

**Proposed Incorporation
City of Jurupa Valley**

**Public Hearing Draft
Comprehensive Fiscal Analysis**

ADDENDUM

March 30, 2010

Submitted to:

**Riverside Local Agency Formation Commission
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EXECUTIVE SUMMARY

This Addendum to the Public Hearing Draft Comprehensive Fiscal Analysis (CFA) dated December 15, 2009 for the proposed incorporation of Jurupa Valley is issued as a result of the January 21, 2010 LAFCO approval of the Eastvale incorporation proposal. As indicated in the CFA, Boundary Alternative 3 was determined to be the only potentially viable boundary alternative for the incorporation of Jurupa Valley, pending resolution of final revenue neutrality mitigation requirements. Boundary Alternative 3 extended Jurupa Valley's western boundary to Hamner Ave, north of Limonite. As a result of the LAFCO approval of the Eastvale incorporation proposal, this Alternative was now eliminated as Eastvale's eastern boundary extends to the I-15 freeway.

As a result of the LAFCO action, the County of Riverside has indicated a willingness to consider retaining Fire Protection Services and all Structural Fire Fund Property Tax as a County service to be provided to Jurupa Valley as an incorporated city in order to achieve feasibility of the Jurupa Valley Boundary Alternative 2 scenario. Fire Protection service is not a required service to be transferred as a result of incorporation, so flexibility exists within the Government Code to provide for this scenario. In view of this, the incorporation proponents have revised their application to reflect this potential incorporation scenario.

This Addendum provides the "baseline" fiscal impact on Boundary Alternative 2 under the revised incorporation application with the County retaining Fire Protection Services and Structural Fire Fund Property Tax. This "baseline" reflects the fiscal viability of Boundary Alternative 2 prior to application of any Revenue Neutrality mitigation, the revised mitigation estimate, and the impact of applying the full mitigation to the 10 year forecast model. Attached are revised Tables and Exhibits reflecting the impact of the revised application on boundary Alternative 2 as listed below:

Table 1A- General Fund Revenues and Expenditures
Exhibit 1- Property Tax Transfer
Exhibit 3- Estimated Revenue Neutrality mitigation
Exhibit 4- Estimated County Repayment- Transition Period
General Fund Revenue Neutrality

Following is a brief discussion of the 3 original Boundary Alternatives, Fiscal Feasibility Findings for each, and a brief discussion on the revised estimated Revenue Neutrality mitigation requirement for the revised application proposal at Boundary Alternative 2.

Boundary Alternatives

Three Boundary Alternatives were initially analyzed in previous drafts of this CFA for the Jurupa Valley area. The analysis of each boundary alternative provides a basis for LAFCO to make determinations of final boundaries that reflect the goals and objectives of incorporating logical communities of interest and long term fiscal viability. Population and housing unit figures were provided by the County of Riverside projected as of July 1, 2008.

Alternative 1	Study Area 6	Population- 86,810	Housing Units- 24,846
Alternative 2	Study Areas 4, 5 & 6	Population- 87,818	Housing Units- 25,146
Alternative 3	Study Areas 2, 4, 5 & 6	Population- 92,356	Housing Units- 26,830

Boundary Alternative 1 encompasses all of Study Area 6. This area 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 2 encompasses all of Study Areas 4, 5 & 6. This area 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.

Boundary Alternative 3 encompasses all of Study Areas 2, 4, 5 & 6. This area 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.

FISCAL FEASIBILITY FINDINGS

In accordance with Government Code Section 56720, fiscal feasibility is the most critical finding that must be made by LAFCO for approval of an incorporation of a new city. However, fiscal feasibility is predicated on certain determinations to be made by LAFCO with respect to other aspects of the incorporation. These include:

- Boundaries of the new city
- Timing of the incorporation
- Detachments, consolidations and other governmental boundary changes
- Property tax transfer determinations
- Revenue neutrality mitigation determinations

The following findings are based on research and analysis performed to date. However, it shall be noted that these findings do not include an assumption of any negotiated revenue neutrality mitigation. Any imposition of a revenue neutrality mitigation could materially effect the findings and conclusions discussed below.

Boundary Alternative 1

Boundary Alternative 1 is not considered fiscally feasible.

Based on the significant deficit spending and fiscal infeasibility demonstrated by Boundary Alternative 1, this alternative has been removed from further discussion.

Boundary Alternative 2

Boundary Alternative 2 is considered fiscally feasible (pending revenue neutrality mitigation terms).

The attached revised Table 1-A summarizes the 10 year General Fund forecast.

The forecasted General Fund revenues minus expenditures for FY 11/12 through FY 20/21 average an approximate \$3,550,421 annual operating surplus. The cumulative General Fund surplus over the term of the projections is \$35,504,211. The annual ratio of cumulative reserve funds to expenditures ranges from 48% in FY 12/13 and increasing to 128% at the end of the 10 year forecast. This reserve ratio demonstrates relatively strong long term sustainability for the General Fund.

The Road Fund, CSAs and L & LMD Funds are unchanged as a result of this proposed scenario. The Structural Fire Fund is no longer applicable as these revenues and services would be retained by the County.

Additionally, the forecast model assumes that the annual 10% contingency factor is expended every year for each Fund. In practice, it is generally unlikely that this will occur, thus additional reserve capacity exists within the projections. In summary, all Funds exhibit strong sustainability over the long term. Boundary Alternative 2 meets and exceeds the standards for short and long term fiscal sustainability, dependent upon any revenue neutrality mitigation that may be imposed.

Boundary Alternative 3

Boundary Alternative 3 is not longer available for consideration.

Based on the approval of the Eastvale incorporation application by LAFCO, this alternative is no longer available due to the western boundary crossing the Eastvale eastern I-15 boundary.

Revenue Neutrality

The revised projected revenue neutrality calculation with Fire Services and Structural Fire Fund Property Tax remaining with the County indicates that there is an annual negative net impact to the Riverside County General Fund of \$4,218,405 for Boundary Alternative 2. Attached revised Exhibit 3 depicts the revised calculation. Additionally, the Table entitled "General Fund Revenue Neutrality" projects the impact to the proposed city's General Fund of applying the full estimated revenue neutrality mitigation payment over the ten year model forecast.

It should be noted that the Government Code allows for the actual mitigation to be negotiated between the county and the incorporation proponents. Currently, the proponents and the County are engaged in discussions concerning a negotiated settlement of revenue neutrality, however, no negotiated settlement with the County has been achieved as of the publication of this Addendum to the current Public Hearing Draft CFA.

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 Boundary Alternative 2, pending application of any revenue neutrality mitigation. 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.

Upon determination of any final revenue neutrality mitigation requirements that may be negotiated between the County and the incorporation proponents, those requirements will be included in a complete revised Public Hearing Draft CFA for consideration by LAFCO.

Table I-A

**Jurupa Valley Incorporation Analysis
General Fund Revenues and Expenditures**

Boundary Alternative Two (SA 4, 5, 6) (I-15 Boundary)

	Projection Year				
	Transition Year FY 11/12	2 FY 12/13	3 FY 13/14	4 FY 14/15	5 FY 15/16
General Fund Revenues					
General Property Tax	0	4,594,332	4,873,113	5,193,140	5,515,503
Sales and Use Tax	3,353,077	6,753,804	6,849,449	6,945,094	7,040,740
Property in Lieu of Sales Tax	0	2,251,268	2,283,150	2,315,031	2,346,913
Property Transfer Tax	193,799	204,904	252,241	285,152	288,426
Motor Vehicle In-Lieu Fees (AB 1602)	7,121,594	6,816,891	6,493,259	6,182,394	5,847,347
Off Highway Vehicle License Fee	0	0	0	0	0
Transient Occupancy Tax	261,377	261,377	261,377	383,579	383,579
Engineering Fees	0	1,155,974	1,155,974	1,155,974	1,155,974
Franchise Fees	1,037,148	2,098,571	2,134,166	2,177,491	2,224,419
Community Development Fees (Planning/B&S/Code Enf/Env)	0	1,893,300	1,893,300	1,893,300	1,893,300
Business Registration Fees	0	24,178	24,586	25,124	25,662
Animal License/Shelter Fees	0	51,751	52,624	53,775	54,926
Fines & Forfeitures	372,436	378,827	385,218	393,644	402,070
Miscellaneous Revenues	226,543	230,430	234,318	239,443	244,568
Transfer from Road Fund (Public Works Admin)	13,024	161,704	161,704	161,704	161,704
Subtotal	12,578,998	26,877,310	27,054,477	27,404,845	27,585,129
Interest Earnings	116,766	262,498	316,673	367,563	410,963
Total Revenues	12,695,764	27,139,808	27,371,151	27,772,408	27,996,092

Table 1-A

**Jurupa Valley Incorporation Analysis
General Fund Revenues and Expenditures**

Boundary Alternative Two (SA 4, 5, 6) (I-15 Boundary)

	Projection Year				
	6	7	8	9	10
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
General Fund Revenues					
General Property Tax	5,849,521	6,195,565	6,718,780	7,261,384	7,822,920
Sales and Use Tax	7,136,385	7,232,030	7,621,982	8,011,934	8,401,887
Property in Lieu of Sales Tax	2,378,795	2,410,677	2,540,661	2,670,645	2,800,629
Property Transfer Tax	298,855	309,622	447,037	464,326	481,355
Motor Vehicle In-Lieu Fees (AB 1602)	5,487,777	5,628,422	5,779,089	5,931,121	6,084,529
Off Highway Vehicle License Fee	0	0	0	0	0
Transient Occupancy Tax	383,579	383,579	383,579	383,579	383,579
Engineering Fees	1,155,974	1,155,974	1,155,974	1,155,974	1,155,974
Franchise Fees	2,271,347	2,318,276	2,367,666	2,418,204	2,468,743
Community Development Fees (Planning/B&S/Code Enf/Env)	1,893,300	1,893,300	1,893,300	1,893,300	1,893,300
Business Registration Fees	26,199	26,737	27,316	27,895	28,475
Animal License/Shelter Fees	56,077	57,228	58,467	59,707	60,947
Fines & Forfeitures	410,496	418,922	427,996	437,070	446,144
Miscellaneous Revenues	249,693	254,819	260,338	265,858	271,377
Transfer from Road Fund (Public Works Admin)	161,704	161,704	161,704	161,704	161,704
Subtotal	27,759,703	28,446,854	29,843,889	31,142,700	32,461,560
Interest Earnings	447,598	502,030	585,547	687,772	809,322
Total Revenues	28,207,301	28,948,884	30,429,436	31,830,473	33,270,882

Table 1-A

**Jurupa Valley Incorporation Analysis
General Fund Revenues and Expenditures**

Boundary Alternative Two (SA 4, 5, 6) (I-15 Boundary)

	Projection Year				
	Transition Year	2	3	4	5
	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
General Fund Expenditures					
City Council	95,900	102,584	103,275	103,973	104,677
City Manager	250,951	535,571	540,801	546,084	551,420
City Clerk	277,696	315,718	425,309	298,760	436,016
City Attorney	362,000	365,600	369,236	372,908	376,617
Finance/Administrative Services	326,203	549,655	555,017	560,432	565,901
Non-Departmental	929,325	369,325	369,525	369,727	557,431
Community Development	281,713	3,617,387	3,600,861	3,584,670	3,568,816
Engineering/Public Works	419,595	1,927,676	1,946,828	1,966,171	1,985,708
Animal Services	0	1,424,615	1,456,749	1,495,917	1,535,747
Law Enforcement (Sheriff)	0	12,108,923	12,436,341	12,835,445	13,241,289
Subtotal	<u>2,943,383</u>	<u>21,317,055</u>	<u>21,803,941</u>	<u>22,134,087</u>	<u>22,923,623</u>
Contingency	294,338	2,131,705	2,180,394	2,213,409	2,292,362
Transfer to Structural Fire Fund	0	0	0	0	0
County Repayment	0	1,344,823	1,344,823	1,344,823	1,344,823
Revenue Neutrality	0	0	0	0	0
Total Expenditures	<u>3,237,721</u>	<u>24,793,583</u>	<u>25,329,158</u>	<u>25,692,319</u>	<u>26,560,808</u>
General Fund Operating Surplus/(Deficit)	9,458,042	2,346,225	2,041,993	2,080,089	1,435,284
General Fund Operating Reserve	<u>9,458,042</u>	<u>11,804,267</u>	<u>13,846,260</u>	<u>15,926,349</u>	<u>17,361,633</u>
Required Operating Reserve (10% of Expenses)	323,772	2,479,358	2,532,916	2,569,232	2,656,081
Excess Reserve	9,134,270	9,324,909	11,313,344	13,357,117	14,705,552
Operating Reserve as % of Operating Expenditures		48%	55%	62%	65%

Table 1-A
Jurupa Valley Incorporation Analysis
General Fund Revenues and Expenditures
Boundary Alternative Two (SA 4, 5, 6) (1-15 Boundary)

	Projection Year				
	6	7	8	9	10
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
General Fund Expenditures					
City Council	105,389	106,108	106,834	107,567	108,308
City Manager	556,809	562,253	567,750	573,303	578,911
City Clerk	304,463	447,531	310,282	459,383	316,217
City Attorney	380,364	384,147	387,969	391,828	395,727
Finance/Administrative Services	571,425	577,005	582,640	588,009	593,433
Non-Departmental	370,137	370,345	370,555	464,518	370,982
Community Development	3,503,304	3,538,138	3,573,319	3,608,852	3,644,741
Engineering/Public Works	2,005,440	2,025,369	2,045,498	2,065,828	2,086,361
Animal Services	1,576,248	1,617,428	1,661,457	1,706,228	1,751,752
Law Enforcement (Sheriff)	13,653,966	14,073,572	14,522,197	14,978,387	15,442,248
Subtotal	<u>23,027,545</u>	<u>23,701,895</u>	<u>24,128,500</u>	<u>24,943,903</u>	<u>25,288,679</u>
Contingency	2,302,755	2,370,189	2,412,850	2,494,390	2,528,868
Transfer to Structural Fire Fund	0	0	0	0	0
County Repayment	1,344,823	0	0	0	0
Revenue Neutrality	0	0	0	0	0
Total Expenditures	<u>26,675,123</u>	<u>26,072,084</u>	<u>26,541,350</u>	<u>27,438,293</u>	<u>27,817,547</u>
General Fund Operating Surplus/(Deficit)	1,532,178	2,876,799	3,888,086	4,392,180	5,453,335
General Fund Operating Reserve	<u>18,893,811</u>	<u>21,770,610</u>	<u>25,658,696</u>	<u>30,050,876</u>	<u>35,504,211</u>
Required Operating Reserve (10% of Expenses)	2,667,512	2,607,208	2,654,135	2,743,829	2,781,755
Excess Reserve	16,226,298	19,163,402	23,004,561	27,307,047	32,722,457
Operating Reserve as % of Operating Expenditures	71%	84%	97%	110%	128%

EXHIBIT 1

**Jurupa Valley Incorporation Analysis
Property Tax Transfer**

**Boundary Alternative Two (SA 4, 5, 6) (I-15 Boundary)
County Retains Fire Services and Structural Fire Tax**

PROPERTY TAX TRANSFER (AB & Allocations)

Net Cost (Base Year FY 07/08)

<u>Department/Function</u>	<u>General Fund</u>	<u>Structural Fire Fund</u>
Law Enforcement (Adjusted for Prop 172 Offset)	9,033,935	
Fire Protection (Net of SFF Transfer)	0	
General Government	301,208	
Planning	418,074	
Environmental Programs	236,843	
Building & Safety	12	
Code Enforcement	500,753	
Engineering	174,116	
Animal Services & Shelter Debt Service	1,264,220	0
Fire Protection- Structural Fire Fund		0
<u>Total Expenditures</u>	<u>11,929,161</u>	<u>0</u>

Transfer of Tax Base

Total Expenditures Subject to Transfer	11,929,161	0
County Auditor's Ratio (Base Year- FY 07/08)	38.2%	
Structural Fire Fund (100% Transfer)		0.00%
<u>(Base Year- FY 07/08) Property Tax Base Transferred from County</u>	<u>4,559,676</u>	<u>0</u>

Transfer of Tax Base- Adjusted

Assessed Valuation (FY 07/08)	6,291,360,730	0
Assessed Value (Projected Transition Year FY 11/12)	6,144,155,105	0
Increase in Assessed Value (FY 07/08 - FY 11/12)	-2.34%	0.00%

Base Tax Transferred (Estimated Transition Year FY 11/12)

4,452,988

Calculation of Tax Allocation Factor (IAF)

Assessed Value (Estimated Transition Year FY 11/12)	6,144,155,105	0
Total Property Tax Collected (Basic Levy @1% AV)	61,441,551	0
Property Tax Base Transferred from County:	4,452,988	0

Tax Allocation Factor:

7.25%

EXHIBIT 3

Jurupa Valley Incorporation Analysis
 Estimated Annual Revenue Neutrality Mitigation

Boundary Alternative Two (SA 4, 5, 6) (I-15 Boundary)
 County Retains Fire Services and Structural Fire Tax

REVENUE NEUTRALITY - GENERAL FUND

(Base Year FY 07/08)

Revenues Transferred

General Property Tax	4,559,676
Sales & Use Tax (Includes Unallocated)	6,647,644
Property in Lieu of Sales Tax	2,215,881
Real Property Transfer Tax	114,741
Structural Fire Fund Property Tax	0
Franchise Fees	2,010,225
Fines and Forfeitures	360,583
Animal License/Shelter Fees	49,306
Planning Fees	844,789
Business Registration Fees	23,036
Environmental Program Fees	162,909
Building & Safety Fees	738,605
Code Enforcement	146,997
Engineering Fees	1,155,974
Transient Occupancy Tax	261,377

Total Revenues Transferred

19,291,743

Expenses Transferred

Law Enforcement (Sheriff)	9,033,935
Fire Protection Services	0
General Government	301,208
Planning	1,262,863
Environmental Programs	399,752
Building & Safety	738,817
Code Enforcement	647,750
Engineering	1,330,090
Animal Services & Shelter Debt Service	1,313,526
Property Tax Administration Costs (1%)	45,597

Total Expenses Transferred

15,073,338

County Surplus or (Deficit)

(4,218,405)

EXHIBIT 4

Jurupa Valley Incorporation Analysis
Estimated County Repayment- Transition Period

Boundary Alternative Two (SA 4, 5, 6) (1-15 Boundary)
County Retains Fire Services and Structural Fire Tax

ESTIMATED COUNTY REPAYMENT- TRANSITION PERIOD

Transition Year FY 11/12

	<u>General Fund</u>	<u>Road Fund</u>	<u>Structural Fire Fund</u>
<u>Expenditures by County</u>			
Community Development (Planning/Building & Safety/Code Enforcement/Environmental Programs)	3,172,783		
Animal Services & Shelter Debt Service	1,382,959		
Engineering/Public Works	1,384,037		
Law Enforcement (Sheriff)	11,786,770		
Gross Cost of Transition Year Services	17,736,649	Gross Cost of Transition Year Services	Gross Cost of Transition Year Services
			2,992,101
<u>Revenues Retained by County</u>			
General Property Tax	4,452,988		
Sales & Use Tax	1,676,538		
Prop Tax in Lieu of Sales Tax (Triple Flip)	2,235,385		
Real Property Transfer Tax	0		
Transient Occupancy Tax	0		
Franchise Fees	0		
Community Development Fees (Planning/Building & Safety/Code Enforcement/Environmental Prog	1,893,300		
Engineering Fees	1,155,974		
Business Registration Fees	23,770		
Animal License/Shelter Fees	50,878		
Fines & Forfeitures	0		
Less Transition Year Revenues Received by County	11,486,833	Less Transition Year Revenues Received by County	Less Transition Year Revenues Received by County
			99,465
County Repayment	6,247,816	County Repayment	County Repayment
			2,892,616
5 - Year Payment on County Repayment @ 2.5% Interest	1,344,823	5 - Year Payment on County Repayment @ 2.5% Interest	5 - Year Payment on County Repayment @ 2.5% Interest
			622,627

General Fund Revenue Neutrality
Jurupa Valley Incorporation Analysis (July 1, 2011 Effective Date)

	Projection Year									
	Transition Year FY 11/12	2 FY 12/13	3 FY 13/14	4 FY 14/15	5 FY 15/16	6 FY 16/17	7 FY 17/18	8 FY 18/19	9 FY 19/20	10 FY 20/21
Boundary Alternative Two (SA 4, 5, 6)										
General Fund Revenues										
Total Revenues	12,643,033	27,006,983	27,134,025	27,424,054	27,585,129	27,759,703	28,446,854	29,843,889	31,142,700	32,461,560
General Fund Expenditures										
Subtotal	2,943,383	21,317,055	21,803,941	22,134,087	22,923,623	23,027,545	23,701,895	24,128,500	24,943,903	25,288,679
Contingency	294,338	2,131,705	2,180,394	2,213,409	2,292,362	2,302,755	2,370,189	2,412,850	2,494,390	2,528,868
Transfer to Structural Fire Fund	0	0	0	0	0	0	0	0	0	0
County Repayment	0	1,344,823	1,344,823	1,344,823	1,344,823	1,344,823	0	0	0	0
Revenue Neutrality	4,218,405	4,218,405	4,218,405	4,218,405	4,218,405	4,218,405	4,218,405	4,218,405	4,218,405	4,218,405
Total Expenditures	7,456,126	29,011,988	29,547,563	29,910,724	30,779,213	30,893,528	30,290,489	30,759,755	31,656,698	32,035,952
General Fund Operating Surplus/(Deficit)	5,186,907	(2,005,005)	(2,413,538)	(2,486,670)	(3,194,084)	(3,133,825)	(1,843,635)	(915,866)	(513,998)	425,608
General Fund Operating Reserve	5,186,907	3,181,901	768,363	(1,718,307)	(4,912,391)	(8,046,216)	(9,889,851)	(10,895,717)	(11,319,715)	(10,894,107)
Operating Reserve as % of Operating Expenditures		11%	3%	-6%	-16%	-26%	-33%	-35%	-36%	-34%