

Board of Trustees Agenda Item

Board Meeting Date: February 1, 2010

Title of Item: Authorize District to Send Out RFP for Consultants to Conduct Feasibility Study of Parcel Tax

Background and Analysis:

At the January 19, 2010 study session of the board, the issue of a parcel tax was discussed with the Board. A memo is attached from Mike Brandy and Andy Dunn outlining the issues and recommendation for this item.

Recommendation: Authorize staff to prepare and send a Request for Proposal to conduct a feasibility study of a parcel tax election.

Submitted by:	Mike Brandy
Additional contact names:	
Is backup provided?	Yes



FOOTHILL-DE ANZA
Community College District

January 24, 2010

To: Board of Trustees

From: Andy Dunn, Vice Chancellor, Business Services
Mike Brandy, Interim Chancellor

Re: **Parcel Tax Discussion**

Two of the key goals of the FHDA district are to provide access for students and to insure success for the students we serve. Both of these goals have been severely compromised this year as our district has had its enrollment cap reduced by the state even as demand for our classes is at an unprecedented level. In addition to the cap on enrollment, the state has imposed substantial cuts to our general operating fund resulting in a loss of about \$15 million dollars. Many of these reductions in revenue were specifically targeted by the state towards our categorical programs which provide many of the proven and valuable services that insure student success. While the district is in the process of making the necessary and painful reductions in its budget to balance the revenue and expense, we know that these reductions directly affect our goals of access and success.

The only avenue the board has to raise operating money locally is to request the voters in our district approve a “parcel tax”. This financing mechanism usually imposes a flat fee on each parcel of land in the district, most often for a limited duration (4-6 years). While the revenue from such a tax can be used for operating purposes such as hiring staff to expand course offerings or provide necessary services for student success, our thinking continues to lead us to treat the revenues associated with a parcel tax as a four or five year grant, and develop programs that could operate successfully within that framework.

While it is unlikely that a parcel tax could fully restore the state cuts we received even for this one year, such a tax could restore proven, and critical, student support programs and services that we have had to eliminate.

This mechanism is used fairly often in elementary and high school districts to provide critical programs and services for their students. It has not been used in the community college districts to date, but the same legal authority that allows K-12 to use this mechanism also applies to community colleges. The hurdle for voters to approve such a tax is extremely high; a 66.7% approval rating is required to authorize such a tax.

For example, a \$50 per parcel annual parcel tax would provide about \$5 million in revenue to increase access and student success.

During the summer of 2009 the board discussed parcel taxes on two occasions. The first of these was at the meeting of July 6 where the board voted to approve Resolution 2009-15 in support of Senate Constitutional Amendment (SCA) 6 authored by Joe Simitian. If approved, SCA 6 would reduce the approval threshold for a parcel tax from the current 66-2/3% to 55%. It appears that the legislature will not approve this constitutional amendment to be placed before the voters through legislative action. It would appear that only a petition drive would allow this constitutional amendment to appear before the voters. We do not believe a change to the voting threshold is likely to occur in the next year.

On August 3, 2009, the board was presented with additional background materials and a summary of recent parcel tax election results. It now appears that a number of surrounding community college districts may be conducting feasibility studies of a parcel tax election in their own districts.

At the October 5, 2009 meeting the board was presented with additional information including budget estimates for the Feasibility, Planning and Campaign phases of a Parcel Tax election.

At the January 19, 2010 board meeting, staff was asked to prepare an agenda item for the board to consider entering into the feasibility stage of a parcel tax election. To facilitate this request excerpts, with some modification and update, from the October 2009 agenda item addressing the projected election budget requirements are noted below:

Feasibility Phase Budget:

We have a revised estimated budget requirement of \$30,000 to \$35,000 for the initial feasibility study portion of the work. Although this figure is significantly less than what was presented last fall, it still includes the core work of this phase, including an estimated \$5,000 for a political consultant to assist with developing messages and polling questions, and an estimated \$25,000 to \$30,000 to pay for the poll. At the completion of this phase the board will be able to assess the potential viability of such an election and determine whether to proceed to the next phase. We also expect the feasibility phase of the process to give us a better understanding of the existing levels of support and help us determine the level of resources required in subsequent phases of the election process for a successful outcome. The cost for this phase will be paid out of the general fund from one-time carryover balances.

Budget for Planning and Communication Phase:

Three primary costs incurred during this phase revolve around a voter communication program focused on the 100,000 + registered voter households in the district and the costs of the political advisory consultant and legal counsel. For the

communication phase, direct mail is often the most effective means of reaching the voters on an issue like this. The need to retain outside legal counsel specializing in parcel tax and election law may also arise. The need to undertake a tracking survey at the end of this phase may arise if we feel that is necessary to update our opinion data before making the final decision to go to the ballot. Experience with other similar size organizations suggests a budget in the \$150,000 to \$250,000 range. These costs could also be paid out of the general fund since the board will have made no final decision on an election.

Campaign Budget:

If the board agrees to call an election, it will enter the final phase of the process. While the first two phases are informational in nature and can be funded with district resources just as with the campaigns for general obligation bonds, the campaign phase is considered political advocacy and cannot involve district resources. It is premature to attempt to establish a precise budget estimate for the campaign phase. Experience suggests a budget in excess of \$300,000. These funds would have to be raised through private donations.

The purpose of this agenda item is to determine whether the board wishes to direct staff to pursue the feasibility of a parcel tax measure.

Recommendation

The Interim Chancellor recommends the board authorize a subcommittee of the board to work with staff to draft a Request for Proposal (RFP) to be sent out to potential consultants who have expertise in this phase of examining the feasibility of a parcel tax. The committee would review the responses and forward a recommendation to the board at a subsequent meeting to determine if the board wishes to initiate this phase of the process based on the quality of the responses and the cost to perform the functions of assessment and polling for this initial phase. It would be expected that this phase would cost about \$30-35,000 and take about 2-4 months.