many of our Town's most basic needs. That situation forces Moragans to do more and more of our shopping outside of our Town. A direct effect of that situation has been a decline in the Town's sales tax revenues.

The REC and its subcommittees evaluated a wide spectrum of possible revenue enhancement opportunities. Those included possible methods to stimulate the local business economy in order to increase sales tax collections, plus a variety of assessment and tax vehicles. Those opportunities that were deemed most appropriate for further study were then analyzed in depth. Each was also analyzed as to both its potential Value contribution and the estimated Difficulty to be faced in implementing that alternative. A four quadrant "Value/Opportunity" relative ranking system was used for that purpose. Each alternative was then placed into one of four categories; Higher Value/Lower Difficulty (the most desirable), through Higher Value/Higher Difficulty and Lower Value/Lower Difficulty and Higher Difficulty/Lower Value (the least desirable).

Following are the REC's principal findings and recommendations by principal area of study:

Infrastructure

Standard industry methods for assessing pavement conditions show that Moraga's streets have deteriorated to where they now are in the middle of the "Fair" range. Among our neighborhood streets, which represent 46 percent of our Town's total roadway network, 40 percent are rated "Poor" or worse. If Moragans want to restore our roads to either the upper end of the "Fair" range, or perhaps to "Good," restoring and then maintaining the neighborhood street system will require a long-term annual spending commitment between $2 million and $3 million. The alternative would be a continued deterioration that would inevitably lead to a "Poor" rating for most of the roadway system within a relatively short time period.

A detailed analysis of the Town's storm drain system is currently pending. Storm drain systems are generally expected to last 60 years. Based upon the age profile of Moraga's public system, one can expect that major replacement work will start to be needed in the not-too-distant future. The Town does not currently budget for storm drain repairs, nor has it accumulated any reserves for future repairs or replacement. It has been preliminarily estimated that over the next 30 to 40 years, the Town will need to provide up to $500,000 per year for drainage system repairs and replacement.

The Town has had a street lighting assessment district since shortly after it incorporated. The Town's current annual operations cost for street lighting is $200,000. The assessment district only contributes $50,000 of that total, because the assessment rates have not been increased for many years. The balance of that requirement is therefore necessarily covered from the Town's General Fund.

With the help of experts both on the committee and from the community, the Infrastructure Subcommittee studied a wide spectrum of possible financial solutions to the above problems. The Subcommittee focused on sustainable revenues that would match recurring expenses over time. Among the alternatives evaluated were: General Obligation bonds; benefit assessment districts; community facility districts; a new street lighting district; developer impact fees; and state and federal grants. The Subcommittee then performed the Value/Difficulty analyses previously described.

The Infrastructure Committee then made the following recommendations:

- Establish a Town-wide '82 Act Benefit Assessment District to rebuild as necessary and then maintain the Town's "collector" and "neighborhood" streets. The principal or "arterial" streets would be separately funded—primarily from state and federal grants.
- Consider possible formation of a similar benefit assessment district for storm drains, once storm drain system needs are better defined.
- Pursue an immediate increase in the existing lighting assessment district's rates in order to fully fund street lighting requirements and thereby relieve the General Fund from carrying the major portion of that burden.

General Fund Revenues

In order to continue meeting the Town's service obligations that are funded from the General Fund—the largest of which is Police Services—a variety of revenue sources that are commonly used for those purposes by similar cities were researched and evaluated. Among those were: a Real Property Transfer Tax, which would require the Town to change from a General Law City to a Charter City; a Transient Occupancy Tax; a General Services Tax; a Utility Users Tax; and Grants. Estimates of the revenue generation potential of each were then prepared. Value and Difficulty analyses were also performed for each.

The General Fund Subcommittee then made the following recommendations:

- Initiate the process of becoming a Charter City and simultaneously develop a Real Property Transfer Tax measure, which tax could generate net revenues up to $1.8 million annually, varying with the tax rate. Both the Charter City proposal and the Real Property Transfer Tax opportunity would be presented to the electorate on the same ballot.
- Pursue a Transient Occupancy Tax that could eventually generate a wide range of revenues up to $500,000 varying with the number of hotel rooms, room rates and occupancy rates, in future hotels and/or B&Bs that may be developed in Moraga.
- Do the necessary preliminary work to have on-the-shelf, ready-to-go grant project applications, in order to maximize potential funding from that source.

Economic Development

In order to effectively address the long-term decline of the Town's business community, the Economic Development Subcommittee first analyzed the reasons underlying that decline: (1) failure of the shopping center owners to make new capital investments to upgrade their facilities; (2) the lack of any concerted and coordinated joint efforts by the Town, the Moraga Chamber of Commerce and the shopping center owners to develop a unified vision and strategy for reenergizing the Town's business community; (3) a failure to develop and then employ the necessary resources required to revitalize the Town's commercial centers and (4) the existence of Town regulations and restrictions that unnecessarily burden existing and potential new businesses. Although some progress is being made in the forms of the Chamber's "Shop Moraga First" campaign and the Town-led Moraga Center Specific Plan process, much more needs to be done.

The Subcommittee also suggested that there is considerable, undeveloped economic potential represented by the presence of St. Mary's College and that college's students, faculty and staff in Moraga.

The Economic Development Subcommittee then made the following recommendations:

- Develop strong economic linkages between the Town, the business community, St. Mary's College and the College's students, faculty and staff. Determine the appropriateness and feasibility of the Town adopting the slogan: "Moraga – Home of St. Mary's College".
- Review and revise the Town's regulations to help create a more "business friendly" environment.
- Add an Economic Development Director to the Town's staff to help stimulate new business investment in Moraga and stem the decline in the Town's sales tax revenues.
- Fund new Town programs (including the Economic Development Director) through a Business License Tax based primarily on Gross Revenues. The tax would be designed to minimize its impact on Moraga's small businesses.

The above Subcommittee recommendations were then reviewed and approved by the full REC for forwarding to the Town Council.

It is recommended that the Town Council take appropriate actions on the recommendations, which might include, among other things, appointment of special committees to investigate further the specific recommendations offered in this report.

EXECUTIVE SUMMARY

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Town Council

Dave Trotter, Mayor
Ken Chew, Vice Mayor
Howard Harpham
Karen Mendonca
Mike Metcalf

Revenue Enhancement Committee

Dick Olsen, Chair
Tom Westhoff, Vice Chair
Trish Bare
Bob Kennedy
Zhan Li
Ravi Mallela
Mike Metcalf
Kathy Ranstrom
Fred Schroeder
Frank Sperling
Larry Tessler
Dave Trotter
Tracy Vesely

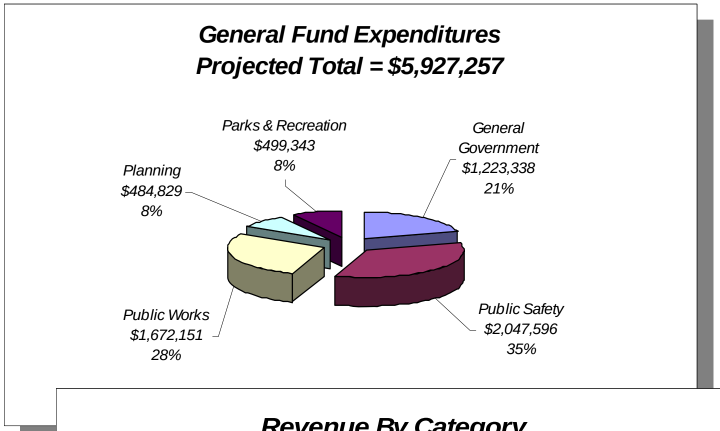
Town Staff

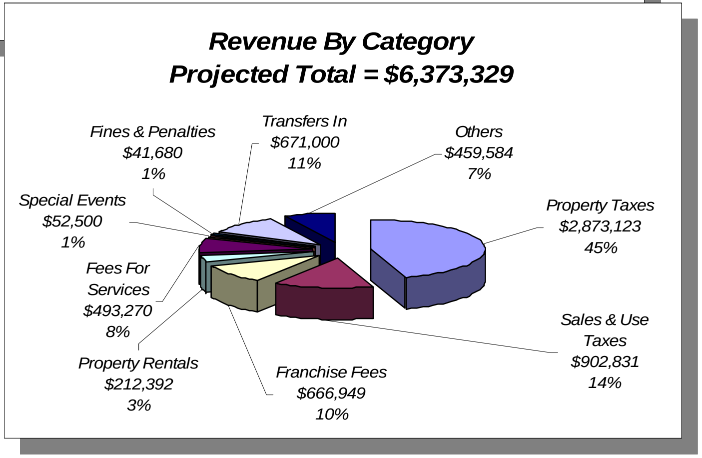
Mike Segrest, Town Manager
Joan Streit, Administrative Service Director
Jill Mercurio, Town Engineer & Public Works Director

CHAPTER 1—INTRODUCTION

Town's Financial Condition

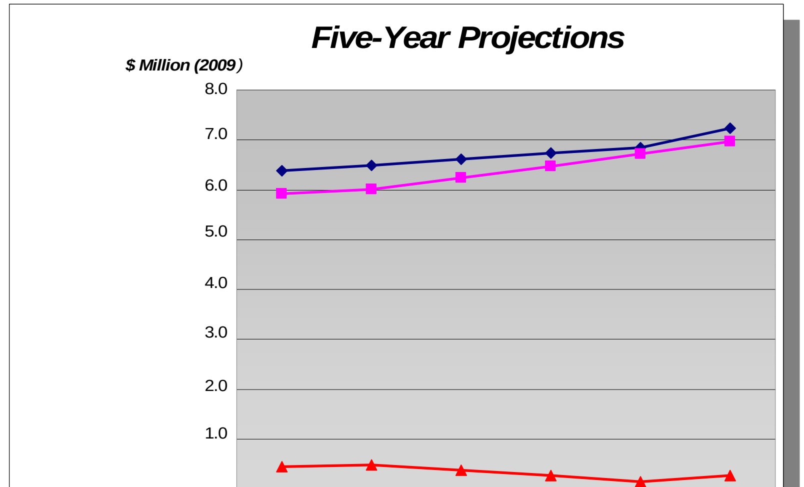
The Town of Moraga was established under the philosophical approach of a minimal service town and has adhered to that philosophy from a taxation and revenue standpoint. Not surprisingly, however, current expectations of services from the Town have increased as new residents move in. While the Town continues to maintain a balanced budget, its ability to fund its infrastructure needs and to improve current services (such as police) has diminished. A declining sales tax base has exacerbated the Town's revenue limitations. The compounding effect of this reduction in the revenue base, rising expectations, and deferral of infrastructure replacement has placed the Town in a challenging position. Put simply, the current revenue base cannot sustain the level of service expected from the Town's residents and replace the aging infrastructure. If the trend in declining revenues continues, the current revenue base will likely not be sufficient to support the current level of services over time.





The Town has already made significant adjustments to the budget over the past two years. In response to a substantial reduction of total revenues over the past two years, the Town has eliminated and reconfigured five positions including a police officer, a human resources administrator, a temporary transportation planner, a planning intern, and an administrative clerk. The Town has significantly reduced the pavement management program and relies almost exclusively on grants for large capital improvement projects to rehabilitate major roads. However, most grants can only be used on major streets. Therefore, neighborhood streets have continued to decline and presently about 18 percent of the neighborhood streets require extensive rebuilding. In addition, the Town has never funded a program to replace the storm drain system and much of the system is nearing the end of its expected life. The voter approved maximum rates for the Town's Lighting Assessment District have not been adjusted since its inception in 1978, resulting in a current cost to the General Fund of about $150,000 per year.

Current Budget and Reserves



	2009-10	2011-11	2011-12	2012-13	2013-14	2014-15
Revenues/Transfers	6,377,329	6,489,942	6,608,778	6,729,883	6,853,299	7,240,365
Expenditures	5,927,257	6,017,652	6,235,042	6,466,065	6,712,183	6,975,059
Avail Net Revenue (Reserve)	450,072	472,290	373,736	263,818	141,116	265,306

The Town's current General Fund expenditure budget of $5.9 million is 14.7 percent less than the prior year budget. This year's expenses are projected to be $450,000 less than anticipated revenues of $6.4 million. In keeping with the Town's conservative fiscal approach, this small "surplus" is intended as a reserve set-aside to deal with any State revenue "takeaways" and potential declines in sales tax or property valuations. While the Town is experiencing further decline in sales tax revenues, property valuations have remained fairly stable for the current year. In order to achieve an annual balanced budget, it has been necessary to reduce infrastructure improvements and fund capital equipment replacement from the fund balance in the asset replacement program. However, this practice can only be sustained for three years, after which the fund will be exhausted. As the Town faces stagnant or declining revenues while costs continue to increase, additional expenditure cuts or increases in revenue will be necessary to sustain current services and fund infrastructure improvements. As depicted in the chart at right, the Town expects that revenues will not keep pace with increases in expenditures owing to inflation.

The Town's General Fund balance as of June 2009 was $2.15 million (unaudited). Although this balance should improve during the current fiscal year, this operating reserve is below a prudent level for a small town like Moraga—at least 50 percent of annual operating expenses. The operating reserve should not be relied upon to support current services since that would only buy time and would not fix the structural deficit in the annual budget for infrastructure maintenance. Moreover, reserves should only be used to cushion the impacts of negative financial developments, and of emergencies.

Most other funds in the budget carry modest balances and rely on annual revenues to support the annual costs for these specific programs. One exception is the Lighting Assessment District which has depleted its fund balance and will require a change in the assessment rate to support its costs. The assessment currently does not cover the cost of street lighting and the district is subsidized by approximately $150,000 from the General

Fund, which creates an equity issue since the entire Town does not benefit from the District.

The only other reserve of any real consequence is the $2.39 million in the Palos Colorados fund. The Town Council has chosen to hold these funds in reserve for the time being, in part due to continuing economic uncertainty. Also, because this is one-time revenue, it would not be prudent to use it to cover ongoing costs. Such an action would only delay dealing with the structural deficit in the operating budget.

	Population	Median Family Annual Income	Non-Public Safety Employee FTEs*	Non-Public Safety FTE per 1000*
Moraga	16,290	$116,113	21	1.3
Lafayette	23,908	$120,364	38	1.6
Orinda	17,599	$132,531	40	2.3
Danville	41,715	$125,867	86	2.1
Piedmont	10,925	$149,857	39	3.6
Los Gatos	28,592	$119,194	65	2.3

* Non-Public Safety Employees do not include Police

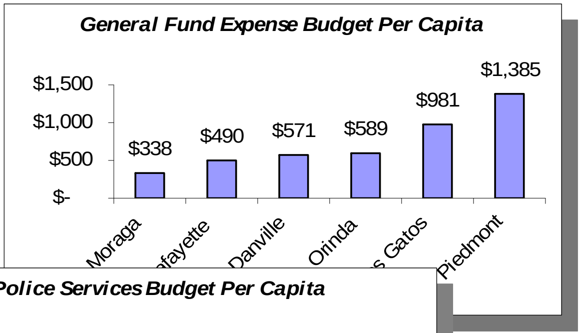
Peer City Comparisons

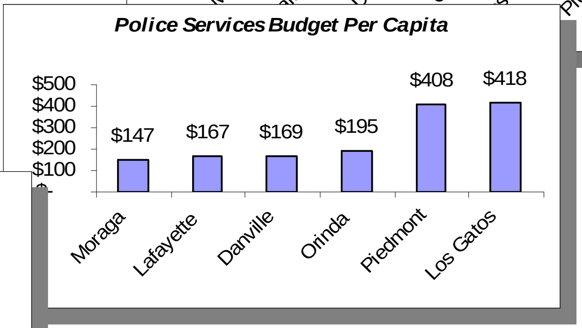
Peer Cities

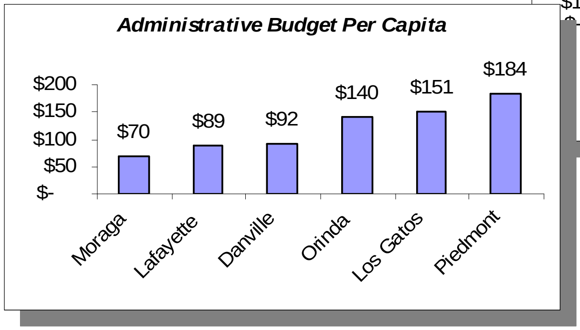
It is useful to compare Moraga to Bay Area cities that are similar in demographics and population. The group of cities identified as "peer" cities are based primarily on population size and per capita household income. The table at right compares Moraga to the five peer cities, based on 2008 data[1].

Per Capita Expenditures

Comparative per capita spending testifies to Moraga's minimalist approach to local government. Moraga per capita total General Fund expenditures were the lowest of the peer group, and by a significant margin as shown in the chart at right. This is largely because Moraga has only 1.3 employees, other than police, per 1000 population, far lower than any peer city. Moraga's expenditures for police services and administrative expenses are the two largest components of General Fund spending. In both cases, Moraga's expenditures per capita are the lowest of the peer group.



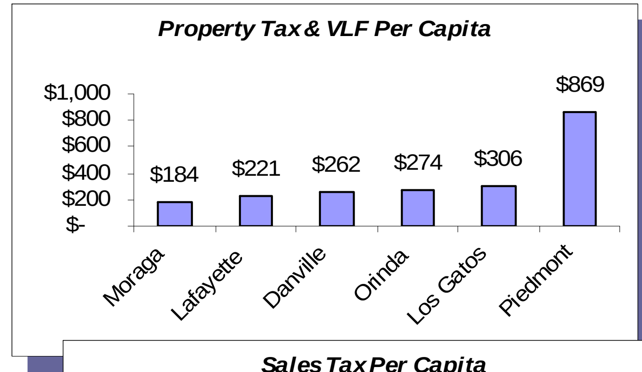


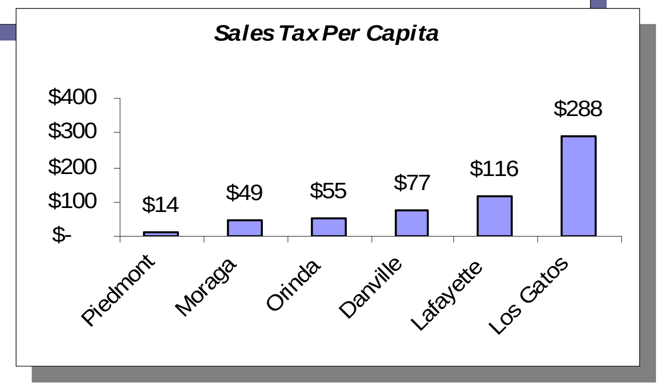


1 Peer comparisons are taken from *Lafayette Finance Review Committee Final Report to City Council*, December 2008.

Per Capita Revenues

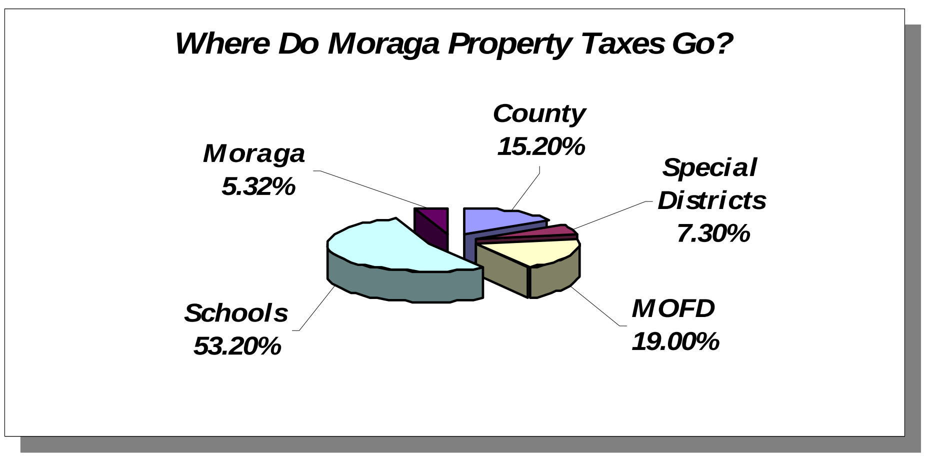
Moraga's low level of spending is driven by per capita revenues that are the lowest of the peer group. Property tax is the largest category of General Fund revenue. As the chart on this page demonstrates, Moraga received the lowest per capita property tax and Vehicle License Fee (VLF) revenue of the peer group. Lafayette, which is second from the bottom, received about 20 percent more property tax than Moraga. In terms of per capita sales tax revenue, only Piedmont received less than Moraga. Orinda received slightly more and Lafayette reaped much more per capita (more than double Moraga's figure).





Allocation of Moraga Property Tax

The Town of Moraga receives only 5.3 percent of every property tax dollar. The rest of the tax goes to the County, schools and special districts. The charts below show the allocations for FY 2009-10. Moraga receives the lowest percentage allocation of any of the five cities shown, and receives the lowest percentage allocation of any of the nineteen cities in Contra Costa County.



Property Tax Allocation (%)	
Moraga	5.32
Lafayette	6.80
Orinda	7.40
Concord	10.42
Pittsburg	15.82

Economic and Business Conditions: Now and Then

When the Town of Moraga was incorporated in 1974, it had two successful shopping centers. The Moraga Center and Rheem Center were relatively new and served much more of residents' shopping needs than they now do. At one time there were four grocery stores in town providing a wide range of basic staples. A variety of specialty stores met many consumer demands.

Over the years, changes in consumer shopping preferences and competition from neighboring communities have resulted in deterioration of Moraga's retail base. "Big box" and discount retailers outside of Moraga now provide the goods and services many Moraga shoppers have come to desire. Neighboring communities such as Lafayette and Walnut Creek were not the shopping and dining destinations they are today. Furthermore, these shopping opportunities are close by the employment locations of many Moraga commuters who work outside of town. Moraga has not been able to compete in this environment due to the limited "draw area" of Moraga's somewhat isolated location.

Major "leakage" of consumer spending from Moraga is a clear result of these changes. Increased consumer spending outside of Moraga translates to deteriorating sales tax revenue. During the 10-year period since 1999, this revenue has dropped from 18 percent of General Fund revenues to approximately 10 percent today. Moraga's very low sales tax per capita demonstrates the current situation.

To further exacerbate the situation, recent changes in ownership of the Rheem Center have increased the investment basis for the property and resulted in higher rents. The growing number of vacancies in the center is disturbing and erodes the critical mass of shopping opportunities needed to provide the draw for the center overall. Absence of a strong anchor is a factor in the decline in sales.

The business community has the opportunity to address this issue through a strong Chamber of Commerce, but the loss of businesses in the community affects the participation and resultant strength of the Chamber. The recent resurgence of interest in the Chamber is encouraging, but will require increased support to reach its potential.

The Town Council has recently approved waiving the planning department fees for businesses to locate in existing vacant space in an effort to support new businesses as well as existing businesses that need to relocate. Town staff is also working with property owners to encourage the retention of existing businesses and attraction of new businesses to Moraga, but the current economic climate challenges this effort. Approval of the Moraga Center Specific Plan should have positive effects on the vitality of this center. The Town Council's final action on the Moraga Center Specific Plan and the potential for additional retail space that may be authorized under this plan, along with up to 630 new residential units, is expected to significantly enhance and contribute to the revitalization of the center over time.

Significant Unmet Needs and Related Financial Requirements

Infrastructure Preservation and Improvement

The Town has over $114 million in infrastructure at today's replacement cost—roads, storm drainage, parks and other community facilities. The life expectancy of these infrastructure elements varies greatly and depends in large part on the amount of preventive maintenance that is applied. The Town has never had adequate funds to routinely replace these elements and currently faces a significant unfunded liability.[2]

There are three components of the funding need for infrastructure preservation and improvement: major resurfacing and replacement of streets and related elements; storm drain replacement; and building and grounds repair, replacement and upgrades. There are two parts to these infrastructure needs: one-time "catch up" for facilities that have already failed or are near failure; and an on-going source of funding to establish a regular replacement schedule that will sustain these facilities at acceptable levels.

The Town Council has established an Infrastructure Preservation and Improvement (IPI) fund that is intended to fund infrastructure needs in part from year-end savings in the General Fund. This approach potentially could generate annual contributions to the IPI fund (on the order of $200,000 per year), but such modest annual funding will address a small portion of total needs. Additional revenue sources must be identified that can provide funding for "catch up" and reliable funding for annual maintenance and improvements. However, such additional funding must not adversely affect the revenues that are available to fund current levels of service.

[2] This subject is discussed in detail in *Chapter 3—Infrastructure.*

General Fund Stability/Sustainability

There are two components to this need. The first is to secure new unrestricted revenue sources that are independent of State control and perennial threats of "takeaways." The second is to significantly increase the General Fund Reserve to reach Town Council's goal of 50 percent of the General Fund annual budget. Both components can be achieved by implementing relatively small, incremental revenue enhancement steps. New funding sources need to be identified which are immune from State "borrowing" and take-aways that have been commonplace in recent years. Ideally, new revenue sources need to grow to match inflation, since most of the expenditures in the General Fund are subject to inflationary pressures. Some of the needs within the General Fund include routine maintenance, expenses for current and new staff, and capital equipment replacement. The order of magnitude for these annual needs is between $500,000 and $1.0 million.

Investment in Economic Sustainability

Investment in the economic sustainability of the Town is a long-term proposition. It is difficult to quantify. Investments in economic development can directly enhance revenue to support the financial needs of the Town and, more importantly, are critical to the financial success of the business community. Many communities support economic development efforts with dedicated staff positions, development incentives, and contributions to their chambers of commerce. The Town has already invested in this effort through the studies it commissioned in developing the Moraga Center Specific Plan. With the approval of that plan the Town will take a significant step toward supporting the revitalization of that commercial center. A similar effort is envisioned for the Rheem Center, but funds will need to be budgeted to support such an undertaking.

Report Organization

The chapters that follow discuss the revenue enhancement opportunities that have been identified as warranting study.

Chapter 2—*Process and Methods* describes the Revenue Enhancement Committee and the methods and processes the Committee used to conduct their studies.

Chapter 3—*Infrastructure* discusses the Town's major infrastructure needs and outlines programs for maintenance and improvements to that critical infrastructure needing attention.

Chapter 4—*General Fund Revenues* focuses on new annual revenue enhancement opportunities which could build the Town's General Fund. Improved General Fund revenues would allow the Town to attend to many governmental functions and projects that have been deferred in the past.

Chapter 5—*Economic Development* describes initiatives and measures the Town might take to arrest, and reverse, the decline of the Town's local businesses. The measures are aimed at improving the sales tax revenue stream, which would contribute to the health of the General Fund.

Chapter 6—*Recommendations* concisely states significant financial observations, and collects the Committee's recommendations. These recommendations are summarized according to the three areas of focus: Infrastructure, General Fund, and Economic Development.

A collection of appendices provides supporting detail for those readers who are interested.

CHAPTER 2—PROCESS AND METHODS

Committee Charter: Purpose and Goals

In December 2008, the Town Council concluded that a concerted effort was needed to study ways by which revenues could be enhanced in order to address the Town's more pressing financial needs. Both Lafayette and Orinda had undertaken similar studies; both received useful recommendations, some of which are being pursued.

The Revenue Enhancement Committee (REC) charter was adopted by the Town Council in March 2009 (see box at right). The Town Council contemplated a work program focused on new revenue streams and improvement of existing revenue sources. The objective was to identify opportunities for enhanced revenues that would be more reliable and enduring than the current revenue sources. The Town Council did not ask the Committee to analyze expenditures since expenditures are the subject of the annual budgeting process, which is conducted publicly during the first half of each calendar year. Revenues for both operating and capital uses were to be addressed, as indicated in the work method descriptions portion of the Charter (see box on next page). The intended result was that the Town Council would be provided a slate of recommendations to consider for enhancing the Town's revenues.

Revenue Enhancement Committee Charter
(Adopted March 25, 2009)

***Category*:** Town Council Ad Hoc Committee

Purpose: To advise and report to the Town Council regarding potential strategies for enhancing existing, and creating new, revenue streams that fund General Fund and for special-purpose needs.

Appointed by: Town Council

Number of Members: 10-13 plus non-voting Town Staff

Composition
- Town Council (2)
- Town Treasurer (1)
- Audit Finance Committee (1)
- Citizens (representing…)
  - Schools (MSD) (2)
  - Fire (MOFD) (1)
  - Chamber of Commerce (1)
  - Others (5)
- Staff
  - Town Manager
  - Finance Director

Term of Appointment: Committee Sunsets 12/1/09

Staff Liaison: Finance Director
(with administrative support from task force members)

Meeting format and schedule: Meetings as required; all meetings of full committee to be noticed and open to public.

Budget: To be determined as project progresses.

Deliverables: Two public meetings with Town Council (minimum), one at mid-project, one at conclusion of study. Final report to be presented at final meeting.

Scope

Included Areas

The Committee chose to investigate three areas for revenue enhancement: infrastructure maintenance and improvements (roads, storm drainage and street lighting), General Fund services (police, parks and recreation, Town facilities, etc.), and improved commercial economic vitality.

Infrastructure Needs

- Enhancement of existing revenue sources for annual maintenance, replacement and capital improvements
- Identification of potential new sources of stable revenue for infrastructure

purposes which are not reliant on the General Fund.

General Fund

- Enhancement of existing revenue streams for essential services.
- Identification of potential new sources of revenue that are not subject to state or county subventions.

Economic Vitality

- Revenue enhancement resulting from improved economic vitality of the Town's existing commercial centers.
- Investments the Town can make to boost commercial economic activity for the Town's ultimate economic benefit.

Excluded Areas

Several areas were excluded from consideration, either because the issues were already under consideration by the Town Council or Town Staff, or because important information was yet to be obtained. The excluded areas are:

Asset/Surplus Land Disposal

The Town owns a number of parcels and surplus land which have market value. The Town Council has separately authorized the Town Manager to explore ways in which these properties could be monetized in order for their value to be put to productive use. Surplus property was explicitly excluded from study by the Committee.

Palos Colorados Developer Fees

The Palos Colorados development will yield the Town approximately $17 million in developer fees over the course of the project's development (extending over 10 years into the future). To date, approximately $4 million of the total fees have been collected by the Town.

The Town Council has discussed appropriate uses of those developer fees, but no decisions have been made. Potential uses include funding for one-time projects, and/or "rainy day" and disaster reserves.

Revenue Enhancement Committee Work Method

Operating

- Introduce members to current state of Town operating revenues and expenditures; achieve common understanding that current-year operating budget represents the Town's financial condition.
- Assess revenue and expenditure forecasts; identify areas where forecasts are firm, where they might be soft.
- Assess operating revenue streams for enhancement potential.
- Identify potential approaches for enhancement of operating revenues; formulate action plans for feasible approaches.
- Prepare interim and final report on findings.

Capital

- Introduce members to current state of capital improvement program and associated revenue streams.
- Understand potential capital improvement projects and their possible timelines.
- Identify potential approaches to capital project financing; formulate action plans for feasible approaches.
- Prepare interim and final report on findings (included with Operating section).

The Committee regarded use of the Palos Colorados fund as a matter within the Town Council's purview. For purposes of this study, the Committee did not consider the prospects for the Palos Colorados fund.

School Fields Maintenance

Nearly all of the recreation fields in Town are owned and operated by either the Moraga School District (MSD) or the Acalanes Unified High School District (AUHSD). While the Town for a number of years has contributed toward maintenance of the MSD fields, negotiations are currently in progress between the MSD Board and the Town Council involving a potential long-term financial commitment on the Town's part. No arrangements are in place with respect to AUHSD fields.

Given that this subject is already under active consideration by the Town Council, the Committee expended no effort on this subject.

Town Expenditures and Budgets

The Town's Budget process thoroughly vets operating expenses and the capital expenditure program. Public participation in annual budgeting process is always robust.

The Committee did not expend any effort analyzing expenditures other than to understand the relationship of expenditures (needs) to revenues (resources).

Town Administrative Offices

The Town Manager is currently working under the Town Council's direction to develop a strategy for completing the remodel of the Town offices at 329 Rheem Boulevard.

Funding Strategies for Police Services

Lafayette, Orinda and Danville are concluding a joint study of their police services (which are presently provided by contract with the County Sheriff). It is anticipated that some useful ideas will emerge from that study with respect to Orinda and Lafayette that may also have some relevance to Moraga. That Joint Study is still in process and nothing was available to the Committee to consider. It therefore would make sense to await the outcome of that study to determine if it will include any findings which might be useful to Moraga. This issue of additional funding strategies for police services is therefore deferred for Town Council consideration at a later time.

Organization, Membership & Process

Committee Members & Staff

Potential committee members were identified from a broad cross section of the Town’s citizens. Individuals known to be expert, or to have relevant experiences, in various aspects of the Committee’s work were contacted to see whether they would be willing to serve. Those contacted brought expertise/experience in public finance, banking, marketing, government finance, fundraising, education, small business, and local government. The nominated slate of willing citizens was approved by resolution of the Town Council at a public meeting on March 25, 2009. Two additional members were added by the Town Council in April 2009. A brief biography of each committee member is included in Appendix A.

The Committee elected Dick Olsen as chair, and Tom Westhoff as vice chair.

Staff participation included Mike Segrest (Town Manager), Joan Streit (Administrative Services Director) and Jill Mercurio (Town Engineer/Director of Public Works).

Subcommittees: Focus of Each

The Committee was organized into three subcommittees, one for each of three major areas of focus: Infrastructure, General Fund, and Economic Development. Members were assigned according to their expertise and desires. Each subcommittee appointed a chair. See the subcommittees’ memberships at right.

Infrastructure

Mike Metcalf, Chair
Dick Olsen
Tom Westhoff

General Fund

Tracy Vesely, Chair
Trish Bare
Bob Kennedy
Kathy Ranstrom
Frank Sperling
Dave Trotter

Economic Development

Larry Tessler, Chair
Zhan Li
Ravi Mallela
Fred Schroeder

Committee Process

The full Committee met at least twice monthly from June 1st to November 9th (14 meetings, 2-hour duration). Generally, the meetings were divided into three parts.

- Presentation of reports from outside resources on specific topics and update reports from the subcommittees.
- Subcommittee work. Most of the detail work was performed by the subcommittees, either during these break-out sessions, or in additional subcommittee meetings held as necessary at different times.
- Summary briefings by subcommittees and setting objectives for the next full committee meeting.

The committee prepared an Interim Report detailing the Committee's progress as of August 31, 2009. That report was presented to the Town Council at a public meeting on September 9, 2009.

Resources

Source Materials

Since both Lafayette and Orinda had already completed similar revenue enhancement studies, the reports of those two studies provided a starting point for the Revenue Enhancement Committee. Various committee members were also able to identify additional valuable source materials which focused on the issues being considered. Internet browsing and one-on-one contacts with colleagues in other jurisdictions also yielded useful information. Town files and archives contained valuable source materials as did the archives of the Moraga Chamber of Commerce. The more significant resource documents are identified in detail in Appendix B.

Expert Advice

A number of individuals provided valuable advice to supplement the expertise of the committee's members:

- Mike Segrest, Town Manager, contributed to every facet of the Committee's work, especially in the area of infrastructure and Town budget issues.
- Joan Streit, Administrative Services (Finance) Director, provided information on Town financial matters as well as background information regarding the use and success of various tax measures in the State. She also provided administrative support for the Committee.
- Jill Mercurio, Town Engineer, provided considerable assistance educating both the full Committee and the Infrastructure Subcommittee on the current state of the Town's streets and storm drains providing detailed analyses of each. She prepared estimates of the costs to improve Moraga's streets to various potential future condition levels. She also assisted in evaluating how various financing methods could be practically applied to resolving the Town's infrastructure needs.

- Sam Sperry, who is an attorney expert in public finance law, advised on benefit assessment districts and community facility debt financing.
- Randy Leptien, a civil engineer specializing in assessment districts, provided advice on special benefit district formation and management.
- Members of the Town's Economic Development Advisory Committee (EDAC) and representatives of the Moraga Chamber of Commerce joined discussions on building economic vitality.
- João Magalhaes, a local entrepreneur, offered suggestions for economic development and shared his vision for enhancing Moraga's economic vitality.

Public Participation

Numerous citizens attended committee meetings and freely offered their thoughts. Participants included representatives from the Hacienda Foundation, Moraga Park and Recreation Foundation, Moraga Movers, and local commercial property owners. Local reporters covered the proceedings and the Committee's Interim Report. Email correspondence was also received from other citizens.

Opportunity Identification & Evaluation Methods

General Approach & Product

The committee followed the following general approach:

- Understand the existing (baseline) service levels provided by the Town, and the costs to maintain current service levels.
- Understand current, medium- and long-term needs and related costs.
- Analyze alternative potential revenue sources including plusses and minuses of each and their political advantages and disadvantages.
- Include "blue sky" (unconventional) thinking in meeting future service needs.

The intended deliverables to be reported to the Town Council were:

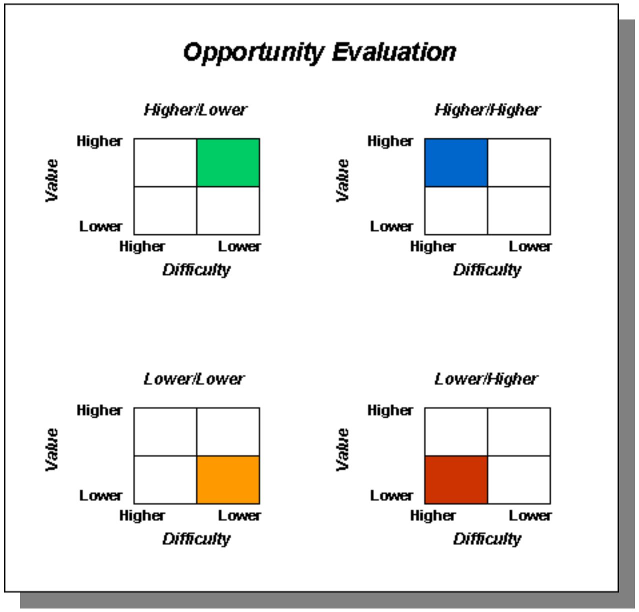
- Findings as to existing service levels and future costs to "just maintain."
- Findings as to current, medium, and long-term needs and associated costs.

- Revenue enhancement opportunities for both General Fund and infrastructure maintenance and improvements, suggestions for boosting commercial economic activities to increase sales tax collections. For each new revenue opportunity, the pluses/minuses and political implications were analyzed and enumerated.
- A “smorgasbord” of potential revenue opportunities to consider.

Opportunity Evaluation

Subcommittees evaluated each opportunity in terms of the “Value” that revenue enhancement opportunity might deliver to the Town and the “Difficulty” in implementing that opportunity. The Opportunity Evaluation chart shown at right demonstrates the qualitative approached that was taken. The purpose was merely to suggest how one opportunity might compare to another in terms of value to the Town and difficulty of realization.

- **Value** can be driven purely by the revenue that an opportunity might generate—for example, a tax that would generate cash. Value can also mean “costs avoided”. For instance, investment in a low level of street repairs, while only incrementally improving a street’s condition, might avoid further deterioration, which deterioration would otherwise be many times more costly to repair at a later date. Value can also be driven by opportunity. Investing in a promotional program in the commercial sector might reap substantial future rewards in terms of increased sales tax revenues. Considering all reasonable value drivers, an opportunity “Value” can be expressed quantitatively for purposes of comparing one opportunity to another. In the model used, each opportunity was assigned a Value either *Higher* or *Lower*.
- **Difficulty** addresses the challenges and risks associated with implementing the various revenue opportunities. Lower difficulty suggests only minimal efforts are required and that the related challenges are also minimal. One such example would be preparing a Grant application. Higher difficulty suggests all manner of challenges, such as a ballot measure requiring approval of 2/3-majority of those voting in order to pass a potentially unpopular tax. Determining difficulty is understandably a subjective process, and each opportunity was rated as either *Higher* or *Lower*.



Using the “quadrant” method described here, each opportunity is placed in one of four categories in terms of Value/Difficulty, as shown at right. An opportunity which is believed would deliver high value and is relatively easy to implement (Higher/Lower) might be an excellent opportunity to pursue. An opportunity which could deliver excellent value but would be difficult to implement (Higher/Higher) might be worth the effort. Opportunities that are low value but relatively straightforward to achieve (Lower/Lower) might be worth undertaking, however low their relative impacts might be. On the other hand, a low-value opportunity that is difficult to implement (Lower/Higher) probably should not be undertaken.

Systematic Evaluation of All the Opportunities

As previously noted, the Town’s revenue needs were logically segmented by the Commmittee into three distinct areas that were each susceptible to being solved by financing methods that are specifically appropriate to those areas. For example, it would not have made sense to recommend an infrastructure improvement and maintenance assessment district to fund police services. For that reason, each subcommittee separately evaluated all the revenue opportunities they had studied.

CHAPTER 3—INFRASTRUCTURE

Overview: Scope and Focus

Based on a 2004 evaluation of the Town's fixed assets, replacement cost of the Town's major infrastructure at that time was approximately $100 million. Adjusted for inflation, the June 2009 replacement cost would be approximately $114 million. Roads and drainage represented approximately 84 percent of the infrastructure assets. The evaluation also determined that, based on industry averages, these assets are at, or are approaching, the end of their "useful lives." For this reason, failures evident today in the Town's roadways and drainage should be no surprise; and further failures in roadways, drainage and other critical infrastructure can be expected if resources are not developed to replace, rehabilitate and maintain the Town's infrastructure in a timely way.[3]

In this section, improvements and maintenance of the Town's infrastructure is addressed. For this purpose "Infrastructure" is defined to include:

- Major roads and neighborhood streets
- Drainage pipes, channels and culverts
- Street lighting and landscaping
- Parks
- Recreation facilities
- Major buildings (Hacienda, 329 Rheem, Library, Corporation Yards).

The focus of the Infrastructure study is twofold:

- Primary: Sustainable funds to **improve** and then **maintain.**
- Secondary: Supplemental funding for facilities where General Fund and other sources (eg. grants) are not sufficient.

[3] *Development of Fixed Asset Record and Implementation of GASB 34*, prepared by Harris & Associates, October 2004.

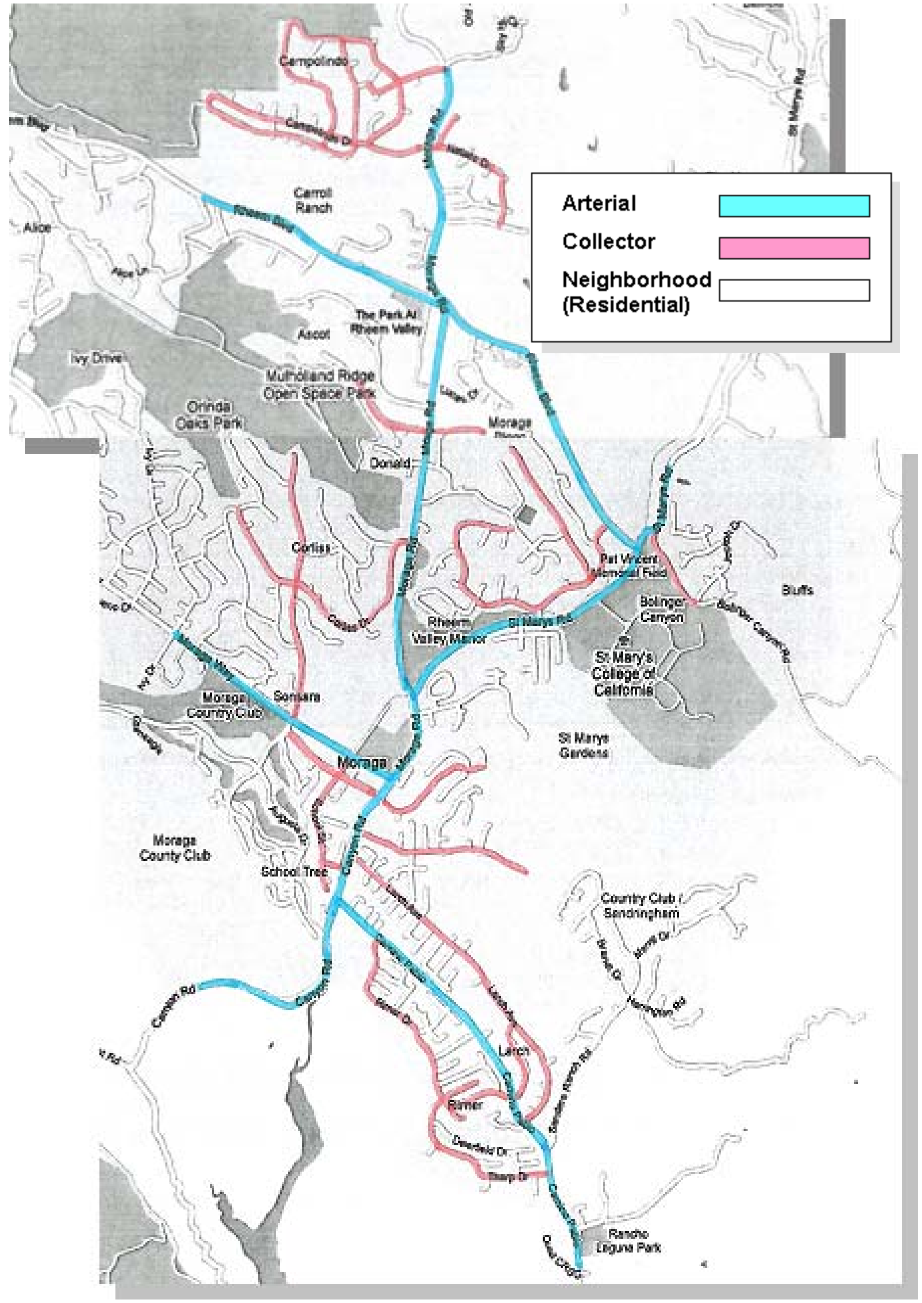
Funding Requirements

Roads

Moraga Road Network

Moraga has 56 miles of public streets (roads). Each street has a “functional classification” depending on its use:

- **Arterial** streets are those which pass through a community, carrying a major flow of traffic; they typically go beyond city limits and don’t penetrate identifiable neighborhoods. Arterials comprise approximately 25 percent of the road network in Moraga (shown in **blue** at right).
- **Collector** streets are those that provide circulation within residential neighborhoods, and span large areas of the community. They collect traffic from local streets in residential neighborhoods and channel the traffic to the arterial system. Collectors constitute approximately 29 percent of the road network in Town (shown in pink at right).
- **Neighborhood** streets comprise all other streets. The majority of neighborhood streets in Moraga (46%) are residential (local) streets.



Pavement Conditions

Pavement condition is rated based on inspection of the road surface and visual analysis of distress, cracks, and failures: “Excellent” roads are essentially brand new; “Failed” means there is essentially is no functional road surface. Intermediate conditions are illustrated in the photographs at right.

Evaluation of every section of roadway results in a Pavement Condition Index (PCI) on a 100-point scale: a PCI range of 70-100 means “Good or better”, 50-69 means “Fair”, and 0-49 means

"Poor" and worse. The table below represents the condition of the Town's road network as of August 2009.

The average weighted PCI of the entire road network is 58, within the range of "Fair." Except for the southern segment of Rheem Blvd, which is classified as a collector street and is in "Poor" condition (in some stretches, it is "Very Poor"), the arterials and collector streets are generally in "Fair" condition or better. It is the neighborhood streets (46 percent of the network) that have the most need of attention—nearly 18 percent are "Poor" or worse.[4]

PCI	Road Condition	Arterial %	Collector %	Neighborhood %	Network %
100 85	Excellent	13.2	7.7	11.8	32.7
84 70	Good				
69 50	Fair	8.6	5.5	16.1	30.2
49 25	Poor	3.4	15.9	17.8	37.1
24 10	Very Poor				
0	Failed				
		25.2	29.1	45.7	100

Excellent— Moraga Rd at Granada

Good— Campolindo Dr near Calle La Mesa

Fair— Larch to Roberts

Poor— Tharp to Rimer

Very Poor— Rheem Blvd (South End)

Current Expenditures & Funding Resources

Much of the funding that has been invested recently in the Town roadway network has been from the federal government, but there are only eight streets in Town eligible for federal funding: Moraga Road, Moraga Way, Rheem Boulevard, St. Mary's Road, Donald Drive, Corliss Drive, Camino Ricardo, and Camino Pablo. Traditionally, money

[4] Pavement condition assessments by *StreetSaver*, Metropolitan Transportation Commission.

from Gas Tax, Measure C and local grants has been utilized primarily on the Town's collectors, so that more residents benefit from the investment. These sources fund projects such as crack seals, slurry seals, overlays, and pavement rehabilitation, which improve roadway conditions. However, almost three quarters of the streets in Town—the collectors and neighborhood streets—have received little or no attention.

The FY 2009-10 operating budget allocates $395,000 to street maintenance. Among other activities, this allocation will fund patch paving, pothole repair, striping, signs, water for medians, and signal work. However, the funds are not sufficient to measurably increase the condition of the roadway infrastructure.

The Town Council approved for FY 2009-10 the creation of a new Infrastructure Preservation and Improvement (IPI) fund. The IPI program calls for one half of any year-end General Fund balance to be allocated to the IPI fund. This is projected to be about $200,000 for the current fiscal year.

Pavement Management Program

Given the current condition of the neighborhood and collector road system, Town staff has developed an approach for a program that, although somewhat atypical from the approach used by some other cities, should bring all neighborhood and collector streets up to an acceptable level over time.

It is important to note that about 18,900 feet (8.6%) of the neighborhood and collector streets need to be completely rebuilt, and that these are relatively small sections of individual streets, not extensive lengths of any individual street. For streets that are in "Good" condition, a relatively inexpensive (slurry seal) is sufficient to extend the life of the street. For streets in "Fair" and worse conditions, more costly treatments are required.

The approach that Town staff is pursuing for neighborhood and collector streets would treat each of the pavement categories differently:

- Streets in "Good" condition would receive periodic slurry seal treatment.
- Streets in "Fair" and "Poor" condition would receive cape seal treatments unless a more expensive overlay was necessary, **beginning with the streets in the worst condition and working up the list.**

- The failed portions of streets would be rebuilt prior to overlays or cape seal treatments.

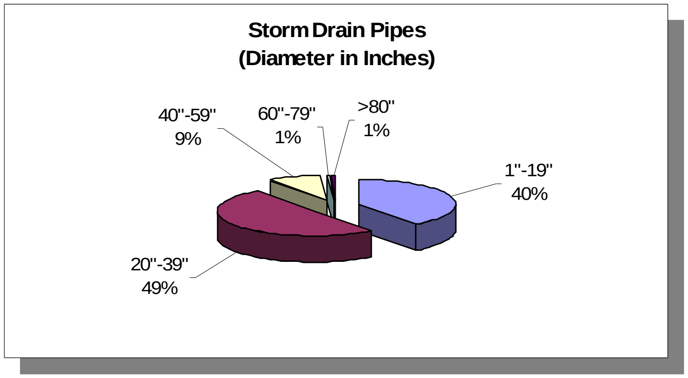
Over time this approach will keep good streets in "Good" condition, move "Poor" and "Fair" streets up to good condition, and address failed sections of streets in conjunction with other preservation treatments. Based on preliminary analysis, staff believes that the range of annual cost for such a program is between $2 million and $3 million. Depending on how quickly the Town wishes to get all streets into "Good" or upper "Fair" condition, a program can be designed and the annual cost determined.

For the arterial streets, it will be necessary to secure new funding to provide matching funds for grants and to supplement what can be accomplished with grants. Arterial streets are in relatively good condition because the Town has concentrated on these streets using grant funds for most of the work. However, the future of grant funding is uncertain and, even if they continue to be available, matching funds will be needed. Therefore, the Town will need additional funds to provide a sound program of maintaining the arterial streets. Based on the current condition of the arterial street system, it will require approximately $600,000 per year to maintain these streets at their current condition. Funding of this magnitude would insure that the roads are maintained and allow any federal and state grant funding to enhance the condition of the streets.

Storm Drains

Moraga Storm Drain System

The Town's storm drain system comprises approximately 163,000 feet of storm drain pipes and 2,500 feet of concrete culverts.[5] The public storm drainage pipes are constructed of various materials, depending on the technology available at the time of installation. Corrugated metal pipe (CMP), reinforced concrete pipe (RCP), clay pipe, and plastic pipe were all used in the system. Approximately 41 percent of the Town's storm drain system was installed prior to 1964. In 1965, 35,000 linear feet of new storm drain was installed, 30,000 linear feet of which were less than 40" in diameter. Today, 90% of the public system is comprised of pipes smaller than 40-inch diameter.

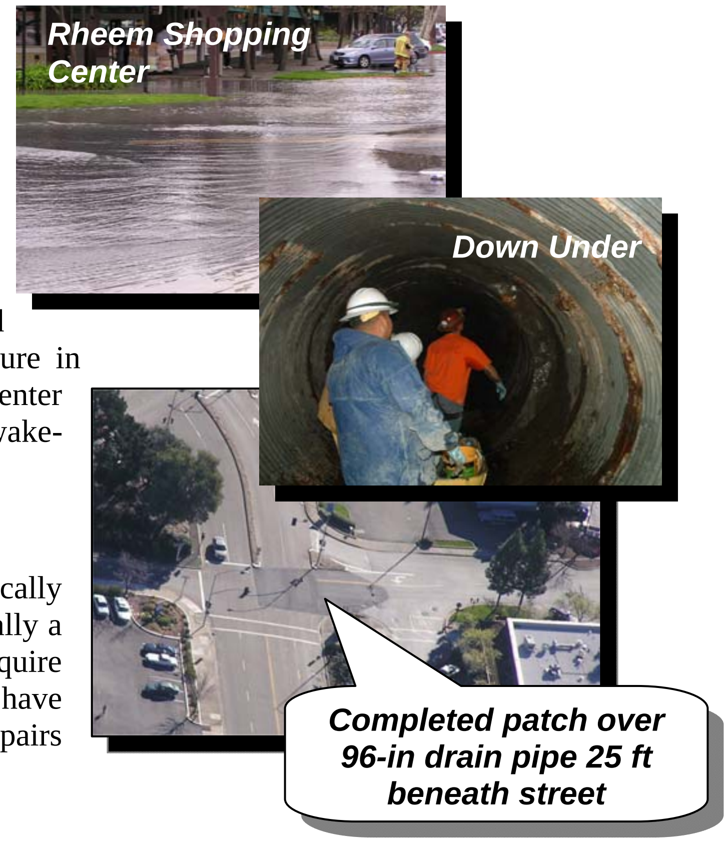


[5] "Storm drains" convey storm water only; "sanitary drain" convey sewage. The two systems are physically separate. Sanitary drains are owned and operated by Central Contra Costa Sanitary District. For purposes of this report, sanitary drains are not part of the Town's infrastructure.

The Town's storm drain system does not include privately-owned storm drainage facilities of which there are many. In the two shopping centers, many of the underground drainage pipes are large diameter. The number of privately-owned drainage facilities in commercial and residential areas is not accurately known. Measures to improve the private facilities are not considered in this study.

Existing Conditions

The Town has completed visual examination of 20,000 feet of storm drain pipes that are 36-inch and larger in order to understand the current condition of the system. The examination included videotaping and evaluation of pipe condition and surrounding soil conditions. The video survey revealed a number of concrete pipes with deteriorating concrete and corroding reinforcing bars, and metal pipes that have corroded joints.



Although only 14 percent of the storm drain system was analyzed, it can be expected that deterioration would be similar in both large- and small-diameter pipes. However, failure of a large pipe would be more damaging to the system and expensive to repair than failure of smaller pipes. This is evident from the failure in January 2006 of a 96-inch-diameter pipe at the entrance to the Rheem Shopping Center (shown in the photo group at right). The January 2006 incident should serve as a "wake-up" call regarding the need to address the aging of storm drainage infrastructure.

Current Expenditures

The Town has never budgeted for storm drain maintenance or repairs, since typically there is little maintenance required during the life of a storm drain pipe. Occasionally a pipe will become corroded or deformed, but those conditions usually require replacement, not repair. Some major repairs (such as the January 2006 failure) have been covered by Federal and/or State emergency relief funding. Other than repairs related to storm damage, only routine drain cleaning work is undertaken.

Storm Drain Management Program

Based on industry average life expectancy of 60 years, and considering that the first storm drain pipes were installed some 55 years ago, one can expect some failures will be happening around 2014. Pipeline replacement is not always necessary. In some instances, failed pipelines can be relined instead of excavated and replaced, at similar cost to replacement but with less disruption to the public. A $20 million remedial work program spread over the next 30 years would mean an annual program of about $670,000 (in 2009 dollars). A $500,000 annual spending program over 40 years would achieve the same result. Any program should be designed to accumulate sufficient funds to tackle larger projects, while attending annually to smaller projects.

Pipeline failures in any of the private systems would have similar detrimental effects as failures within the public system. Had the January 2006 failure of the 96-inch pipe under Center St in the Rheem Shopping Center occurred 100 feet downstream, the failed pipe would have been a privately-owned pipe on private property; the Town would have had no jurisdiction to make the repairs. Assuming that the private system is in the same condition as the public system, there is a risk that the private system will experience similar failures. The Town should take the lead in advising private property owners of the responsibilities and potential liabilities for the private storm drain systems on their properties.

Street Lighting

Street Lighting System

Approximately 70 percent of the street lights in Town are covered by a Lighting Assessment District (LAD) which is discussed later under Infrastructure Financing. Lights on some private streets are included, but not all. No commercial property is included. Of the 936 street lights in the district, most are owned and all are operated by PG&E.

Current Expenditures and Funding

Total annual cost for the street lighting covered by the Lighting Assessment District is currently about $200,000. This year, assessment revenues will be about $50,000 and the shortfall will be covered by a portion of property tax allocation (approximately $115,000) plus a portion of the LAD fund balance. However, the fund balance will be exhausted in the coming fiscal year, after which time the General Fund will be burdened by a $150,000 annual subsidy to the LAD.

Parks and Other Facilities

Current Assets

The Town has two public parks (Moraga Commons and Rancho Laguna) in addition to the Hacienda park lands. The Hacienda property includes four separate buildings (Hacienda, La Sala, La Casita and Pavilion). Also located on the Hacienda property is the Town's corporation yard.

Town offices are currently divided between the Hacienda and 329 Rheem Blvd, which is in the process of being developing into a Town Hall. The Town Council has directed that all Town staff will eventually be located at the Town Hall, except for the Parks and Recreation Department, which will remain at the Hacienda.

The Town owns and maintains the Library building. Library operations are contracted to Contra Costa County Library Services.

The Town does not own any sports fields or outdoor sports facilities other than the two parks. Most organized sports activities utilize the Moraga School District's facilities (at the four school sites). Some organized sports use the Acalanes Unified High School District fields and other facilities.

Current Expenditures and Funding

Current-year expenses for operation and maintenance for parks and other community facilities are $650,000, funded from the General Fund. These expenses are mostly utilities ($138,000 for electricity and water), and labor and associated expenses for routine operations (eg, grass mowing, minor repairs). A program for annual preventive maintenance and improvements has not yet been developed. Accordingly, the annual cost for such a program is currently unknown.

Since 1992 the Town has contributed $45,000 annually to the Moraga School District toward operation and maintenance of playing fields used by the community. This year, that contribution was increased to $55,000, but future contributions have not been agreed upon. The Town contributes nothing to the AUHSD for community usage of school facilities.

Infrastructure Financing

General Principles

Focus on Sustainable Revenue Sources

The following guiding principles should be honored:

- Find sustainable revenues that match recurring expenses.
- Do not rely on one-time monies to fund annual expenses.
- Ensure that revenue streams are able to escalate commensurate with local engineering and construction market inflation rates.

Debt Financing

One of the most common types of debt financing for infrastructure projects is General Obligation (GO) Bonds, secured by the "full faith and credit" of a city. Despite the flexibility that debt financing can offer, it is not consistent with the guiding principles of sustainable and secure revenues. GO Bonds could be used for major capital projects such as the rehabilitation of Rheem Blvd and Canyon Road Bridge, yet they could not be used for ongoing infrastructure maintenance. Also, once authorized bonding capacity is exhausted, re-authorization or some new source of revenue would be necessary to cover ongoing expenses.

Voters have been reluctant to provide the two-thirds majority required for approval of bonded indebtedness for infrastructure purposes. Failures of bond measures in Contra Costa County, including Orinda and Lafayette, and throughout the State, are not encouraging.

Benefit Assessment Districts

Benefit assessment districts finance the cost of "special benefits" that specific parcels in the district receive. Parcels in the district are annually assessed the amount needed to pay part, or all of, the cost of those benefits. The amount each parcel pays varies in proportion to the specific benefit it receives. The actual benefits financed must be limited to those that only the parcels in the district receive. To the extent that a project results in benefits to other parcels that are outside the assessment district, those benefits are called "general benefits" and their costs are not allowed to be financed by an assessment district.

Establishing a benefit assessment district requires either a simple majority positive acceptance, or the avoidance of a majority protest, of the ballots cast by the affected parcel owners. Ballots are weighted based on benefit to each parcel. Owners of multiple parcels cast a ballot for each parcel they own.

It is necessary to demonstrate that assessed parcels do, in fact, receive a special benefit. If a general benefit also exists, then the assessment could be easily challenged. It is also possible to create "benefit zones" within a benefit assessment district consisting of parcels that receive special benefits; here too, it is necessary to be very careful to avoid a general benefit legal challenge.

Transportation Resources: Federal, State & Local

Transportation funding traditionally has been a priority at federal, state and local levels. Some observations:

- **Federal** grant programs for transportation improvements are numerous. However, Moraga must compete with other jurisdictions for grants that become available. Securing grants is not a simple matter, relying on circumstances not within the Town's control. Therefore, federal grants should not be considered a reliable source of funds. The Town's recent experiences demonstrate that jurisdictions that have "on-the-shelf" projects ready for grant funding stand a better chance of securing grants.

- **State** grants are similarly unstable, more so given the State's chronic overall financial difficulties. Moreover, the State has recently attempted to "borrow" highway user taxes (HUTA) on which local governments such as Moraga depend for local street maintenance. While such attempts have been challenged and thwarted, the threat is always there that further interventions might arise.

- **Local** revenue is principally from the Measure J return-to-source program.[6] Return-to-source is an 18 percent allocation of the total Measure J revenue, which in turn is apportioned to the County and the 19 cities and towns on a formula based on combined population and street miles. Since the tax is based on sales, the return-to-source funds follow the regional economy (which during 2009 has

[6] Measure J was passed by Contra Costa voters in 2004 to fund transportation projects and programs by means of a ½-percent general sales tax. Measure J is a seamless continuation of Measure C, which was passed by the voters in 1986. Measure J continues the Measure C programs for an additional 25 years.

plunged by about 22 percent). Measure J funds are not subject to interventions by the State. Measure J does yield some grant opportunities which become available from time to time from periodic reallocations of the overall Measure J transportation plan. These funding opportunities, however, are not reliable.

Matching Funds are needed to secure grants. The Town does not currently have a reliable source of matching funds. New General Fund revenues would be the best source for matching funds because they provide maximum flexibility to be used for any project.

Recommendations

- Pursue benefit assessment districts as a sustainable and reliable funding strategy for ongoing maintenance and improvement programs.
- Pursue grant opportunities aggressively. Have projects "on the shelf", ready to go.
- Rely on debt financing only for major rehabilitation projects.

Lighting & Landscaping Assessment Districts[7]

Background

Lighting & Landscaping Districts (LADs) are a form of benefit assessment district. Parcels that front on streets with streetlights are assessed because the assessed parcels receive a "special benefit." LADs can also be used to fund landscaping and some community facilities where special benefits are enjoyed by the assessed parcels.

The Town's existing LAD was established in 1978 as a "supplementary" revenue source to offset post-Proposition 13 property tax revenue losses.[8] The original LAD assessment schedule was intended to cover the energy costs of street lighting. The current LAD assessment does not allow for inflation. Given the rate of inflation over the ensuing 30 years, the LAD's current assessment revenues do not cover Moraga's current street

[7] "Landscaping and Lighting Act of 1972" (Streets and Highways Code §22500 et seq.)

[8] Post Proposition 13, the Town currently receives 5.41% of the total ad valorem property tax (1 percent of assessed value).

lighting expense, and the LAD relies on an annual subsidy from the General Fund. As a direct result, the 30 percent of parcels within the Town that are not in the LAD partially support the street lighting expense for the 70 percent of the Town's parcels that are within the LAD. There is an issue of "fairness" that should be considered.

The LAD's assessment rates are approved annually by the Town Council. The current assessment rates are at their voter-approved limits. (Single family dwelling parcels are assessed up to $16; multiple-family dwelling parcels are assessed up to $20 per parcel.) For the assessment district's assessments to fully cover the cost of street lighting within the district, the current assessment rates would need to be quadrupled to a maximum of $64 for single family dwelling parcels. This level of assessment, adjusted for inflation, would equate to the $29 assessment rate that was in effect in 1982.Such a rate adjustment would return about $150,000 annually to the Town's General Fund for other uses such as roads and storm drainage maintenance and police services.

Implementation & Challenges

Revised assessment rates can be approved by majority acceptance of the weighted ballots received. A rate increase ballot measure could also include an inflation escalator to accommodate future increases in energy costs. Failure of such a ballot measure would not jeopardize the existing district. In the event of ballot failure, rates could continue to be assessed up to their current maximum levels (and the General Fund would continue to subsidize an ever-increasing revenue shortfall).

It would not be prudent to increase the scope or area of the existing LAD to include additional parcels and, perhaps, such things as landscaping and park maintenance. Given the potential for general-benefit legal challenges, it would be best to only adjust the assessment rate of the existing LAD. Should the Town wish to consider including additional parcels and/or increasing the scope of the activities to be funded, it would be legally preferable to create a new, separate LAD that would co-exist with the current LAD.

The Town is presently conducting a "Prop 218 Process" preparatory to a rate increase election.[9] Since the LAD's current fund balance will be exhausted in the current fiscal

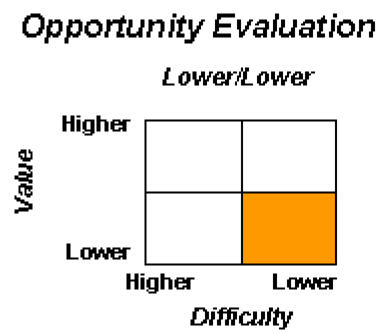
[9] Proposition 218 of 1996 (aka "Right to Vote on Taxes Act") requires a variety of local funding mechanisms to be approved by the voters. The Act spells out the ballot procedure, and what must be done in order to create a new, or change an existing, assessment district. Part of the procedure requires an Engineers Report, which studies, among other things, assessment district costs and assessment rates.

year, a rate increase is necessary. The alternatives would be to increase the Lighting District's General Fund subsidy, or to turn off the street lights.

The positive impact on the General fund is modest (about $150,000 per year), but a rate increase should not be difficult provided the scope of the existing district is not revised.

Recommendations

- Complete the Proposition 218 study for adjustment of maximum LAD rates, including an inflation adjustor, in order to eliminate current General Fund subsidy.
- Do not alter the scope of the existing LAD. At some future time, consider a separate LAD for additional purposes.
- Execute the ballot procedure for a rate increase.



'82 Act Assessment Districts[10]

Background

An '82 Act assessment district allows for special benefit assessments to fund capital improvements and/or maintenance of roads and storm drain systems. An '82 Act assessment district was successfully employed for such purposes at Richmond's Hilltop Shopping Center.

Such assessment districts require a positive return of a majority of weighted ballots, or avoidance or a majority protest (just like an LAD, described in the previous section).

Implementation & Challenges

Given the distinct and geographically-defined neighborhoods of Moraga, special benefit zones could be described for both roads and storm drains, forming a Town-wide '82 Act Assessment District.

[10] "Benefit Assessment Act of 1982" (Government Code §54703 et seq.)

Roads

Approximately 4,500 properties in Moraga are on public streets, mostly in neighborhoods. These parcels clearly would qualify as receiving special benefit. Certain portions of arterials and collector streets, which generally would be considered to provide general benefits, could also be included within a benefit assessment district. Special benefits could be demonstrated for a large number of those parcels—for instance, sidewalks, curbs and gutters, parking lanes, even outside street lanes; but not medians and inside street lanes. Defining the appropriate special benefit for each parcel would be an engineering challenge—but is certainly doable.

Storm Drains

A full analysis would be required to determine the actual number of properties that would receive special benefit from an assessment district for drain replacement of the smaller diameter pipes. An accurate number of these properties would require updating the storm drain maps, which has not been done. Pipes 36 inches and greater would be considered part of the main system, not part of the "neighborhood" collection system.

Forming a benefit assessment district for storm drainage would follow the same process as an assessment district for roads. Similar challenges exist in determining Special Benefit as opposed to General Benefit.

The major issue, however, is defining the storm drain program. The evaluation completed thus far (inline photo surveys of larger pipes; actuarial assessment based on industry norms) only tell part of the story. Additional study is required in order to arrive at a credible program and cost estimates.

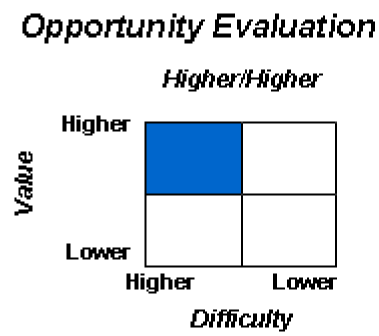
Combining Roads & Drainage

There is some attraction to combining roads and drainage assessment districts. It would be more economical to undertake the engineering evaluation, community outreach, and balloting process for a multi-purpose district rather than for two distinct districts.

However, roads can be easily understood by most property owners: They are there to be seen and experienced. Not so with storm drainage. Unless there is a major storm water backup resulting in serious flooding, or a street failure caused by a sinkhole (such as in January 2006), many property owners would probably be inclined to discount the urgency. Certainly, without a well defined—and convincing—program, property owners would probably protest a storm drainage assessment district.

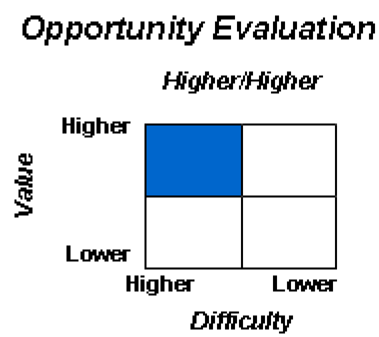
Recommendations

For roads:



- Undertake a Proposition 218 study to define a benefit assessment district for collectors and neighborhood streets and roads.
- Develop a fee structure, which includes inflation adjustment mechanisms.
- Develop and execute the required process.

For storm drains:--



- Complete analysis of photo surveys (36" and larger); consider sampling selection of small pipes by age to statistically determine the current conditions.
- Study formation of a benefit assessment district for storm drainage.
- Do not combine storm drain with roads; pursue at a later time when a storm drainage program is much better defined.

Community Facility Districts (Mello-Roos Act)

Background

Mello-Roos is a commonly used method of land-secured financing for development of new community facilities. Classic community facilities are parks, community centers, recreation facilities, libraries, city halls, corporation yards, streets and drainage, and other infrastructure.[11] Community Facilities Districts (CFDs) can be used to fund capital improvements and/or maintenance through either bonded indebtedness or direct pay

[11] "Mello-Roos Community Facilities Act of 1982" (Government Code §53311 et seq.)

("pay-as-you-go") for projects. CDFs can be designed to provide considerable freedom to meet community needs and specific circumstances.

Mello-Roos has no general-versus-special benefit distinctions, as do benefit assessment districts.

Formation of a CFD relies on positive 2/3 majority of votes cast: One person/One Vote. No ballot weighting exists as with a benefit assessment districts. Voters are asked to approve maximum tax levels for different categories of parcels (e.g. developed/undeveloped land, size of parcel, permitted land use, etc.). Voters agree to the tax which services the debt that the Town will incur, or pays for current project. CFD ballot measures are commonly designed to exempt certain classes of voters (e.g. senior citizens).

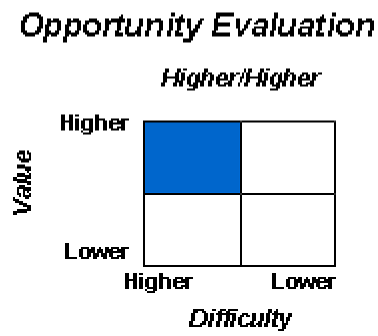
Implementation and Challenges

CFD's would be appropriate for major rehabilitation projects of the Town's infrastructure. A CFD could be formed to authorize a significant amount of spending over a set period of time. The spending would be funded by debt, which would be serviced by a tax on the property in the district.

Mello-Roos financing may be flexible, but special purpose financing would require a two-thirds majority of voter approval. Experience in the immediate area (in Orinda and Lafayette, in particular) and throughout California suggests that passage of a ballot measure for any special-purpose community facilities district in Moraga would be very difficult. Moraga voters have been willing in the past to approve school bond measures but it is less likely the voters would vote favorably for community facilities improvements or maintenance.

Recommendation

- Do not attempt to form any Town-wide Community Facilities District pursuant to Mello-Roos unless there is a major infrastructure need which can not be financed by other means.



Financing for Buildings & Facilities

In past years, the Town has spent little on building and other facilities other than routine maintenance. Capital improvements have been funded by combinations of development impact fees, community fundraising, grants, and occasional gifts.

Impact Fees on New Developments

The Town can levy fees on new development to the extent that the new developments impact existing Town infrastructure and services facilities. Levies can be done in a variety of ways. However the revenue derived can only be used to pay for new infrastructure or to recover the cost of infrastructure already built to serve the development:[12]

- **Parks and Recreation Fees.** Park and recreation impact fees are paid by residential developers to offset the costs of additional park and facility needs created by these developments. "Quimby Act" fees can be used to purchase land or improve parks.[13] Park impact fees are also authorized by AB 1600, which authorizes fees to be charged to developers to offset maintenance costs of new recreation development.[14] The Town's fee schedule already defines the impact fees authorized.

- **Traffic Impact Fees.** Traffic impact fees are covered by the so-called LFFA fees, under the Lamorinda Fee and Finance Agency (LFFA). LFFA is a Joint Powers Agency (JPA) created in 1997 by the three Lamorinda communities to address transportation congestion issues within the Lamorinda region. LFFA assesses, collects and distributes transportation impact fees from new residential and commercial development. The current LFFA allocation of impact fees is heavily weighted toward Lafayette (55%) and Orinda (35%), with Moraga receiving the remainder (10%). After 10 years (2008), total fees collected were $450,000, allocated approximately as follows: Lafayette $250,000, Orinda

[12] "AB 1600 Development Impact Fee Study", prepared for the Town of Moraga by Harris & Associates, April 2008.

[13] 1975 Quimby Act (Government Code §66477 et seq.)

[14] AB 1600 (Government Code §66000 et seq.)

$160,000, Moraga $40,000. The three cities have applied their shares to various transportation projects within their jurisdictions.

Assessments are based on a nexus study completed in 1999. The nexus study is outdated, raising doubt that LFFA fee structure could withstand legal challenge. Accordingly, the tri-cities have agreed to update the nexus study to conform to the current General Plans of the three cities, and to include updated projects lists for traffic mitigation. This is important to Moraga in light of potential significant developments in Moraga Center Specific Plan (MCSP) area. If the fee structure were not changed, 90 percent of the Lamorinda regional traffic impact fees would be directed to Lafayette and Orinda, even though the MCSP developments are designed to minimize traffic impacts on those jurisdictions at the expense of traffic impacts internal to Moraga.

A revised LFFA regional fee structure likely would result in more favorable allocation of fees to Moraga. However, given the low level of new developments in Moraga, it is unlikely revenue enhancements would be either significant or stable.

- **Mitigations of Development Projects.** The Town has latitude to negotiate with developers for compensation for new impacts attributed to their developments. For instance, in the case of the Palos Colorados project, the developer agreed to a total package of $17 million in fees to be paid over a schedule matching the actual construction of the 123-unit subdivision. In another case, the Rancho Laguna II developer has agreed to rehabilitate the south portion of Rheem Blvd, which has been severely damaged by active landslides. Such mitigation measures can be broad in scope, depending on developer’s willingness to accommodate Town needs.
- **Other Impact Fees.** As authorized by AB 1600, the Town can assess fees to offset cost of new developments related to a variety of other purposes. Provided “reasonable relationships” (nexus) can be demonstrated between the improvements and facilities required to mitigate the impacts of new development, fees can be levied. Moraga has established the following fees: General Government Fee for improvements of facilities related to general administration and management of the Town and library facilities; Public Safety Fee for improvements of police facilities and purchaser of equipment benefiting public safety; Storm Drainage Fee for improvement of drainage facilities including pipes

and culverts; and Traffic Fee for improvements of roadways and traffic signals. The Traffic Fee can be in addition to the LFFA fees discussed earlier.

Community Fundraising

Moraga is blessed with enterprising citizens whose talents extend to sophisticated fundraising campaigns that benefit the community. One obvious example is the Moraga Education Foundation, a long established organization that conducts major annual fundraising campaigns that benefit the Moraga schools.

The Moraga Park and Recreation Foundation (MPRF) is a public benefit corporation engaged in activities for the general benefit of Moraga's parks and recreation facilities. A major part of the MPRF's activities is fundraising comprised of member contributions, special activities, and solicitation of special gifts. Several important projects have been made possible by MPRF fundraising, notably, construction and subsequent improvements to the Moraga Band Shell, and the recent renovation of the Hacienda kitchen.

The Hacienda Foundation is also a public benefit corporation engaged in activities for the benefit of the Hacienda de las Flores. The Hacienda Foundation operates in a similar manner to the MPRF. The foundation was formed in 2006. It has yet to accumulate sufficient funds to undertake any significant capital improvement projects.

Once current economic conditions and the fundraising environment improve, the possibility exists that both MPRF and Hacienda Foundation might potentially be able to significantly increase their fund-raising activities by organizing major campaigns to further upgrade and restore our Town's facilities.

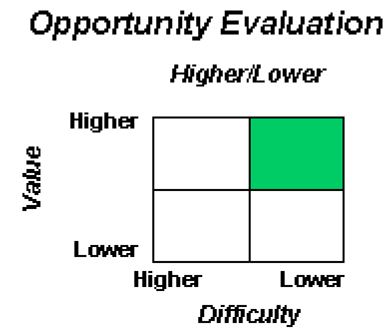
Grants

Numerous capital improvement projects have been funded by State grants. For example, Roberti-Z'Berg grants funded the foot bridge near the Library and play structures at the Moraga Commons tot lots.[15] Grant opportunities must be seized upon as grant funds become available, which is difficult to anticipate. Accordingly, it is necessary to have projects prepared and "on the shelf," awaiting funding opportunities.

[15] "Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Act" (California Public Resources Code §5620-5632

Recommendations

- Continue to levy development impact fees; ensure that the impact fee schedule is maintained and updated periodically in terms of scope and costs of mitigations.
- Pursue LFFA fee allocation re-definition.
- Be aggressive yet fair in negotiating exactions on new development.
- Encourage the community fundraising organizations to adopt more aggressive fundraising campaigns.
- Emphasize grant seeking to fund capital improvements; encourage early project definition in order that projects be "on the shelf" and ready to go in the event of grant opportunities.



CHAPTER 4—GENERAL FUND REVENUES

Overview

In general, a city's revenues take the form of payments for services (fees), taxes, and allocations from state and federal governments. Revenues available to fund local programs are largely restricted in their use. Those generated from specific taxes must be used only for the intended services—for instance, a tax to fund streetlight maintenance can only be used for such. Revenues that are considered discretionary are categorized as General Fund revenues, usually consisting of sales tax, property tax, and other general tax revenues (utility user tax, business license tax, transient occupancy tax, real property transfer tax). Local governments are constantly challenged to maximize, and identify new funding sources in order to maintain services.

Moraga is a limited service town, focusing on core services such as public safety and infrastructure (e.g., streets, storm drains and public facilities). Like any other local government, Moraga is struggling with the challenges of generating enough revenue to cover its basic expenses to meet the needs of its citizens. The current economic climate amplifies this challenge. If acceptable levels of service are to be delivered, the ability and willingness of Moraga citizens to support new revenues will be tested.

The following sections contain a review, in order of relative priority, of each revenue opportunity considered in depth by the Revenue Enhancement Committee. The Committee considered several key elements when prioritizing these revenues: least amount of impact on Moraga citizens, annual revenue generated, and sustainability of revenues. Attention was also given to the difficulty that would be encountered in implementing any of the measures being proposed.

Revenue Opportunities

Real Property Transfer Tax (RPTT)

Background

An RPTT provides local, discretionary revenue, generated by the sale of property. The Town does not currently have such a tax. What the Town does have is a "Documentary Transfer Tax" (DTT), which is calculated and paid upon the transfer of real property during the closing of escrow. Average DTT revenue to Moraga over the past 10 years is about $107,000 as shown in the table at right.

Town of Moraga Fiscal Year	DTT Revenue
1999-2000	$95,126
2000-2001	98,642
2001-2002	107,538
2002-2003	107,298
2003-2004	129,685
2004-2005	140,604
2005-2006	126,823
2006-2007	116,178
2007-2008	110,430
2008-2009	40,220
10-Year Average	**$107,254**

The amount of DTT is $1.10 per $1,000 value of the sales price.[16] This fee is split evenly between the County and the Town, each receiving $0.55 per $1,000 of the sale value. This is a standard amount for all General Law cities such as Moraga.

Charter Cities have the opportunity to establish their own Transfer Tax beyond the standard DTT. This tax is called a "Real Property Transfer Tax" (RPTT). For Charter Cities in the Bay Area, RPTTs range from nothing, up to $15.00 per $1,000.

When a city implements its own RPTT, it forfeits its right to collect DTT. In this situation, the County would then continue to charge a $1.10 per thousand DTT and all the DTT revenue would go to the County.

Peer City Comparison

Only one of the peer cities (Piedmont) is a Charter City and has implemented an RPTT. See table at right. The table at bottom right is a representative list of other Bay Area cities currently charging RPTT.

City	Charter City?	RPTT Rate
Danville	No	
Lafayette	No	
Los Gatos	No	
Orinda	No	
Piedmont	Yes	1.3%

City	Charter City?	RPTT Rate
Alameda	Yes	1.2%
Albany	Yes	1.15%
Hayward	Yes	0.45%
Berkeley	Yes	1.5%
Palo Alto	Yes	0.33%
Richmond	Yes	0.7%
San Ramon	Yes	No RPTT

Projected Revenue

Using 10-year averages and based on three different rate scenarios, the table on the next page shows the net revenue opportunity on an annual basis. The computations assume an average annual revenue from DTT of $107,254 and the current DTT that accrues to Moraga is 0.055 percent of the total DTT.

Implementation & Challenges

To implement a Real Property Transfer Tax, two events must occur:

- Moraga must first become a Charter City through a majority vote of the people; and
- Residents of the Town must pass a Real Property Transfer Tax measure at a general election. Since the funds would be used for General Fund expenditures, a

[16] For example, if a home sells for $1,200,000, the documentary transfer tax the purchaser pays is $1,200,000 / $1,000 x $1.10 = $1,320.

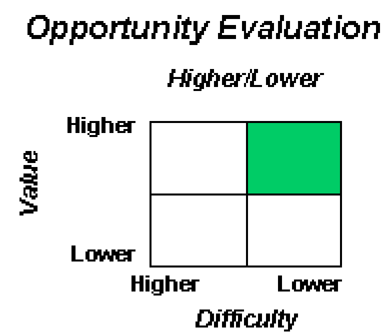
simple majority is required to pass the tax.

RPTT Rate	Tax on $1,000,000 sale	"Typical Annual Revenue"	Lost DTT Revenue	Net Increase in Revenue
0.5%	$5,000	$975,036	$107,254	**$867,782**
0.75%	$7,500	$1,462,555	$107,254	**$1,355,301**
1.00%	$10,000	$1,950,073	$107,254	**$1,842,819**

It could be difficult to pass an RPTT measure at a general election if neither Orinda nor Lafayette has such a tax in place. In addition, passage of an RPTT tax measure could be problematic if either Orinda or Lafayette were voting on a similar measure at a comparable or lower rate.

The RPTT effectively increases the cost associated with buying a home and may create an imbalance in prices relative to surrounding cities. This is considered a low risk, considering that the inventory of homes for sale in Moraga is usually quite low relative to demand.

The revenue from real property sales is market-driven and quite volatile, increasing or decreasing dramatically from year-to-year. Because of the volatility, these revenues are best used toward one-time needs, such as infrastructure projects. Nonetheless, the potential revenue enhancement is considered to be high value.



Recommendation

- Initiate the process for becoming a Charter City (see next section)
- Combine Real Property Transfer Tax ballot measure with a Charter City ballot measure.

Charter City

Characterization

The California Constitution gives cities the power to become charter cities. The benefit of becoming a charter city is that charter cities have supreme authority over "municipal affairs." In other words, a charter city's law concerning a municipal affair will trump a state law governing the same topic. Cities that have not adopted a charter are general law cities. The state's general law, even with respect to municipal affairs, binds General Law cities. Of California's 480 cities, 114 of them are charter cities.

The charter city provision of the State Constitution, commonly referred to as the “home-rule” provision, is based on the principle that a city, rather than the state, is in the best position to know what it needs and how to satisfy those needs. The home-rule provision allows charter cities to conduct their own business and control their own municipal affairs. A charter maximizes local control. The concept of “municipal affairs” is fluid and may change over time. Issues that are municipal affairs today could become areas of statewide concern in the future. Nonetheless, there are some areas that courts have consistently classified as municipal affairs. These include:

- Municipal election matters.
- Land use and zoning decisions (with some exceptions).
- How a city spends its tax dollars.
- Municipal contracts, provided the charter or a city ordinance exempts the city from the Public Contract Code, and the subject matter of the bidding constitutes a municipal affair. Thus, a charter may exempt a city from the State’s competitive bidding statutes.

Likewise, there are some areas that courts have consistently classified as areas of statewide concern, including traffic and vehicle regulation, tort claims against a governmental entity, and regulation of school systems.

A city charter, in effect a city’s constitution, need not set out every municipal affair the city would like to govern. So long as the charter contains a declaration that the city intends to avail itself of the full power provided by the California Constitution, any city ordinance that regulates a municipal affair will govern over a general law of the state.

Benefits

Aside from the benefit of increased local control, a charter city may, through a vote of the people, implement a real property transfer tax. If the anticipated proceeds from such a tax are to be considered as part of a city’s General Fund, a majority approval of the tax is required. If revenue proceeds are to be earmarked for specific program areas, such as police services or transportation improvements, the tax becomes a “special tax” requiring 2/3-voter approval. Twenty-two cities impose real property transfer taxes ranging from $1.10 to $15.00 per $1000 of value. All are general taxes.

Restrictions on general law cities limit transaction taxes on the sale of real property. A city that imposes a real property transfer tax (a charter city) may not also impose a documentary transfer tax. Consequently, when a city does adopt a real property transfer tax the entire documentary transfer tax rate of $1.10 per $1000 is left to the county.[17]

Implementation

There are two ways to adopt a charter:

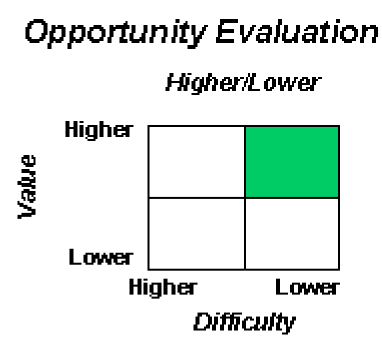
- The city's voters elect a charter commission. The commission has the responsibility of drafting and debating the charter; or.
- The governing board of the city, on its own motion, drafts the charter.

In either case, the charter is not adopted by the city until it is ratified by a majority vote of the city's voters.

Lafayette is actively pursuing becoming a charter city, appointing a special commission to draft a charter for council consideration. The city council is deciding whether to put the charter city proposition to the voters, and whether to combine the charter city question with that for a Real Property Transfer Tax.

Recommendations

- Appoint a committee to consider the scope and form of a suitable charter. Consider the Lafayette model.
- Develop a plan for a ballot measure to obtain voter approval of a charter for Moraga.
- Decide whether to ask voters to approve a charter city ballot measure.



[17] Cal. Const. art XIIIA Sec 4 and Gov. Code Sec 53725. Also Revenue & Taxation Code Sec 11911.

Transient Occupancy Tax

Background

A Transient Occupancy Tax (TOT) is a tax paid by persons who stay at a hotel, motel, inn, dormitory, or other dwelling structure on a short-term or "transient" basis.[18] Transient stays are typically defined as a period of 29 consecutive days or less. The tax is paid by the transient, collected by the operator of the hotel (or other transient dwelling structure), and then remitted to the city. Because it is imposed only on visitors, this tax typically is not paid by local residents.

The vast majority of cities in the State of California (427 out of 480) have adopted a TOT. The tax collected varies from 3.5% to 15%. The "mainstream" of cities has adopted a tax in the 9.5% to10% median range.

During its study of a TOT, the Committee reviewed the application of a TOT on the overnight camps operated through St. Mary's College. The Committee is unaware of a TOT applied to similar camps in other educational institutions. If the Town Council pursues adopting a TOT and placing the measure before the voters, the Committee recommends that the Town Council consider exempting the College from any ordinance proposed to the voters for approval.

The potential for additional revenues in the future is dependent on development of a hotel and/or a smaller bed and breakfast inn in the Town. Data presented by the College to the Town Council and this Committee suggests that activities at the College regularly and routinely generate significant demand for local hotel rooms. That demand is currently served by hotels in cities outside of Moraga. A rough survey conducted by St. Mary's College of several surrounding hotels concludes a significant number of annual "room nights" are generated by St. Mary's College related activities:

Hotel	***Est Room Nights***
Lafayette Park	1000
Concord Hilton	245
Holiday Inn Express	167

[18] California Revenue and Taxation Code 7280.

While the exact revenue generated by these activities is unknown, a general assumption can be made that 1,500 room nights at an average cost of $160/night, would generate about $240,000. This is a sizeable amount of revenue that leaves Moraga. Assessment of a 10% TOT against such gross revenue would result in $24,000 in new revenue to the Town's General Fund.

City	TOT Ordinance	Rate
Lafayette	Yes	9.5%
Orinda	Yes	10%
Walnut Creek	Yes	8.5%
Concord	Yes	10%
Danville	Yes	6.5%
Los Gatos	Yes	10%
Piedmont	No	N/A

Development of a hotel or inn in Moraga should capture some of that demand. The Town has requested that the College complete its study which quantifies the annual visits to the College and resulting demand for local hotel rooms.

The proposed Moraga Center Specific Plan provides that a hotel or inn would be permissible uses within the Specific Plan area. The Town has from time to time received inquiries regarding the possible development of a hotel on the former bowling alley property adjacent to the Rheem shopping center. Such development initiatives should be supported by the Town.

St. Mary's College operates a number of sports and other camps, mostly during the summer months, where many camp attendees temporarily reside in the dormitories. These stays could be subject to TOT. The Committee could not find any other university or college city that charges TOT for dormitory use. Because of this, the Committee suggests that any TOT ordinance specifically exclude dormitory stays.

60% Occupancy

Hotel Rooms	Average Room Rates				
	$75.00	$100.00	$125.00	$175.00	$200.00
20	32,850	43,800	54,750	76,650	87,600
30	49,275	65,700	82,125	114,975	131,400
40	65,700	87,600	109,500	153,300	175,200
50	82,125	109,500	136,875	191,625	219,000
60	98,550	131,400	164,250	229,950	262,800
70	114,975	153,300	191,625	268,275	306,600
80	131,400	175,200	219,000	306,600	350,400
90	147,825	197,100	246,375	344,925	394,200
100	164,250	219,000	273,750	383,250	438,000

Peer City Comparison

Most of the peer cities have adopted Transient Occupancy Tax ordinances. Lafayette adopted a Uniform Transient Occupancy Tax ordinance in 1968. In 2002, the Lafayette increased the TOT from 8% to the current 9.5%. Since the TOT is a general tax, the increase required approval by a simple majority vote of the Lafayette electorate. The measure (Measure F) was supported by the owners of the Lafayette Park Hotel and ultimately was approved by approximately 62% of Lafayette voters. According to Lafayette city staff, the TOT

70% Occupancy

Hotel Rooms	Average Room Rates				
	$75.00	$100.00	$125.00	$175.00	$200.00
20	38,325	51,100	63,875	89,425	102,200
30	57,488	76,650	95,813	134,138	153,300
40	76,650	102,200	127,750	178,850	204,400
50	95,813	127,750	159,688	223,563	255,500
60	114,975	153,300	191,625	268,275	306,600
70	134,138	178,850	223,563	312,988	357,700
80	153,300	204,400	255,500	357,700	408,800
90	172,463	229,950	287,438	402,413	459,900
100	191,625	255,500	319,375	447,125	511,000

has generated between $500,000 and $650,000 per year to the City of Lafayette over the past five years (2004-2009).

Projected Revenue

Projected revenues based on a 10% TOT rate and occupancy rates of 70% and 60% indicate the potential revenues for Moraga from a TOT. See tables at right. For example, a hotel of modest size (60 rooms), which is reasonably priced (average $125 per night) and which experiences good volume (about 70% occupancy), would generate about $192,000 annually for the General Fund.

Implementation and Constraints

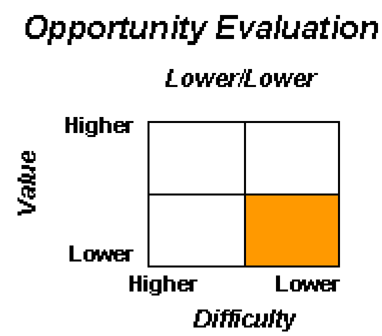
A Transient Occupancy Tax is a general tax requiring approval by a simple majority vote of the Moraga residents. A TOT can be adopted at either a general election or a special election. Proposition 218 would require the Town Council to comply with certain procedural requirements to place such a measure on the ballot at a special election.

The Lafayette ordinance appears to provide an appropriate model for consideration and possible adoption by the Town of Moraga. [19] The experiences of Lafayette with respect to their election on the TOT is also instructive.[20]

The principal risk is that a proposed TOT may not be approved by a majority of Moraga voters. That said, the vast majority of cities in California have adopted a TOT to capture this source of revenue, which is typically paid by visitors rather than local residents.

Recommendation

- Pursue voter approval of a Transient Occupancy Tax ordinance based on the Lafayette model, or another model that has proved successful.



[19] City Of Lafayette Municipal Code, Title 9 Revenue and Taxation, Chapter 9-5 Uniform Transient Occupancy Tax.

[20] "Increase in Transient Occupancy Tax," Best, Best & Krieger LLP, to Lafayette City Council, June 3, 2002. Includes also City Of Lafayette Resolution 29-02 in the matter of Calling a Special Municipal Election to be Held on November 5, 2002, and other materials pertaining to election.

General Services Tax

Background

A Municipal (General) Services Tax is a parcel tax that can be used for a variety of municipal services, including police, public works and other services. Cities with a municipal services tax include Davis, Fairfax, Mill Valley, Ross and Piedmont. The tax is established by an enabling measure that specifies the amount of the tax, its intended use, expiration, and any inflationary adjustment. The tax requires 2/3 voter approval and is collected as a per-parcel charge on the annual property tax bill.

Peer City Comparison

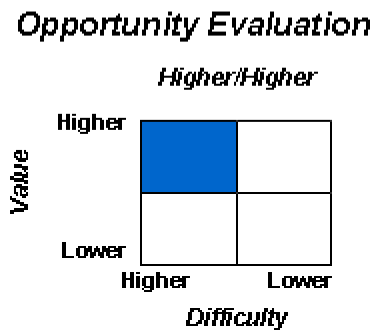
Piedmont is a peer city with a municipal services tax; the tax has been in place for over 25 years. In Piedmont, the tax supplements funds generated by real property taxes, sales taxes and other revenues, in order to provide a higher level of municipal services. The tax is imposed on single family residences ($342 to $576 per year, based on square footage), commercial properties ($576 to $864 per year, based on square footage) and multi-family residential units ($237 per unit, per year). The Piedmont tax expires after four years, is adjusted for inflation, and can generate as much as $1.0 million per year.

Revenue Projection

Assuming 5,500 taxable properties in Moraga, a $100 per parcel Municipal Services Tax would generate $550,000 per year; a $200 tax would generate $1.1 million; and a $300 tax would generate $1.65 million. This revenue would be highly flexible and available to fund city services as determined by the Town Council.

Implementation and Constraints

A General Services Tax is collected on real property and, therefore, requires 2/3-voter approval. Passage may be difficult to achieve.



Recommendation

- Given that a General Services Tax likely would not be viewed favorably by the electorate, the REC is not recommending that Town Council pursue it at this time.

Utility Users Tax

Background

A Utility Users Tax (UUT) has generally been a steady and reliable source of General Fund revenue for the cities that have adopted the tax. A UUT may be imposed by a city on the consumption of utility services, including, but not limited to, electricity, gas, and telephone. The rate of the tax is determined by the local agency. A UUT may be imposed as a special tax for specific purposes, or as a general tax to be used for a variety of municipal needs. The Town of Moraga does not assess a UUT.

Some factors that affect the revenue generated by UUT are:

- Consumption/use of gas, electricity, telecommunication services, cable, and cellular
- Regulatory actions, including deregulation and re-regulation
- PUC rate changes
- Market forces; Evolution of technology
- Legislative actions at State and Federal levels.

Peer City Comparison and Projected Revenue

Statewide, UUTs generate about $2 billion per year (cities and counties). Currently, 118 cities and three counties assess UUTs for a variety of utilities. The majority of UUTs focus on electricity, gas, and telephone charges. Below is a listing of Alameda and Contra Costa county cities that assess a UUT.

A UUT could deliver to Moraga over $1.0 million annually. While this is only a rough calculation of possible revenue, a UUT could be a significant boost to annual General fund revenue.

While it is difficult to project UUT revenue due to the variables of tax level and number of applicable utilities, one method of projection is to consider the average revenue earned per capita by those cities that do apply a UUT. The annual per capita revenue earned by the cities reflected in the above table ranges from $75 to $135. Taking a very conservative approach, assuming $65 of UUT annual revenue per capita, Moraga could about $1.1 million per year. This would be a sizeable increase to the Town's General Fund. Currently, Lafayette and Orinda do not assess a UUT.

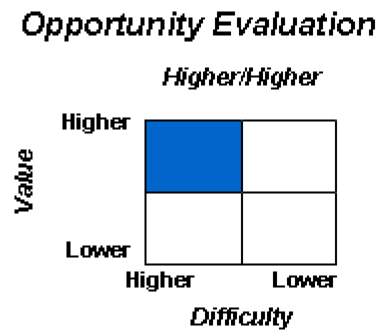
City	County	Population	Revenue	Revenue Per Capita	Telephone: IntraSt Resid & Commr	Telephone: InterSt Resid & Commr	Telephone: IntNt'l Resid & Commr	Telephone: Wireless Resid & Commr	Elecricity/Gas Resid & Commr	CATV Resid & Commr	Water Resid & Commr
Alameda	Alameda	75,254	$8,328,131	$111	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	
Albany	Alameda	16,764	$1,447,462	$86	7.0%	7.0%	7.0%	7.0%	7.0%		
Berkeley	Alameda	106,347	$14,367,544	$135	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	
Piedmont	Alameda	11,055	$1,193,834	$108	7.5%				7.5%		$1permonth
El Cerrito	Contra Costa	23,194	$2,778,458	$120	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Hercules	Contra Costa	23,975	$1,789,425	$75	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Pinole	Contra Costa	19,234	$2,037,499	$106	8.0%			8.0%	8.0%		
Pleasant Hill	Contra Costa	33,117	$155,156	$5	1.0%						
San Pablo	Contra Costa	30,965	$2,158,865	$70	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Implementation and Constraints

To implement a Utility Users Tax, the residents of the Town must approve it. If the revenue is used for general purposes, a simple majority vote is required. If the revenue is designated for a specific purpose, two-thirds voter approval is required.

It could be difficult to pass a new UUT measure in Moraga since this is a tax that would impact all residents. Many people consider UUTs a regressive form of taxation since the tax is based primarily on usage of the utility. For this reason, it would likely be difficult to win passage of a UUT, regardless whether the tax was for special- or general purposes.

Recommendation



- Given that a Utility Users Tax likely would not be viewed favorably by the electorate, the REC is not recommending that Town Council pursue it at this time.

Grants

Background

Grants are available to municipalities from the federal and state governments as well as from local agencies. Although the federal government is the largest source of grant money, federal funding is generally much more difficult to obtain. Grants may also be available from time to time from private sources such as foundations, direct giving programs, voluntary agencies, and community groups.

Generally, the municipality must apply for a grant and meet the requirements specified in the grant. The process of applying for grants involves a broad scope of activities including preliminary planning and research, proposal development and follow-up. Learning about potential grant opportunities, the specific requirements and restrictions of the grants, and the chances for success in obtaining them, is a time-consuming step in the grant process. Many grants are for specific projects and require extensive design, planning and budgeting, often including a commitment of matching funds, before the grant application can even be submitted. Grants require a lot of staff work, but they are relatively straight forward to prepare and administer.

Many grants stipulate that a city receiving a grant put up “matching” funds. This pursues the philosophy that grants are intended to supplement the grantee’s own funds, not replace the city’s funds entirely. Therefore, it is up to the city to identify matching funds. Often times, the level of matching funds can improve a city’s competitive position. Cities pledging 50 percent of a project’s total estimated cost are sometimes viewed by the granting agencies more favorably than cities pledging lesser portions.

Revenue Projections

While all department heads are involved in grant applications at one time or another, the Town Engineer is the only department head whose job description includes grant writing. Yet, the current Town Engineer is only able to spend about five percent of her time pursuing grants. Considering the limited resources allocated to pursuing grants, Moraga nonetheless has been quite successful in obtaining grant monies, averaging $500,000 to $1 million per year for the past five years. These grants have been mostly for capital improvement projects—primarily road, sidewalk and intersection improvements and energy efficiency upgrades. For example, in 2009 the Town was awarded $609,000 in federal stimulus funds to apply rubber cape seal on Moraga Road and $80,000 to construct an elevator in the Town building at 329 Rheem. An additional $84,000 local Transportation Development Act grant was successfully obtained to improve the safety of the crosswalks at the Corliss and Woodford intersections with Moraga Road.

Unsuccessful grant applications have often been for projects that were not already part of the Town's capital improvement plan and therefore lacked adequate project definition. The Town Engineer is currently pursuing and/or monitoring additional federal and local grants for road and energy efficiency improvements. It should be noted that federal grants for road improvements may be used only for projects on the eight roads in Moraga which are on the federal highway system.

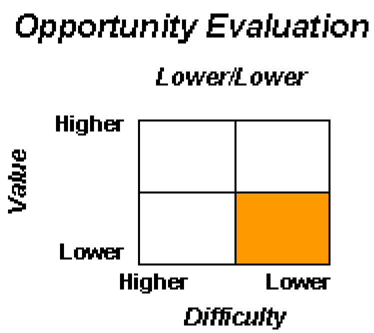
Implementation & Challenges

Although Moraga has been successful in obtaining grants in the past, the uncertainty and specific grant requirements make grants a poor option for funding continuing expenses. Moreover, grants of the kind Moraga has been able to obtain are for specific capital improvements and cannot be used for general operating expenses.

Moraga might be able to pursue and successfully obtain more grants if staff were able to devote more resources to the process. As a practical matter, that would require hiring an employee devoted to grant writing, and a commitment of town resources to initial design, planning and budgeting. Such commitment would be made with no guarantee of success in winning grants. In addition, Moraga is not especially competitive for many of the public grants available because of its location and relative affluence. Moraga is neither a transportation hub nor does it qualify as a low-income or redevelopment area. While the Town may elect to consider devoting resources to pursuing grants for specific capital projects, it should be recognized that grants are not a viable source of general fund revenues.

Recommendation

- Do the necessary project definition work to have potential grant projects ready, on-the-shelf, awaiting funding opportunities.
- Do not rely on grants as a reliable source of revenue.



CHAPTER 5—ECONOMIC DEVELOPMENT

Overview

Brief History

Moraga's two shopping centers were both built prior to Moraga's incorporation in 1974. Construction of the Rheem Shopping Center began in 1954 and the Moraga Shopping Center was started in 1962.[21] The County's General Plan envisioned an ultimate Moraga population of 56,302.[22] Moraga was also to have been accessed by two major freeways. Both of those access routes were deleted during the 1970s (see box). The deletions of the freeways had two major impacts on Moraga and on its two shopping centers: (1) Given the limited roadway access into Moraga, Moraga's planned ultimate population necessarily was scaled back significantly; and (2) access to Moraga's Shopping Centers by those living outside the community was severely limited, relative to what was envisioned when both shopping centers were built. As a direct result, the resident and visitor populations that both shopping centers were built to serve never materialized.

Moraga Freeway History

Two freeways planned during the 1960s would have accessed Moraga: the Shepherd Canyon Freeway (Route 77) from Oakland; and the Gateway Freeway (Route 93) between Highway 24 in Orinda and Lafayette. The two freeways would not only have served the local population, they would also have provided ready access to Moraga's shopping facilities for people living outside the community.

Both freeway routes were subsequently rescinded by the State Highway Commission, primarily because of "financial constraints." The Shepherd Canyon Freeway's deletion occurred in July 1974*, prior to Moraga's incorporation. The Gateway Freeway was deleted in July 1975.** According to the State Highway Commission's records, the Town of Moraga had requested a year-long extension of that latter decision, so that the Town could complete preparation of its first General Plan. The Town had also asked that an Environmental Impact Report be prepared before that route was dropped. Accordingly, the Town did not foster or support that rescission.

Current Situation

In recent years, new retail investment in Lafayette and downtown Walnut Creek has been vigorous. Many new stores have been built in both communities; most of those are thriving. In contrast, today's Rheem Shopping Center and Moraga Shopping Center have changed very little from when they were originally built. Over the years, Moraga has lost significant parts of its commercial base: Blockbuster, Thrifty Drugs, the Lucky and Apple markets have left town; a large party store and a yardage store have gone; fine dining establishments have departed; several apparel stores have left; there is no longer a bookstore in town; the bowling alley closed and was razed; there is a dearth of entertainment facilities. The many "For Lease" signs in vacant Moraga storefronts give mute testimony to the continuing deterioration of the Moraga shopping experience. It has been widely reported that many of the small "Mom and Pop" businesses that focus

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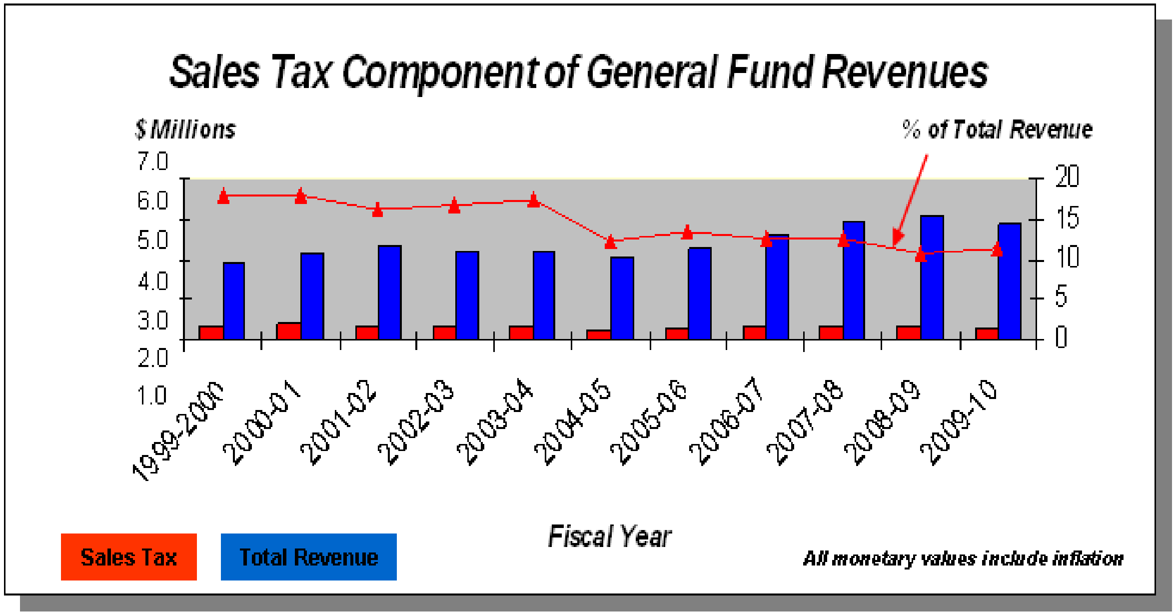
21 Kimball, Sandy. *Moraga's Pride: Rancho Laguna de los Palos Colorados*. Moraga Historical Society. 1987. Pgs.123 & 169.

22 Contra Costa County Planning Department. Moraga Area General Plan. January 1971.Table 4.

strictly on the Moraga market are struggling to survive. The only businesses that seem to be doing well are those that draw from a wider geographic area than Moraga alone. Those so-called "destination businesses" include TJ Maxx, Home Goods, OSH and Safeway.

Given both the loss of many former businesses and the unavailability locally of many essential services, Moragans currently have no choice but to shop elsewhere. That deficiency has many manifestations. Not the least of those is that when Moragans are forced to shop outside Moraga, the sales taxes they pay go to the cities in which they make their purchases—not to the Town of Moraga.

Previous studies by others are instructive.[23] The studies have shown that Moraga households make three quarters of their retail purchases in surrounding communities. In 2004, Moraga households were spending approximately $289 million on retail goods annually. Actual taxable sales in Moraga were only $70 million, with a portion of that total attributable to local purchases by residents of Orinda and Lafayette and the St. Mary's College community. Given that comparison, it is evident that Moraga is experiencing a massive sales tax "leakage."



In recent years, as a direct result of the deterioration of the Town's economic vitality, sales tax revenues have become an increasingly smaller part of the Town's total General Fund revenues. As the chart at right displays, sales taxes have declined from 18 percent of Moraga's General Fund revenues in fiscal year 1999-2000 to approximately 10 percent today. (In the current fiscal year, sales tax revenues are forecast to be $650,000.) Were the Town to capture just one quarter of the sales tax leakage, current fiscal year sales tax revenue would increase by approximately $500,000. If Moraga's former economic vitality were

23 "Town of Moraga Market Assessment", prepared for Town of Moraga by Economic & Planning Systems Inc., February 2006.

restored and improved upon, that change would have a significant impact on annual sales tax revenues and on the General Fund.

What Needs to be Done

In order to restore and then improve Moraga's economic vitality, a number of initiatives should be undertaken.

Some Observations

It is not apparent that the owners of either shopping center have developed a vision or a strategy to address their current high vacancy rates, to attract new businesses that will meet Moragans' needs, and to attract additional shoppers from outside our immediate community.

- Only minimal capital investments have been made by either shopping center's owners to upgrade their tired and dated facilities.
- There is no concerted, coordinated effort on the part of the Town, Moraga Chamber of Commerce and the shopping center owners to develop unified Town-wide vision and strategies aimed at reenergizing the Town's commercial base.
- Some in the business community have voiced complaints about the Town's regulations and permitting processes which they describe as barriers to attracting new businesses. In particular, they suggest that restrictions in the Town's signage ordinance make it difficult for them to make residents and visitors aware of the presence of their businesses.

However, there are some positive signs of progress:

- The Moraga Chamber of Commerce has been re-established as the voice of the Moraga commercial community and is focusing on business promotion and self-improvement. The Chamber's "Shop Moraga First" campaign has helped to educate local residents on the benefits to our community when they elect to do more of their shopping in Moraga.
- The Town has been attempting to work with the owners of the Moraga Shopping Center to make more productive use of their lands in order to reinvigorate the local economy. The Moraga Center Specific Plan process will establish land use plans for the 186-acre area surrounding the existing Moraga Shopping Center,

including renovation and rejuvenation of the existing commercial center and provisions for new residential, retail and office space.

- Recent Town studies generated as part of the Moraga Center Specific Plan process have concluded that there is significant potential for new retail development which would fit Moraga's retail needs and thereby reduce the need for out-of-town shopping.[24]

- As a result of Chamber of Commerce initiatives and additional insights provided by both a recent St. Mary's College Economic Impact Study and this Revenue Enhancement Committee, it has been mutually concluded that the St. Mary's College community represents a significant, largely untapped, market opportunity for Moraga's businesses. Nearly 4,800 students—undergraduate and graduate—attend St. Mary's College. Approximately 1,600 of the undergraduates live on the Moraga campus. The rest live in Moraga or in nearby communities. Faculty and staff add another 1,000 to the college community. Nonetheless, consumer spending in Moraga by the college community is currently modest.[25]

  Surveys included in the recent study by St. Mary's also revealed student, faculty and staff preferences for a variety of retail and service businesses that are currently unavailable in Moraga.

  Another potential opportunity for Town/College collaboration would be establishing a Moraga vendor preference for the college's purchasing and contracting.

The preceding deficiencies, when linked with both the new initiatives and newly identified opportunities described above, suggest three major initiatives to help revitalize the Town's economy. These initiatives should be supported by a new Town staff position that could be funded by a new Town revenue source.

Enhance Ties with St. Mary's College

The first initiative would be to maximize the economic linkage between the Town and St. Mary's College to the mutual benefit of both.

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24 "Retail Market Analysis", prepared for Town of Moraga by Pitney Bowes MapInfo, February 2008.

25 "The Economic Impact of Saint Mary's College on the Local Community", prepared by The Center for the Regional Economy, St. Mary's College, June 2009.

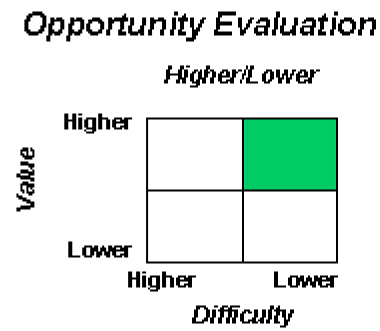
Ideas for Enhancing Ties

- Finding operators/investors to locate new businesses in town which are designed to appeal to students, faculty and employees of the College and their families. Examples could be: a sports bar; an Internet café; a sports shop serving not only the needs of the College but also those of local high schools and youth sports teams, little league teams, etc.; a bicycle shop; bookstore; winery/wine bar; and a boutique hotel or a bed-and-breakfast.
- Encouraging the College to "Shop Moraga First" in its institutional purchases and contracting. That would both financially strengthen existing Moraga businesses and positively impact the Town's sales tax revenues.
- Encouraging the college to establish a presence in Town beyond the Rheem Campus. An example would be displaying and selling "Gael" logo merchandise in Moraga stores, which would also help promote St. Mary's sports.
- Developing a student debit card program usable in Moraga establishments, possibly offering discounts to college students.
- Operating an intra-Town bus shuttle service between the campus and the shopping centers. This might be done in conjunction with the current "Gaels to Rail" shuttle which operates between the main campus and BART stations.
- The Town should also explore the benefits and any risks/potential problems associated with extending the Chamber of Commerce's "Moraga—Home of St. Mary's College" slogan for potential use in the Town's communications and signage. That exploration should involve both marketing research and legal review.Recommendations

Moraga, Home of Saint Mary's College

Recommendations

- Develop a strong economic linkage between the Town, the business community and the St. Mary's College Community (the College as an institution, its students, faculty and staff).
- Determine whether it is appropriate and feasible to adopt the slogan "Moraga-Home of St. Mary's College" to be used in signage, communications, and Town-sponsored activities.



Enhance Town-Business Community Relations

The second initiative would involve a concerted effort to make it easier to start and operate a business in Moraga. In short, the review should identify creative ways to make the Town of Moraga a more "business friendly" environment.

The Moraga Chamber of Commerce has discussed the impact of the Town's regulations on business and has concluded that changes would be beneficial. The Town's Economic Development Advisory Committee (EDAC) previously cited numerous areas in which regulation improvements could be helpful.[26]

The Town should review its current regulations for any adverse impacts on local businesses. That review should identify regulations and permitting processes that inhibit business operations or exact excessive costs from established businesses. The review should also identify barriers-to-entry that may prevent new businesses from locating in Moraga. The City of Lafayette's stimulus package, which was launched in early 2009, was designed to ease the burden on that city's businesses in the current economic climate.[27] This initiative has elements Moraga should consider adopting.

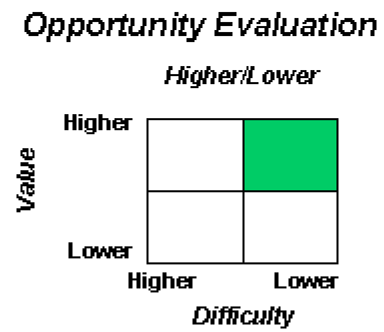
[26] Economic Development Advisory Committee (EDAC), Final Report to Moraga Town Council, May 28, 2008.

[27] "Lafayette Stimulus Package", City Of Lafayette, described in open letter to Lafayette residents, business and property owners, February 26, 2009.

Many business owners have complained about the Town's restrictions on commercial signage. They argue that the Town is unintentionally making it difficult for businesses to attract drive-by business. Suggestions have been made to relax the restrictions on corridor entry signs, directional signs to shopping centers, banners and marquees for events.

Recommendation

- Review and make appropriate changes to those Town regulations that discourage businesses from locating in Moraga, and that hinder enhancement of existing businesses. Promote a more "business friendly" environment.



Economic Development Director

The third initiative would involve employment by the Town of a professional Economic Development Director whose primary responsibility would be restoring and then improving Moraga's economic vitality by fostering increased investment in our business community.

Background

Currently the Town has no capability to coordinate economic development with the major shopping center owners, our local businesses and prospective new businesses. The Chamber of Commerce undertakes a measure of coordination with the Town, but the Chamber is not in a position to speak for the Town in any official capacity. Many other cities have staff positions for economic development, either as a separate city government department or as part of its community development (city planning) department.

While efforts have been made to improve the Town's business climate, those efforts have not been coordinated. As a result, they have not resulted in definitive action plans. One reason is that Town's small staff is completely and necessarily focused on the many other tasks involved in running the Town. As a consequence, economic development has not received the attention required to have a significant positive impact on our Town's economy.

The primary reason why an Economic Development Director has not been employed is funding. Also, since incorporation, Moraga has always subscribed, philosophically, to minimum-size government.

A new Economic Development Director position should be thought of as an investment in the Town, not as a staff expense. Economic development is discretionary; the Town can get by without it. However, in the long term, that is not a wise strategy, as is evidenced by Moraga's declining business base and deteriorating sales tax revenues.

Scope of Position

The primary responsibilities of such an economic development professional would be to:

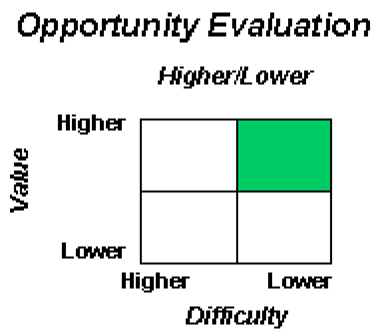
Work with the Town Council, commissions and staff, the Chamber of Commerce and the shopping center owners, to find and attract new business to Moraga that would fill the currently unmet needs of Moragans, would appeal to the students, faculty and staff of St. Mary's College and would significantly increase the Town's sales tax collections.

- Work to streamline the Town's business regulations and to modify its sign ordinance to facilitate improved economic activity within Moraga.
- Aid in the solicitation and securing of sponsorship funding for promotional activities that would bolster commercial activity within the Town.

A draft position description for an Economic Development Director can be found in Appendix B.

Recommendation

- Define the scope and responsibilities of an Economic Development Director. After securing funding sources, conduct a search and employ a suitable candidate.



Business License Tax

Background

In order to finance the Economic Development Director's position, the Town should ask the voters to approve a Business License Tax. The tax would be progressive. It would involve only a very small charge to Moraga's small "Mom and Pop" businesses. Moraga's largest business, many of which are national in scope and are accustomed to paying a Gross Receipts Tax in most other communities, would be the largest funding sources.

A Business License Tax is a general tax on businesses for conducting business within the City and has been viewed as a method to fund economic development programs. As a general tax, use of revenues derived from the issuance of business licenses is unrestricted.

The tax is most commonly based on gross receipts or levied at a flat rate, but is sometimes based on the quantity of goods produced, number of employees, number of vehicles, square footage of the businesses or some combination of factors. Rates are set at each City's discretion.

In January, 2001 a business license tax ordinance was presented to the Moraga Town Council for consideration. The ordinance encountered numerous objections from both the Town Council and from property owners. That ordinance proposal was abandoned.

What Other Bay Area Cities Do

City	Business License Fee (Flat or Number of Employees)	Revenue Tax Rate
Albany	•$239 plus $49 per employee for most businesses. •Businesses with less than $3500 annual gross receipts within Albany: $49 plus $31 per employee •Minors with less than $500 in annual gross receipts within Albany (except solicitors and peddlers): $15	N/A
Emeryville	•$52.00 administrative fee ($10 for renewals) plus revenue tax based on gross receipts	•0.08% of gross receipts, minimum $25. •If there is no gross revenue in Emeryville, taxes are based on the expenses incurred in Emeryville: payroll, rent, utilities, and depreciation. •Certain businesses pay business tax based upon other tax schedules or methods
Berkeley	•New businesses: $25 registration fee plus minimum tax •Renewals: tax on gross receipts or payroll, plus Business Improvement District fee if applicable.	•Professionals: .36% of gross receipts •Business, Personal, and Repair Services: .18% of gross receipts Other Businesses: .24% of gross receipts •Retail Trade: .12% of gross receipts. •Recreation/Entertainment: .45% of gross receipts •Minimum tax $51 for most businesses. For more business classifications, see the full table.
Oakland	•$30 registration fee for new businesses, plus gross receipts or payroll tax, depending on type of business	•Business/Personal Service: .18% of gross receipts •Professional: .36% of gross receipts •Recreation/Entertainment: .45% of gross receipts •Manufacturers: .12% of value added •Minimum tax $60 for most businesses. See the full rate and classification table for details.
Piedmont	•New license $50-$100 based on type of business. Renewals pay a gross receipts tax	•.2% on gross receipts •Minimum $100.
Alameda	•Revenue or payroll tax based on type of business	•Business Services, Professionals, Retail and Wholesale: .04% of gross receipts If payroll is higher than gross receipts, pay .04% of gross payroll instead. •Manufacturers: .04% of gross receipts minus value of raw materials •Minimum $74-$142 based on total annual gross receipts or payroll.

Many neighboring cities have a business license tax. Those cities include: Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont, and Walnut Creek. The chart on the previous page shows the variety of business license taxes in place as of October 2009.[28] Neither Orinda nor Lafayette currently has such a tax. Residents of Emeryville, Palo Alto and Redwood City voted on November 3rd whether to either implement a new business license tax or increase their existing one. Emeryville increased their tax; Palo Alto initiated a new tax and Redwood City voters rejected an increase.

Gross Receipts Tax Rate	Estimated Annual Revenue (3 years after implementation)	Example Cities
0.20%	$197,089	Piedmont, Oakland (0.18%)
0.30%	$265,634	
0.40%	$354,179	

Uses of a Business License Tax in Moraga

The reason for enacting a Business License Tax is to generate funds to support activities for Town-wide business development. Such business development is the key to restoring economic vitality and improving sales tax revenues.

Potential Revenue

Using the City of Piedmont model— which collects a percentage of gross receipts above a minimum level—it is estimated that annual Town of Moraga Business Tax collections would be between $200,000 and $500,000. That estimate conservatively assumes 500 businesses in Moraga with the majority of those businesses generating less than $50,000 in annual revenue. It also assumes that in any given year 200 outside contractors would work in town and would pay a flat annual fee.

It could take up to three years to fully realize the potential revenue stream from the implementation of a tax. A Piedmont-type simplified model using gross tax receipts and a flat annual fee for contractors suggests potential annual revenue streams for various tax rates as shown in the table at right. At a tax rate of 0.40 percent of gross sales, the current maximum rate

	Gross Receipts ($)	Revenues Based on Gross Receipts By Rate ($)		
		0.20%	0.30%	0.40%
Larger Stores (> $1,000,000 in receipts)		65,000	97,500	130,000
$500,000 to $1,000,000: 75 Businesses	43,012,500	86,025	129,038	172,050
$50,000 to $499,000: 75 Businesses	8,801,250	13,202	19,803	26,404
Under $49,000: 350 Businesses	8,575,000	12,863	19,294	25,725
Businesses (eg ,contractors) that conduct business in Moraga	N/A	20,000	20,000	20,000
Estimated Annual Tax Revenue		$ 197,090	$ 285,635	$ 374,179

Assumptions:

1) Approximately 500 established businesses within Moraga

2) Gross revenues of Moraga businesses are unavailable; conservative (low side) sales estimates used

3) 100% of large businesses (> $500,000 annual revenue) would pay 100% of tax rate; smaller businesses pay 75% of rate

4) For Moraga's businesses with gross receipts between $50,000 and $1,000,000 the average is weighted 85/15 towards the low end

5) Flat $100/year charge for 200 businesses (contractors) conducting business in Moraga

28 Sources are individual city websites.

for any Bay Area jurisdiction, the model suggests annual revenue of about $375,000.

Implementation and Challenges

A Business License Tax can be designed with considerable flexibility, provided that the tax is not patently discriminatory. An appropriate approach for Moraga might be:

- Use a model based primarily upon taxing gross revenues.
- Graduate the tax based on size of business as measured by gross revenue, so as to absolutely minimize the tax's impact on Moraga's small businesses
- Use an employee count in lieu of revenue for certain professional and other service businesses.
- Define a phase-in process for how a tax would be introduced.
- Couple the implementation of tax with tangible benefits to the business community.

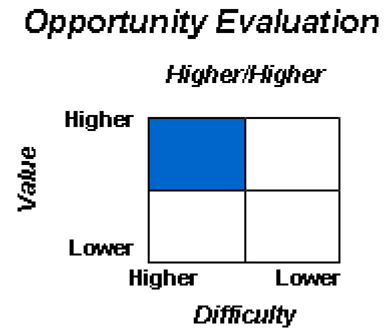
The risks associated with implementing, or not implementing, a Business License Tax are:

- Since the tax is an appropriate means for funding economic development programs (including an Economic Development Director), **the largest risk is in doing nothing while the town's economic health continues to deteriorate**. (Moderate to High Risk)
- The tax might not meet voter approval. Simple majority approval is required if the tax is for General Use (Moderate Risk); 2/3rds voter approval would be required if its use is for limited purposes). (Higher Risk)
- Businesses might mount a costly legal challenge, which many of the smaller business could ill-afford to do. (Lower to Moderate Risk)
- A graduated tax might cause chain stores to reconsider their position in Moraga. It is safe to assume that those stores (e.g. CVS, OSH, Home Goods, TJ Maxx) are among the smaller units in their respective chains. Should the tax tip the profit/loss balance unfavorably, the chain might close its Moraga store. (Moderate Risk)

- A graduated tax might discourage new chain stores from opening in Moraga. (Moderate Risk)
- Small stores might close, were the tax too onerous. (Lower Risk, because the tax would be purposely minimized for small stores)
- New small stores might not enter the Moraga market. (Lower Risk)
- The Town may be placed at a competitive disadvantage relative to Lafayette and Orinda. (Lower Risk)
- Timing tax implementation in economic down-times is difficult. (Moderate to Higher Risk)

Recommendations

- Develop a Business License Tax based on the Piedmont model, unless another model emerges which appears more appropriate for Moraga.
- Place a measure on the ballot seeking voter approval of a tax, with the understanding that its proceeds would primarily be directed toward programs for economic development and vitality.



CHAPTER 6—RECOMMENDATIONS

General Financial Observations

- In recent years, the Town has controlled operating budgets so that it spends within its means. Projections for the next few years indicate that the Town should be able to continue this prudent financial management.
- Operating reserves are still below appropriate levels for a town of Moraga's size. The Town Council recently approved a policy to use 50 percent of any annual surplus to fund repair and replacement of infrastructure, with the balance used to increase operating reserves up to 50 percent of annual expenditures.
- Moraga has a revenue problem, not a spending problem. The Town ranks among the lowest of peer cities in terms of revenues derived from property and sales taxes.
- Moraga government lives up to its reputation for "minimum service." Frugality over the years now places Moraga near the bottom in nearly every spending category, on a per-capita basis. Minimum services are evident in numerous ways: deteriorating infrastructure, limited public services, minimum and over-extended staff, and declining economic base. It is unlikely that the Town could further reduce spending in any meaningful ways without further curtailing the Town's ability to maintain infrastructure, provide basic services, or arrest economic decline.
- The Town Council should carefully consider the major spending needs outlined in this report and embrace the opportunities recommended for enhancing revenues in order to meet those needs. The Town Council should recognize the consequences of continuing the status quo, and clearly explain to the residents of the Town the importance of revenue enhancements.

Recommendations Summary

Infrastructure

The Town should pursue one or more of the following revenue enhancement opportunities to fund infrastructure needs. Opportunities should be pursued which can generate sustainable and reliable revenue streams, that are indexed for inflation. The following should be acted upon as soon as practical:

- Complete the engineering studies that are currently underway to update the assessment rates for the existing Lighting Assessment District (LAD). Do not alter the scope of the LAD. Conduct the necessary ballot process to affirm parcel-owner acceptance of the rate increase.
- Create a benefit assessment district of parcels that would receive "special benefit" from a maintenance and improvement program for collector and neighborhood streets. Conduct the necessary ballot process to affirm parcel-owner acceptance of the district.
- Undertake engineering studies necessary to define the scope of a program for maintenance and rehabilitation of the public storm drain system. Define a benefit assessment district comprising those parcels that would receive "special benefit" from this program. The Town Council should pursue implementation of the benefit assessment district once the necessary studies have been completed.
- Continue to aggressively pursue local, state and federal grants to fund infrastructure projects and pursue necessary matching funds for grants.
- Ensure that development impact fee schedules are current in terms of compensating the Town fairly for impacts of new development.
- Contemplate financing with bonded indebtedness only for those infrastructure needs which demand upfront, one-time expenditures, or annual expenditures much larger than can practically be raised though other means.

General Fund Revenues

The following revenue enhancement opportunities should be pursued to augment the General Fund for general expenditure (non-specific uses). In descending priority:

- Initiate the process for Moraga to become a Charter City.
- Pursue a Real Property Transfer Tax on the same ballot as the Charter City measure.
- Pursue a Transient Occupancy Tax.
- Continue to pursue grants at the local, state and federal levels for General Fund uses as the grant opportunities permit and pursue matching funds for grants.

The following revenue enhancement opportunities should not be pursued at this time:

- General Services Tax.
- Utility Users Tax.

Economic Development

The following revenue enhancement opportunities and initiatives should be pursued for the purposes of enhancing the Town's economic vitality:

- Develop a strong economic linkage between the Town, the business community and the St. Mary's College community (the College as an institution, its students, faculty and staff).
- Determine whether it is appropriate and feasible to adopt the slogan "Moraga-Home of St. Mary's College" to be used in signage, communications, and Town-sponsored activities.
- Review and make appropriate changes to those Town regulations that discourage businesses from locating in Moraga, and that hinder enhancement of existing businesses. Promote a more "business friendly" environment.
- Define the scope and responsibilities of an Economic Development Director. After securing funding sources, conduct a search and employ a suitable candidate.
- Enact a Business License Tax that will fund the Town's investment in economic development, yet not be onerous, thereby irreparably damaging local business.

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APPENDIX A—BIOGRAPHIES

Trish Bare

Trish Bare formerly practiced law with Orrick, Herrington & Sutcliffe. She was co-chair of the successful campaign to pass the Moraga School District's first parcel tax in 1992 and served in the same capacity for the current Moraga School District parcel tax that voters approved in 2004. Ms. Bare has served on the Executive Boards for the parent clubs of each of: the Rheem Elementary School; Los Perales elementary school; Joaquin Moraga Intermediate School and Campolindo High School. She has also served on the Board of Trustees of the Moraga Educational Foundation. She received a B.A. from Bucknell University and her J.D. from the University of Michgan. She and her family have lived in Moraga for 25 years.

Bob Kennedy

Bob Kennedy is retired from Edible Technology, a manufacturer of food service equipment, for which he served as chief financial officer. his professional experience includes financial and accounting positions at Container Corporation of America and TAB Products. He was formerly Treasurer for the Town of Moraga and currently serves on the Town's Audit and Finance Committee. Mr. Kennedy received both a B.S. in Engineering and an MBA from the University of California at Berkeley. He has resided in Moraga for 12 years.

Zhan Li

Zhan Li is Associate Dean and Professor of Marketing at the University of San Francisco's School of Business where he is in charge of graduate programs, faculty and academic operations. Dr. Li has also been a Visiting Professor of Marketing at U.C. Berkeley's Hass School of Business, an Adjunct Professor of Marketing at Peking University and has also served as Editor-in-Chief of the Journal of Asian Business Studies. He has served as a consultant to numerous multinational corporations, non-profits, and government agencies. Dr. Li is also frequently interviewed about contemporary business issues on television and radio programs and in magazine and journal articles. He holds MBA and DBA degrees from Boston University. Dr. Li and his family have lived in Moraga since 2002.

Ravi Mallela

Ravi Mallela is Finance Manager in corporate finance at Wells Fargo. As part of Wells Fargo's strategic planning function, Mr. Mallela is responsible for Equity Capital Management—the assessment of credit, market, operational, and counterparty risks across the bank's $1.2 trillion in assets. Prior to joining Wells Fargo, he founded a small business, Equbits, where he received a National Science Foundation Small Business Innovation Grant to help develop that company's software products. He subsequently sold that business to a hedge fund. He is currently Chair of the Town of Moraga's Parks and Recreation Commission. During his tenure on that Commission, he helped to develop the Town's Parks and Recreation Master Plan. A graduate of U.C. Berkeley, he is currently completing the Executive MBA Program at the UCLA's Anderson School of Management. Mr. Mallela and his family moved to Moraga in 2005.

Mike Metcalf

Mike Metcalf retired following a 20 year career with Chevron, during which he was a Project Manager for engineering and construction projects in a variety of overseas operations. Previous to that he was Research and Development Director for a San Francisco engineering firm. Mr. Metcalf served as an officer in the U.S. Navy's Civil Engineer Corps (Seabees) and served two tours during the Vietnam War with that organization. He is currently a member of the Moraga Town Council, was mayor in 2007, and previously served for six years on the Moraga Planning Commission. He is also a Contra Costa Transit Authority

Commissioner and is the Town's representative on the Southwest Area Transportation Commission. Mr. Metcalf is active in USA Swimming, serving as a national official. He is also a member of the Board of Directors of Pacific Swimming and is responsible for that organization's Northern California swim safety program. He has a Bachelor's degree in Civil Engineering from the University of Pennsylvania and holds M.S. and PhD. degrees in Civil Engineering from Stanford University. The Metcalf family has resided in Moraga for 24 years.

Dick Olsen

Dick Olsen retired as Vice President of Transamerica Corporation where he was responsible for corporate advertising, media relations, financial communications (annual and quarterly reports), employee communications, investor relations and corporate identity. As Assistant Treasurer, he had previously been responsible for corporate finance at most of Transamerica's subsidiaries. He was also formerly International Finance Manager for Weyerhaeuser. Prior to the Town's incorporation, Mr. Olsen was Chair of the Moraga Community Association's Civic Affairs Committee. He was a Founding Member of the Citizens Incorporating Moraga, served on the Town's first Design Review Board and was a Moraga Fire District Commissioner for 12 years. He was also Treasurer of Moragans for Quality Schools. A former Trustee of the Stanford Alumni Association, the San Francisco Ballet and the San Francisco Conservatory of Music, Mr. Olsen currently serves on three U.C. System Boards of Trustees. He holds a Bachelor's degree in Economics from Stanford University. The Olsen family has resided in Moraga for 37 years.

Kathy Ranstrom

Kathy Ranstrom is a contract law instructor in the Legal Studies Department at John F. Kennedy University. She has also taught at St. Mary's College and California State University East Bay. Ms. Ranstrom was formerly an associate attorney at St. Peter and Cooper, specializing in business litigation and employment law. She was Co-Chair of the 2004 Moraga School District Parcel Tax campaign and currently serves on the School District's oversight committee for that tax. Ms. Ranstrom has previously served as Co-President of the Moraga Educational Foundation, President of the Joaquin Moraga Intermediate School PTA and as a Board member of the Moraga Junior Women's Club, MOL Football, and the Las Trampas Creek Council of PTAs. She received her B.A. in Economics and Psychology from U.C. Davis and her J.D. from the U.C. Davis School of Law. She is a 30 year resident of Moraga.

Fred Schroeder

Fred Schroeder is Founder and Chief Investment Officer of Lafayette-based Schroeder Capital Management, LLC, which firm provides investment counsel and portfolio management services to private individuals and institutions throughout the U.S. His firm is the successor to San Francisco-based Van Kasper Advisers, for which he was formerly Senior Managing Director, Chief Investment Officer and Chairman of the Investment Committee. Mr. Schroeder was previously associated with ITT Corporation, Transamerica and Templeton Portfolio Advisory. While at the latter firm he personally managed over $2 billion in global separate account assets for individuals and institutions. Mr. Schroeder has been active in local youth sports programs, is a supporter of the Lamorinda Adult Respite Center and the Good Shepherd Fund and is a leader in his local church. He is a Chartered Financial Analyst (CFA) and also a Registered Investment Advisor with the S.E.C. Mr. Schroeder received his Bachelor's degree in Business from San Jose State University. The Schroeders have lived in Moraga for 25 years.

Frank Sperling

Frank Sperling is CEO of FS3 Group, LLC, an independent management consultancy. His previous professional experience included Senior Program Manager at the California State Automobile Association, Western U.S. Marketing Director at Mercer HR consulting; Vice President and Middle Market Business Manager at Union Bank and Vice President and Group

Product Manager at Security Pacific National Bank. He currently serves as Vice President of the Moraga-Orinda Fire District's Board of Directors and formerly served as Mayor of the Town of Moraga and as a Moraga Town Council member. While on the Town Council, Mr. Sperling was also a member of the Central Contra Costa Solid Waste Authority's Board. He is also a former Chair and member of the Town of Moraga's Planning Commission. He is a past President of the Moraga Historical Society and a former Board member of the Moraga Educational Foundation. He received both his Bachelor's and MBA degrees from U.C. Berkeley and holds Project Management Professional (PMP) certification from the Project Management Institute. The Sperlings have lived in Moraga for 22 years.

Larry Tessler

Larry Tessler was formerly a Vice President with Capwell's, the Emporium and Mervyn's department Stores, and was Executive Vice President for Rainbow Records. His previous responsibilities at those entities included oversight of several merchandising divisions, multiple store operations, and overseeing an advertising and display division. He also founded a small Walnut Creek business that specialized in manufacturing and selling computer generated signage. For the last ten years, he has been a SCORE volunteer counseling small businesses. He has held Vice Chair and Treasurer positions in SCORE's local chapter. He is currently Vice President of the Moraga Chamber of Commerce. Mr. Tessler holds a B.S. in Banking and Real Estate from U.C. Berkeley and completed Master's Degree coursework in Marketing at San Francisco State University. The Tesslers are 34-year residents of Moraga.

Dave Trotter

Dave Trotter is an attorney with the Bowles & Verna, LLP law firm in Walnut Creek. His law practice focuses on litigation, land use planning, real estate and environmental law. He is currently Mayor of the Town of Moraga and a member of the Town Council. He previously served as Chair and a member of the Town of Moraga's Planning Commission. He currently represents the Town on the Central Contra Costa Solid Waste Authority. He has also served as President and a Board member of the Moraga Historical Society and on the Board of the Moraga Park and Recreation Foundation and has been active in coaching LMYA and CYO sports teams. Mr. Trotter's other board memberships include Save Mount Diablo and the Lassen Park Foundation. He is a graduate of Occidental College and of Stanford University's Law School. The Trotters have lived in Moraga for 21 years.

Tracy Vesely

Tracy Vesely has worked in government for 20 years, and has been with the City of Berkeley for the past ten years. She currently serves as Budget Director overseeing that city's $350 million annual budget. Previously, she was Senior Programs Manager for the Administrative Office of the Courts. In that capacity she played a lead role in administratively consolidating the trial courts. She was formerly Senior Budget Analyst for Kern County. Ms. Vesely currently serves as the Town of Moraga's Treasurer and as a member of the Audit and Finance Committee. She received her BA degree from Arizona State University. She and her family have lived in Moraga for 10 years.

Tom Westhoff

Tom Westhoff is President of Westhoff, Cone and Holmstedt, which he founded in 1989. The firm is a Financial Industry Regulatory Authority (FINRA) broker/dealer that originates and underwrites municipal bonds. He was formerly Managing Director of Dean Witter's Western Region Public Finance Department. Over the last 44 years, Mr. Westhoff has served as senior banker on over 300 municipal bond financings throughout the country. He has served on the Moraga Park and Recreation Foundation's Board and as that Foundation's Treasurer. Mr. Westhoff graduated from Southern Illinois University with a B.A. degree in Government. The Westhoffs are 35 year residents of Moraga.

APPENDIX B—ECONOMIC DEVELOPMENT DIRECTOR

Director of Economic Development—Town of Moraga

PURPOSE OF POSITION:

Perform activities relating to coordinating the economic development for the Town including renewal, long range planning, and implementation of plans and policies.

Responsibilities entail accountability based on measurable cost effective growth of the Town's tax base through business expansion and retention programs, entrepreneurial development, labor force development, and related quality of life initiatives.

ESSENTIAL JOB FUNCTIONS:

Works with the Town Council, Town Manager and staff, Town Planning Department, Chamber of Commerce, advisory commissions and committees, and interest groups, to focus on promoting economic development.

Develops and markets programs to promote new investment in Moraga, with possible town incentives, while working to retain current tenants.

Develops and maintains inventories of retail, commercial and industrial business opportunities.

Identifies and markets sites which are vacant or underdeveloped, and works with property owners to encourage negotiation with business representatives locally, regionally, and nationally in order to locate in targeted market sites.

Researches, develops and markets economic initiatives to increase the attractiveness of the sites that are vacant or underdeveloped; and identifies sources of project funding including grant opportunities.

Assists and advises members of the public regarding economic development. Monitors, coordinates and provides assistance to business and property owners and business organizations.

Participates in economic development activities, urban renewal and planning projects involving considerable interaction with developers, agencies, civic groups and special interests.

Reviews development proposals, working with the customers to complete land use solutions that comply with laws and regulations in an expedited process.

Assists new and existing firms with expediting permit processing; assists new and expanding firms with packaging of financing from federal, state and local sources.

Contacts officials of state and federal agencies ,as required for assistance in economic development programs. Prepares supporting materials for requests for state and federal funding and helps maintain intergovernmental coordination.

Serves as a member of various staff committees. Attends professional development workshops and conferences to keep abreast of trends and developments in the field of municipal planning, urban redevelopment and economic development.

Performs related work as required.

JOB QUALIFICATION REQUIREMENTS

Mandatory Requirements: Graduation from an accredited four-year college or university with a degree in public administration, land-use planning, economic development, urban planning, or a closely related field; plus four (4) years experience in economic development, urban renewal, and redevelopment coordination; or any equivalent combination of education and experience, including private business ownership.

Special Requirements/Licenses: Possession of, or required to obtain a valid California driver's license within 30 days of hire. Must have a safe driving record.

Necessary Knowledge, Skills and Abilities: Considerable knowledge of the principles and practices of economic development, business development, retention and expansion, and land use planning. Considerable knowledge and experience in development and redevelopment projects in commercial strip, downtown, industrial and mixed use employment zones.

Working knowledge of laws and regulations governing land development. Good knowledge of basic real estate principles.

Ability to negotiate contractual agreements related to development of properties.

Considerable skill in the development of detailed, comprehensive oral, written and graphical communications. Ability to communicate orally and in writing complex ideas and information to a variety of audiences, in a clear, comprehensible, effective, and professional manner.

Ability to perform research, compile information, conduct analyses, and compose comprehensive and detailed reports. Ability to develop and maintain productive, harmonious relationships with community groups, officials, other city departments, and the general public.

SUPERVISION RECEIVED:

Work is performed under the general direction of the Moraga Town Council and Town Manager, who hold the employee accountable for achieving goals and objectives.

SUPERVISORY RESPONSIBILITIES:

This position could be a supervisory position with employee assisting in direction, or training in operational procedures to other employees or volunteer staff.