



Jurupa Valley Proposed Incorporation

Draft Comprehensive Fiscal Analysis

March 31, 2009



Incorporation Process

- Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 *et seq*)
- The Local Agency Formation Commission (LAFCO) in each county has jurisdiction for approving or denying incorporations.
- Application requirements for an incorporation include:
 - ✓ A petition signed by 25% of the registered voters in the proposed boundary or a sponsorship from an existing local government agency whose jurisdiction lies wholly or partly within the proposed boundary.
 - ✓ A boundary map and legal description of the proposed boundary.
 - ✓ Any additional information required by LAFCO as part of the application.
- Riverside LAFCO requires an incorporation application to include an Initial Feasibility Analysis demonstrating initial fiscal viability.



Incorporation Process

- **Comprehensive Fiscal Analysis-** Detailed analysis of fiscal feasibility of proposed incorporation
- **CEQA- Negative Declaration-** Incorporations are change of government organization only- no environmental impact
- **Application Certificate of Filing-** Application is officially deemed “complete” by LAFCO
- **LAFCO Public Hearings**
- **Incorporation Election**



Comprehensive Fiscal Analysis

- **Administrative Draft Comprehensive Fiscal Analysis serves as the Initial Feasibility Analysis**
- **Section 56800 *et seq* specifies that a Comprehensive Fiscal Analysis shall review and analyze:**
 - ✓ **Projected costs for the proposed town for the first three fiscal years**
 - ✓ **Projected revenues for the proposed town for the first three fiscal years**
 - ✓ **The effects of transfer of costs and revenues on any other local agency**
 - ✓ **Any other information deemed necessary by LAFCO**
- **All costs and revenues based on the most recent fiscal year that data is available**



CFA Key Elements

- **10-Year Forecast of Costs and Revenues**
- **Municipal Service Provision Plan**
- **Property Tax Transfer Calculation**
- **Revenue Neutrality Mitigation**
- **Transition Year Cash Flow**
- **Provisional Appropriations Limit**



CFA Key Assumptions

- **Base Year Data- FY 2007/2008 – County/State/Comparable Cities**
- **“Effective Date of Incorporation”- July 1, 2010**
- **Existing Community Service Districts & Recreation & Park District remain in place**
- **Municipal Service Plan based on a “Contract City” concept**
- **Proposed Boundary Area anticipates future residential and commercial growth potential based on county projections**
- **Consideration given for current economic downturn and anticipated slow recovery**
- **No new or additional taxes or fees**



Effective Date of Incorporation

- The date that the city is deemed “official”
- CFA projects a date based on an anticipated schedule- LAFCO establishes the official date as part of the approval process
- Pre-incorporation transition period is that time between the incorporation election and the “Effective Date”
 - ✓ Newly elected city council arranges initial interim staffing to “establish” the city
 - ✓ Significant organizational activity must occur prior to the “Effective Date”
- Post-incorporation transition period is that time between the “Effective Date” and the end of that Fiscal Year
 - ✓ County provides Post-incorporation transition services

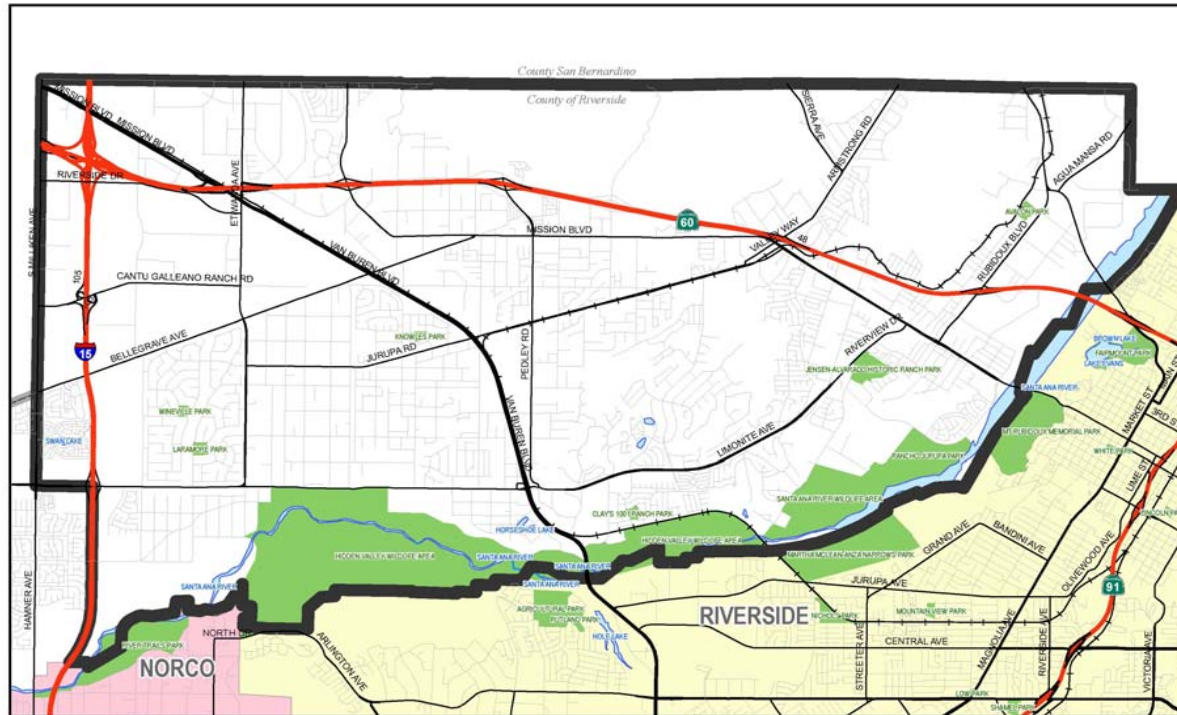


Proposed Boundary

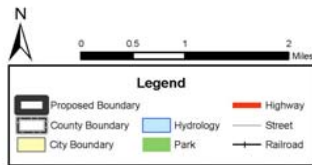
The Proposed Boundary includes all unincorporated territory east of Hamner north of Limonite, and east of the I-15 freeway south of Limonite, and is generally bounded by the City of Riverside to the east, the Cities of Riverside and Norco to the south, and San Bernardino County to the north. Current population is approximately 92,356 with approximately 26,380 housing units.



Proposed Boundary



Proposed Jurupa Valley Incorporation Boundary
March 2009



Urban Crossroads, Inc.
 41 Corporate Park, Suite 200
 Irvine, CA 92614
 (949) 660-1504





Alternative Boundaries

➤ Boundary Alternative One

- ✓ This boundary alternative includes all unincorporated territory east of Wineville, and is generally bounded by the City of Riverside to the east, the Cities of Riverside and Norco to the south, and San Bernardino County to the north.

➤ Boundary Alternative Two

- ✓ This boundary alternative includes all unincorporated territory east of the I-15 freeway, and is generally bounded by the City of Riverside to the east, the Cities of Riverside and Norco to the south, and San Bernardino County to the north.

- Each of these Boundary Alternatives were found to be not fiscally feasible at this time



Fiscal Analysis

Fund Categories

- Two basic types of revenues- “General Purpose” & “Restricted”
- Three basic Fund Categories
 - ✓ General Fund - All “general purpose” revenue and most municipal service expenditures
 - ✓ Road Fund - All “restricted” road related revenues and expenditures
 - ✓ Structural Fire Fund - All “restricted” Structural Fire Property Tax revenue
 - Restricted for funding Fire Protection services
 - Any excess cannot be used for any other purpose



Fiscal Analysis

Fund Categories- Revenues

- **Major General Fund revenues include:**
 - ✓ General Property Tax
 - ✓ Motor Vehicle License Fees
 - ✓ Sales Taxes/Property In Lieu of Sales Tax
 - ✓ Franchise Fees/Fees for Services/Misc Revenues

- **Major Road Fund revenues include:**
 - ✓ State Fuel Taxes
 - ✓ Prop 42 Fuel Sales Taxes
 - ✓ Measure A Local Streets & Roads Revenue

- **Major Structural Fire Fund revenues include:**
 - ✓ Structural Fire Property Taxes



Fiscal Analysis

Fund Categories- Expenditures

- **Major General Fund expenditures include:**
 - ✓ Law Enforcement/Animal Control
 - ✓ Fire Protection Services
 - ✓ General Government (Administration, Finance, City Attorney)
 - ✓ Community Development

- **Major Road Fund expenditures include:**
 - ✓ Road Maintenance including Slurry Sealing
 - ✓ Traffic Signal Maintenance/Traffic Engineering

- **Major Structural Fire Fund expenditures include:**
 - ✓ Fire Protection Services (Revenue Transfer)



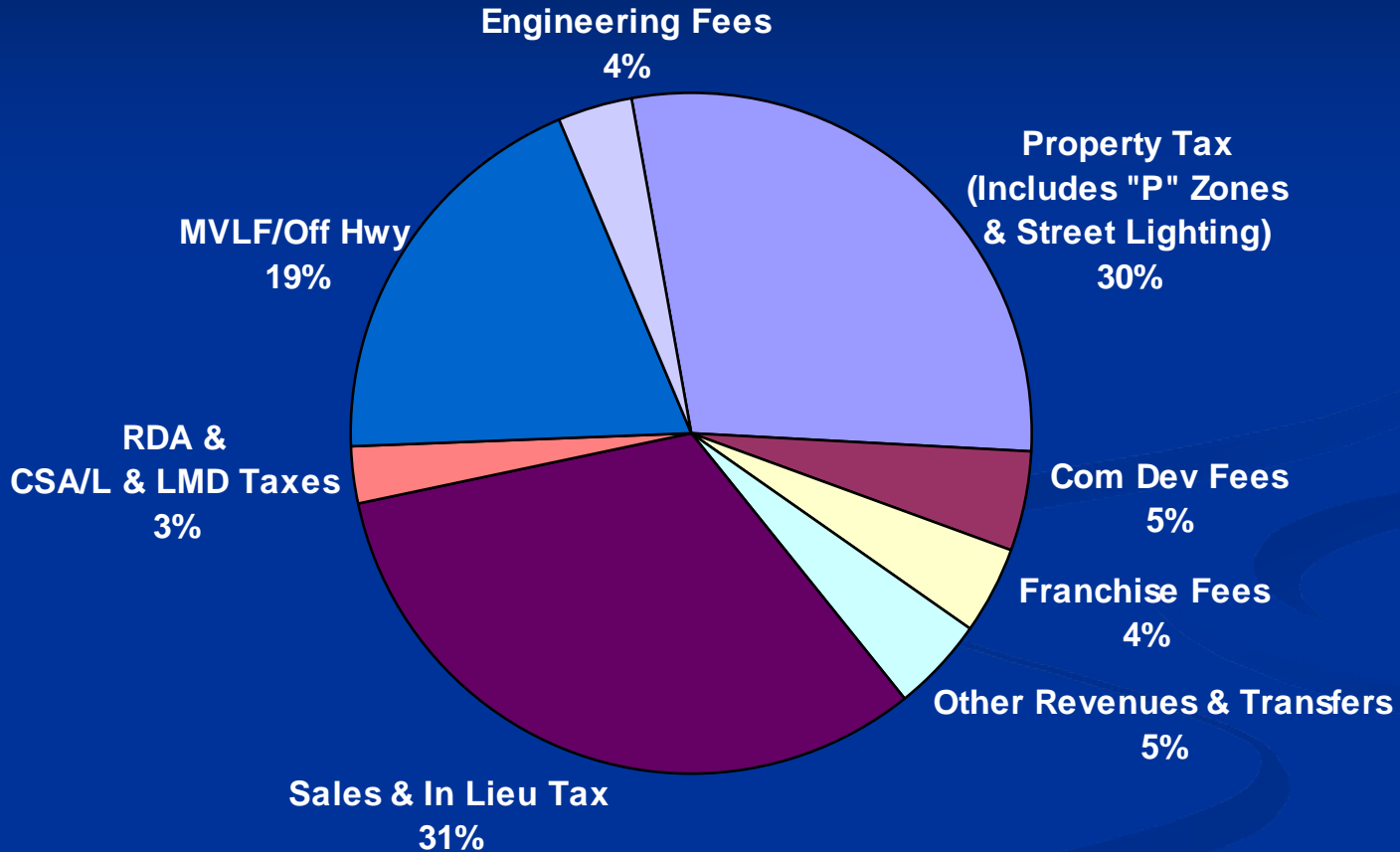
Fiscal Analysis

Findings of Feasibility

- **Fiscally Feasible in the short term with long term sustainability**
- **Annual General Fund Operating Surpluses in all years**
- **Significant General Fund Reserve capacity in all years**
- **Road Fund exhibits strong Operating and Reserve annual surpluses**
- **Significant Capacity for future service enhancements**



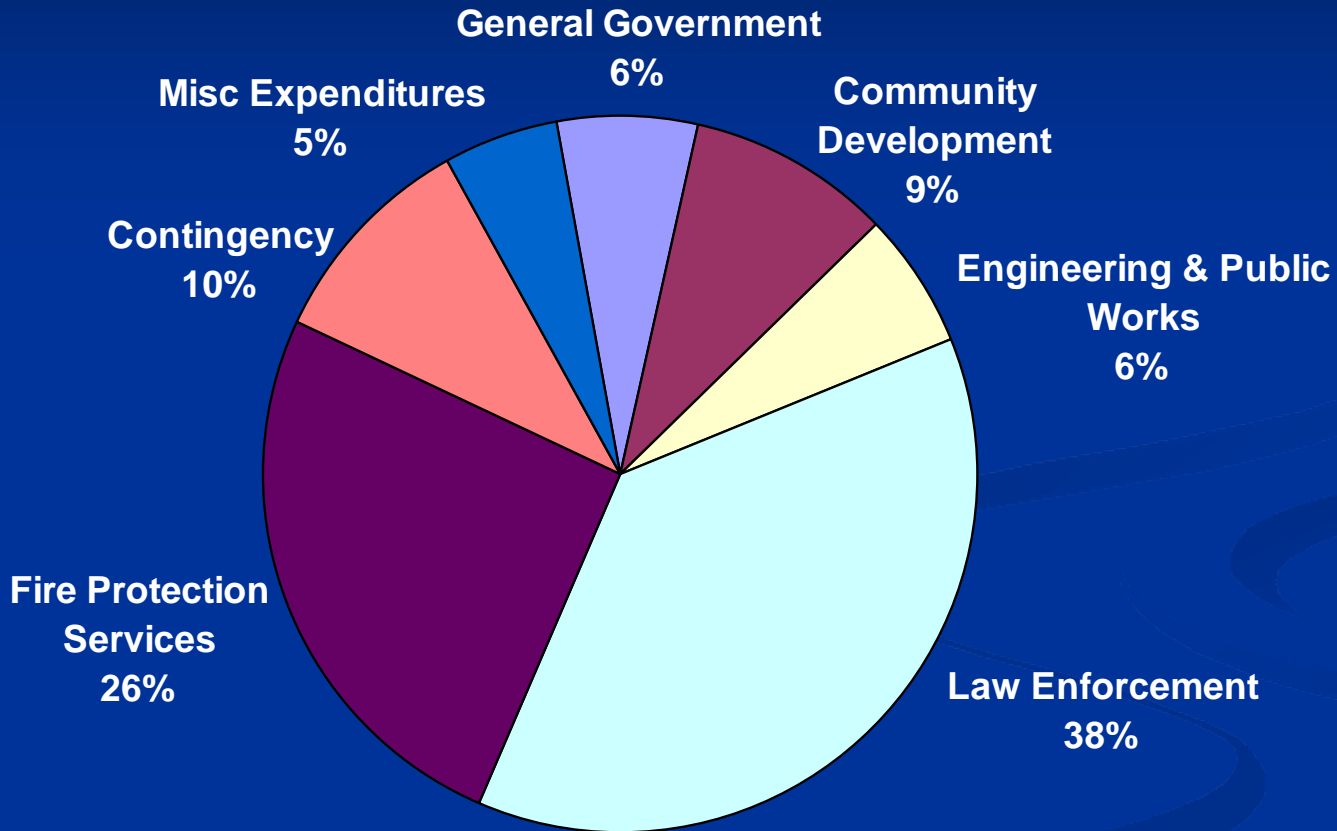
General Fund



General Fund Revenues



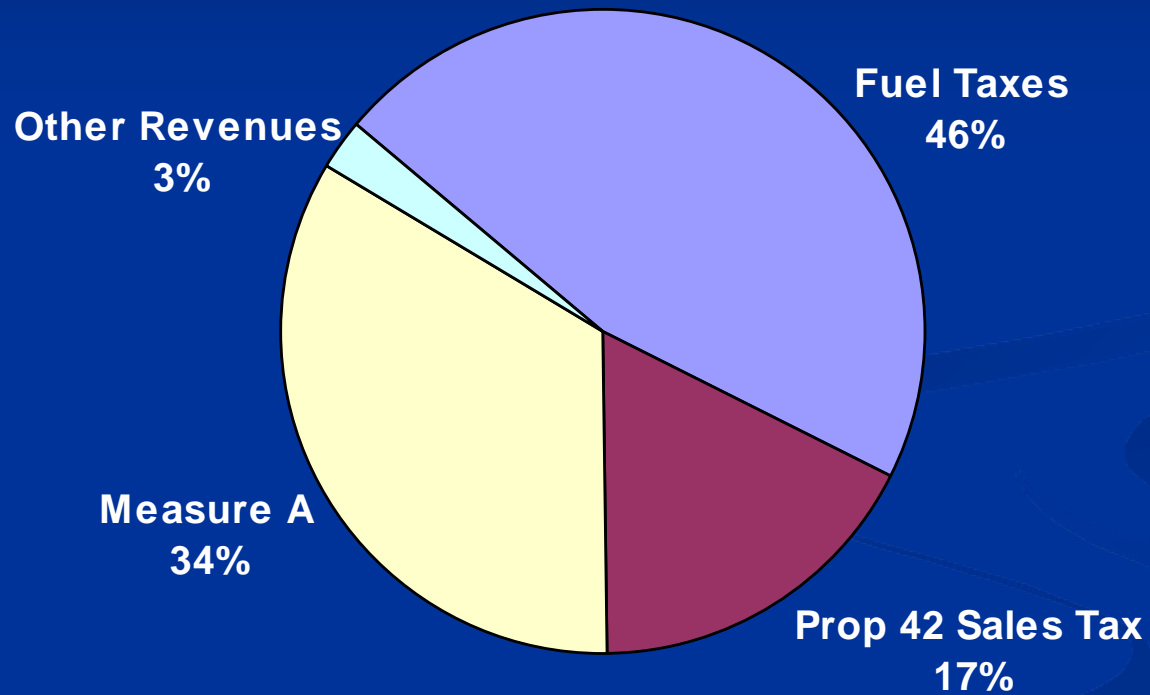
General Fund



General Fund Expenditures



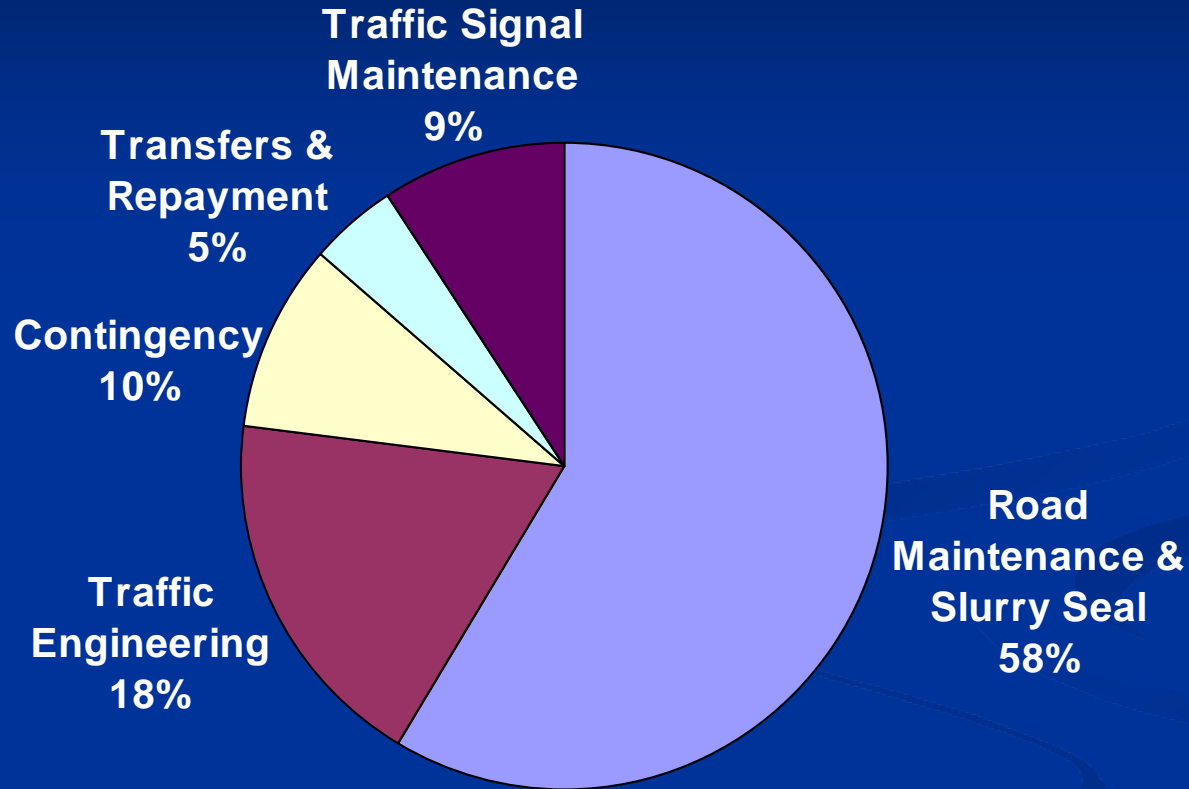
Road Fund



Road Fund Revenues



Road Fund



Road Fund Expenditures



Fiscal Analysis

Reserve Capacity

- **General Fund Reserve Capacity**
 - ✓ Operating Surpluses average approximately \$5,363,364 annually
 - ✓ Operating Reserve after 10 years is approximately \$53,633,637
 - ✓ Annual Operating Reserve to Expenditure ratio maintained between 39-97% over the 10 year forecast
- In addition to the 10% Contingency annual Expenditure
- Does not include any potential Revenue Neutrality Mitigation that has yet to be negotiated
- Demonstrates significant capacity for increasing service levels and accommodating Revenue Neutrality



Fiscal Analysis

Reserve Capacity

- **Road Fund Reserve Capacity**
 - ✓ Operating Surpluses average approximately \$1,316,633 annually
 - ✓ Operating Reserve after 10 years is approximately \$13,166,333
 - ✓ Annual Operating Reserve to Expenditure ratio maintained between 124-264% over the 10 year forecast
- In addition to the 10% Contingency annual Expenditure
- Demonstrates significant capacity for increasing Road Maintenance service levels



Redevelopment Project Areas & Sub-Areas

- All Redevelopment Project Areas and Sub-Areas are anticipated to remain with the county
- County will retain all Property Tax “increment” above each Area’s Base Year assessed valuation
- City will receive Property Tax increment based on the respective Area Base Year assessed valuation- not the current year
- City will receive an additional “pass through” Property Tax for some Areas



Property Tax Transfer

- **General Property Tax**
 - ✓ **Government Code Section 56810- new cities**
 - ✓ **Net Cost of Base Year County services transferred multiplied by the Base Year Auditor's Ratio**
 - ✓ **Auditor's Ratio- Percentage of General Property Tax received by the county as a ratio to all General Purpose revenue received by the county – 38.2% for FY 07/08**
 - ✓ **Net Cost of Services- \$16,573,600 for FY 07/08**
 - ✓ **Base Year Property Tax- 38.2% x \$16,573,600 = \$6,334,917**

- **Structural Fire Property Tax**
 - **Tax Rate- 5.97%**



Property Tax Transfer

- **General Property Tax**
 - ✓ Tax Allocation Factor- City's General Property Tax Rate
 - ✓ Established by dividing the calculated Base Property Tax transferred by 1% (Basic Levy) of the total applicable Assessed Valuation of taxable property within the city.
 - ✓ Tax Allocation Factor- 9.19%
- **Structural Fire Property Tax**
 - ✓ Tax Allocation Factor- 5.97%
 - ✓ Existing Tax Rate



Revenue Neutrality

- Government Code Section 56815- Legislative intent to protect counties and other agencies from negative financial impact from incorporations
- “Equal Exchange” of revenues and costs between “Affected Agencies” and the new city based on Base Year costs and revenues transferred
- Affected Agency- Riverside County
- Code Section allows for a negotiated agreement of any mitigation amount and method of payment
- Any negotiated agreement would be included in the final CFA that would be forwarded to LAFCO for the Public Hearing process



Transition Year Cash Flow

- **County retains significant amount of revenues during Transition Year**
 - ✓ All Property Tax
 - ✓ Some Sales Tax
 - ✓ Most Fee Revenues
- **City receives some significant revenues**
 - ✓ Motor Vehicle License Fees
 - ✓ Some Sales Tax
 - ✓ Some Franchise Fees and All Transient Occupancy Tax
 - ✓ Fuel Taxes, Prop 42 revenue, Measure A Revenue
- **County required to provide all previous services during Transition Year on a reimbursable basis paid back over 5 years**
- **City will incur start up costs in Transition Year**



Provisional Appropriations (Gann) Limit

- Article XIII B of the State Constitution implemented by Government Code Section 56812- “Gann Limit”
- Establishes the annual appropriations limit for expenditures from taxes and certain fees
- LAFCO establishes the “Provisional Limit” – Estimated \$42,232,589 for Jurupa Valley
- City will establish the permanent baseline limit at its first municipal election after incorporation
- Adjusts annually based on population and inflation factors



Conclusion

“It is concluded by this analysis that the new city is considered to be fiscally feasible at the “existing level of service” provision under the proposed boundary. The forecast model demonstrates that more than sufficient revenue and reserve capacity exists to ensure short term and long term fiscal sustainability of the proposed city. Additionally, sufficient capacity exists to address potential future service enhancements that may be desired by the community”