



**LWA** | LARSEN WURZEL  
& Associates, Inc.

# **OVERVIEW OF REVENUE MECHANISMS / BUDGET SUPPORT**

## **Russian River Flood Control & Water Conservation Improvement District Board of Directors Meeting**

January 5, 2026

# Introduction

Seth Wurzel, CGFM

- Managing / Founding Principal of LWA – 20 Years advising agencies on infrastructure finance and revenue programs
- Practical experience implementing mechanisms (fees, assessments, tax increment, debt issuance support)
- Extensive experience in Proposition 218 and voter / landowner approval processes

# Revenue Sources by Type

- Property Based - Assessments / Special Taxes (**Voter Approved**)
  - Special Taxes
    - Direct charge levied as an incident of property ownership (**flexible structure** – can be flat or tiered)
  - Assessments
    - A direct charge levied based on **special benefit** received from improvement or service
- Service Based - Fees & Charges
  - Service Rates / Fees (Customer Basis / Connections or Capacity Charges)
    - A charge for specific service provided (e.g., water or sewer charge monthly bill) based on use / cost to provide
  - Regulatory or Mitigation/Impact Fees
    - Regulatory Fee charged pursuant to statutory authority / mitigation fee used to mitigate impacts of growth
- Reallocation of Property Taxes
  - Reallocation of portion of 1% property tax (Prop 13 Article XIII A) – part of LAFCO reorganization / property tax exchange process (Rev. & Tax. Code § 99)
  - Tax Increment - allocation of the incremental growth of property tax (value capture)
- Negotiated Funding (others)
  - Agreements / Cost Sharing Partnerships / Grants

# Taxes & Assessments

- General Tax (can't be property based, can't be levied by a special district)
  - Tax placed into general fund
  - Levied on a basis other than property (e.g., sales, occupancy, income, business gross receipts)
  - Subject to 50% voter approval (placed on ballot)
- Special Taxes (property based)
  - Tax placed into a special fund
  - Require 2/3's voter approval (w/ >12 registered voter in boundary) & Agency Sponsored
    - *Can be reduced to 50% if citizen initiated*
  - Note - all taxes imposed as an incidence of property ownership are **special taxes** requiring 2/3's.
  - Common authority is the Mello-Roos Act used for financing capital improvements (can fund services)
- Special Assessments (property based)
  - Assessment based on special benefit received (must assess, but can't levy for general benefits)
  - Requires an Engineer's Report, proper noticing of a public hearing, and protest ballot proceeding
  - Property owner ballot weighted in proportion to benefit (1 vote / \$ proposed)

# Property Based Fees / Service Rates

- Service Based - Fees & Rates
  - Subject to compliance with Proposition 26 narrow exceptions to not be considered a Tax
  - Must be supported with detailed cost of service analysis
  - Service must be readily available to the property (no “Standby charges” – would be considered an “Assessment” and subject to assessment approval process)
- Regulatory Fees
  - Regulatory Fee charged pursuant to specific statutory authority (e.g., Ground Water Fee)
- Mitigation/Impact Fees
  - Not a recurring charge, a one-time fee charged at the time of entitlement approval (e.g., a condition of approval)
  - Can only be charged by an entity with land use authority
  - Must be supported by a detailed Nexus study relating the type of develop to the impact
  - Not a sustainable revenue source (financing programs available)

# Property Tax Allocation

- Reallocation of Existing Property Taxes w/ Service Area Changes
  - Part of complex LAFCO re-organization process
  - If new or extended services are provided, then the allocation of property taxes can be adjusted by the commission (Gov. Code 56810)
- Tax Increment
  - Enhanced Infrastructure Financing Districts
    - Negotiated allocation of Tax Increment generated from increases in Assessed Value (increase in 1% base property tax)
    - Must exclude all school districts' shares of increment
    - Requires development and approval of an Infrastructure Financing Plan (IFP) by all "Participating Agencies"
    - Public Financing Authority (PFA) is created to govern the funding
    - Must evaluate Fiscal Impacts as part of IFP
    - Can issue debt
    - PFA can exercise powers of raising revenue like other entities to complement Tax Increment

# Evaluation of Mechanisms

Item	Funding Attribute			Pro/Con	
	Use	Voter Approval	Entity	Pro	Con
<b>Enterprise Revenues</b>					
Utility User Fees / Rates	O&M/ Capital Improvements	Depends on availability	Must evaluate authority based on entity type.	Would be broad based applying to all parcels. Based on service provided (water), should be exempt from Prop 218 balloting process.	Service must be readily available to property (No Standby allowed without property owner vote)
<b>Taxes</b>					
General Tax (Non property basis)	Cannot be limited for a specific purpose	50% of Electorate	Cities or Counties (Only)	Flexible if approved.	Difficult to approve due to the lack limitation, limited tax base, and amounts over other approved tax rates.
Special Tax	O&M/Capital Improvements as Authorized	2/3 of Electorate	Flexible	Flexible if approved. Can be applied to property, 2/3 Approval Difficult to Obtain strong nexus to beneficiary.	
<b>Assessment Districts</b>					
Special Assessment (e.g., Benefit Assessment District Act of 1982)	O&M/ Capital Improvements	50% of Property Assessed	Flexible	Simple Majority Approval of beneficiaries, Ongoing Funding Source	Must Show Benefit Improvements/Services must be within the Boundary. Can be applied as Standby Charge.
<b>Development Impact Fees</b>					
Development Impact Fees	Capital Improvements	NA	County & City (Land Use Agencies)	Implemented by Agency Action in Short Time Period	-Must Show Benefit -Development Feasibility Issues -Only works if area of Benefit is slated for Development
<b>Tax Increment Financing (EIFD)</b>					
Tax Increment Financing (EIFD)	Capital Improvements	None	New EIFD Public Financing Authority	Could generate significant revenues in areas planned for development especially when improvements have a regional benefit to several local taxing entities over the long term.	Not a new source of funding, allocates future property taxes from an existing entity otherwise used to provide general governmental services. Detailed Fiscal Impact Analysis is needed.

# IWPC Program Components

<b>Cost Component</b>	<b>What it entails</b>
IWPC Operations / Administration	Operations, Administration, Planning, Permitting, Contracting and actions to facilitate funding.
IWPC share of NERF as a contractor - Capital	Construction of new diversion facility.
IWPC share of NERF as a contractor - O&M	Long term operations and maintenance of new diversion facility.
Increased Storage in Lake Mendocino – Study	Study increasing flood risk reduction and water supply in the Russian River Watershed.
Increased Storage in Lake Mendocino – Construction	Construction of increased capacity for water supply and flood risk reduction in Lake Mendocino.
New Storage - Study Costs	Study identifying and evaluating options for storage or delivery of water upstream of Lake Mendocino.
New Storage - Construction Costs	Construction of facility to store or deliver water upstream of Lake Mendocino.

# IWPC Program Components & Beneficiaries

- Operations

<b>Cost Component</b>	<b>Potential Beneficiaries</b>	<b>Type of Benefit to Constituents (Property Owner / Voters)</b>
IWPC Operations / Administration	Potter, Redwood and Ukiah - Russian River Corridor / Entire JPA Membership (Mendocino County)	Availability of Eel River water for consumption (including development of storage)

# IWPC Program Components & Beneficiaries

- IWPC share of New Eel Russian Facility (*if applicable*)

<u>Cost Component</u>	<u>Potential Beneficiaries</u>	<u>Type of Benefit to Constituents (Property Owner / Voters)</u>
NERF - Capital	a) Those receiving Eel River water. b) Those with potential to receive Eel River water.	a) Delivery of water b) Availability of water
NERF - O&M	a) Those receiving Eel River water. b) Those with potential to receive Eel River water.	a) Delivery of water b) Availability of water

# IWPC Program Components & Beneficiaries

- Storage – USACE (Coyote Valley Dam / Lake Mendocino)

<b>Cost Component</b>	<b>Potential Beneficiaries</b>	<b>Type of Benefit to Constituents (Property Owner / Voters)</b>
Increased Storage in Lake Mendocino - Study Costs	<ul style="list-style-type: none"> <li>a) Those with potential to receive water (w/ pipeline, would include upstream properties).</li> <li>b) Groundwater users</li> <li>c) Potentially flood protected properties</li> </ul>	<ul style="list-style-type: none"> <li>a) Availability of water</li> <li>b) Groundwater recharge</li> <li>c) Flood risk reduction</li> </ul>
Increased Storage in Lake Mendocino - Construction Costs	<ul style="list-style-type: none"> <li>a) Those receiving water (w/ pipeline, would include upstream properties).</li> <li>b) Those with potential to receive water (w/ pipeline, would include upstream properties).</li> <li>c) Groundwater users</li> <li>d) Potentially flood protected properties</li> </ul>	<ul style="list-style-type: none"> <li>a) Delivery of water</li> <li>b) Availability of water</li> <li>c) Groundwater recharge</li> <li>d) Flood risk reduction</li> </ul>

# IWPC Program Components & Beneficiaries

- Storage – Non-USACE (Local / Regional)

Cost Component	Potential Beneficiaries	Type of Benefit to Constituents (Property Owner / Voters)
New Storage - Study Costs	<ul style="list-style-type: none"> <li>a) Those with potential to receive water (w/ pipeline, would include upstream properties).</li> <li>b) Groundwater users</li> <li>c) Potentially flood protected properties</li> </ul>	<ul style="list-style-type: none"> <li>a) Availability of water</li> <li>b) Groundwater recharge</li> <li>c) Flood risk reduction</li> </ul>
New Storage - Construction Costs	<ul style="list-style-type: none"> <li>a) Those receiving water (w/ pipeline, would include upstream properties).</li> <li>b) Those with potential to receive water (w/ pipeline, would include upstream properties).</li> <li>c) Groundwater users</li> <li>d) Potentially flood protected properties</li> </ul>	<ul style="list-style-type: none"> <li>a) Delivery of water</li> <li>b) Availability of water</li> <li>c) Groundwater recharge</li> <li>d) Flood risk reduction</li> </ul>

# Funding Mechanisms for IWPC Program Components

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## Likely Best Local Revenue Sources

## Component / Use

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Member Agency Direct / Advanced Funding (i.e., Equity Investment)

Initial IWPC Operations / Administration  
(in advance of Permanent Funding)

Enterprise Revenues (i.e. Water Rates)

IWPC share (if any) of NERF Capital and O&M, Increase Storage Construction Costs (Lake Mendocino & New Storage) & Administration

Benefit Assessments

IWPC share (if any) of NERF Capital and O&M, Increase Storage Study & Construction Costs (Lake Mendocino & New Storage) & Administration

Enhanced Infrastructure Financing District (EIFD)

IWPC share (if any) of NERF Capital, Increase Storage Study & Construction Costs (Lake Mendocino & New Storage)

# Next Steps / Considerations

- ERPA dialogue with beneficiaries to address Russian River Watershed needs.
  - What, who and how
- Revenue raising principles to be used by IWPC
  - Authority
    - What legal authority (tax / assessment / fee / increment) exists?
  - Governance & Capability
    - Is IWPC the appropriate governance entity to represent the beneficiaries paying?
    - Can IWPC perform?
      - Fund / Finance / Construct / Operate / Maintain the facilities / services being financed?
  - Feasibility
    - Will the revenue mechanism have the requisite support by voters/landowners/customers?

*These questions are difficult to answer in a pre-study or study phase.*

# IWPC Conceptual Budget to Support Next Steps

Budget Item	Operational Capacity Level		Notes
	Low	High	
<b><i>Operating Budget</i></b>			
Staffing	\$199,200	\$917,360	1.8 FTE's @ Low / 5 FTE's @ High
Services	\$30,480	\$58,100	Indirect Overhead Costs (Insurance, IT, Rent, etc.)
Materials and Supplies	\$3,900	\$3,900	
Other Expenses	\$3,000	\$3,000	Membership (req'd for Insurance, Training)
Contingency	\$7,000	\$29,000	Budgeted @ 3% of Operating Costs
<b><i>Subtotal Operating Budget</i></b>	<b><i>\$243,580</i></b>	<b><i>\$1,011,360</i></b>	
<b><i>Capital Budget</i></b>			
Consulting Support	\$845,000	\$845,000	Annual Project Development Support Non-Fed Share of Study & Investigations - 50%
Capital Projects	\$521,700	\$1,043,400	Included in Low-Capacity Level for first Year
One Time Cost	\$67,000	\$67,000	IWPC Share - Potter Valley Water Reliability Study
<b><i>Subtotal Capital Budget</i></b>	<b><i>\$1,433,700</i></b>	<b><i>\$1,955,400</i></b>	
<b>Total Budget Allocable to Members</b>	<b>\$1,677,280</b>	<b>\$2,966,760</b>	
<b>Cost Per Member (by 5)</b>	<b>\$335,456</b>	<b>\$593,352</b>	
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<b><i>Interim Cost per AF (if water was delivered today) /1</i></b>			
<i>Operating Budget</i>	<i>\$16</i>	<i>\$67</i>	
<i>Capital Budget</i>	<i>\$96</i>	<i>\$130</i>	
<b>Total</b>	<b>\$112</b>	<b>\$198</b>	Assumes 15k AF

1/ Interim cost per AF to develop water for the future. These interim costs will be replaced with the costs of building and operating NERF in the future.



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