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INFORMATION SUBMITTED BY HENRY PANIAN FOR DECEMBER 11, 2013 MEETING

PROPERTY TAX INEQUITY

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What I propose for the Charter Committee's consideration addresses my concern about the inequity of property tax payments between those who have bought property recently and those who have owned property a long time, an issue of public interest.

Once again, I remind the Committee that what I propose has already been done in Costa Mesa with outstanding financial results. I know that this proposal has its sticking points. But after struggling with this issue, this proposal is plausible though it may not be acceptable. And, if tax rates are impacted, the State of California would have to be consulted, a big unknown. In the meantime, I've met my own responsibility.

I propose that over the next 20 years, the City of Costa Mesa phase out the collection of property taxes. And, including that goal in the Charter will give the City Council constitutional authority if it chooses to accept this direction.

Now before the shouting erupts, let me remind the Committee of a few items.

One, the Mesa Water District, one of the most financially sound organizations with a AAA rating, accomplished that goal between 1960 and 1980, i.e., phased out the property tax. (The Water District started in 1960 with a tax rate of 2054 cents per $100 of assessed value. The City's rate today is 15 cents for every property tax dollar collected by the County(Page 28, 2013-14 City Budget). Also, see two Water District documents.

Secondly, the City of Costa Mesa has a bundle of other income sources. Foremost is the sales tax. If one reads the latest Comprehensive Annual Financial Report, there are four other tax sources, plus rentals, permits and fees (pps. 7 and 22). Consider the economic implications of this proposal. Property owners in the City would have more discretionary income, the latest property buyer the most. Consumption of retail goods would skyrocket. (Look at my graphic) The City's income from property tax is estimated to be $22, 200.000. Based on a 20-year phase out, the City would lose 5% of that figure the first year--$1,100,000. Think of how competitive the Harbor Boulevard of Cars would be with a 5% reduction in their property taxes. Reliance on sales taxes alone would make the City vulnerable with a recession as we have had recently. Off setting to a degree, the City, also, took a hit when property values sank with a reduction of property taxes then.

Finally, the City Council would have to re-order priorities. For example, a reduction of $1,100,000 in Capital Improvements could be absorbed without damage to the budget.

I do not doubt that this proposal is doable. The critical question is whether we prefer the status quo or addressing the inequity we all understand to exist in our City.

Now let the discussion begin.

HISTORY AND OPERATIONS (continued)

The Costa Mesa County Water District has increased water rates twice in the last ten years, in February, 1962 and in May, 1968. During this period of time the District's cost of water has risen dramatically and will continue to increase at an estimated ten percent rate in the future. The District was able to absorb the increased cost between 1962 and 1968 because of the rapid growth of the service area and the resultant increase in water usage. It appears that a more moderate growth rate will prevail in the next decade necessitating more frequent rate adjustments.

COST OF WATER

From	To	Acre Foot, Actual and Projected
7/60	12/60	$ 23
1/61	12/61	25
1/62	12/62	27
1/63	12/63	29
1/64	6/64	29
7/64	6/65	30
7/65	6/66	33
7/66	6/67	36
7/67	6/68	39
7/68	6/69	42
7/69	6/70	45
7/70	6/71	49
7/71	6/72	53
7/72	6/73	60
7/73	6/74	65
7/74	6/75	70

The District assumed the General Obligation Bonds of the Newport Mesa County Water District and the Fairview County Water District and has followed the policy of maintaining as low a tax rate as possible, producing revenue at this time which is slightly in excess of the debt service required for the General Obligation Bonds. The District's tax rate from inception follows:

Year	Tax Rate
1960–61	.21 cents
1961–62	.16 cents
1962–63	.14 cents
1963–64	.13 cents
1964–65	.06 cents
1965–66	.05 cents
1966–67	.05 cents
1967–68	.04 cents
1968–69	.04 cents
1969–70	.04 cents
1970–71	.04 cents

HISTORY AND OPERATIONS (Continued)

1969 - 1970

1. The District completed its looping system of the Orange County Airport and completed annexation of 228 acres bounded by the airport, Redhill, the San Diego Freeway and the Corona del Mar Freeway. This area, owned by the Irvine Company, is being subdivided for diversified industrial use.

2. The District established a trust with the Bank of America and deposited $100,000 to provide a source of payment for the 1949 and 1951 General Obligation Bonds of Fairview County Water District.

3. Under the provisions of the Orange County Water District Act, the Costa Mesa County Water District was eligible for a refund of approximately $20,000 of its water cost for the year 1969-1970. This Act is aimed at equalizing the cost of water and generally will result in assessments for users which pump a high percentage of their water and in refunds for persons such as the Costa Mesa County Water District which import a high percentage of their water.

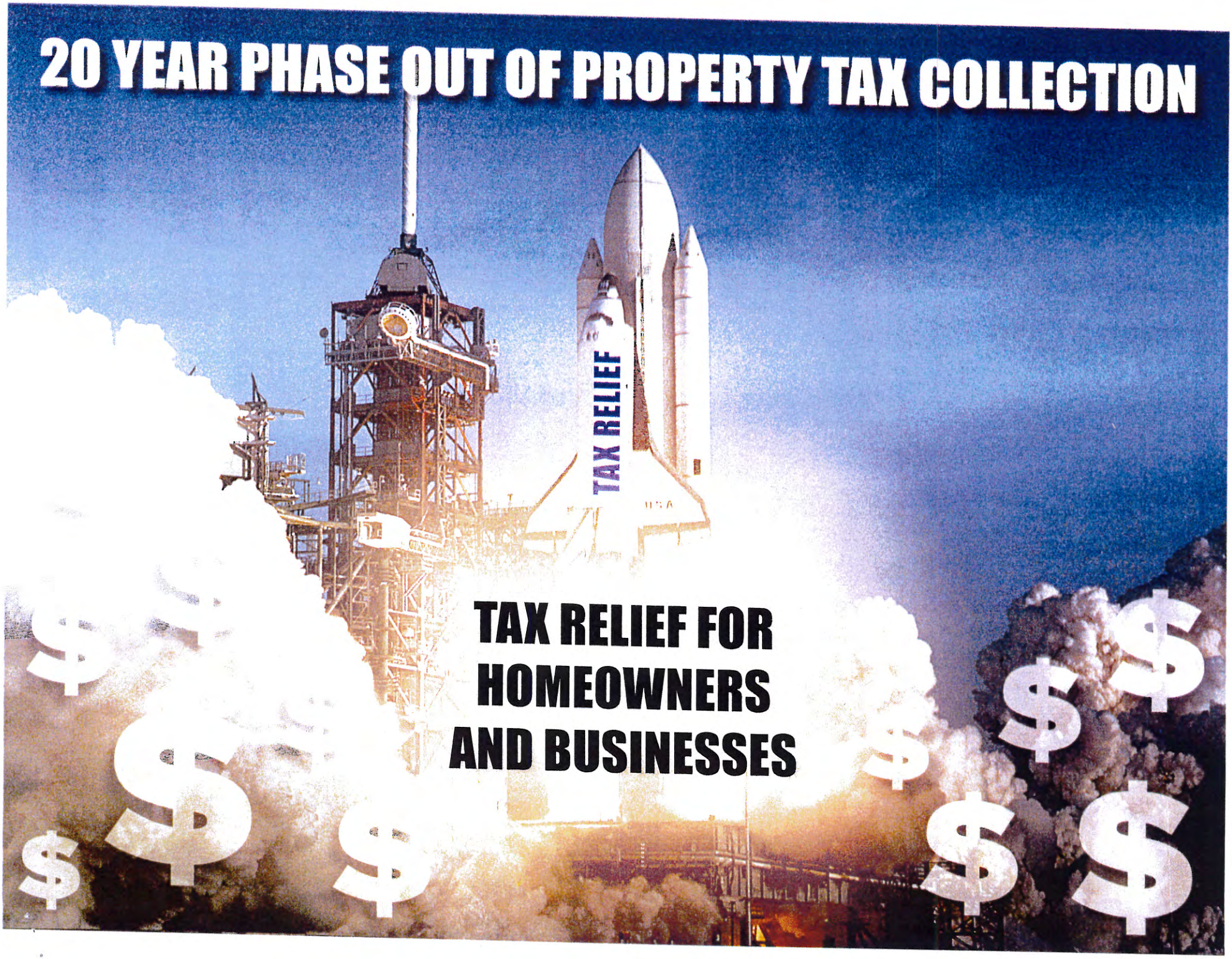
4. The District intends to develop additional well capacity to tap the underground supply of less expensive water and to further augment its source of supply. During the current year a new well was successfully drilled which yields 2,000 gallons per minute.

5. The District entered an escrow with Surgical Mechanical Research, Inc., for the sale of 1.77 acres for approximately $70,000. The sale was consummated in August, 1970.

6. An agreement was reached with the City of Santa Ana to establish interconnections between the two systems to provide the flexibility of mutual assistance in an emergency. The Costa Mesa County Water District now has interconnections with all of the adjacent water systems.

7. A preliminary telemetering study was completed by James M. Montgomery, Consulting Engineers, Inc., and the Board of Directors authorized completion of the work to determine the control, instrumentation and supervisory functions to be employed.

8. The Santa Ana Heights Water Company entered negotiations with the Costa Mesa County Water District to establish an intertie with the District's system to provide future water supply and storage


20 YEAR PHASE OUT OF PROPERTY TAX COLLECTION
TAX RELIEF
TAX RELIEF FOR
HOMEOWNERS
AND BUSINESSES

CITY OF COSTA MESA, CALIFORNIA

GENERAL FUND RESOURCES & APPROPRIATIONS

FISCAL YEAR 2013-2014

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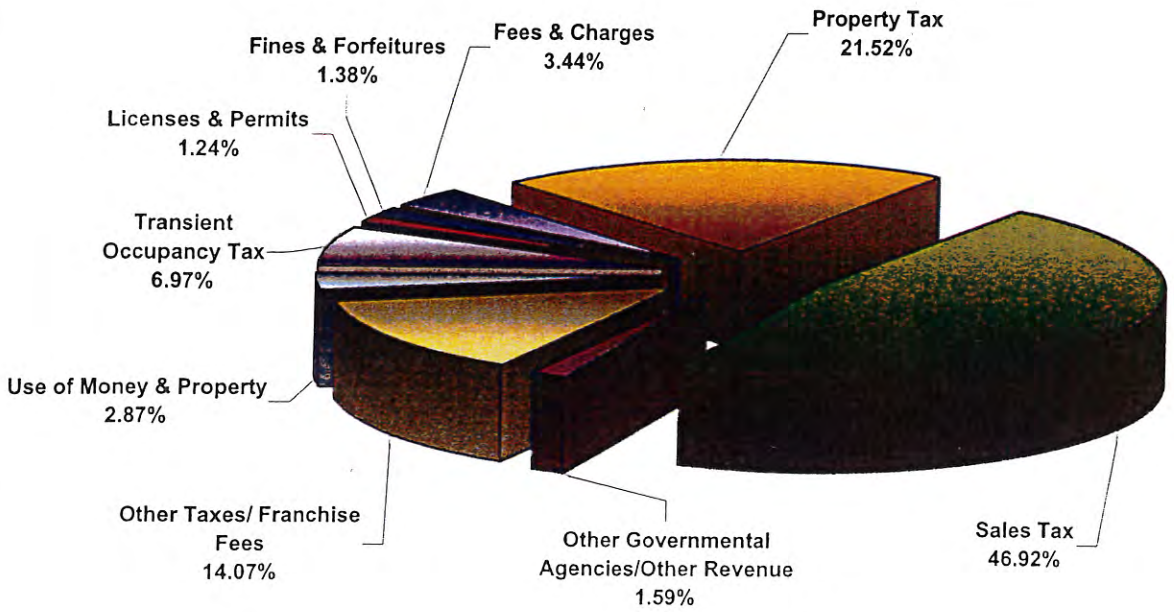
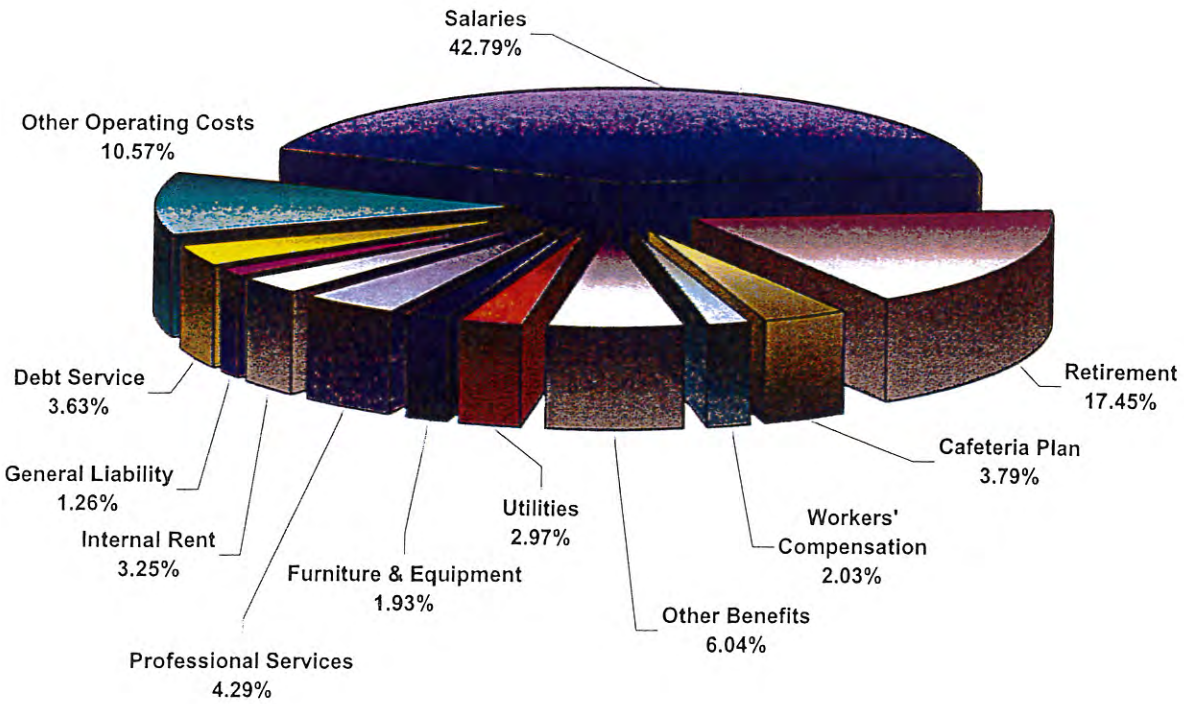
GENERAL FUND RESOURCES - TOTAL $103,250,486

(Including Transfers In)

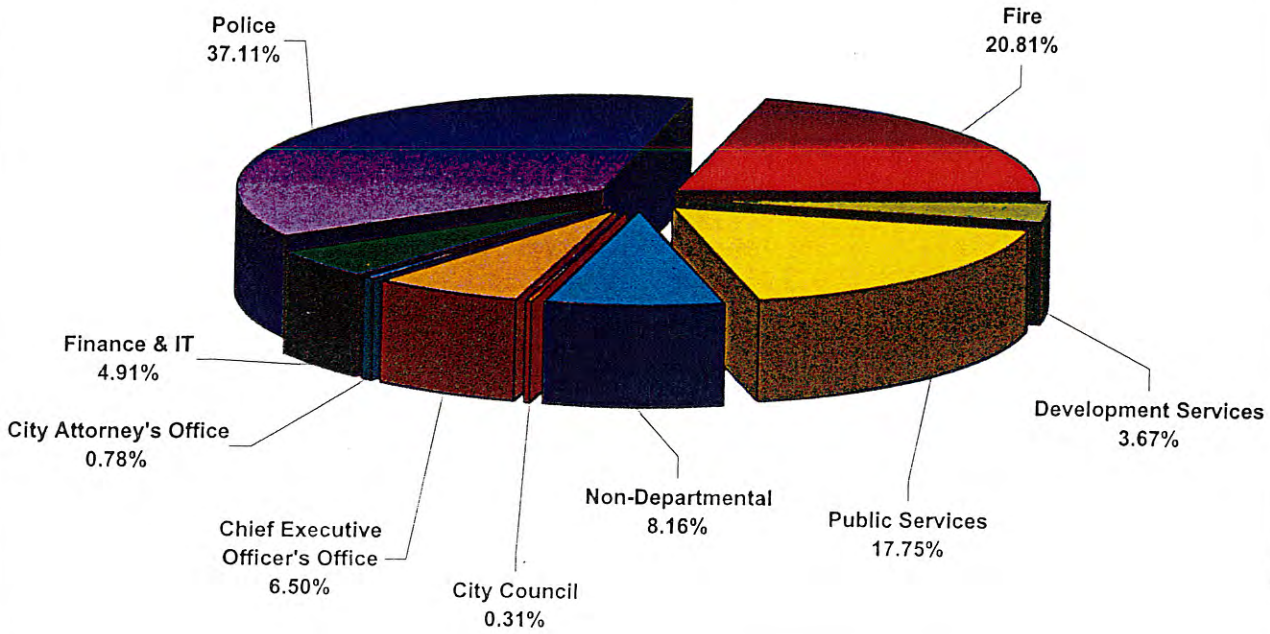
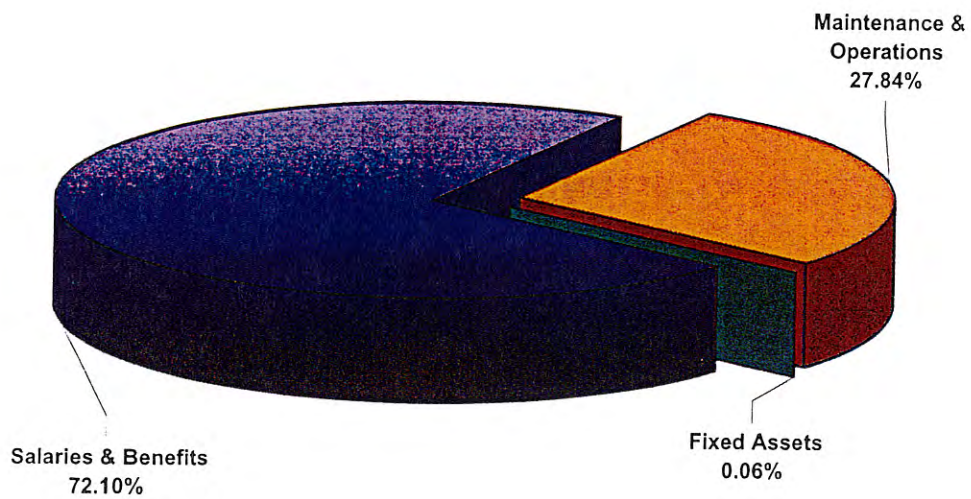


GENERAL FUND APPROPRIATIONS - TOTAL $103,191,271



GENERAL FUND APPROPRIATIONS
FISCAL YEAR 2013-2014

GENERAL FUND APPROPRIATIONS by DEPARTMENT
Total $103,191,271



GENERAL FUND APPROPRIATIONS by CATEGORY
Total $103,191,271