



The VOICE

Your independent news source

Greater Shasta County, CA

Volume VI, Issue VIII

www.shastavoices.com

January 2013

Did you know...

- There were a total of 115 single family home permits pulled in 2012 in Redding, compared with 34 for all of 2011 and 74 for all of 2010.
- There were 1,363 single family homes sold in Redding in 2012, an increase of 9.5% over 2011. Shasta County saw an increase of 16%, with 2,307 homes sold in 2012.
- "To meet new public pension financing rules, six counties in California would have to dedicate all of their existing property taxes to pay for pensions or pursue municipal bankruptcy through the courts." That is the conclusion of an independent pension analyst of the new pension rules established last year by Moody's municipal credit rating agency. The six counties all have independent pension plans that are outside of Cal-PERS: Alameda County, Contra Costa County, Marin County, Mendocino County, San Mateo County, and Sonoma County,

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Aging Infrastructure and Increased Regulations Affecting Local Utility Rates

Much of the City of Redding's existing water and wastewater system infrastructure is dated and in need of "preservation efforts," according to recently updated Utility Master Plans. This includes replacement of underground pipes, wastewater collection systems, treatment systems, distribution systems, pump stations...well, you get the picture.

Redding began building its own **water system** in 1937. In 1941, the City purchased the California Water Service Company, and integrated components of both operations into a citywide distribution system. In 1976, the Enterprise Public Utility District and the Cascade Community Services District were annexed in to the City. The water systems from both of these special districts, which were supplied by groundwater wells, were integrated into the City's water system with the construction of major cross-town transmission mains. Currently, the total City service area is approximately 53 square miles.

Redding has owned and operated its own **wastewater utility** since 1887. Since that time, the City has grown, and the Buckeye, Cascade and Enterprise districts have been annexed into the system. A Master Plan for the system was first developed for the downtown area in 1956. Wastewater service is provided by two collection and treatment systems, Clear Creek Basin and Stillwater Basin. The infrastructure required to meet the demands of customers includes a total of more than 416 miles of sewer pipe, more than 37,600 service connections, and 17 lift stations. Twelve percent of the pipe system is over 50 years old.

For years, the Federal government played a large role in collecting and distributing funds for infrastructure improvements to prevent system deterioration and provide safe and clean water, with more stringent standards required now than ever before. Now, this responsibility has been turned over to State and local governments, who have sought to finance infrastructure projects through bonds, sales taxes or general tax revenues. Voters, even more-so with the economic downturn, have not always supported increased user fees or taxes to fund infrastructure improvements.

In the very near future, City of Redding utility customers will learn about the results of the Development Impact Fee/Utility Rate Study currently underway. There are two main sources of revenue to pay for projected infrastructure needs in the city:

- **Rate Revenue** (monthly customer bills) - meets day-to-day operational demands and the preservation-related capital improvements in the Master Plan.
- **Impact Fee Revenue** (new development) - uses growth projections to allocate costs to future users/growth; cannot charge impact fees for existing deficiencies.

In the case of customer generated **rate revenue**, Prop 218 requires that if rate adjustments/increases are proposed, affected property owners can file written protests opposing the rates before the end of a public hearing on the matter. "Protest Forms" in the City of Redding in the past have been sent in the mail along with a monthly utility bill. By not returning the protest form you are agreeing to the rate increases as proposed.

It appears that the public process of implementing increased utility rates (not including electricity) will more than likely occur in Redding by spring. Stay tuned!

City of Redding Postpones Increase in Impact Fees

At the Redding City Council meeting on January 15, 2013, Council voted unanimously to implement a retroactive postponement of scheduled inflationary increases for all development impact fees for 2013.

In order to ensure that development impact fees keep pace with inflation, the City's municipal code requires that fee levels adjust by the Construction Cost Index (CCI) on an annual basis in January of each year. The 2012 CCI would increase development impact fees by about **2.5 percent** for 2013.

Our readers may recall that in March, 2011, Shasta VOICES proposed that the City eliminate annual increases to the existing development impact fee program, and re-evaluate the entire fee program including the way some of the fees are applied. On April 5, 2011, Council voted to **approve our proposal**, and adopted Ordinance 2475, eliminating normally scheduled inflationary adjustments to the fees in 2011 and 2012, and perhaps longer if necessary. The City also agreed that an update of the existing development impact fee program was needed. That effort is officially under way now, referred to as the "Development Impact Fee/Utility Rate Study." Mary Machado, Executive Director of Shasta VOICES, is one of the seven citizens advisory group members that is participating in this process.

In order to continue postponing the annual CCI fee adjustments, it was necessary for the City to officially take this action in the form of an Ordinance to amend the municipal code to extend the postponement of scheduled inflationary increases through December 31, 2013. This was accomplished by the Council's unanimous vote.

In the meantime, the Development Impact Fee/Utility Rate Study group has been meeting at least two times each month and is expected to bring recommendations to Council in late spring or early summer. It is anticipated that any changes to the current fee program would take effect July 1, 2013.

REU Commission Still to be Determined; Public Hearing for Electric Rate Increases Moves Forward

The only thing that is clear about the establishment of an Electric Utility Commission to provide oversight of the Redding Electric Utility (REU) is that the Council members, as well as the general public, do not agree on its composition and purpose.

At the Redding City Council meeting on January 15th, Council members directed staff to change the verbiage on the proposed Ordinance regarding the establishment of the REU Commission that was presented for approval, and bring it back to the next Council meeting for reconsideration.

At issue was....well, everything. Some didn't like the proposed meeting start time of 4:00 p.m. and preferred a 6:00 p.m. start time, while others wanted an even earlier start time. Eventually, a start time of **6:00 p.m.** was chosen by Council for the updated Ordinance.

Some didn't like the proposed composition of the Commission—a seven member Board consisting of 1 attorney, 1 CPA, 1 electrical engineer, 1 mechanical engineer, and 3 members at large. Council eventually directed staff to change the verbiage to include a seven member Board consisting of **1 attorney, 1 CPA, 1 electrical engineer at the Mayor's discretion, and 4 members at large**. This provides some latitude for the Mayor to also consider those other than the attorney, CPA, and electrical engineer in the event that he/she is unable to find such expertise willing to serve.

Some didn't like the proposed list of duties and responsibilities, and preferred that the Commission be able to have oversight of "everything REU." Long discussions occurred,

and in the end verbiage was added to include **billing related concerns** to the list of duties and responsibilities.

Both Council members Sullivan and McArthur expressed their concerns about the cost of supporting the commission (approximately \$150,000 per year). The Council voted 4-1 (Sullivan dissenting) to have the staff make changes and bring the updated version of the Ordinance back for their consideration at the next Council meeting.

As for increases in the electric utility rates being charged to customers, Council voted unanimously to set a **public hearing** for **February 5, 2013 at 6:00 p.m.** (regularly scheduled Council meeting). REU is asking for an increase of 7.84% beginning March 1, 2013 and another increase of 7.84% beginning March 1, 2014. The Council last considered REU rate increases during a public hearing on December 7, 2010. At that time, Council approved recommended increases of 7.84% effective both January 3, 2011 and December 1, 2011. A plan was approved by Council at that time to modify rates over a six-year period to address issues related to contractual change, which affected the cost of procured power from the Western Area Power Administration. This is a supposed continuation of the six-year plan.

Interestingly, new Council member Gary Cadd spoke in favor of the need for REU rate increases, saying the state of California is the one who is causing this rate increase by forcing REU to buy "green power" other than hydro (our lowest cost and that which we have relied on in the past) from other sources. Although this is an accurate statement, this seems to be a departure from his prior stance on the subject of REU rate increases.

Obama Care Taxes Affect Us All

There are 21 new Obama Care (health insurance) tax hikes and breaks that affect us all. Although most of the taxes in Obama Care are known, the price of insurance premiums is up in the air until “exchanges” are figured out and health insurance companies start pricing insurance. Otherwise, here is a list of health care taxes found in President Obama’s tax plan and how they will affect you, your family and your business beginning in 2013:

Personal Tax Breaks

Many Americans and their families will receive tax breaks when purchasing health insurance on the Online Insurance Exchange Marketplaces. Americans can’t pay more than 12% or their income or less than 1.5% in 2014 non the health insurance exchanges. The amount you pay is on a sliding scale based on your income.

Obama Care Tax Rebates

Insurers will have to provide rebates to consumers if they spend less than 80-85% of premium dollars on medical care.

Income Tax Penalty for Not Having Insurance

Starting in 2014, most people will have to have insurance or pay a penalty deducted from your taxable income. For individuals, the penalty starts at \$95 per year, or up to 1% of income, whichever is greater, and rises to \$695 or 2.5% of income by 2016. For families, the tax will be \$2,085 or 2.5% of household income, whichever is greater. The requirement can be waived for several reasons, including financial hardship or religious beliefs. If the tax would exceed 8% of your income, you are exempt. The cost cannot exceed the cost of a “bronze plan” bought on the exchange.

Obama Care Home Sales Tax/Obama Care Real Estate Tax Increase

Obama Care increases taxes on unearned income by 3.8%. This also applies to home sales over a certain amount. The 3.8% homes sales tax typically doesn’t apply to your primary residence. It also doesn’t usually apply to homes you have owned for over 5 years or on profits of less than \$300,000. In short, this tax isn’t something that most of us will pay, but is a tax aimed at people who won’t be crippled by the tax, not the average American buying and selling their primary residence.

Tax Increases for the \$200,000/\$250,000 Earners

Starting in 2013, Obama Care taxes individuals with earnings above \$200,000 and married couples making more than \$250,000. This tax is an increase to Medicare part A payroll tax. It’s an increase to 2.35%, up from the current 1.45% (a .9% Medicare payroll tax hike), on adjusted income over the threshold. This group will also pay a 3.8% unearned income tax on interest, dividends, annuities, royalties, rents and gains on the sale of investments over the threshold. Taxable income under the \$200,000/\$250,000 threshold is subject to the same benefits and tax cuts as those who make under the threshold.

Other New Taxes on Top Earners

Starting in 2018, the new health care law imposes a 40% excise tax on the portion of most employer-sponsored health coverage (this excludes dental and vision) that exceed \$10,200 a year and \$27,500 for families. This tax has been dubbed a “Cadillac” tax because it hits only high end “gold”, “platinum”, and high-end health care plans not purchased on the exchange. The tax supposedly raises over \$150 billion over the next 10 years.

Obama Care also imposes taxes and fees on medical device manufacturers, drug companies, and health insurance companies. Beginning in 2013, medical device manufacturers and importers must pay a 2.3% tax on the sale of a taxable medical device. This raises \$29 billion over 10 years. An annual fee for health insurers is expected to raise more than \$100 billion over 10 years, while a fee for brand name drugs will bring in another \$34 billion. The above fees may be passed on to some consumers in the form of higher premiums.

Employer and Employee Taxes

Unless you own a company that has over 50 employees you do not have to insure your employees. If you exceed this, you have to either insure your employees or pay a penalty. The penalty is \$2,000 an employee and \$3,000 if they use tax credits to purchase insurance on the exchange. Employers with under 25 full time employees, whose average income doesn’t exceed \$50,000, can apply for tax credits of up to 30% for insuring their employees.

Flexible Spending Account (FSA) and other Health Savings Account Changes

Over the counter medicines no longer qualify as medical expenses for FSA’s, HRA’s, HSA’s, and MSA’s (forms of health savings accounts). There are penalties of up to 20% in the form of additional taxes on distributions for spending money on non-qualified medical expenses. And, the FSA cap for 2013 reduces the annual contribution limit to \$2,500 from \$5,000.

Updated News and Notes

Shasta VOICES is continuing to monitor and follow many issues of interest to our supporters and the community. As part of our efforts to keep you updated and informed, here is a brief update of some of these issues.

City of Redding Development Impact Fee/Utility Rate Study—The advisory group is continuing to meet with City staff and the hired consultant two to three times each month to review all relevant information as this study moves forward. The utility rate portion of the study is scheduled to be completed first, and is targeted for completion by the end of February, 2013. This includes the City's water utility rates, wastewater (sewer) utility rates, and solid waste utility rates. A recommendation will be brought to City Council, probably in March, 2013. The development impact fee study will more than likely be completed in the spring, and a recommendation brought to City Council in the early summer. Any changes in fees would not occur until July, 2013.

Shasta County Supervisors Choose Chair/Vice-Chair—At the Board of Supervisors meeting on January 8, 2013, the Board chose member David Kehoe as the Chair and member Les Baugh as the Vice-Chair of the Board for calendar year 2013. Other Board members are Leonard Moty, Pam Giacomini (filling District 3 seat formerly held by Glenn Hawes), and Bill Shappell (filling District 4 seat formerly held by Linda Hartman).

Shasta County Department of Resource Management Sees Personnel Changes—Long time Resource Management Director Russ Mull retired January 16, 2013. He served both as the Department Director and Director of Environmental Health. The County is splitting the two positions, effective January 17, 2013. Carla Serio, previous Environmental Health Division Manager, has been promoted to Director of Environmental Health. She is a registered Environmental Health Specialist and has three or more years experience in an environmental health agency. The County is still in the process of evaluating applications to fill the vacant Director of Resource Management position. Richard Simon, the Assistant Director of that department, has been serving as the Interim Director.

Olney Creek Levee Project—Physical upgrades to the Olney Creek Levee are necessary to potentially remove properties from the FEMA-designated 100-year floodplain. Removal from this designation may save property owners the cost of mandated flood insurance, which ranges from several hundred dollars to over a thousand dollars per year per property. There are 307 parcels in the floodplain. The City of Redding applied for a grant from the State Department of Water Resources to fund an engineering evaluation of the Levee in November 2011. They were successful in obtaining the grant, and Council approved the appropriation of \$181,240 for an engineering study at their January 15, 2013 Council meeting. The grant requires a 45% match. With a total estimated cost of \$240,240, the city's match amount is \$108,108. Additionally (and separately), CalTrans is working with City staff to develop a plan for replacement of the Sacramento Street bridge, which is a contributor to flooding issues at Olney Creek.

Map-21: A New Two Year Federal Transportation Law—On July 6, 2012 President Obama signed into law a new two-year transportation authorization, entitled Moving Ahead for Progress in the 21st Century (Map-21). The new law authorizes \$10.6 billion in fiscal year 2013 and \$10.7 billion in fiscal year 2014 for public transportation. CalTrans has been working with regional transportation agencies, special interest groups, federal partners and the California Legislature to plan for implementation. Statewide forums are being held to share and discuss those efforts and solicit feedback. CalTrans is hosting a forum for local and regional city governmental officials and staff, as well as special interest organizations in Redding on February 6, 2013 from 1:00 p.m.—3:00 p.m. at Redding City Hall which will also be webcast. Shasta VOICES will be participating and bringing a report forward for those members who are interested.

Join Shasta VOICES today.

We depend on membership and other contributions.

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