

Email from George Spiliotis 8-17-09:

I have attached comments received during the Public Review period. Please prepare a response to comments, which will be an appendix to the public hearing draft, and address the comments as follows:

- The Response to Comments appendix can be in letter or matrix form. Responses should be cross-referenced to individual comments received (w/ some sort of number and/or letter designation). The comments, marked with the corresponding cross-reference designation, should be attached to the Response to Comments.
- Specific comments regarding text, calculations or methodology-If the comment warrants a change to the analysis, make the change and document the change in the response. If a change is not appropriate, please explain the reason in the response.
- General comments on the analysis not requiring changes-prepare a brief general response.
- Comments that are clearly opinions on the proposal itself rather or opinions on the conclusions of the analysis do not require a specific response.

Please note one of the comments received from a resident is in the form of a marked up CFA. I have attached the electronic file as it was sent to us. The commenter is Irene Desmond Long (her name was on the email transmittal, but not on the attached mark-up).

In addition to comments received and attached, I have the following comments or concerns.

- 1. A
▪ The study period has been shortened from that in the Administrative Review Draft from ten years to eight years. Although this is still consistent with our policy it is different from that used in the Jurupa Valley analysis. As you know we are trying to facilitate as direct a comparison as possible between the two analyses. Of much greater concern, however, is that all the non-residential development included in the initial 10-year period has been compressed into eight years. Approximately 42 percent of that growth is assumed to occur by Year 3. These projections are no longer consistent with information previously provided by the Planning Department.
- 1. B
▪ Coupled with the above, the sales tax methodology has been completely changed, resulting in substantial increases in sales tax projections. I share most of the concerns expressed in the comments from the County Executive Office regarding sales tax projections. In particular, the sales per square foot figure of \$340 appears to be excessive for this area. At best it does not represent a conservative analysis. I have stated previously the importance of maintaining some consistency between the Eastvale and Jurupa Valley analyses. This is critical in the area of the sales tax analysis, particularly in the areas of overlap between the two proposals. I believe the analyses are now divergent. I will get back to you in a few days on this subject. I will also be exploring some potential anomalies in the base year sales tax data with Executive Office staff. I will keep you apprised.

1.C.

- The payback of the transition year costs to the County is included in seven years rather than five. Initially I thought it had been spread over seven years, which is not appropriate. However, I believe the payment simply has been included inadvertently in two extra years. Please confirm and correct.

1.D.

- The sales tax from existing development for Scenario 2 shown in Table 5.8b appears to only include the sales tax from Study Areas 1, 2 and 3. SBE reported sales tax of \$636K from Areas 4 and 5 should also be included.

1.E.

- As you are probably aware, revenue neutrality discussions are currently underway with the County. The results of those discussions must be incorporated into the Public Hearing Draft.

1.F.

- ✗ There are some issues with Parks that I would like to discuss with you in a few days.
- One of the attached comments from a resident addresses emergency management services provided by the County Office of Emergency Services. For your information and use, I received the following information from the County, which should suffice as the basis of the response to the comment:



Bill Luna
County Executive Officer

Jay E. Orr
Assistant County Executive Officer

Executive Office, County of Riverside

August 10, 2009

George Spiliotis
Riverside Local Agency Formation Commission
3850 Vine Street, Suite 110
Riverside, CA 92507-4277

Subject: Eastvale Incorporation Study Comprehensive Fiscal Analysis
Analysis of Sales Tax Assumptions

RECEIVED
RIVERSIDE LOCAL AGENCY
FORMATION COMMISSION
09 AUG 10 PM 4:18

Dear Mr. Spiliotis:

This letter provides comments regarding the sales tax assumptions and conclusions in the July 8, 2009, Public Review Draft of the Eastvale Incorporation Study Comprehensive Fiscal Analysis (CFA). It focuses primarily on assessing the validity of the assumptions and soundness of the overall conclusions.

On pages 61 and 61 of the CFA, the proponent lays out several key assumptions. They estimate additional growth in new square feet of commercial space that they predict will drive substantial growth in total taxable sales. They use a factor of \$340 in sales per square foot, which they cite as the average for super regional, regional, super community and neighborhood retail sales per square foot derived by the Urban Land Institute. They assume Eastvale will attract buyers from surrounding communities. While they allow for 8.1 and 6.3 percent declines in sales tax revenue in Fiscal Years 2009 and 2010 respectively, they also predict sales tax from existing development will rebound in Eastvale to Fiscal 2008 levels by Fiscal 2012.

On page 17, the proponent grounds their assumptions regarding new development on projects in the entitlement process, assuming all projects currently moving through the entitlement process will be fully completed and absorbed within the eight-year span of time analyzed. Specifically the CFA states:

Nonresidential development absorption assumptions are more aggressive than historical absorption in Eastvale. However, the amount of nonresidential development projected in the in the (sic) area is unprecedented, so comparisons to historical absorption rates are not applicable.

There are several areas in which the CFA's analysis raises concern, beginning with this statement regarding the unprecedented level of development projected. Although the report is dated July 8, 2009,

Robert T. Andersen Administrative Center
4080 Lemon Street • 4th Floor • Riverside, California 92501 • (951) 955-1100 • Fax (951) 955-1105

2.A there is no discussion of how current economic conditions, which are still unfolding, may impact these assumptions. The Inland Empire is known as one of the areas in the nation hardest hit by the implosion of the residential real estate market. Weakness in the commercial real estate market is known, but the trend in that sector is lagging the residential market. While the extent to which a reversal in the commercial sector might impact Eastvale is unknown, the potential exists for the commercial market to be hit even harder than the real estate market, as the cumulative effects of flagging retail sales begin to lead to defaults in commercial debt payments. The CFA does not address the fact these economic conditions may seriously impact the development plans and timelines of projects moving through the entitlement process.

2.B Also not addressed is justification for assuming sales at existing commercial and retail developments will rebound to 2008 levels by 2012. Without substantiation, it is difficult to assess whether this assumption is overly optimistic, or even wishful thinking. Analysis of the actual historic data indicate there may be major business categories within the existing developments unlikely to rebound that quickly.

According to data provided by Hinderliter de Llamas and Associates, the County's sales tax consultant who obtains data directly from the Board of Equalization (see attached Table A), sales tax receipts for building materials within the Scenario 1 study area reached a high of \$360,371 in FY2006, but then declined 40 percent to \$216,922 in recently concluded FY2009. Given the foreclosure crisis and persistently tight credit conditions which are holding down development regionally, and the curtailing and shelving of infrastructure projects statewide, the County does not foresee an imminent rebound in building materials.

Likewise, in the "all other equipment" category, sales tax receipts jumped from \$31,408 in FY2007 to \$709,919 in FY2008, then dropped 44 percent to \$398,774. However, review of the Board of Equalization data indicates that spike in FY2008 was the result of a correction of past misallocations of past years sales tax attributable to a single retailer. The FY2009 figure for that category is closer to the norm. Factoring out this anomaly drops the FY2008 baseline sale tax revenue by \$311,000.

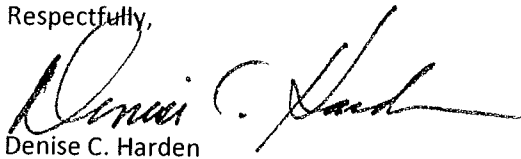
The largest business category within the Scenario 1 study area is general merchandise, which peaked in FY2007 at \$703,660, then declined 4.8 percent to \$669,916 in FY2008 and another 5.9 percent to \$630,203 in FY2009. Movement in this category is directly linked to consumer confidence and spending power. As the federal moratorium on foreclosure lifts, additional adjustable rate mortgages reset this year, and wages remain depressed, the County does not foresee a quick rebound in this category.

In addition, state, county and municipal employees across the region are just beginning furlough programs to address long-term structural deficits at all levels of government. This will further erode income and consequently consumer spending power in the region, and it is likely Eastvale will not be immune from the ripple effects of these spending cuts. The exuberant rebound projected by 2012 may be overly optimistic.

2.C [Another assumption that raises questions is use of the \$340 multiplier, an average of sales per square feet across retail types ranging from super regional to neighborhood. Super regional brings to mind Victoria Gardens and Ontario Mills, and super community brings to mind Dos Lagos, established major regional retail centers with whom any major retail center in Eastvale will compete. Although such development may rise up in the Eastvale area, given the current regional economic outlook, and continuing consumer restraint, the County is far more cautious in assuming how rapidly sales tax revenue will grow in this area over the next eight years.

Overall, the CFA indicates a newly incorporated Eastvale would face tight economic circumstances at best. Any of the weaknesses noted in the analysis above could result in revenues falling short by hundreds of thousands of dollars, and perhaps millions. Given the state of the regional economy, and the significant uncertainty regarding the future of the commercial real estate sector, it is reasonable and prudent to consider how Eastvale would fare if little new sales tax generating development occurs over the next five to eight years. All other factors remaining equal, it is difficult to see how incorporating Eastvale under either scenario could be viable if such a cautious approach proves true.

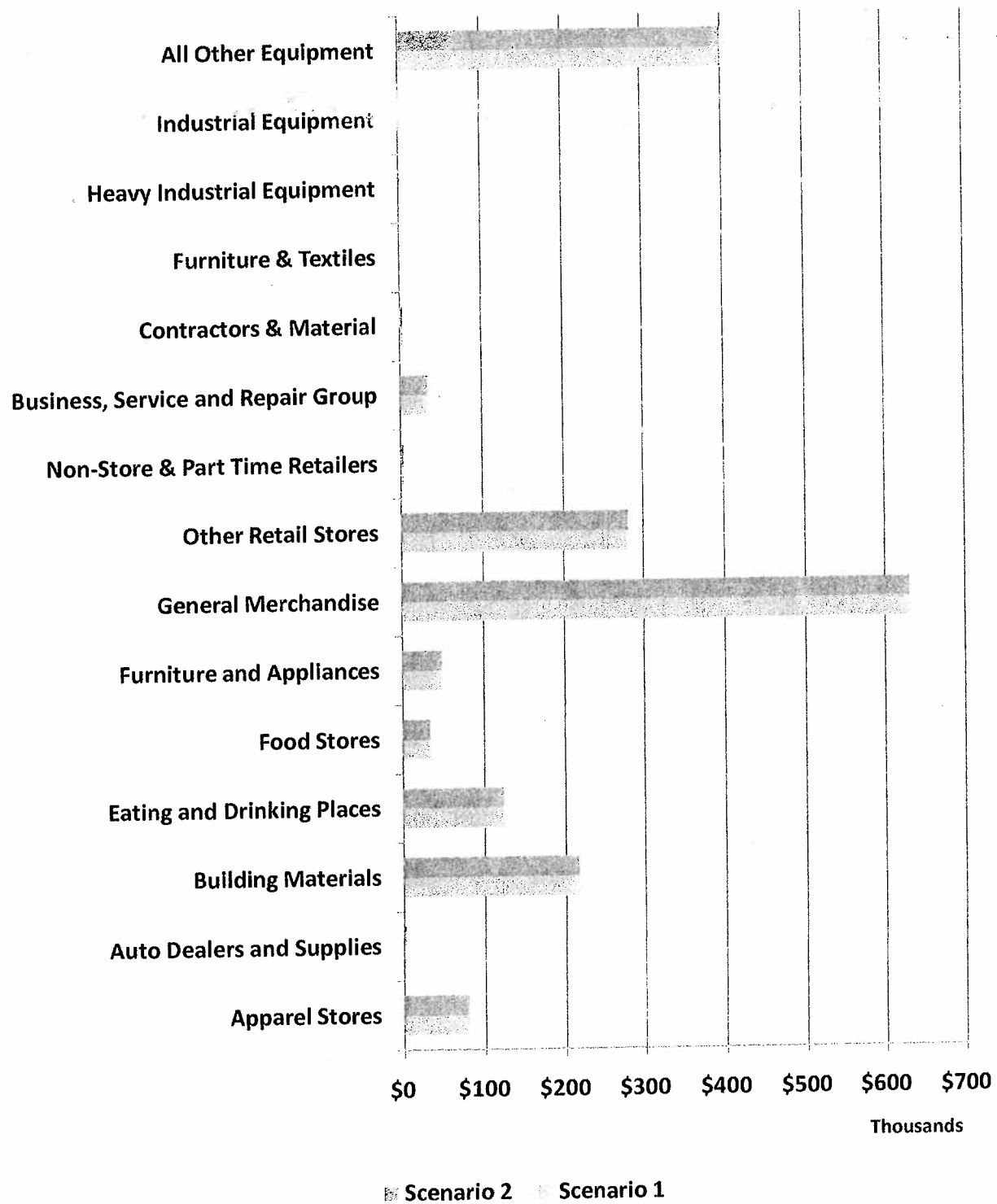
Respectfully,



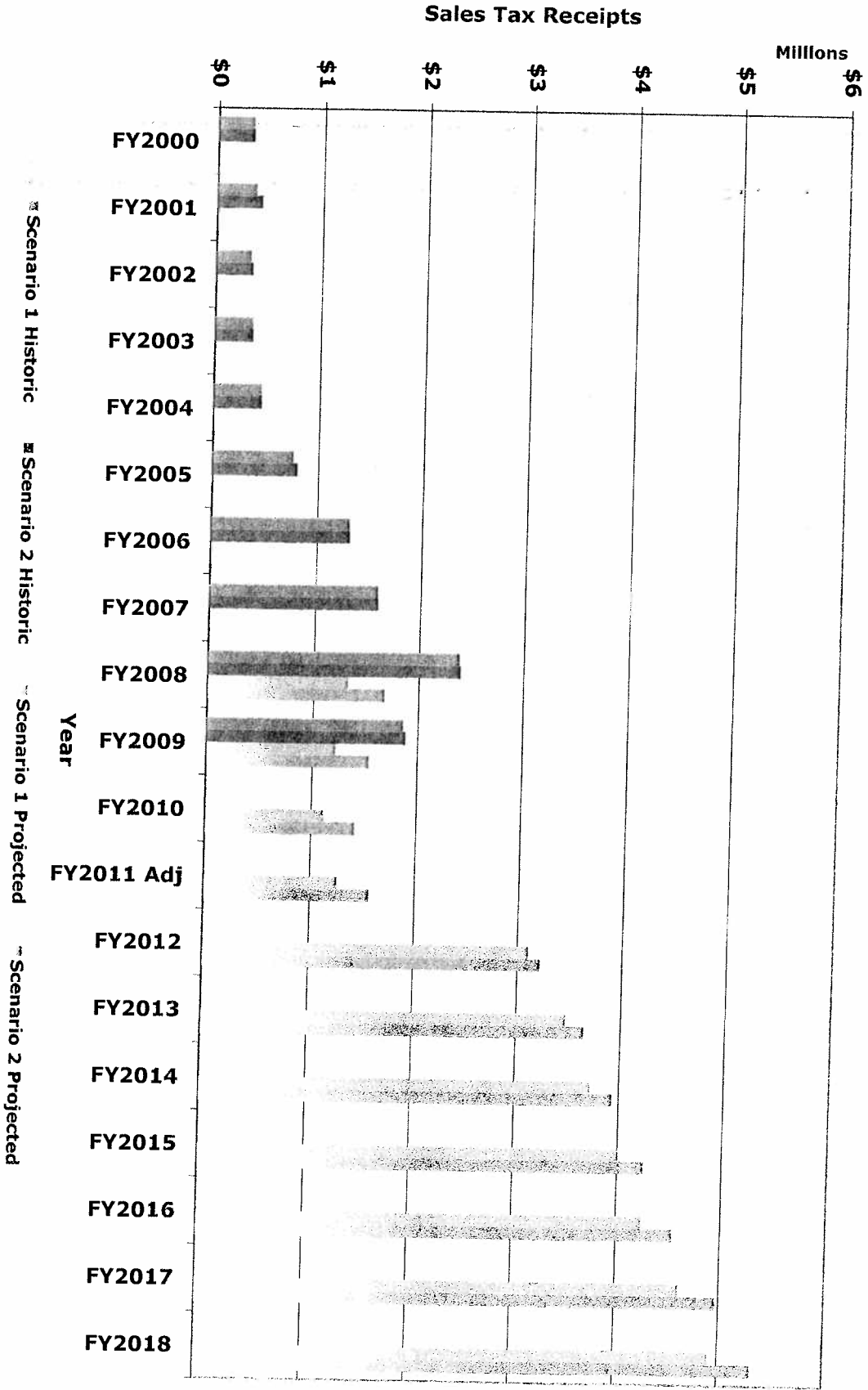
Denise C. Harden

Principal Management Analyst

Eastvale Incorporation Proposal Sales Tax Analysis FY2009 Sales Tax by Business Category



Eastvale Incorporation Proposal Sales Tax Analysis Historic & Projected Sales Tax Receipts



**Eastvale Incorporation Study
Sales Tax Analysis
Breakout of Historic Sales Tax Data by Category**

Table A

State Board of Equalization Major Business Categories	FYFY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
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Riverside County Eastvale 1 Incorp

Retail Group										
Apparel Stores	0	0	0	0	0	1,532	4,755	64,550	74,502	79,047
Auto Dealers and Supplies	5	0	0	0	96	397	509	939	1,245	2,177
Building Materials	21,157	35,695	36,822	38,584	111,501	269,278	360,371	354,489	314,875	216,922
Eating and Drinking Places	6,435	6,505	6,946	7,973	10,097	53,918	84,387	84,387	72,443	132,693
Food Stores	15,873	15,408	19,976	18,237	15,351	31,284	41,662	50,762	34,527	32,605
Furniture and Appliances	0	5	1	54	1,011	4,057	4,903	30,369	42,913	47,749
General Merchandise	232,716	232,351	206,747	238,882	262,491	321,032	571,874	703,660	669,916	630,203
Other Retail Stores	(15,206)	1,100	363	1,481	2,387	18,529	184,154	230,007	357,389	279,773
Total Retail Group	260,980	291,064	270,853	305,211	402,934	700,028	1,252,616	1,507,219	1,628,062	1,411,840
Non-Store & Part Time Retailers	160	248	344	682	573	1,052	2,884	3,379	3,181	3,528
Business, Service and Repair Group	36,767	36,891	19,286	16,372	11,509	16,216	25,190	37,272	31,806	33,273
Manufacturers & Wholesalers Group										
Contractors & Material	57	599	267	230	141	280	2,177	3,908	4,971	3,333
Furniture & Textiles	0	0	0	0	0	0	0	92	709	1,221
Heavy Industrial Equipment	28,662	27,666	23,372	24,179	25,898	27,414	7,481	3,692	2,359	1,573
Industrial Equipment	4,611	5,575	8,736	5,104	3,468	9,785	5,203	3,629	2,385	1,742
All Other Equipment	352	587	858	387	387	523	9,060	31,408	709,919	398,774
Total Mfg & Wholesale Group	33,681	34,427	33,233	29,900	29,894	38,002	23,921	42,729	720,344	406,642
Total Sales All Outlets	331,589	362,630	323,716	352,164	444,910	755,298	1,304,611	1,590,599	2,383,393	1,855,283

Year-over-Year Change										
Building Materials	68.7%	3.2%	4.8%	189.0%	141.5%	33.8%	-1.6%	-11.2%	-31.1%	
General Merchandise	-0.2%	-11.0%	15.5%	9.9%	22.3%	78.1%	23.0%	-4.8%	-5.9%	
Other Retail	-107.2%	-67.0%	308.4%	61.2%	676.4%	893.8%	24.9%	55.4%	-21.7%	
Total Receipts	9.4%	-10.7%	8.8%	26.3%	69.8%	72.7%	21.9%	49.8%	-22.2%	

Eastvale Incorporation Study
Sales Tax Analysis
Breakout of Historic Sales Tax Data by Category

Table A

State Board of Equalization Major Business Categories	FYFY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Riverside County Eastvale 2 Incorp										
Retail Group										
Apparel Stores	0	0	0	0	0	1,532	4,755	64,564	74,508	97,109
Auto Dealers and Supplies	5	55,759	16,444	16	691	37,919	1,413	1,253	1,245	2,177
Building Materials	21,157	35,695	36,822	38,584	111,501	269,278	360,371	355,911	322,990	224,171
Eating and Drinking Places	6,435	6,505	6,946	7,973	10,097	53,918	84,387	72,443	132,693	123,365
Food Stores	15,873	15,408	19,976	18,237	15,351	31,284	41,662	50,762	34,527	32,605
Furniture and Appliances	0	5	1	54	1,011	4,057	4,903	30,369	42,931	47,762
General Merchandise	232,716	232,351	206,747	238,882	262,491	321,032	571,874	703,660	669,916	630,203
Other Retail Stores	(15,206)	1,100	363	1,481	2,387	18,529	184,154	230,042	357,389	279,782
Total Retail Group	260,980	346,822	287,297	305,227	403,529	737,551	1,253,519	1,509,004	1,636,200	1,437,174
Non-Store & Part Time Retailers	160	248	344	682	573	1,052	2,884	3,379	3,181	3,595
Business, Service and Repair Group	36,767	36,891	19,286	16,372	11,509	16,216	25,190	37,272	31,806	33,273
Manufacturers & Wholesalers Group										
Contractors & Material	57	599	267	230	141	280	2,177	3,908	4,971	3,333
Furniture & Textiles	0	0	0	0	0	0	0	92	709	1,221
Heavy Industrial Equipment	28,662	27,666	23,372	24,179	25,898	27,414	7,481	3,692	2,359	1,573
Industrial Equipment	4,611	5,575	8,736	5,104	3,468	9,785	6,389	3,636	3,392	1,786
All Other Equipment	352	587	858	387	387	523	9,060	31,408	709,919	398,774
Total Mfg & Wholesale Group	33,681	34,427	33,233	29,900	29,894	38,002	25,107	42,736	721,351	406,686
Total Sales All Outlets	331,589	418,389	340,160	352,180	445,504	792,821	1,306,701	1,592,391	2,392,539	1,880,728
Year-over-Year Change										
Building Materials	68.7%	3.2%	4.8%	189.0%	141.5%	33.8%	-1.2%	-9.2%	-30.6%	
General Merchandise	-0.2%	-11.0%	15.5%	9.9%	22.3%	78.1%	23.0%	-4.8%	-5.9%	
Other Retail	-107.2%	-67.0%	308.4%	61.2%	676.4%	893.8%	24.9%	55.4%	-21.7%	
Total Receipts	26.2%	-18.7%	3.5%	26.5%	78.0%	64.8%	21.9%	50.2%	-21.4%	

**Eastvale Incorporation Study
Sales Tax Analysis
Analysis of CFA Assumptions**

Table B

	FY2008	FY2009	FY2010	FY2011	FY2011 Adj	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Analysis of Table 5.8a: Sale Tax - Scenario 1												
Service Population				45,906	45,906	47,253	49,238	50,680	54,061	54,307	54,676	54,972
Rate of Increase						3%	4%	3%	7%	0%	1%	1%
Retail Absorption (s.f.)		14,574	36,464	72,868	72,868	72,868	109,302	72,868	80,154	72,868	109,302	87,441
Cummulative Retail Absorption (s.f.)		14,574	51,007	123,875	123,875	196,743	306,044	378,912	459,067	531,934	641,236	728,677
Rate of Change			250%	143%	143%	59%	56%	24%	21%	16%	21%	14%
New Square Feet of Commercial				124,000	124,000	197,000	306,000	379,000	459,000	532,000	641,000	729,000
Rate of Increase						59%	55%	24%	21%	16%	20%	14%
Cummulative Rate of Increase						59%	114%	138%	159%	175%	196%	209%
Total Taxable Sales				15,810,000	21,080,000	66,980,000	104,040,000	128,860,000	156,060,000	180,880,000	217,940,000	247,860,000
Rate of Increase						324%	55%	24%	21%	16%	20%	14%
Sales Per Capita				\$344	\$459	\$1,417	\$2,113	\$2,543	\$2,887	\$3,331	\$3,986	\$4,509
City Sales Tax Revenue (New)				159,000	212,000	670,000	1,040,000	1,289,000	1,561,000	1,809,000	2,179,000	2,479,000
Existing	1,327,683	1,220,141	1,121,309	788,000	1,050,667	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000
Total				947,000	1,262,667	3,110,000	3,480,000	3,729,000	4,001,000	4,249,000	4,619,000	4,919,000
Rate of Increase						146%	12%	7%	7%	6%	9%	6%
Sales Tax Per Capita				\$20.63	\$27.51	\$65.80	\$70.68	\$73.58	\$74.01	\$78.24	\$84.48	\$89.48
Change in Per Capita						139.2%	7.4%	4.1%	0.6%	5.7%	8.0%	5.9%
Cummulative Change Per Capita						139.2%	146.6%	150.7%	151.3%	157.0%	165.0%	170.9%
Sales Tax per Square Foot				\$ 7.64	\$ 10.19	\$ 15.81	\$ 11.37	\$ 9.84	\$ 8.72	\$ 7.99	\$ 7.20	\$ 6.75

Eastvale Incorporation Study
Sales Tax Analysis
Analysis of CFA Assumptions

Table B

	FY2008	FY2009	FY2010	FY2011	FY2011 Adj	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Analysis of Table 5.8b: Sales Tax - Scenario 2												
Service Population				49,130	49,130	51,602	54,575	56,644	60,124	60,493	61,046	61,488
Rate of Increase						5%	6%	4%	6%	1%	1%	1%
Retail Absorption (s.f.)	16,943	42,357	84,714	84,714	84,714	127,071	144,014	144,014	144,014	144,014	144,014	144,014
Cumulative Retail Absorption (s.f.)	16,943	59,300	144,014	144,014	144,014	228,729	355,800	440,514	533,700	618,000	745,486	847,143
Rate of Change		250%	143%	143%	143%	59%	56%	24%	21%	16%	21%	14%
New Square Feet of Commercial				144,000	144,000	229,000	256,000	441,000	534,000	618,000	745,000	847,000
Rate of Increase						59%	12%	72%	21%	16%	21%	14%
Cumulative Rate of Increase						59%	71%	143%	164%	180%	200%	214%
Total Taxable Sales				18,360,000	24,480,000	77,860,000	121,040,000	149,940,000	181,560,000	210,120,000	253,300,000	287,980,000
Rate of Increase						324%	55%	24%	21%	16%	21%	14%
Sales Per Capita				\$374	\$533	\$1,509	\$2,218	\$2,647	\$3,020	\$3,473	\$4,149	\$4,684
City Sales Tax Revenue (New)				183,500	244,667	778,600	1,210,400	1,499,400	1,815,600	2,101,200	2,533,000	2,879,800
Existing				993,500	1,324,667	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000	2,440,000
Total	1,673,925	1,538,337	1,413,732	1,177,000	1,569,333	3,218,600	3,650,400	3,939,400	4,255,600	4,541,200	4,973,000	5,319,800
Rate of Increase						105%	13%	8%	8%	7%	10%	7%
Sales Tax Per Capita				\$25.64	\$34.19	\$68.10	\$74.14	\$77.73	\$78.72	\$83.62	\$90.95	\$96.77
Change in Per Capita						99.2%	8.9%	4.8%	1.3%	6.2%	8.8%	6.4%
Cumulative Change Per Capita						99.2%	108.1%	112.9%	114.2%	120.4%	129.2%	135.6%
Sales Tax per Square Foot				\$ 8.17	\$ 10.90	\$ 14.07	\$ 10.26	\$ 8.94	\$ 7.97	\$ 7.34	\$ 6.67	\$ 6.28



RIVERSIDE COUNTY SHERIFF'S DEPARTMENT
SHERIFF'S ADMINISTRATION
Stan Sniff, Sheriff - Coroner

July 27, 2009

TO: Tina Grande, Principal Management Analyst
FROM: Chief Deputy Steve Thetford
Captain Cynthia Mayman
SUBJECT: Eastvale CFA Public Review Draft re: Police Services

We have reviewed the Eastvale Comprehensive Fiscal Analysis (CFA) draft report dated July 8, 2009 (as it relates to Police Services) and have the following observations to present for your review and consideration.

Our initial review indicated that the CFA's projection for police service costs is flawed in that it has underestimated the annual percentage increase at 1% when historically; the Sheriff's Department's rate for personnel has averaged an increase of 5.1% per year.

3.A { On page 10 of the CFA, the analysis shows a projection of police service costs from year two of incorporation (presumably July 2011 – June 2012) for Scenario 1 as \$4,983,000. According to the dollar figure previously submitted, we contend the projected amount for police services for year two (first year dollar amount for the transition of police service is prorated over following 5 years) should more accurately depict an amount of \$5,282,346. This is a dollar difference of approximately \$300,000. Following a projected increase of 5.1% per year, by year 8 (FY ending 2018), the projection is off by about \$966,396.00 (see attachment 1). We have also analyzed the cost factor for police services, given the area described as Scenario 2. The CFA analysis for Scenario 2 is more on point.

3.B ✓ { Additionally, the CFA shows the first year incorporation costs for county services, to include police services, to be prorated over 7 years; as opposed to the previously discussed 5 years.

3.C { On page 14 of the CFA, under the heading *Real (Constant 2008) Dollars*, it discusses public agency compensation policies as it relates to step increases, which can average 5 percent annually. However, balancing new employee salaries at a lower rate than tenured public agency personnel, it goes on to state that "assuming a one percent real increase in personnel and contract costs (before inflation) is reasonable based on analysis of these costs other cities." However, historically, the law enforcement service rate has averaged about a 5.1% increase over the last 10 years. Based on this, it seems this percent of increase may be less than is reasonably to be expected.

3.D { On page 34, the CFA indicates, as it relates to police services: "the cost to serve the service population in the first year of incorporation is approximately \$4.3 and \$4.6 million per year, for Scenarios 1 and 2." The dollar figures of \$4.3 and \$4.6 are only

accurate as it pertains to 2007-2008 rates and level of staffing. The first year of service after the year of prorated service would be 2011-2012 and is projected to be \$5 and \$5.6 million, for Scenarios 1 and 2, respectively by their analysis. It would be minimally be about \$5.3 and \$5.6 million, for Scenarios 1 and 2 by RSO projection.

Given the previous explanations, pages 45, 47, and 72 of the CFA is off on its anticipated dollar figures for the cost associated with Sheriff's police services.

3.E ✓
Finally, on page 67 of the CFA, under *Fines, Forfeitures and Penalties*, it assumes a certain revenue amount to be generated per year from traffic fines. It may not be appropriate to assume this level of revenue as the Sheriff's Department should not be held to any specific or expected quota for this purpose. The purpose for traffic enforcement is primarily to maintain safety on the roadways for the motoring and pedestrian traffic; not revenue generation.

Thank you for providing us the opportunity to review and respond to the Eastvale CFA. Please feel free to contact me should you have any further questions.

Sincerely,
STANLEY SNIFF, Sheriff- Coroner



Steve Thetford, Chief Deputy – Corrections Support and Planning

Attachment 1: Police Services Cost Analysis spreadsheet

EASTVALE

Scenario 1: (Study Areas 1-3) FY Ending:	2011	2012	2013	2014	2015	2016	2017	2018
CFA analysis projection:	\$0	\$4,983,000	\$5,244,000	\$5,451,000	\$5,873,000	\$5,959,000	\$6,059,000	\$6,153,000
*RSO analysis with 5.1% increase:	\$5,026,019	\$5,282,346	\$5,551,746	\$5,834,885	\$6,132,464	\$6,445,220	\$6,773,926	\$7,119,396
Difference		\$299,346	\$307,746	\$383,885	\$259,464	\$486,220	\$714,926	\$966,396
Scenario 2: (Study Areas 1-5)								
CFA analysis projection	\$0	\$5,640,000	\$6,025,000	\$6,316,000	\$6,772,000	\$6,881,000	\$7,013,000	\$7,134,000
*RSO analysis with 5.1% increase:	\$5,343,706	\$5,616,235	\$5,902,663	\$6,203,699	\$6,520,088	\$6,553,613	\$6,887,847	\$7,239,127
Difference		(\$23,765)	(\$122,337)	(\$112,301)	(\$251,912)	(\$327,367)	(\$125,153)	\$105,127

RSO analysis considers only a 5.1% across the board increase (RMS, FAC Rate, CAL-ID, Mileage and Personnel). It does not include consideration for population increase (which would, no doubt, require increase in personnel). Further, the 5.1% increase should only include personnel cost. Rates for RMS, Facility Rate, CAL-ID and mileage are generally assessed at a different rate proportionate and dependant on direct use (facilities and RMS), increase/decrease in population (CAL-ID) or other market fluctuations (mileage).



Department of Animal Services
Robert Miller, Director

Administration
Betsy Webster

July 22, 2009

LAFCO
3850 Vine Street, Suite 110
Riverside, CA 92507
ATTN: George Spiliotis, Executive Officer

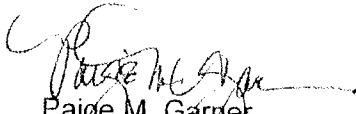
RE: Eastvale Incorporation – Comprehensive Fiscal Analysis (CFA) Public Review Draft

Dear Mr. Spiliotis,

I have reviewed the Public Review Draft of the Comprehensive Fiscal Analysis (CFA) for the Eastvale incorporation on behalf of the Department of Animal Services and am in agreement with the information and analysis provided as it relates to the Department in accordance with the information that we provided your team in February of this year.

4.A ✓ { Additionally, I noticed that the CFA references annual costs for the cities of Coachella and Menifee (page 83 - Appendix B.2 "Comparative Cities - General Fund Expenditures"), which we did not submit. As you may know, we hold contracts with both of these cities to provide Field and Shelter Services; however, the amounts noted in the CFA do not match our contracts budgets or billings. If you would like us to provide this information, please feel free to call me at (951) 358-7633.

Sincerely,


Paige M. Garner
Administrative Manager

Riverside County Community Health Agency
DEPARTMENT OF ANIMAL SERVICES - Administrative Offices
5960 Wilderness Avenue, Riverside, California 92504
(951) 358-7387 FAX (951) 358-7300 TDD (951) 358-5134

WARREN D. WILLIAMS
General Manager-Chief Engineer



1995 MARKET STREET
RIVERSIDE, CA 92501
951.955.1200
FAX 951.788.9965
www.rcflood.org

126347

RIVERSIDE COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT

August 10, 2009

Mr. George Spiliotis
Executive Officer
Riverside LAFCO
3850 Vine Street, Suite 110
Riverside, CA 92507-4277

Dear Mr. Spiliotis:

Re: Review of Draft Comprehensive Fiscal
Analysis (CFA) for the Proposed
Incorporation of Eastvale and
Detachment from the Jurupa Area
Recreation and Parks District

The District has completed a review of the public review draft report "Eastvale Incorporation Study Comprehensive Fiscal Analysis" dated July 8, 2009, prepared by Willdan Financial Services, received by the District July 13, 2009 and has the following comment:

As previously requested, the report now includes the estimated costs to establish an NPDES Program in Tables 4.18 and 4.19. Although a breakdown of the costs is not included, the total estimated costs are reasonable.

If you should need any clarification of our comments, please feel free to contact me at 951.955.1345.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dale V. Anderson".

DALE V. ANDERSON
Engineering Project Manager

c: Tina Grande, Executive Office
ec: Stuart McKibbin
Mark Wills
Ivan Chand

DVA:bjp

RECEIVED
RIVERSIDE LOCAL AGENCY
FORMATION COMMISSION
09 AUG 12 PM 4: 07

RECEIVED

RIVERSIDE LOCAL AGENCY
FORMATION COMMISSION

09 AUG -4 PM 2: 25

July 31, 2009

Mr. George Spiliotis
Local Agency Formation Commission
3850 Vine Street
Suite 1105
Riverside, CA 92507

Dear Mr. Spiliotis:

5A { Incorporation for Eastvale has its advantages but I believe it will be a disadvantage at this time. The draft CFA shows many red numbers and the use of reserves would be made in the early years, rather than building it up for later. The assumptions are also not reflective of reality as it relates to the housing growth, sales taxes expected, as well as property taxes from residential and non-residential development. Last year's numbers are very different than what has happened in the last 6 months.

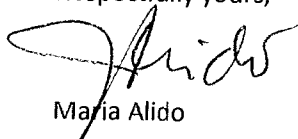
I know why people are calling for incorporation. They have worked and paid for many of the early efforts and think it will go to waste if they stop now and have to do the same efforts and costs later on. However, we need to be realistic about the economic times.

5.B { The promoters say the numbers are conservative. They are not conservative...they may actually be optimistic. If you really look at the costs to run an office or a city for that matter, there are more costs than obvious ones and salaries are high for high quality staff and low for inexperienced staff. Why get inexperience when it is a new city? We cannot afford to make mistakes at the start. Soon enough, this will lead to either new taxes or poor service. I do not think we should be made to suffer either.

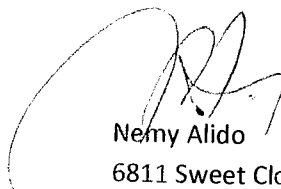
Keeping Eastvale with the county will keep services that have been there for decades. Also, if most services will remain with the County or the JCSD, what for is incorporation? I do not agree with incorporation and would prefer that no more taxpayer money is spent on this. If you insist, I would prefer that it be put on the ballot. I think local residents are smart enough to vote no for it even if they do not have the time to be vocal while others are calling for a new city. There is nothing wrong with what has occurred in the area, except for increases in water, sewer and lighting fees and that will not change since JCSD will remain in service. I think this cityhood effort is more about power- hunger and politics. The more we can keep it out for now, the better.

Please reconsider the proposal and bring it to a vote.

Respectfully yours,



Maria Alido
6811 Sweet Clover Court
Corona, CA 92880



Nemy Alido
6811 Sweet Clover Court
Corona, CA 92880

Elizabeth Valdez

From: irenedlong@gmail.com on behalf of Irene Long [Irene@CrisisResponse-able.com]
Sent: Monday, August 10, 2009 4:37 PM
To: LAFCO Information
Cc: Elizabeth Valdez
Subject: Final Eastvale CFA Comments

Hello, again,

While I understand that the proposed Eastvale city model calls for contracting back to the county for Sheriff and Cal Fire services, I don't recall any mention in the CFA of **Emergency Management Services** - that are currently provided for Eastvale by the County Office of Emergency Services.

Why is this a concern? Eastvale sits in the shadow of three significant earthquake faults - one of them is the equivalent of 19 months pregnant. We may also be facing pandemic flu, regularly face threat of wildfire, and are in a flood plain with risk of liquifaction in a quake. Disasters can strike at any time. For example: The mayor of the city of Gulfport, Mississippi had to declare a state of emergency on his first day in office back in 2005. Seven weeks later his city, which was at the center of the eye of Hurricane Katrina, was leveled by that hurricane.

To the best of my knowledge, Riverside County OES does not write emergency plans for any city and expects cities to provide their own emergency management. Yet I saw no head count for an emergency manager or mention of how and by whom emergency management services would be provided - including the *immediate* need for development of an emergency plan for the proposed city if cityhood is approved.

I look forward to understanding the cityhood model's provision for emergency management!

Irene Long

Irene Desmond Long
6871 Sweet Clover Ct.
Corona, CA 92880-8970

Chairperson
Jurupa Citizen Corps
951.735.5664
www.jurupacitizencorps.org

August 10, 2009

Dear Mr. George Spiliotis:

After reviewing the Public Review Draft CFA for the proposed Incorporation of Eastvale and Detachment from the Jurupa Area Recreation and Park District, I have the following concerns:

7.A

- Page 9 under Fiscal Feasibility states, "Overall, the feasibility of the incorporation is inconclusive: neither clearly feasible, nor clearly infeasible. Feasibility of the incorporation will rely on the policy decisions that the new city officials make." This is a shaky foundation to be basing a new city on especially in light of current economic conditions. To make things worse, the estimated revenue neutrality payments that were added to this draft on 7-21-09 were not considered when Wildan issued the above statement.

7.B

- Tables E-1 and E-2 (pages 10 and 11) show monies being transferred from the Structural Fire Fund and the Road Maintenance Fund to the General Fund. It is mentioned later in the study on page 31 that this transfer is 5% of service costs to cover the new city's administration costs related to fire. Why would there be cost to the city other than the Contract itself? My understanding is that those dollars may only be used in their prospective categories and may not be transferred. Also the "Net Revenue All Funds" totals at the bottom of each Table are deceiving in that the large overages in Fire and Road funds may not be used for anything else. One more concern regarding these Tables is that Scenario 2 (Wineville Border) is less feasible than Scenario 1 (15 Frwy. Border) so why would Eastvale want to proceed to an area less feasible?

7.C

- Page 14 under Revenue Neutrality states, "In this study the County of Riverside is the only agency that might be negatively affected by the incorporation. The Jurupa Area Recreation and Parks District (JARPD) will lose revenue from annual assessment it receives from those areas within the proposed new city boundaries, but will also be relieved of the responsibility of maintaining those parks within the proposed new city's boundaries." My understanding from attending presentations given by the JARPD is that the annual assessments that are currently collected from the areas within the proposed new city boundaries (as well as those collected across the whole District) are spent throughout the JARPD so it would negatively affect the JARPD to lose these assessments. One more note on Parks, on page 40, the Limonite Meadows Park (aprox. 13 acres) has been left out of the CFA list of those parks currently being managed by the JARPD.

7.D

- Page 49, Revenue Analysis section: I can't tell if any Redevelopment Areas have been included in this section. My understanding is that the Property Tax Increment from Redevelopment areas goes back to the County and not to the proposed city. Do the summaries and Tables reflect this?

- The numbers in this CFA show that the new city would be more feasible at the 15 Frwy. Wouldn't Eastvale want the strongest city possible? Unfortunately Eastvale did not study Hamner as their Eastern boundary, which is the Historical boundary for the Jurupa/Mira Loma area as well as the JARPD, JUSD, and Mira Loma zip code boundary.

Thank you for your time and attention to these concerns.

Sincerely,
Laura Roughton
6389 Lansing Drive
Riverside, CA 92509
(951) 681-8602

Elizabeth Valdez

From: Betty Anderson [bettysjam@earthlink.net]
Sent: Sunday, August 09, 2009 11:37 PM
To: LAFCO Information
Subject: CFA for the incorporation of Eastvale

August 8, 2009
11378 Pena Way
Mira Loma, CA 91752-1620

Mr. George Spiliotis
Executive Officer
Riverside LAFCO
Suite 110, 3859 Vine St.
Riverside, CA 92507-4277

Dear Mr. Spiliotis,

I am writing to express my concern about the Comprehensive Fiscal Analysis for the incorporation effort for Eastvale. There are several items throughout this document that make me wonder how this could be possible without some serious explanation or major changes. These items are as follows:

8A

1. There is no mention of the Jurupa Valley Redevelopment Project Area anywhere in this document. As you know, this redevelopment area is quite large and is in both Scenarios for this Analysis. The warehouse area north of Bellegrave is all in the project area, yet the analysis shows property tax increases for industrial on page 59. Doesn't the tax increment from the warehouses go to the project area? In addition the Eastvale Market Place shopping center is also in the project area. Doesn't the property tax increment increases from that area also go to the project area? If not, how can these redevelopment bonds be used to fund projects in a new area? Isn't redevelopment supposed to be to eliminate "blight" in an existing area? Also, is it legal to split a redevelopment project area?

8B

2. I noticed that this incorporation effort is including some but not all of Jurupa Area Park and Recreation parks. These parks are in the I-15 corridor specific plan. The incorporation effort makes no plans to assume any of the current Eastvale parks currently controlled by the Jurupa Community Services District? Why not? Aren't these the parks the residents of Eastvale have come to enjoy? Aren't they currently paid for by their own CFD's? Why would this city want a handful of parks that the majority of residents don't use? The CFA makes no mention of Limonite Meadows Park, yet this is a 13 acre park within the Scenario 2. Won't the proponents have to redo the calculations to include this park? The new park being developed, Vernola Basin Park was initially funded by Redevelopment Fees, Quimby Fees, developer impact fees, and CFD's. How did it come to pass that a Redevelopment Bond is being repaid by CFD bonds? Why is it that this park was promised initially to the people of Jurupa, but is being claimed by the residents of Eastvale?

8C

3. Throughout this document it is apparent that the incorporation committee used figures that includes future commercial such as on page 61. Why is this incorporation committee allowed to project the sales, property and other revenue of future development, but the incorporation committee for Jurupa isn't? (See also the chart on page 62).

8D

4. On page 72 the CFA shows transfer to general fund of both fire and road maintenance funds. Is this allowed? Doesn't the city have to have certain funds allocated for fire and road maintenance?

8/10/2009

BE

Finally, I am very concerned that the addendum that is on the LAFCO web site is not also on the Eastvale Incorporation Committee's web site. Is there a reason? Don't the residents of Eastvale have reason to be concerned if the Addendums show negative balances in several categories all the way out to year eight?

I hope my comments are taken seriously by LAFCO when considering the CFA presented for your consideration by the Eastvale Incorporation Committee because I don't think it is in the best interest of the residents of Eastvale or of northwest Riverside County to allow these issues to be glossed over in these hard economic times.

Betty A. Anderson
Resident, Mira Loma, CA

8/10/2009

9 August 2009

To: Mr. George J. Spiliotis
Executive Officer
Riverside LAFCO
3850 Vine St, Suite 110
Riverside, CA 92507-4277

Dear George:

Thank you for the opportunity to review and comment upon the Draft Comprehensive Fiscal Analysis (CFA) for the requested incorporation of Eastvale.

No specific
comments

I believe you and many who have closely reviewed the document find that the Eastvale incorporation request faces serious fiscal challenges, especially with overly optimistic CFA revenue assumptions that are inappropriate. The Willdan Financial Services team themselves reveal critical weakness in the last two sentences in their Fiscal Feasibility section when they describe the feasibility as inconclusive and the need to rely on future policy decisions from new city officials.

Who is kidding who? We're in a time of economic chaos, the CFA numbers don't add up for extended incorporation viability, and the new city officials decisions would not really come into play until after the conclusion of the transition/stand-up year.

However, my primary objections to the Eastvale plan/CFA is its request to extend Eastvale's eastern boundary to Wineville Avenue.

Eastvale is most cohesive as a somewhat "Orange County" type bedroom community filled with primarily urbanite residents. They do not share or appreciate the rural atmosphere found in Mira Loma (Jurupa). Many families moved to Mira Loma long ago to escape a city environment. A number of Mira Loma residents treasure having their horses and other animals on their property. Living in a currently unincorporated area with minimal regulation and/or outside governmental interference fits their lifestyle. They are quite apprehensive about encroachment by city folks coming past Mira Loma's historical western boundary – Hamner Avenue.

But, even of further concern and frustration is the questionable handling and placement of Specific Plan 266 (I-15 Corridor) by the Riverside County Planning Commission. Some historical background regarding SP-266 is appropriate.

1. The Jurupa Community Plan (JCP) along with SP-266 was adopted into the Riverside County Plan in December 1987.
2. On 23 September 1992, the JCP Specific Plan No 266 (I-15 Corridor) outlined the proposed land use bounded by Bellgrave Ave (N), Wineville Road (E), 68th ST (S), and Hamner Ave (W) was reviewed, approved by the Riverside County Planning Commission/Riverside County Board of Supervisors, and included as part of the Jurupa Community Plan.

3. The current edition of SP-266, in it's first and second sentences, state: "The I-15 Corridor Specific Plan is a planned community of 757.7 acres, proposing a mix of commercial and residential uses. This plan is only a portion of the larger Specific Plan Allocation Area as designated in the Jurupa Community Plan."
4. The 10/07/2003 Eastvale and Jurupa Area Land Use Plan maps, as well as their respective Community Plans, currently show Specific Plan 266 and its extended Wineville Ave boundaries to the South now reside within the Eastvale Community Plan (ECP).

It is not known how and/or why SP-266 was removed from the JCP and placed in total into the ECP. It appears, possibly, that Eastvale developers and County planners knew and coordinated those actions, but the authority, rationale, and justifications for those actions have not been communicated to the community in any manner that would justify the switch of SP-266 from one unincorporated Community Plan to another within the overall Riverside General Plan.

The move of SP-266 from the JCP to the ECP was not warranted and should not have been done. This is a proprietary issue. How can a major Riverside County community interest and growth plan arbitrarily lift such a significant piece of land from one unincorporated area and put it in another community plan without public knowledge or approval? The ECP document also brings about confusion to homeowners who might erroneously be led to believe that the land within SP-266 is in Eastvale, not Mira Loma.

Hamner Avenue is the historic and rightful western boundary for both the residents of Mira Loma (Jurupa) and the Jurupa Area Recreation and Parks District (JARPD). Please help us keep that boundary intact.

Respectfully Submitted,

//s//

David W. Zimmerman
5301 Marlatt St
Mira Loma, CA 91752
951-288-7949
d_zimmerman@sbcglobal.net

Elizabeth Valdez

From: George J. Spiliotis
Sent: Wednesday, July 29, 2009 7:23 PM
To: LAFCO Information
Subject: RE: Corrected: The right to make a properly-informed cityhood decision

Ms. Long:

Specific comments on the Public Review Draft CFA are typically addressed in the context of next iteration of the CFA, the Public Hearing Draft. Based on the comments received, either changes to the CFA are made or a response is given explaining why a change is not necessary. I did want to respond to a couple of points you made in your correspondence. First, the commercial square footage numbers you are using for comparison are the growth numbers only. You are not taking into consideration the existing (2008) development. The current draft does not give a breakdown of existing non-residential by type, only a total, which is approximately 25 million square feet (see Table 2.6, Cumulative Absorption for Scenario 2). However, if you compare the cumulative growth of retail, office and industrial, a total of approximately 8.3 million square feet, to the existing square footage of 25 million square feet, the growth is approximately 33 percent over ten years.

Although not shown in the current draft of the document, 2008 commercial is approximately 3.8 million square feet. The addition of 847,143 square feet is about 22 percent growth.

In 2008 there were 13,588 housing units in the Scenario 2 area. The projected growth of 4,576 is about 34 percent. The CFA actually shows a greater rate of residential growth than commercial growth.

As you are aware, the estimated revenue neutrality payment was not included in the original summary tables. I did feel it was important to include those numbers in those tables and that is why the addendums were published. However, I did want to point out that the revenue neutrality payment calculation is indeed in the original document (see Tables 6.4 and 6.5).

Thank you for your interest in the document and the incorporation process. I hope you continue to keep yourself informed.

George Spiliotis, Executive Officer
Local Agency Formation Commission
3850 Vine Street, Suite 110

7/30/2009

Riverside, CA 92507
Ph. (951)369-0631
Fax (951)369-8479

From: LAFCO Information
Sent: Wednesday, July 29, 2009 12:41 PM
To: George J. Spiliotis
Subject: FW: Corrected: The right to make a properly-informed cityhood decision

From: irenedlong@gmail.com [mailto:irenedlong@gmail.com] **On Behalf Of** Irene Long
Sent: Wednesday, July 29, 2009 12:33 PM
To: LAFCO Information
Subject: Corrected: The right to make a properly-informed cityhood decision

Mr. Spiliotis,

Apparently I attached an earlier draft of my Eastvale Resident Forum positing in error. Attached is a copy of what I *actually* posted on the forum.

Apologies for sending the draft version in error. (I didn't get much sleep last night). ;-)

Irene Desmond Long
6871 Sweet Clover Ct.
Corona, CA 92880-8970
951-735-5664

Jeff DeGrandpre “spins” CFA numbers

[QUOTE=Arod;70279]I am anxious to here what happened tonight at the meeting.[/QUOTE]

In what now clearly appears to be a deliberate failure to fully disclose cityhood feasibility numbers the Eastvale Incorporation Committee website’s “Click here” option and Mr. Jeff De Grandpre continue to use an 84-page version of the Comprehensive Fiscal Analysis (CFA) not the 86-page version of the CFA that has been posted by LAFCO on their website at www.LAFCO.org to present cityhood feasibility to Eastvale residents. **What two pages does the EIC apparently not want Eastvale residents to see?** The Addendums to the revenue numbers on pages 12 and 75 - the two pages (copy attached) that include the “estimated” neutrality fees. These charts show that the city’s net revenues and the operating reserves will be in the red from the very first year Eastvale is cut loose from the county’s purse strings (in 2012).

As you can see (it’s easier to read them in the original document), those numbers sink deeper and deeper into the red with each passing year as a city. These were the very numbers that I was referring to at last night’s Town Hall meeting when Mr. DeGrandpre said that I was wrong and then used the “incomplete picture” numbers in Tables E.1 and E.2 of the CFA (that exclude neutrality fees) as the basis for saying that Eastvale won’t go into the red until 2014. (He then failed to point out the fact that even those “incomplete picture” numbers remain in the red thereafter, and that we will either have to borrow money, cut services, or raise taxes to get out of the red.)

Whether or not Mr. DeGrandpre and/or the EIC chooses to employ full disclosure with Eastvale residents, the fact remains that Eastvale residents will owe and must pay the county neutrality fees every year for a yet to be determined/disclosed number of years. So at least the “estimates” of those fees must be added into the city’s projected expenses and subtracted from projected revenues (**as LAFCO has done**) so Eastvale residents can see for themselves where we will stand in terms of economic viability if we incorporate now – rather than waiting until we are on much stronger economic footing.

LAFCO obviously wants Eastvale residents (and anyone else who cares to comment on the Eastvale Incorporation CFA) to see those “complete picture” numbers – **posting their red ink chart as the very first numbers chart in their public version of the CFA – directly after the “Key Findings.”** Yet, in what reminded me of the Wizard of Oz, Mr. De Grandpre (like the great and powerful wizard) stood before the assembled Eastvale residents last night and pretended that those CFA red ink charts (like the man behind the curtain in Oz) don’t exist.

Just as disturbing was Mr. DeGrandpre’s denial (or perhaps genuine ignorance?) of the **40-fold increase in retail space per household that the CFA models rely upon for the almost one third of the proposed city’s general fund income** – sales tax revenues. As I tried, in vain, to point out to him at the meeting, if you turn to Tables 2.3, and 2.6 on pages 21 and 23 of the LAFCO CFA (pages 20 and 22 of the EIC site’s “missing red ink

charts" version) and divide the total square footage of retail space in 2009 by the total number of households in 2009 you get 1.1 square foot of retail space per household. If you then do the same thing for the numbers in the year 2018 you get 40.1 under Scenario 1 and 46.6 under Scenario 2. Yet Mr. DeGrandpre insisted that I was wrong and that there is only a 40% increase in retail space over what we have today. **A 40% increase over 1.1 square foot is 1.5 square foot – NOT 40.1 or 46.6 – a VERY big difference!**

With 82% of Eastvale households in the CFA model already built we, unfortunately in this economy, can't currently afford to support the 1.1 square feet of retail per household we already have in Eastvale today. **The question I asked Mr. DeGrandpre, that was not answered, is** "Where is the projected 40-fold increase in demand for retail space (and associated tax revenues) going to come from?" The CFA says nothing about the assumptions that form the basis for projecting such tremendous retail growth in these economic times. **So we have to ask ourselves: "Will my family demand (and be spending enough to support) 40 times as much retail space in Eastvale 8 years from now?"** The models assume that every household in Eastvale will answer, "Yes" to that question. Every "No" means we have to make up the shortfall with tax increases or by cutting projected services/expenses or the city will sink even deeper into the red every year.

What's pretty frightening to me is that Mr. DeGrandpre apparently doesn't understand the numbers in the CFA models or know the assumptions upon which the city's second largest projected source (29.8%) of income in those models are based. Yet he continues to deny/hide the existence of **LAFCO's** red ink charts as he tells Eastvale residents that cityhood is viable right now and we should all "get on the bus" and support (a bankrupt model for) Eastvale cityhood!!

The people at last night's meeting were not fully informed about the revenue models and were misinformed about the projected retail space increase when questions were cut off. Then an EIC member ran around the room asking everyone to sign a letter in support of cityhood. That's what you missed on the cityhood subject.

Executive Summary

Purpose of Study

This report presents a comprehensive fiscal analysis (CFA) of the incorporation of the Eastvale area of Riverside County as proposed by the Eastvale Incorporation Committee. This CFA is prepared in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 as required by the Riverside County Local Agency Formation Commission (LAFCO) for an incorporation application. This public review draft CFA is prepared in accordance with LAFCO policies and procedures and with the Governor's Office of Planning and Research Guidelines.

Key Assumptions and Limitations of the Analysis

This analysis evaluates the feasibility of a new city government. The analysis assumes the effective date of incorporation will be July 1, 2010. The results presented in this report show forecasted revenues and expenditures of the proposed new city for the first eight years of operation, fiscal year (FY) 2010-11 (transition year) through FY 2017-18.

Base Year

As required, this CFA is based on revenue and cost data from the most recent fiscal year for which data is available, FY 2007-08, or the Base Year.

Boundary Scenarios

This CFA includes two boundary scenarios, including and excluding the area east of Interstate 15 to Wineville as shown in **Figure E.1**. The first scenario analyzed (Scenario 1) includes the areas in blue in Figure E.1. The second scenario analyzed (Scenario 2) includes all of the areas in blue, *plus* all of the areas in red.

For the purposes of collecting data, the entire area (Scenarios 1 and 2) is divided into five sub-areas. Areas 1, 2 and 3 comprise Scenario 1, and Areas 1, 2, 3, 4 and 5 comprise Scenario 2. **Figure E.2** shows the areas that comprise the two scenarios used in the analysis. Also shown in Figure E.2, Area 6 represents the neighboring Jurupa community. Jurupa is another community seeking incorporation. Data from all areas, including Area 6 was collected by the County for use in both incorporation studies. Data from Area 6 is excluded from this analysis.

Service Levels

Service levels are assumed to remain constant based on FY2007-08 levels.

Summary of Comments on Microsoft Word - Eastvale CFA Public Review DRAFT.doc

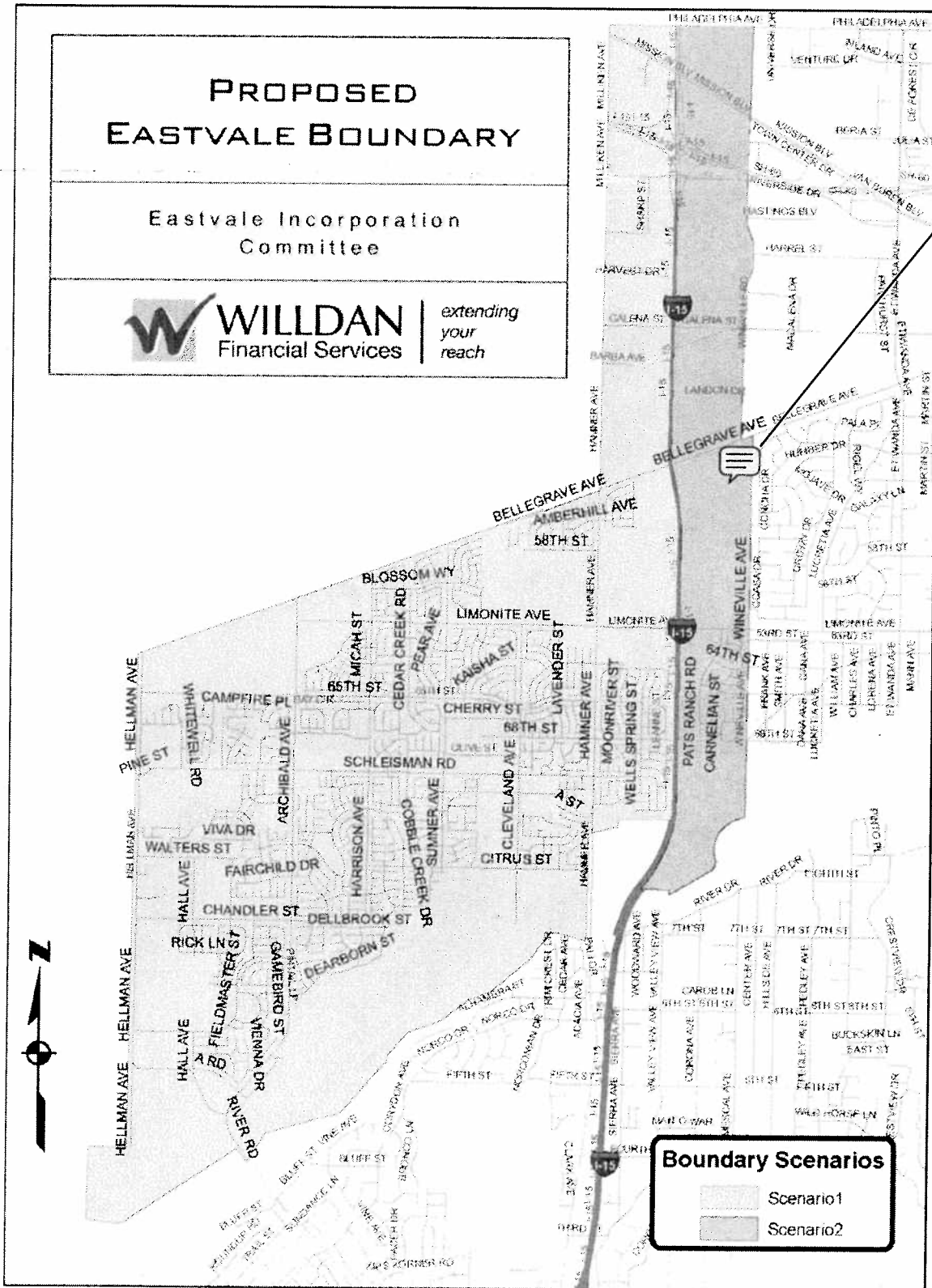
Date: 9/28/2009 4:32:05 PM

Page: 7 Author: irenelong Subject: Sticky Note

Does that mean that the costs presented in this analysis are based on the assumption that community service levels (police, fire, animal control, etc.) remain at the 2007-2008 level until 2018 regardless of the projected community growth presented here? Or does it mean if we have say 4 police officers and 4 firefighters for every 20,000 people, that ratio of police and fire services to population will remain the same?

10.1

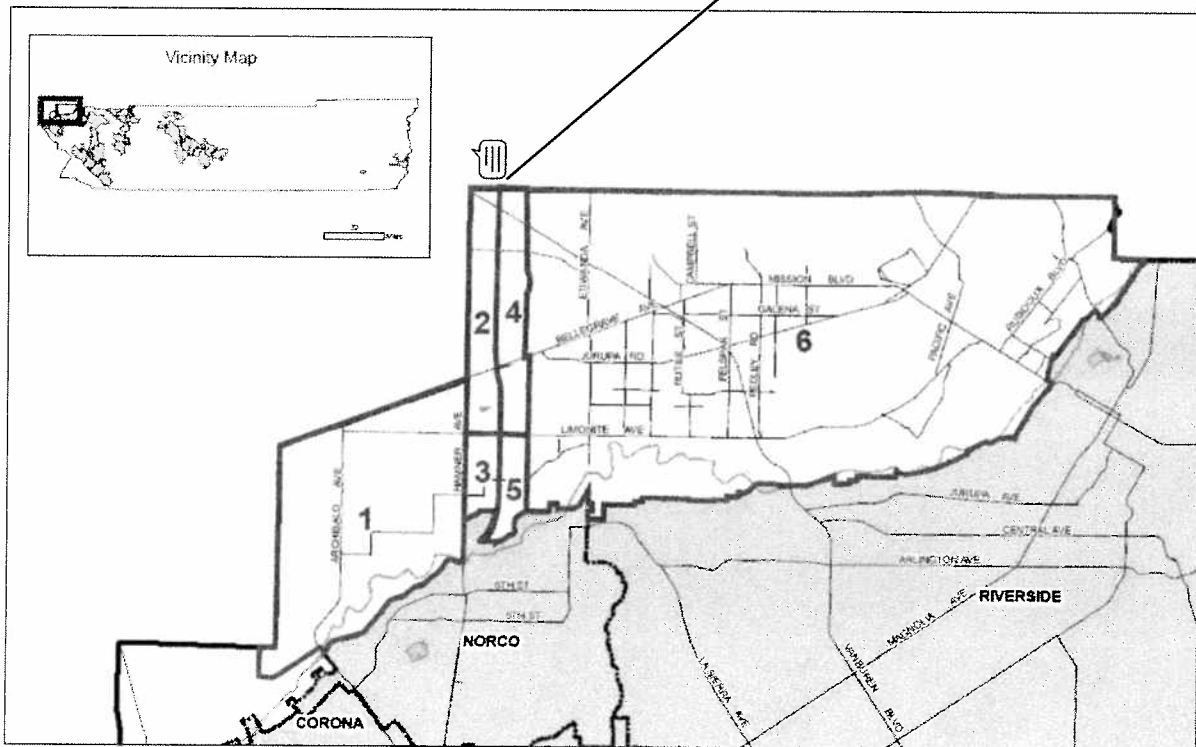
Figure E.1






How ironic that this area is shown in red. The Wineville boundary does result in a city that would be deeper in the red under the models presented than the Hwy 15 boundary.

10.2

Figure E.2



-  Study Areas
-  Cities
-  County Boundary

Eastvale-Jurupa Valley Incorporation Study Areas



Don't understand how and where this 5-area map comes into play in the Eastvale analysis presented.

10.3

Organization of the New City

The new city is projected to take on direct responsibility for general government services, including creation of a city council and other legislative and administrative functions. Given the relatively small population of the new city, this analysis assumes that the city will contract with the County or a private firm for a number of services including animal control, police, fire, and road maintenance. This is consistent with other recent and proposed incorporations in the County of Riverside and the region.

This analysis looks at three funds that the new city will establish; the general fund (including parks), the structural fire protection fund, and the road maintenance fund. Costs and revenues are examined for each fund.

For the purposes of this analysis it is assumed that the provision of parks and recreation services for a portion of the proposed city area becomes the responsibility of the new city and that the assessments for those parks are transferred to the new city. Some areas within the proposed new city boundaries are currently served by the Jurupa Area Recreation and Parks District (JARPD).

For the purposes of this analysis those areas are assumed to detach from the JARPD and become the responsibility of the new city. The analysis also assumes that parks and recreation services are funded in part by those existing assessments but also by other General Fund revenue sources.

Another district, the Jurupa Community Service District, also provides park services to the area, but this analysis assumes those parks will not be transferred to the new city and the Jurupa Community Service District will not be affected by the incorporation.

Property Tax Allocation

Auditor's Ratio

The Auditor's ratio is a factor used in calculating the property tax to be transferred to the new city. The Auditor's ratio represents that share of the net cost of services that is funded by property tax revenues. The County Auditor's Office provided the Auditor's ratio for the purposes of this CFA.

Net County Cost

Willdan determines net county cost (the net cost of services that would be transferred over to the new city) based on our analysis of the County's FY 2007-08 actual costs and revenues. Recovered costs, such as fees for public works and planning services, are identified and subtracted from total costs to derive net cost estimates. The County provided net costs for constituent services.

Revenue Neutrality

Under the revenue neutrality law, enacted in 1992, LAFCO cannot approve a proposed incorporation unless it finds that counties and districts are not negatively impacted by the transfer of costs and revenues to the new city. Statutory requirements determine the revenues transferred to a new city such as property tax. If the results indicate negative impacts then negotiation with the County would be required to mitigate these impacts. Mitigation of these impacts may offset the fiscal feasibility findings in this study.

10.4
What benefit would there be to such a small city going into the parks business just to manage either 4 or 5 parks (hiring employees; purchasing and maintaining parks maintenance equipment and vehicles; creating different and/or needing to synchronize recreation programs; the cost of marketing those programs, etc)? Having worked on the committee that help establish the latest JCSD park policies, I see trying to keep recreation programs run by two different agencies in synch, while keeping ball field allocations coordinated and fair across both agencies, and city run park facilities on par with those managed by JCSD as an unnecessary complication and expense. JCSD already has a parks maintenance and management infrastructure in place. Practically speaking the city's proposed part-time employees would have to spend most of their time and energy just trying to keep things in synch. It just makes more sense (and probably would save money in the long run) to outsource all parks services to JCSD.

10.5
Is there any legal reason why the JCSD couldn't take over management of all parks? If the only potential stumbling block is that taxpayers in the current JCSD area object to equal treatment for all parks under one system because JARPD parks taxpayers aren't taxed as much for their parks, potential future city residents who object could propose and vote for an additional parks tax assessment on those JARPD park area residents on the same ballot as the cityhood vote - if this process gets that far. The increased assessment would simply be made contingent on the passage of a cityhood model that involves JARPD parks.

Key Findings

Fiscal Feasibility

Fiscal feasibility is evaluated based on net revenue (revenues minus costs) as a percent of total costs. Positive net revenue indicates that the new city would be fiscally feasible while negative net revenue indicates the opposite.

The criteria for determining fiscal feasibility of the new city should be evaluated within the context of a reasonable range of error surrounding model assumptions, recommended to be plus or minus 10 percent. Thus, the criteria for determining fiscal feasibility are as follows:

- ♦ Positive net revenue that is more than 10 percent of total costs typically indicates that the new city is likely to be fiscally feasible;
- ♦ Negative net revenue that is more than 10 percent of total costs typically indicates that the new is not likely to be fiscally feasible; and
- ♦ Net revenue that is within plus or minus 10 percent of total costs typically indicates that the new city may be fiscally feasible.

For Riverside LAFCO, the minimum legal requirement for making a finding of fiscal feasibility as stated in Government Code Section 56720 (e) requires the proposed city “to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.” Riverside County LAFCO requires analysis over a longer period to have a more complete picture of the fiscal balance of the city once certain state subventions are reduced after five years pursuant to statute. The analysis also includes a 10 percent contingency, which is assumed to be expended each year.

The results of the analysis are presented in Tables **E.1**, **E.2** and **E.3**. All three scenarios show the incorporation as having a neutral impact, and have a negative general fund balance in the later years of the analysis. It is important to note that net revenue trends are improving in the final years analyzed. Overall, the feasibility of the incorporation is inconclusive: neither clearly feasible, nor clearly infeasible. Feasibility of the incorporation will rely on the policy decisions that the new city officials make.

Revenue Neutrality

The only affected agencies in this incorporation analysis are Riverside County and the Jurupa Area Recreation and Parks District. The study finds that the incorporation would have a negative fiscal impact on the County under both scenarios. The fiscal feasibility findings may be affected by the outcome of negotiations with the County to mitigate the negative impact, e.g. a tax sharing agreement between the new city and the County.

10.6
Excluding the Jurupa cityhood initiative and associated boundary dispute, and recognizing that the current "sunset date" for cities qualifying to get vehicle license fees is 2014, are there currently any other external driving forces that would make it more desirable to proceed with cityhood NOW even in this uncertain economy and in spite of the VERY questionable viability the analysis shows under all scenarios instead of simply WAITING until the economy turns around and cityhood viability is clearly and unequivocally feasible and offers a better quality of life than what we have right now?

10.7
This latest version of the CFA shows "estimated" neutrality fees. When will we have/know what the actual negotiated annual neutrality fees will be under each proposed scenario and for how many years we will be paying those fees if we decide to go forward with cityhood?

Table E.1: Net Revenue Summary - Scenario 1 (2008\$)

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	2011	2012	2013	2014	2015	2016	2017	2018
General Fund								
Revenues								
Property Taxes	\$ -	\$ 1,314,000	\$ 1,430,000	\$ 1,526,000	\$ 1,717,000	\$ 1,729,000	\$ 1,754,000	\$ 1,771,000
Sales Tax	474,000	3,110,000	3,480,000	3,729,000	4,001,000	4,249,000	4,619,000	4,919,000
Property Transfer Tax	-	288,000	316,000	340,000	393,000	397,000	404,000	410,000
Franchise Fees	-	553,000	576,000	592,000	633,000	635,000	640,000	643,000
Fines and Penalties	-	281,000	293,000	302,000	322,000	323,000	325,000	327,000
Charges for Services	-	1,019,000	1,029,000	1,314,000	1,326,000	1,341,000	1,589,000	1,653,000
Vehicle License Fees	2,272,000	3,496,000	3,362,000	3,221,000	3,168,000	2,904,000	2,640,000	2,640,000
Parks Assessment	-	41,000	42,000	43,000	44,000	46,000	47,000	49,000
Fire Fund Transfer	-	89,000	85,000	86,000	87,000	88,000	89,000	90,000
Road Fund Transfer	-	38,000	40,000	41,000	44,000	45,000	46,000	47,000
Use of Money & Property ¹	55,000	205,000	213,000	224,000	235,000	235,000	243,000	251,000
Total Revenues	\$ 2,803,000	\$ 10,432,000	\$ 10,886,000	\$ 11,748,000	\$ 11,970,000	\$ 11,992,000	\$ 12,390,000	\$ 12,800,000
Costs								
City Council	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
City Manager	356,000	523,000	500,000	533,000	628,000	624,000	641,000	646,000
City Attorney	199,000	202,000	204,000	208,000	311,000	314,000	424,000	427,000
City Clerk	315,000	227,000	289,000	270,000	416,000	331,000	324,000	404,000
Administrative Services	495,000	499,000	504,000	508,000	661,000	670,000	833,000	839,000
Development Services	-	1,691,000	1,703,000	2,060,000	1,657,000	1,676,000	1,986,000	2,065,000
Parks Department	-	104,000	106,000	106,000	107,000	107,000	109,000	109,000
Police	-	4,983,000	5,244,000	5,451,000	5,819,000	5,959,000	6,059,000	6,153,000
Animal Control	-	269,000	278,000	285,000	304,000	304,000	304,000	304,000
Non-Departmental	437,000	340,000	341,000	396,000	448,000	449,000	525,000	553,000
Contingency @ 10 percent	207,000	988,000	1,028,000	1,103,000	1,163,000	1,167,000	1,259,000	1,284,000
County Repayment ²	-	399,000	419,000	440,000	462,000	485,000	509,000	534,000
Total	\$ 2,067,000	\$ 10,283,000	\$ 10,702,000	\$ 11,473,000	\$ 12,088,000	\$ 12,134,000	\$ 13,101,000	\$ 13,377,000
Net Revenue	\$ 736,000	\$ 149,000	\$ 184,000	\$ (55,000)	\$ (113,000)	\$ (162,000)	\$ (705,000)	\$ (577,000)
Net Revenue % Costs		1%	2%	(%)	(7%)	(1%)	(5%)	(4%)
General Fund Operating Reserve	\$ 736,000	\$ 885,000	\$ 1,069,000	\$ 1,014,000	\$ 896,000	\$ 734,000	\$ 29,000	\$ (548,000)
Structural Fire Fund								
Revenue - Structural Fire Fund								
	\$ -	\$ 3,287,000	\$ 3,576,000	\$ 3,816,000	\$ 4,294,000	\$ 4,323,000	\$ 4,380,000	\$ 4,450,000
Costs								
Fire Protection Costs	\$ -	\$ 1,692,000	\$ 1,709,000	\$ 1,725,000	\$ 1,743,000	\$ 1,760,000	\$ 1,778,000	\$ 1,796,000
Transfer to General Fund	-	85,000	85,000	86,000	87,000	88,000	89,000	90,000
Contingency @ 10 percent	-	169,000	171,000	173,000	174,000	176,000	178,000	180,000
Total Costs	\$ -	\$ 1,946,000	\$ 1,965,000	\$ 1,984,000	\$ 2,004,000	\$ 2,024,000	\$ 2,045,000	\$ 2,066,000
Net Revenue	\$ -	\$ 1,341,000	\$ 1,611,000	\$ 1,832,000	\$ 2,290,000	\$ 2,299,000	\$ 2,335,000	\$ 2,364,000
Net Revenue % Costs		79%	94%	106%	131%	131%	131%	132%
Structural Fire Operating Reserve	\$ -	\$ 1,341,000	\$ 2,952,000	\$ 4,784,000	\$ 7,074,000	\$ 9,373,000	\$ 11,708,000	\$ 14,072,000
Road Maintenance Fund								
Revenues								
Gas Tax	\$ 2,083,000	\$ 2,137,000	\$ 2,213,000	\$ 2,270,000	\$ 2,418,000	\$ 2,418,000	\$ 2,418,000	\$ 2,061,000
Interest Earnings	-	62,000	41,000	40,000	41,000	43,000	43,000	42,000
Total	\$ 2,083,000	\$ 2,199,000	\$ 2,213,000	\$ 2,270,000	\$ 2,418,000	\$ 2,418,000	\$ 2,418,000	\$ 2,061,000
Costs								
Road Maintenance	\$ -	\$ 636,000	\$ 666,000	\$ 691,000	\$ 729,000	\$ 746,000	\$ 764,000	\$ 781,000
Transfer to General Fund	-	38,000	40,000	41,000	44,000	45,000	46,000	47,000
Contingency @ 10 percent	-	64,000	67,000	69,000	73,000	75,000	76,000	78,000
County Repayment ²	-	107,000	112,000	118,000	124,000	130,000	137,000	144,000
Total Costs	\$ -	\$ 845,000	\$ 885,000	\$ 919,000	\$ 970,000	\$ 996,000	\$ 1,023,000	\$ 1,050,000
Net Revenue	\$ 2,083,000	\$ 1,354,000	\$ 1,328,000	\$ 1,351,000	\$ 1,448,000	\$ 1,422,000	\$ 1,395,000	\$ 1,011,000
Net Revenue % Costs		160%	150%	147%	149%	143%	136%	96%
Road Fund Operating Reserve	\$ 2,083,000	\$ 3,437,000	\$ 4,765,000	\$ 6,116,000	\$ 7,564,000	\$ 8,986,000	\$ 10,381,000	\$ 11,392,000
Net Revenue All Funds	\$ 2,819,000	\$ 2,844,000	\$ 3,123,000	\$ 3,128,000	\$ 3,620,000	\$ 3,559,000	\$ 3,025,000	\$ 2,798,000
Net Revenue % Costs		26%	27%	25%	28%	27%	21%	19%

¹ 2% of General Fund revenue based on survey of budgets of other cities in Riverside County.

² Repayment cost accounts for animal services, development services, road maintenance (public works), fire protection and sheriff department services the County is obligated to provide for the first year of service. Includes 5% annual interest.

Sources: Tables 4.9, 4.20, 5.6, 5.7, 5.8, 5.9 and 5.10; Willdan Financial Services.

Page: 12 Author: irenelong Subject: Sticky Note

I would like to see graphical representations of how these projected revenues (especially property and sales tax revenues) and costs ramp up from 2004-2005 through 2018. That way residents can independently decide using both actual history and future projections whether or not we "buy" the likelihood of achieving the numbers presented in the model. The sales tax projections seem incredibly optimistic especially given nationwide surveys showing that everyone's "new normal" will be to spend much less for years after the economy turns around.

10.8

Most people also spend less not more in uncertain employment times. July 2009: "A Harris Interactive poll asked 2,800 workers nationwide about the status of raises and perks at their companies and the general employment outlook. Here's what they said.

Only about 33% employees expect a pay raise or even a cost-of-living increase in the next 12 months; 50% do not expect any increase. Salary expectations were lower in the West than in any other region.

- * 41% said they're concerned the company will have a layoff in the next six months; about 25% think they could be laid off

- * 39% expect their company outlook to be better in 6 months.

- * About 33% think it's "unlikely" they could find a job within six months if they lost theirs.

- * 54% report their company has made changes to the number of staff, organizational structure, compensation and benefits, or other perks over the past six months. Of those reporting these changes, 58% said the common scenarios were layoffs or communicating plans to lay off employees."

Page: 12 Author: irenelong Subject: Sticky Note

10.9

Exactly what services is the community proposing to charge for under these models (to come up with these numbers) and do proposed charges offset the proposed cost of providing those services?

Page: 12 Author: irenelong Subject: Sticky Note

10.10

Isn't it VERY risky that fully 1/3 of the city's projected general fund income will be coming from vehicle license fees (a tax that the STATE collects) at a time when the state is tens of billions of dollars in the red and looking for revenue sources. One simple legislative change in which the state takes back all or part of those fees (or even a legislative decision to "borrow" them) and it's either serious CRUNCH TIME or GAME OVER for our community under this revenue model. We'd have to eliminate all city government and slash police services by a third just to break even under these models if the state were to keep those revenues in order to balance the budget.

Page: 12 Author: irenelong Subject: Sticky Note

10.11

This study proposes in Table 4.1 that the new city spend more than half a million dollars a year and almost 2/3 a million dollars a year by 2018 for a full-time City Manager, a full-time Assistant City Manager and a full time executive secretary? The only apparent change that proposed cityhood would entail is that the city take over a few parks from JARPD and take over management of the contracts for all the same county services we already receive - at the same levels of service we already have today. We don't need to build a city bureaucracy of 17 employees at a cost of \$2 million (19.4% of the general fund revenues) from the start for such a minor change.

Page: 12 Author: irenelong Subject: Sticky Note

10.12

This City Attorney compensation amount, based on the assumption in Table 4.1 that the city will need an attorney only 40% of the time, is equivalent to a \$505,000 per year total compensation rate in 2012 increasing to the equivalent annual compensation of \$534,000 per year by 2018. Would we go out for bid on services and only when needed, or is the assumption that the city would contract with one attorney/firm for 40% (approximately 16 hours a week) whether or not the services were needed and used?

Page: 12 Author: irenelong Subject: Sticky Note

10.13

What services are included in this proposed half million dollar (1/20th of total revenues) cost?

Page: 12 Author: irenelong Subject: Sticky Note

10.14

What's included here?

Page: 12 Author: irenelong Subject: Sticky Note

10.15

This model shows that the city would have very little operating reserve to start and that the operating reserve goes negative in all models - within just 2 years in both Wineville Boundary models. Our community is in the shadow of the San Andreas, San Jacinto and Lake Elsinore faults, so is subject to liquefaction, conflagration and shaking damage in a moderate or major earthquake. (The San Andreas is 19-month's-pregnant, long overdue for a MAJOR quake, and producing deep tremors as we review this CFA.) The Santa Ana River forms the community's southern border, so much of our community is in a flood zone. Riverbed vegetation is vulnerable to and a potential source of wildfire - especially under Santa Ana wind conditions. Any of these can produce a lot of damage that will require money, that should be in an operating reserve, to repair. How far down on the priority list will Eastvale fall as compared to Los Angeles, Malibu, Anaheim, Palm Springs, San Diego, Beverly Hills, Laguna, Newport Beach, Riverside... for any state or federal recovery money (if the state even has any money in the budget)?

Comments from page 12 continued on next page

Table E.1: Net Revenue Summary - Scenario 1 (2008\$)

FY Ending	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018
General Fund								
Revenues								
Property Taxes	\$ -	\$ 1,314,000	\$ 1,430,000	\$ 1,526,000	\$ 1,717,000	\$ 1,729,000	\$ 1,754,000	\$ 1,771,000
Sales Tax	474,000	3,110,000	3,480,000	3,729,000	4,001,000	4,249,000	4,619,000	4,919,000
Property Transfer Tax	-	288,000	316,000	340,000	393,000	397,000	404,000	410,000
Franchise Fees	-	553,000	576,000	592,000	633,000	635,000	640,000	643,000
Fines and Penalties	-	281,000	293,000	302,000	322,000	323,000	325,000	327,000
Charges for Services	-	1,019,000	1,029,000	1,314,000	1,326,000	1,341,000	1,589,000	1,653,000
Vehicle License Fees	2,274,000	3,498,000	3,382,000	3,221,000	3,168,000	2,904,000	2,640,000	2,640,000
Parks Assessment	-	41,000	42,000	43,000	44,000	46,000	47,000	49,000
Fire Fund Transfer	-	85,000	85,000	86,000	87,000	88,000	89,000	90,000
Road Fund Transfer	-	38,000	40,000	41,000	44,000	45,000	46,000	47,000
Use of Money & Property ¹	55,000	205,000	213,000	224,000	235,000	235,000	243,000	251,000
Total Revenues	\$ 2,803,000	\$ 10,432,000	\$ 10,886,000	\$ 11,418,000	\$ 11,970,000	\$ 11,992,000	\$ 12,396,000	\$ 12,800,000
Costs								
City Council	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
City Manager	356,000	523,000	500,000	533,000	628,000	634,000	641,000	646,000
City Attorney	199,000	202,000	204,000	308,000	311,000	314,000	424,000	427,000
City Clerk	315,000	227,000	289,000	300,000	416,000	331,000	394,000	404,000
Administrative Services	495,000	499,000	504,000	508,000	661,000	670,000	833,000	839,000
Development Services	-	1,691,000	1,703,000	2,060,000	1,657,000	1,676,000	1,986,000	2,066,000
Parks Department	-	104,000	106,000	106,000	107,000	107,000	109,000	109,000
Police	-	4,983,000	5,244,000	5,451,000	5,873,000	5,959,000	6,059,000	6,153,000
Animal Control	-	269,000	278,000	285,000	304,000	304,000	304,000	304,000
Non-Departmental	437,000	340,000	341,000	390,000	448,000	449,000	525,000	553,000
Contingency @ 10 percent	207,000	988,000	1,028,000	1,103,000	1,163,000	1,167,000	1,239,000	1,284,000
County Repayment ²	-	399,000	419,000	440,000	462,000	485,000	509,000	534,000
Total	\$ 2,067,000	\$ 10,283,000	\$ 10,702,000	\$ 11,473,000	\$ 12,088,000	\$ 12,154,000	\$ 13,101,000	\$ 13,377,000
Net Revenue	\$ 736,000	\$ 1,149,000	\$ 184,000	\$ (55,000)	\$ (118,000)	\$ (162,000)	\$ (705,000)	\$ (577,000)
<i>Net Revenue % Costs</i>		1%	2%	(0%)	(1%)	(1%)	(5%)	(4%)
General Fund Operating Reserve	\$ 736,000	\$ 885,000	\$ 1,069,000	\$ 1,014,000	\$ 896,000	\$ 734,000	\$ 29,000	\$ (548,000)
Structural Fire Fund								
Revenue - Structural Fire Fund								
	\$ -	\$ 3,287,000	\$ 3,576,000	\$ 3,816,000	\$ 4,294,000	\$ 4,323,000	\$ 4,380,000	\$ 4,430,000
Costs								
Fire Protection Costs	\$ -	\$ 1,692,000	\$ 1,709,000	\$ 1,725,000	\$ 1,743,000	\$ 1,760,000	\$ 1,778,000	\$ 1,796,000
Transfer to General Fund	-	85,000	85,000	86,000	87,000	88,000	89,000	90,000
Contingency @ 10 percent	-	169,000	171,000	173,000	174,000	176,000	178,000	180,000
Total Costs	\$ -	\$ 1,946,000	\$ 1,965,000	\$ 1,984,000	\$ 2,004,000	\$ 2,024,000	\$ 2,045,000	\$ 2,066,000
Net Revenue	\$ -	\$ 1,341,000	\$ 1,611,000	\$ 1,832,000	\$ 2,290,000	\$ 2,299,000	\$ 2,335,000	\$ 2,364,000
<i>Net Revenue % Costs</i>		79%	94%	106%	131%	131%	131%	132%
Structural Fire Operating Reserve	\$ -	\$ 1,341,000	\$ 2,952,000	\$ 4,784,000	\$ 7,074,000	\$ 9,373,000	\$ 11,708,000	\$ 14,072,000
Road Maintenance Fund								
Revenues								
Gas Tax	\$ 2,083,000	\$ 2,137,000	\$ 2,213,000	\$ 2,270,000	\$ 2,418,000	\$ 2,418,000	\$ 2,418,000	\$ 2,061,000
Interest Earnings	-	62,000	41,000	40,000	41,000	43,000	43,000	42,000
Total	\$ 2,083,000	\$ 2,199,000	\$ 2,254,000	\$ 2,270,000	\$ 2,418,000	\$ 2,418,000	\$ 2,418,000	\$ 2,061,000
Costs								
Road Maintenance	\$ -	\$ 636,000	\$ 666,000	\$ 691,000	\$ 729,000	\$ 746,000	\$ 764,000	\$ 781,000
Transfer to General Fund	-	38,000	40,000	41,000	44,000	45,000	46,000	47,000
Contingency @ 10 percent	-	64,000	67,000	69,000	73,000	75,000	76,000	78,000
County Repayment ²	-	107,000	112,000	118,000	124,000	130,000	137,000	144,000
Total Costs	\$ -	\$ 845,000	\$ 885,000	\$ 919,000	\$ 970,000	\$ 996,000	\$ 1,023,000	\$ 1,050,000
Net Revenue	\$ 2,083,000	\$ 1,354,000	\$ 1,328,000	\$ 1,351,000	\$ 1,448,000	\$ 1,422,000	\$ 1,395,000	\$ 1,011,000
<i>Net Revenue % Costs</i>		160%	150%	147%	149%	143%	136%	96%
Road Fund Operating Reserve	\$ 2,083,000	\$ 3,437,000	\$ 4,765,000	\$ 6,116,000	\$ 7,564,000	\$ 8,986,000	\$ 10,381,000	\$ 11,392,000
Net Revenue All Funds	\$ 2,819,000	\$ 2,844,000	\$ 3,123,000	\$ 3,128,000	\$ 3,620,000	\$ 3,559,000	\$ 3,025,000	\$ 2,798,000
<i>Net Revenue % Costs</i>		26%	27%	25%	28%	27%	21%	19%

¹ 2% of General Fund revenue based on survey of budgets of other cities in Riverside County.

² Repayment cost accounts for animal services, development services, road maintenance (public works), fire protection and sheriff department services the County is obligated to provide for the first year of service. Includes 5% annual interest.

Sources: Tables 4.9, 4.20, 5.6, 5.7, 5.8, 5.9 and 5.10; Willdan Financial Services.

10.16
Page: 12 Author: irenelong Subject: Sticky Note

Is it even legal for a city to simply transfer/redistribute fire protection tax revenues to the general fund (to be used on salaries or for any other purposes) as opposed to rebating that money to taxpayers or keeping it in a reserve for its intended/stated purpose? Even if it is legal, what justification is there for taking 5% to "administer" a single fire station?

10.17
Page: 12 Author: irenelong Subject: Sticky Note

The San Andreas rupture is likely to produce conflagrations throughout southern California (please see ShakeOut 7.8 quake scenario) when the water supply infrastructure is damaged and inoperable. Those out of control fires will tax all fire resources beyond their limits and our "temporary" portable station may be damaged or destroyed, so we need a healthy reserve. Do these fire protection cost assumptions trend with population growth?

10.18
Page: 12 Author: irenelong Subject: Sticky Note

As with the proposed transfer of fire funds to the general fund, is it legal for a city to transfer road funds to the general fund for any reason instead of putting them into a reserve for "unexpected" road repairs when needed - as in the aftermath of quake or flood, or rebating any overpayment to taxpayers. We also need to factor in what the state intends to borrow to balance the budget - and that's not likely to be just this year! How and where in this analysis does this money get spent on road-related services once thrown into the general "slush" fund?

Table E.2: Net Revenue Summary - Scenario 2 (2008\$)

FY Ending	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018
General Fund								
Revenues								
Property Taxes	\$ -	\$ 1,447,000	\$ 1,597,000	\$ 1,726,000	\$ 1,922,000	\$ 1,943,000	\$ 1,980,000	\$ 2,010,000
Sales Tax	589,000	3,219,000	3,650,000	3,939,000	4,256,000	4,541,000	4,973,000	5,320,000
Property Transfer Tax	-	331,000	371,000	409,000	466,000	474,000	486,000	498,000
Franchise Fees	-	604,000	638,000	663,000	703,000	708,000	714,000	719,000
Fines and Penalties	-	307,000	324,000	337,000	358,000	360,000	364,000	366,000
Charges for Services	-	1,019,000	1,029,000	1,314,000	1,326,000	1,341,000	1,589,000	1,653,000
Vehicle License Fees	2,415,000	3,736,000	3,710,000	3,550,000	3,478,000	3,188,000	2,898,000	2,898,000
Parks Assessment	-	47,000	48,000	50,000	51,000	53,000	54,000	56,000
Fire Fund Transfer	-	85,000	85,000	86,000	216,000	218,000	220,000	223,000
Road Fund Transfer	-	48,000	51,000	53,000	56,000	58,000	59,000	60,000
Use of Money & Property ¹	60,000	218,000	230,000	243,000	257,000	258,000	267,000	276,000
Total Revenues	\$ 3,064,000	\$11,111,000	\$11,733,000	\$12,380,000	\$13,089,000	\$13,142,000	\$ 13,604,000	\$ 14,079,000
Costs								
City Council	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
City Manager	356,000	523,000	528,000	533,000	628,000	634,000	641,000	646,000
City Attorney	199,000	202,000	204,000	308,000	311,000	314,000	424,000	427,000
City Clerk	318,000	227,000	291,000	231,000	419,000	331,000	396,000	404,000
Administrative Services	495,000	499,000	504,000	508,000	661,000	670,000	833,000	839,000
Development Services	-	1,691,000	1,703,000	2,060,000	1,657,000	1,676,000	1,986,000	2,066,000
Parks Department	-	434,000	436,000	436,000	437,000	437,000	439,000	439,000
Police	-	5,640,000	6,025,000	6,316,000	6,772,000	6,881,000	7,013,000	7,134,000
Animal Control	-	305,000	320,000	331,000	350,000	350,000	350,000	350,000
Non-Departmental	448,000	340,000	341,000	390,000	448,000	449,000	525,000	553,000
Contingency @ 10 percent	208,000	1,102,000	1,157,000	1,241,000	1,305,000	1,311,000	1,407,000	1,435,000
County Repayment ²	-	524,000	550,000	578,000	607,000	637,000	669,000	702,000
Total	\$ 2,082,000	\$11,545,000	\$12,117,000	\$12,990,000	\$13,653,000	\$13,748,000	\$ 14,741,000	\$ 15,053,000
Net Revenue	\$ 982,000	\$ (434,000)	\$ (384,000)	\$ (610,000)	\$ (564,000)	\$ (606,000)	\$ (1,137,000)	\$ (974,000)
<i>Net Revenue % Costs</i>		(4%)	(3%)	(5%)	(4%)	(4%)	(8%)	(6%)
General Fund Operating Reserve	\$ 982,000	\$ 548,000	\$ 164,000	\$ (446,000)	\$ (1,010,000)	\$ (1,616,000)	\$ (2,753,000)	\$ (3,727,000)
Structural Fire Fund								
Revenue - Structural Fire Fund	\$ -	\$ 3,631,000	\$ 4,010,000	\$ 4,331,000	\$ 4,825,000	\$ 4,875,000	\$ 4,968,000	\$ 5,047,000
Costs								
Fire Protection Costs	\$ -	\$ 1,692,000	\$ 1,709,000	\$ 1,725,000	\$ 4,318,000	\$ 4,361,000	\$ 4,405,000	\$ 4,450,000
Transfer to General Fund	-	85,000	85,000	86,000	216,000	218,000	220,000	223,000
Contingency @ 10 percent	-	169,000	171,000	173,000	432,000	436,000	441,000	445,000
Total Costs	\$ -	\$ 1,946,000	\$ 1,965,000	\$ 1,964,000	\$ 4,966,000	\$ 5,015,000	\$ 5,066,000	\$ 5,118,000
Net Revenue	\$ -	\$ 1,685,000	\$ 2,045,000	\$ 2,347,000	\$ (141,000)	\$ (140,000)	\$ (98,000)	\$ (71,000)
<i>Net Revenue % Costs</i>		100%	120%	136%	(3%)	(3%)	(2%)	(2%)
Fire Fund Operating Reserve	\$ -	\$ 1,685,000	\$ 3,730,000	\$ 6,077,000	\$ 5,936,000	\$ 5,796,000	\$ 5,698,000	\$ 5,627,000
Road Maintenance Fund								
Revenues								
Gas Tax	\$ 2,210,800	\$ 2,309,800	\$ 2,427,300	\$ 2,507,300	\$ 2,653,300	\$ 2,653,300	\$ 2,653,300	\$ 2,261,300
Interest Earnings	-	66,000	39,000	39,000	40,000	42,000	41,000	40,000
Total	\$ 2,210,800	\$ 2,375,800	\$ 2,427,300	\$ 2,507,300	\$ 2,653,300	\$ 2,653,300	\$ 2,653,300	\$ 2,261,300
Costs								
Road Maintenance	\$ -	\$ 808,000	\$ 853,000	\$ 891,000	\$ 941,000	\$ 963,000	\$ 986,000	\$ 1,008,000
Transfer to General Fund	-	48,000	51,000	53,000	56,000	58,000	59,000	60,000
Contingency @ 10 percent	-	81,000	85,000	89,000	94,000	96,000	99,000	101,000
County Repayment ²	-	134,000	141,000	148,000	155,000	163,000	171,000	180,000
Total Costs	\$ -	\$ 1,071,000	\$ 1,130,000	\$ 1,181,000	\$ 1,246,000	\$ 1,280,000	\$ 1,315,000	\$ 1,349,000
Net Revenue	\$ 2,210,800	\$ 1,304,800	\$ 1,297,300	\$ 1,326,300	\$ 1,407,300	\$ 1,373,300	\$ 1,338,300	\$ 912,300
<i>Net Revenue % Costs</i>		122%	115%	112%	113%	107%	102%	68%
Road Fund Operating Reserve	\$ 2,210,800	\$ 3,515,600	\$ 4,812,900	\$ 6,139,200	\$ 7,546,500	\$ 8,919,800	\$ 10,258,100	\$ 11,170,400
Net Revenue All Funds	\$ 3,192,800	\$ 2,555,800	\$ 2,958,300	\$ 3,063,300	\$ 702,300	\$ 627,300	\$ 103,300	\$ (132,700)
<i>Net Revenue % Costs</i>		20%	22%	22%	5%	4%	1%	(1%)

¹ 2% of General Fund revenue based on survey of budgets of other cities in Riverside County

² Repayment cost accounts for animal services, development services, road maintenance (public works), fire protection and sheriff department services the County is obligated to provide for the first year of service. Includes 5% annual interest.

Sources: Tables 4.14, 5.5, 5.6, 5.7 and 5.8; Willdan Financial Services.

Same comments as in Scenario 1 above except this is a less fiscally sound model than Scenario 1.

10.19

Table E.3: Net Revenue Summary - Scenario 2 (2008\$) - Modified Fire Scenario

FY Ending	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018
General Fund								
Revenues								
Property Taxes	\$ -	\$ 1,447,000	\$ 1,597,000	\$ 1,726,000	\$ 1,922,000	\$ 1,943,000	\$ 1,980,000	\$ 2,010,000
Sales Tax	589,000	3,219,000	3,650,000	3,939,000	4,256,000	4,541,000	4,973,000	5,320,000
Property Transfer Tax	-	331,000	371,000	409,000	466,000	474,000	486,000	498,000
Franchise Fees	-	604,000	638,000	663,000	703,000	708,000	714,000	719,000
Fines and Penalties	-	307,000	324,000	337,000	358,000	360,000	364,000	366,000
Charges for Services	-	1,019,000	1,029,000	1,314,000	1,326,000	1,341,000	1,589,000	1,653,000
Vehicle License Fees	2,415,000	3,786,000	3,710,000	3,560,000	3,478,000	3,188,000	2,898,000	2,898,000
Parks Assessment	-	47,000	48,000	50,000	51,000	53,000	54,000	56,000
Fire Fund Transfer	-	85,000	85,000	86,000	87,000	88,000	89,000	90,000
Road Fund Transfer	-	48,000	51,000	53,000	56,000	58,000	59,000	60,000
Use of Money & Property ¹	60,000	218,000	230,000	243,000	254,000	255,000	264,000	273,000
Total Revenues	\$ 3,064,000	\$11,111,000	\$11,733,000	\$12,380,000	\$12,957,000	\$13,009,000	\$13,470,000	\$13,943,000
Costs								
City Council	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
City Manager	356,000	523,000	528,000	533,000	628,000	634,000	641,000	646,000
City Attorney	199,000	202,000	204,000	308,000	311,000	314,000	424,000	427,000
City Clerk	318,000	227,000	291,000	231,000	419,000	331,000	396,000	404,000
Administrative Services	495,000	499,000	504,000	508,000	661,000	670,000	833,000	839,000
Development Services	-	1,691,000	1,703,000	2,060,000	1,657,000	1,676,000	1,988,000	2,066,000
Parks Department	-	434,000	438,000	436,000	437,000	437,000	439,000	439,000
Police	-	5,640,000	6,025,000	6,316,000	6,772,000	6,881,000	7,013,000	7,134,000
Animal Control	-	305,000	320,000	331,000	350,000	350,000	350,000	350,000
Non-Departmental	448,000	340,000	341,000	390,000	448,000	449,000	525,000	553,000
Contingency @ 10 percent	208,000	1,102,000	1,157,000	1,241,000	1,305,000	1,311,000	1,407,000	1,435,000
County Repayment ²	-	524,000	550,000	578,000	607,000	637,000	669,000	702,000
Total	\$ 2,082,000	\$11,545,000	\$12,117,000	\$12,990,000	\$13,653,000	\$13,748,000	\$14,741,000	\$15,053,000
Net Revenue	\$ 982,000	\$ (434,000)	\$ (384,000)	\$ (610,000)	\$ (696,000)	\$ (739,000)	\$ (1,271,000)	\$ (1,110,000)
Net Revenue % Costs		(4%)	(3%)	(5%)	(5%)	(5%)	(9%)	(7%)
General Fund Operating Reserve	\$ 982,000	\$ 548,000	\$ 164,000	\$ (448,000)	\$ (1,142,000)	\$ (1,881,000)	\$ (3,152,000)	\$ (4,262,000)
Structural Fire Fund								
Revenue - Structural Fire Fund								
	\$ -	\$ 3,631,000	\$ 4,010,000	\$ 4,331,000	\$ 4,825,000	\$ 4,875,000	\$ 4,968,000	\$ 5,047,000
Costs								
Fire Protection Costs	\$ -	\$ 1,692,000	\$ 1,709,000	\$ 1,725,000	\$ 1,743,000	\$ 1,760,000	\$ 1,778,000	\$ 1,796,000
Transfer to General Fund	-	85,000	85,000	88,000	87,000	88,000	89,000	90,000
Contingency @ 10 percent	-	169,000	171,000	173,000	174,000	176,000	178,000	180,000
Total Costs	\$ -	\$ 1,946,000	\$ 1,965,000	\$ 1,984,000	\$ 2,004,000	\$ 2,024,000	\$ 2,045,000	\$ 2,066,000
Net Revenue	\$ -	\$ 1,685,000	\$ 2,045,000	\$ 2,347,000	\$ 2,821,000	\$ 2,851,000	\$ 2,923,000	\$ 2,981,000
Net Revenue % Costs		100%	120%	136%	162%	162%	164%	166%
Fire Fund Operating Reserve	\$ -	\$ 1,685,000	\$ 3,730,000	\$ 6,077,000	\$ 8,898,000	\$11,749,000	\$14,672,000	\$17,653,000
Road Maintenance Fund								
Revenues								
Gas Tax	\$ 2,210,800	\$ 2,309,800	\$ 2,427,300	\$ 2,507,300	\$ 2,653,300	\$ 2,653,300	\$ 2,653,300	\$ 2,261,300
Interest Earnings	-	66,000	39,000	39,000	40,000	42,000	41,000	40,000
Total	\$ 2,210,800	\$ 2,375,800	\$ 2,427,300	\$ 2,507,300	\$ 2,653,300	\$ 2,653,300	\$ 2,653,300	\$ 2,261,300
Costs								
Road Maintenance	\$ -	\$ 808,000	\$ 853,000	\$ 891,000	\$ 941,000	\$ 963,000	\$ 986,000	\$ 1,008,000
Transfer to General Fund	-	48,000	51,000	53,000	56,000	58,000	59,000	60,000
Contingency @ 10 percent	-	81,000	85,000	89,000	94,000	96,000	99,000	101,000
County Repayment ²	-	134,000	141,000	148,000	155,000	163,000	171,000	180,000
Total Costs	\$ -	\$ 1,071,000	\$ 1,130,000	\$ 1,181,000	\$ 1,246,000	\$ 1,280,000	\$ 1,315,000	\$ 1,349,000
Net Revenue	\$ 2,210,800	\$ 1,304,800	\$ 1,297,300	\$ 1,326,300	\$ 1,407,300	\$ 1,373,300	\$ 1,338,300	\$ 912,300
Net Revenue % Costs		122%	115%	112%	113%	107%	102%	68%
Road Fund Operating Reserve	\$ 2,210,800	\$ 3,515,800	\$ 4,812,900	\$ 6,139,200	\$ 7,546,500	\$ 8,919,800	\$10,258,100	\$11,170,400
Net Revenue All Funds	\$ 3,192,800	\$ 2,555,800	\$ 2,958,300	\$ 3,063,300	\$ 3,532,300	\$ 3,485,300	\$ 2,990,300	\$ 2,783,300
Net Revenue % Costs		20%	22%	22%	24%	23%	19%	17%

¹ 2% of General Fund revenue based on survey of budgets of other cities in Riverside County.

² Repayment cost accounts for animal services, development services, road maintenance (public works), fire protection and sheriff department services the County is obligated to provide for the first year of service. Includes 5% annual interest.

Sources: Tables 4.14, 5.5, 5.6, 5.7 and 5.8; Willdan Financial Services.

Same comments as Scenario 1 except this is the least viable and most fiscally irresponsible model of all three. In fact, why does this model even qualify as being viable?

10.20

1. Introduction

This chapter provides background on the Eastvale area and explains the reasons for and objectives of this study. This CFA is prepared in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 as required by the Riverside County Local Agency Formation Commission (LAFCO) for an actual incorporation application. This public review draft CFA is prepared in accordance with LAFCO policies and procedures and with the Governor's Office of Planning and Research Guidelines.

This analysis is based on the latest available Riverside County budget actuals (FY 2007-08).

Background

The Eastvale area is a predominantly residential community located in unincorporated western Riverside County. This report will evaluate whether the incorporation of this community is financially feasible. The benefits of incorporation include:

- ♦ Local control of property and local sales taxes;
- ♦ Increased local control over land use policy;
- ♦ Increased local control over public facilities and infrastructure;
- ♦ Increased local control over services such as police and fire protection; and
- ♦ Maintenance of boundaries without risk of annexation by neighboring cities.

Location and Setting

The Eastvale area is predominantly flat and adjacent to the Santa Ana River and Prado Dam Basin in the western Jurupa Valley.

Land uses found in the Eastvale area include residential, commercial, public facility, industrial, warehouse and agricultural uses. Agricultural activities, including dairies, field crops and ranches have been the primary land use in the area, though these activities have given way in part to more urban types of development, particularly residential and commercial development. The conversion from predominantly agricultural to predominantly urban land uses will likely continue for the foreseeable future.

Assumptions

This analysis evaluates the feasibility of a new city government. The analysis assumes the effective date of incorporation will be July 1, 2010. The results presented in this report show forecasted revenues and expenditures of the proposed new city for the first eight years of operation, FY 2010-11 (transition year) through FY 2017-18.

Incorporation Scenario

This CFA includes two boundary scenarios, including and excluding the area east of Interstate 15 as shown in the previous chapter in Figure E.1. The first scenario analyzed (Scenario 1) includes the areas in blue in Figure E.1. The second scenario analyzed (Scenario 2) includes all of the areas in blue, *plus* all of the areas in red.

10.21
Page: 15 Author: irenelong Subject: Sticky Note

Combined property and sales taxes account for 42.4% of the proposed city's general fund revenue. Both appear to be overstated (or wildly optimistic) in these models. As city expenses rise, and to fund needed capital equipment that is apparently not even factored into these models, the city will have to raise one or the other or both or reduce services and/or eliminate city government expenses because vehicle license fees, which account for the single largest share of the city's potential general fund revenues (33.5%) are indefinitely at risk of total or partial loss to the state.

10.22
Page: 15 Author: irenelong Subject: Sticky Note

How much of the proposed city's land area is left for any city government to have "local control" over its use? What percentage of the land within the proposed boundaries is not already sold, already built out, already committed to future development, falls under the redevelopment fund guidelines, and/or is unsuitable for building? What percentage of the remaining land would also have to be set aside by law for low income housing, high density apartments, senior housing, or mobile home parks if Eastvale becomes a city?

10.23
Page: 15 Author: irenelong Subject: Sticky Note

Specifically what public facilities and infrastructure is not going to be managed by other agencies from whom the city will just continue to contract the same services? There are no capital improvements in this plan and the only "public facilities" I can think of are the parks - most of which are controlled and will remain controlled by JCSD.

10.24
Page: 15 Author: irenelong Subject: Sticky Note

This is a bit of a false/empty promise since the Riverside County Sheriff Department decides on resource allocation based on population and crime rates. Eastvale will continue to outsource police services to that department. Same is true for Cal Fire. The only "local control" will be to cut the checks every month - unless or until the city decides to have its own police and fire departments - which Eastvale is not large enough and does not have sufficient tax base to afford. Even if the voters wanted to take over police and fire at a later date, wouldn't the city still have to get permission from the county first? Would the city also then owe neutrality fees to the county for the loss of police and fire revenue at the time of takeover by the city and for untold number of years?

10.25
Page: 15 Author: irenelong Subject: Sticky Note

Eastvale's only "neighboring cities," are Ontario, Chino Hills, and Norco. The first two are in San Bernardino County - so no threat of annexation. Norco is battling to ward off bankruptcy and Norco city leaders have repeatedly publicly stated that they and their fellow Norco residents have no interest whatsoever in annexing Eastvale.

For the purposes of collecting budget and land use data, the entire area was divided into five sub-areas as shown in Figure E.2. Areas 1, 2 and 3 comprise Scenario 1, and Areas 1, 2, 3, 4 and 5 comprise Scenario 2.

Cost and Revenue Assumptions

This study focuses on ongoing (operating and maintenance) costs to provide service to the Eastvale community. Ongoing costs are typically the focus of fiscal reviews because of the need for public agencies to generate a balanced budget on an annual basis. This level of analysis is appropriate for an initial fiscal review such as the current study. A suggested staffing plan is presented based on Willdan's experience with other cities. Other service costs are presented based on an analysis of the County budget.

Real (Constant 2008) Dollars

All model results are calculated in real (2008 constant) dollars, that is, assuming inflation will equally affect both revenues and costs going forward.

All revenue factors except property tax projections are based on 2008 estimates and held constant over the planning horizon. As discussed in Chapter 5, property tax is based on assessed value in nominal (current) dollars discounted to real dollars to incorporate constraints imposed by Proposition 13.

Some cost factors, including salary rates and contract costs, include a one percent annual real increase (before inflation). For personnel costs, this increase reflects standard public agency compensation policies that provide increases for length of service (often called "step" increases). These increases can average five percent annually in addition to cost-of-living increases (inflation), but when a new employee is hired the salary drops back to the first step. Assuming a one percent real increase in personnel and contract costs (before inflation) is reasonable based on analysis of these costs other cities.

Capital Improvement Costs

This analysis evaluates the fiscal feasibility of ongoing operations under the new city's General Fund, Structural Fire Fund, and Road Fund. It does not evaluate the need for, or financing of, capital improvements.

The transfer of impact fee revenues is subject to negotiations between the new city and the County.

Revenue Neutrality

As indicated in *California Government Code* section 56845, the incorporation of a new city should not generate a negative fiscal impact on affected agencies. Fiscal impact is determined by comparing the revenues and service delivery costs transferred from the County to the new city. If the revenues transferred by the agency to the new city are greater than the current cost of services transferred, the incorporation would generate a negative fiscal impact on the agency. In that case the new city may be obligated by LAFCO to make revenue neutrality payments to the County.

In this study the County of Riverside is the only agency that might be negatively affected by the incorporation. The Jurupa Area Recreation and Parks District will lose revenue from annual assessment it receives from those areas within the proposed new city boundaries, but will also be relieved of the responsibility of maintaining those parks within the proposed new

Page: 16 Author: irenelong Subject: Sticky Note

What known or anticipated capital improvements that the city will need under these proposed models haven't been included in the models? Can we get a list?

10.20

Page: 16 Author: irenelong Subject: Sticky Note

When do we get to see the actual annual fees and the number of years the city will be paying them?

10.27

city's boundaries. The Jurupa Community Services District will not be affected by the incorporation.

Unless the taxpayers decide it makes more sense to have the JCSD manage all parks under one infrastructure with a single recreation program umbrella and leveraging the JCSD infrastructure and capital equipment (which does not appear to be presented as an option in this analysis).

10-28

2. Population, Employment, and Land Use

This chapter describes the existing and projected population, employment, and land uses in Eastvale.

Existing Development

The Eastvale Plan area has been primarily characterized by agricultural dairies, low-density rural and semi-rural residential development, and small portions of commercial development. Recent development in the area has added medium density residential uses along with a significant amount of commercial and industrial uses.

Table 2.1 shows the estimates of 2008 resident population, employees, and service population in four areas: countywide, for the unincorporated area only, and for the two incorporation scenarios. The Riverside County Transportation and Land Management Agency (TLMA) provided the existing resident population estimate of 41,225 and 42,233 respectively for the two scenarios. The estimates of employees working within the boundaries of the plan were provided by the State of California Employment Development Department (EDD) wage and salary survey data (Fourth Quarter - 2007).

Service population is comprised of the individuals utilizing a particular county or city service. Different services have different service populations. Some services serve residents only. Others also serve commercial and industrial development, represented by employees, to some degree. In order to estimate the impact of commercial development on services that are assumed to benefit commercial as well as residential uses, employees are weighted at a factor of 0.31. This number is calculated based on the average number of work hours in a week over the total number of non-work hours in a week ($40 / 128 = 0.31$).

Table 2.1: Current Service Population (2008)

	County		Eastvale	
	Unincorporated	Countywide	Scenario 1	Scenario 2
Residents (A)	554,571	2,088,322	41,225	42,233
Employees ¹ (B)	123,405	619,600	5,639	6,655
Weighted Employees @ 0.31 (C = B x 0.31)	38,256	192,076	1,748	2,063
Total (D = A + C)	592,800	2,280,400	43,000	44,296

¹ Unincorporated area employment is a rough estimate based reducing the countywide employment to resident ratio by 25% in the unincorporated area.

Sources: California Department of Finance, E-5 City/County Population and Housing Estimates, 2007, May 2007; California Employment Development Department; Willdan Financial Services.

10-29

Page: 18 Author: irenelong Subject: Sticky Note

This data is likely to be way off (overstated) as compared to current reality since unemployment in Riverside County is at least a couple of percentage points higher than it was in 2007.

Page: 18 Author: irenelong Subject: Sticky Note

Also likely overstated as compared to current reality if using 2007 data.

10.30

Development Projections

Development projections are provided by the Riverside County TLMA, are based on projects currently in the entitlement process and on County-approved population projections. It is assumed that all projects currently in the entitlement process will be absorbed in the eight-year timeframe of this analysis. Approximately 3,300 residential units and 5.5 million square feet of non-residential building space in Scenario 1, and 4,600 residential units and 8.3 million square feet of non-residential building space in Scenario 2 are assumed to be absorbed by 2018 for the purposes of this analysis.

The Eastvale Specific Plan guides development in the Eastvale Plan area. The Plan anticipates approximately 21,000 residential dwelling units, 65,000 residents and 17,000 employees in Eastvale through buildout, which is anticipated to be beyond the 2018 horizon of this CFA.

Projected Service Population

The projected absorption of residential and nonresidential development was prepared using data from the County TLMA and is shown in **Table 2.2** for Scenario 1 and in **Table 2.5** for Scenario 2. Cumulative absorption is shown in **Tables 2.3** and **2.6**, respectively. No more than County TLMA maximum development was assumed by Year 8, and absorption for residential was held to the annual average construction of new homes between 2001 and 2009 in the Eastvale planning area. Nonresidential development absorption assumptions are more aggressive than historical absorption in Eastvale. However, the amount of nonresidential development projected in the in the area is unprecedented, so comparisons to historical absorption rates are not applicable.

The corresponding projected service population by year is shown in **Tables 2.4** and **2.7**, respectively. As with all tables in this report, "Year 1," the initial year of incorporation, is estimated to be FY 2010-11.

Page: 19 Author: irenelong Subject: Sticky Note

10.31 How many of these residential dwelling units, by law, will have to be low income/high density residences if Eastvale becomes a city? Have lower property taxes from those lower income properties been factored in to the property tax revenue estimates/assumptions in these models?

Page: 19 Author: irenelong Subject: Sticky Note

10.32 Annual construction between 2001 and 2006 or 2007 was off the charts. Then construction came almost to a screeching halt in 2008-2009 - so weighting each year between 2001 and 2009 equally will overstate likely construction going forward and, presumably, also overstate the ramp up of associated property tax revenues.

Page: 19 Author: irenelong Subject: Sticky Note

10.33 There may be growth projections that are unprecedented in these models, yet, as we have seen, retailers like Ralph's (originally slated to build at Archibald and Schleisman) have been backing away from or postponing development plans in the area due to the uncertain economy and instability and/or failures of existing retail establishments in the community.

Table 2.2: Projected Development Absorption (Scenario 1)

FY Ending	2008	2009	2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018	Total
<i>Residential (dwelling units)</i>												
Single Family	-	-	302	393	302	455	363	1,207	-	-	-	3,612
Multi-family	-	-	57	57	57	57	-	-	-	-	-	398
Total	-	-	359	450	359	512	363	1,207	-	-	-	3,250
<i>Nonresidential (sq. ft.)</i>												
Retail	-	14,574	36,434	72,888	72,868	109,302	72,868	80,154	72,868	109,302	87,441	728,677
Office (Business Park)	-	7,976	19,939	39,878	39,878	59,817	39,878	43,866	39,878	59,817	47,854	398,411
Industrial	-	88,018	220,044	440,089	440,089	660,133	440,089	484,097	440,089	660,133	528,106	4,400,811
Total	-	110,567	276,417	552,834	552,834	829,251	552,834	608,118	552,834	829,251	663,401	5,528,342

Sources: Riverside County Land Management and Transportation Agency; Willdan Financial Services.

Table 2.3: Cumulative Absorption (Scenario 1)

FY Ending	2008	2009	2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018
<i>Residential (dwelling units)</i>											
Single Family	-	-	302	695	997	1,453	1,815	3,022	3,022	3,022	3,022
Multi-family	-	-	57	114	171	228	228	228	228	228	228
Existing	-	13,288	13,288	13,288	13,288	13,288	13,288	13,288	13,288	13,288	13,288
Total	-	13,288	13,647	14,097	14,456	14,969	15,331	16,538	16,538	16,538	16,538
<i>Nonresidential (sq. ft.)</i>											
Retail	-	14,574	51,007	123,875	196,743	306,044	378,912	459,067	531,934	641,236	728,677
Office (Business Park)	-	7,976	27,915	67,793	107,671	167,488	207,366	251,231	291,109	350,926	398,411
Industrial	-	88,018	308,062	748,150	1,188,239	1,848,372	2,288,460	2,772,558	3,212,646	3,872,779	4,400,811
Existing	17,133,658	17,133,658	17,133,658	17,133,658	17,133,658	17,133,658	17,133,658	17,133,658	17,133,658	17,133,658	17,133,658
Total	17,133,658	17,244,225	17,520,642	18,073,476	18,626,310	19,455,562	20,008,396	20,616,513	21,169,348	21,998,599	22,662,000

Sources: Table 2.2; Willdan Financial Services.

10.34
10.35
0-2/10

Page: 20 Author: irenelong Subject: Sticky Note

Does this number reflect the low income housing requirement?

Page: 20 Author: irenelong Subject: Sticky Note

These numbers within this timeframe appear to be overly optimistic at best.

Page: 20 Author: irenelong Subject: Sticky Note

This analysis is projecting that Eastvale will go from the current 1.1 square foot of retail space per household to 44.1 square feet of retail space per household in Scenario 1 and 46.6 in scenario 2 by 2018 - when we haven't been able to adequately support the current retail establishments in the community?! A 40 fold increase in 8 years is not credible based on current reality. Please provide the basis for these numbers and this projected growth.

Page: 20 Author: irenelong Subject: Sticky Note

Are there building plans and contracts in place with the county today to support this projected rate of industrial growth? Are those contracts moving forward as planned or being delayed?

10.37

Table 2.5: Projected Development Absorption (Scenario 1)

FY Ending	2008	2009	2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018	Total
<i>Residential (dwelling units)</i>												
Single Family	-	-	565	652	609	707	609	1,207	-	-	-	4,348
Multi-family	-	-	57	57	57	57	-	-	-	-	-	228
Total	-	-	622	709	666	764	609	1,207	-	-	-	4,576
<i>Nonresidential (sq. ft.)</i>												
Retail	-	16,943	42,357	84,714	84,714	127,071	84,714	93,186	84,714	127,071	101,657	847,143
Office (Business Park)	-	14,192	35,479	70,958	70,958	106,437	70,958	78,054	70,958	106,437	85,150	709,580
Industrial	-	135,706	339,265	678,530	678,530	1,017,795	678,530	746,383	678,530	1,017,795	814,236	6,785,298
Total	-	166,840	417,101	834,202	834,202	1,251,303	834,202	917,622	834,202	1,251,303	1,001,043	8,342,021

Sources: Riverside County Land Management and Transportation Agency; Willdan Financial Services.

Table 2.6: Cumulative Absorption (Scenario 2)

FY Ending	2008	2009	2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018
<i>Residential (dwelling units)</i>											
Single Family	-	-	565	1,217	1,826	2,533	3,141	4,348	4,348	4,348	4,348
Multi-family	-	-	57	114	171	228	228	228	228	228	228
Existing	-	13,588	13,588	13,588	13,588	13,588	13,588	13,588	13,588	13,588	13,588
Total	-	13,588	14,210	14,919	15,585	16,349	16,957	18,164	18,164	18,164	18,164
<i>Nonresidential (sq. ft.)</i>											
Retail	-	16,943	59,300	144,014	228,729	355,800	440,514	533,700	618,414	745,486	847,143
Office (Business Park)	-	14,192	49,671	120,629	191,587	298,024	368,982	447,035	517,993	624,430	709,580
Industrial	-	135,706	474,971	1,153,501	1,832,030	2,849,825	3,528,355	4,274,738	4,953,268	5,971,062	6,785,298
Existing	24,945,979	24,945,979	24,945,979	24,945,979	24,945,979	24,945,979	24,945,979	24,945,979	24,945,979	24,945,979	24,945,979
Total	24,945,979	25,112,819	25,529,920	26,364,123	27,198,325	28,449,628	29,283,830	30,201,452	31,035,654	32,286,957	33,288,000

Sources: Table 2.5; Willdan Financial Services.

Same comments/concerns as for Scenario 1 above.

10.38

3. Service Plan & Methodology

The purpose of this chapter is to describe key budget assumptions and estimating methods used in the CFA.

Municipal Services Analysis and Plan

Analysis of the new city’s revenues and costs requires identifying current municipal service providers within the incorporation area boundaries and likely providers under incorporation. Those services that will be transferred to the new city form the basis for the cost of services analysis presented in the following chapter (Chapter 4), and affect calculation of the property tax transferred from the County (see Chapter 5).

Current Service Providers

The County currently provides general government, animal control, public protection, solid waste collection and disposal, and public works (including road maintenance) services. The County Flood Control and Water Conservation District, a separate county entity, provides flood control services. The County Library, also a separate county entity, provides library services. The Jurupa Community Services District provides water, wastewater and some park maintenance services. Various private utility companies provide electric, gas, and telecommunication services. The Jurupa Area Parks and Recreation District provides park and recreation services.

Table 3.1 shows the current and future projected service providers within the proposed incorporation boundary scenarios.

Table 3.1 Current and Projected Future Service Providers

Service	Current Provider	Future Provider
Animal Control	County General Fund	City (contract with County)
Electric and Gas	Private utility companies	No change
Fire	County Fire Department	City (contract with County)
Flood Control	Riverside County Flood Control & Water Cons. Dist.	No change
General Government	County General Fund	City
Library	County Library	No change
Parks and Recreation	Jurupa Community Services District and Jurupa Area Recreation and Park District	Jurupa Community Services District and City
Public Protection	County General Fund (Hwy. Patrol for Traffic)	City (contract with County)
Public Works	County General and Road Funds	City (contract with County or private firm)
Solid Waste Collection	Private hauler (franchise agreement)	Private hauler (franchise agreement)
Solid Waste Disposal	County	No change
Telecommunications	Private utility companies	No change
Water and Wastewater	Jurupa Community Services District	No change

Sources: Eastvale Incorporation Committee, LAFCo, and Willdan Financial Services.

Page: 24 Author: irenelong Subject: Sticky Note

10.39
How much is Eastvale currently paying and what is the equivalent FTE head count for the county bureaucracy currently dedicated to managing Eastvale service contracts as compared to hiring 17 people in the proposed new bureaucracy? Won't we have to continue to compensate the county for the current bureaucracy for years as part of the neutrality fees in addition to paying 19.4% of the projected general fund to support the proposed 17-30 person bureaucracy starting at \$2 million per year and going up from there? Isn't it safe to assume it is costing taxpayers far less for the county to manage our services than it will cost to hire and pay 17 employees plus pay the county neutrality fees because they will lose money when management transfers to the city - so we will be paying twice for years?

Page: 24 Author: irenelong Subject: Sticky Note

10.40
Whether the city manages the few JARPD parks once taken over or they are given over to JCSD to manage should be up for public discussion and debate and not simply assumed by the incorporation committee (or potential future City Council).

Projected Future Service Providers

As shown in Table 3.1, many of the current service providers are projected to remain unchanged. These include private service providers (e.g., electric, gas, and telecommunications) and separate agencies (e.g., flood control and water districts). The County Library is assumed to continue to provide library services.

The new city is projected to take on direct responsibility for general government services, including creation of a city council and other legislative and administrative functions. Also, the new city will take responsibility for the park maintenance provided by the Jurupa Area Recreation and Parks District within the proposed boundaries, but not for the maintenance of parks owned by the Jurupa Community Service District.

Given the relatively small population of the new city, this analysis assumes that the city will contract with the County or a private firm for a number of services including animal control, police, fire, and road maintenance. It is common for newly incorporated cities to contract for these services with the county.

Revenue and Cost Estimating Methodologies

The two methodologies used to estimate revenues and costs for the new city are the per capita methodology and the case study methodology. More significant base year cost and revenue components were developed based on case study analysis provided by the service provider.

Per Capita Method

The per capita modeling method represents current average countywide (or unincorporated area) cost of service or revenue. This approach is used for services and revenues that likely would not vary substantially from current county average costs when transferred to the new city. This approach is also used to estimate costs and revenues when data specific to the area being studied is not available.

Per capita factors are calculated by dividing net cost (or revenue) by the service population receiving the service (or generating the revenue). Per capita factors are based on:

- ♦ The most recent Riverside County budget actuals for FY 2007-08; and
- ♦ Current countywide service population (for countywide services and revenues) or unincorporated area service population (for services and revenues only pertaining to the unincorporated area).

Service population includes current residents, and when applicable, employment. Employees are weighted according to the service demand or revenue generation from nonresidential development compared to residential development on a per capita basis. Long-range planning studies typically use a common weighting applied to all services and revenues analyzed on a per capita basis that have both a residential and nonresidential component. Gathering and analyzing data on service demand and revenue generation is a time-intensive and costly effort.

Prior analysis of service demand and revenue generation data has not generated any common factors that seem to apply consistently across multiple jurisdictions. Furthermore, the weighting factor does not affect results significantly because (1) costs and revenues

Who will do what, specifically, to warrant spending almost 20% of general funds revenues to pay 17-30 full time equivalent people? Please keep the perspective that is a small bedroom community with only a few parks to "manage" (if that is even a sensible thing to do as opposed to outsourcing to JCSD) and a couple of strip malls from whom to collect sales tax revenues. (Or does the county or state handle that too and just cut a check to the city?) The county will still collect the property taxes and just cut a check to the city, right?

1041

4. Cost Analysis

This chapter describes the methodologies used to estimate the cost of services to the new city. It discusses levels of service, presents a proposed municipal staffing plan and associated personnel costs, identifies non-personnel costs pertaining to services, and summarizes total estimated costs.

This study focuses on ongoing (operating and maintenance) costs to provide service to the Eastvale community. Ongoing costs are typically the focus of fiscal analysis because of the need for public agencies to generate a balanced budget continually on an annual basis. A suggested staffing plan is presented. Other service costs are presented based on an analysis of the County budget. No consideration of capital costs is included in this analysis.

Service Levels

For the purposes of this analysis service levels are assumed to remain consistent with current levels provided by the County to the Eastvale unincorporated area. Service levels and costs are based on the County's most recently available actual expenditure data for FY 2007-08.

If the municipal services plan anticipates that the new city will contract back with the County for a particular service, then the analysis estimates contract costs to maintain the existing level of service. If the County currently provides limited services to the unincorporated areas then to be consistent this analysis assumes that the cost of these services to the new city will reflect the current limited level of service.

To the extent that this analysis indicates that the new city may have an operating surplus, then the new city council could designate the surplus towards increasing existing levels of service and/or adding new services.

Transition Year

FY 2010-11 is assumed to be the first year of incorporation. In that year, this analysis assumes that the County provides animal services, development services, road maintenance (public works), fire protection, and sheriff services. To model these costs, the first year of costs for the aforementioned services is shown to have zero cost to the new city. The net costs for services in the first year are repaid to the County, in equal amounts over the next seven years with interest. Net costs for services paid by the County for both scenarios are shown in **Appendix Tables A.4** and **A.5**, respectively.

Proposed Staffing Plan

The proposed staffing plan shown below in **Table 4.1** was developed by Willdan, based on its engineering division's experience with contract cities, and a survey of comparable cities. See **Appendix B** for an analysis of comparable city staffing, costs and revenues. For all of the following tables, the start year ("Year 1") is envisioned to be FY 2010-11. Salaries shown are in constant (2008) dollars. Future year salaries assume a real annual inflation rate of one percent. FTEs per 1,000 resident population are also shown at the bottom of Table 4.1.

10.42

Page: 27 Author: irenelong Subject: Sticky Note

Again, what know or anticipated costs are missing? Please provide a list of at least the types of costs that the city can expect base on experience that weren't included in the models.

10.43

Page: 27 Author: irenelong Subject: Sticky Note

Again, is this even legal for a city council to arbitrarily "redistribute" funds from designated fire and road maintenance funds to the general fund? This presumption in the "models" that any overpayment of taxes (or large reserves) can or will simply be taken by and spent at the discretion of the city council as they see fit is very disturbing in terms of a proposed city government operational model. The people the taxpayers employ to run the city government do not own that money. Taxpayers pay it for a specified purpose (like "donor intent" in the case of non-profit organizations).

10.44

Page: 27 Author: irenelong Subject: Sticky Note

If I'm understanding the various city expense designations properly, the general funds models in Tables E.1-E.3 call for 10% per year repayment to the county for services rendered by the county in the first year of cityhood (21010). So it will actually take the city 10 years, not 7, to repay that debt plus interest, correct? The model only goes out 7 years but the debt would continue 3 years beyond the model period, is that right?

Table 4.1: Proposed Staffing by Department

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	2011	2012	2013	2014	2015	2016	2017	2018
City Manager								
City Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Executive Secretary	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Assistant to the City Manager	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Subtotal	2.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00
City Attorney								
City Attorney (contract)	0.40	0.40	0.40	0.60	0.60	0.60	0.80	0.80
City Clerk								
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Deputy City Clerk	-	-	-	-	1.00	1.00	1.00	1.00
Clerk/Typist/Receptionist	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Subtotal	2.00	2.00	2.00	2.00	3.00	3.00	3.00	4.00
Administrative Services								
Administrative Services Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Accountant	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
H.R./Risk Mgmt. Specialist	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Senior Account Clerk	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00
Payroll Clerk	-	-	-	-	1.00	1.00	1.00	1.00
Account Clerk/Typist	-	-	-	-	1.00	1.00	2.00	2.00
Subtotal	4.00	4.00	4.00	4.00	6.00	6.00	8.00	8.00
Development Services								
Development Svcs. Dir.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Planner	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Planner (contract)	0.50	-	-	-	-	-	-	-
Principal Planner	-	-	-	-	-	-	1.00	1.00
City Engineer	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Engineer (contract)	1.00	-	-	-	-	-	-	-
Engineering Inspector (contract)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Traffic Engineer (contract)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Associate Engineer	-	-	-	1.00	1.00	1.00	1.00	1.00
Building Official	-	0.50	0.50	1.00	1.00	1.00	1.00	1.00
Building Official (contract)	0.50	-	-	-	-	-	-	-
Building Inspector	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Building Inspector (contract)	0.50	-	-	-	-	-	-	-
Code Enforcement	0.25	0.25	0.25	0.50	0.50	0.50	1.00	1.00
Counter Technician	-	-	-	1.00	1.00	1.00	2.00	2.00
Clerk/Typist	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Subtotal	5.50	6.50	6.50	9.25	9.25	9.25	11.75	12.75
Parks Department								
Department Director	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Staff	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Subtotal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
TOTAL	14.90	16.90	16.90	19.85	23.85	23.85	28.55	30.55
<i>FTE per 1,000 resident population</i>	<i>0.32</i>	<i>0.35</i>	<i>0.33</i>	<i>0.38</i>	<i>0.43</i>	<i>0.43</i>	<i>0.51</i>	<i>0.55</i>

Note: All positions are directly employed by City unless noted as "contract".

Sources: Willdan Financial Services.

Table 4.2 shows the estimated salaries for these positions and/or the hourly wage for contract employees. While it is envisioned that most positions will be filled with full time city employees, others are likely to be staffed as contract positions. Contract positions are often part time, and include city attorney and city engineer positions. Contract rates are based on Willdan Engineering's 2008-2009 contract rate schedule. Note that contract employees will

Page: 28 Author: irenelong Subject: Sticky Note

Many wise people have warned about the building of bureaucracies - especially ones that appear to be created/needed primarily to manage the people in the bureaucracy itself.

0.45 A bureaucracy is sure to think that its duty is to augment official power, official business, or official members, rather than to leave free the energies of mankind; it overdoes the quantity of government, as well as impairs its quality.

- Walter Bagehot

No government ever voluntarily reduces itself in size. Government programs, once launched, never disappear. Actually, a government bureau is the nearest thing to eternal life we'll ever see on this earth!

- Ronald Reagan

Bureaucracy, the rule of no one, has become the modern form of despotism.

- Mary McCarthy

Page: 28 Author: irenelong Subject: Sticky Note

10.46 Love the fiscal conservatism of this proposed City Council expense "budget cap" and propose we lock it in under some kind of legal mandate so it can't go up, at least during the model period, as a "good faith" promise/commitment to taxpayers if cityhood goes to the ballot and passes.

Page: 28 Author: irenelong Subject: Sticky Note

10.47 One half-time City Manager should suffice for at least the first couple of years. The other two and a half positions should be eliminated until farther down the road.

Page: 28 Author: irenelong Subject: Sticky Note

10.48 These services should go to competitive bid and only be contracted on an as-needed basis for an agreed upon hourly rate. Since the city owns no "public facilities" and country contracts are negotiated only once a year at most "locking in" 16 hours a week of a lawyer's time under contract at the equivalent total annual compensation rate of more than half a million dollars a year from the start seems like a waste of taxpayer money if that is what is being assumed by this .4 headcount.

Page: 28 Author: irenelong Subject: Sticky Note

10.49 With only a half-time City Manager needed for the first couple of years and only a handful of contracts for the City Manager to manage, the new city will cut fewer checks than a typical elementary school PTA. So why would the city need a full-time accountant, full-time HR manager, full-time accounting clerk and a director to manage those three employees from the start?! Hire a PTA mom for a few hours a month if writing a dozen checks a month is too much to handle for the City Manager, whose proposed total compensation under these models is \$202,500 to start.

Page: 28 Author: irenelong Subject: Sticky Note

10.50 Same comment as above. Contract out development services when and only if needed.

Page: 28 Author: irenelong Subject: Sticky Note

10.51 The proposed city has no public facilities other than parks most of which will be managed by JCSD, so why does it need a full-time engineer plus a director to oversee that engineer?

not receive city salaried position benefits and therefore the hourly cost shown is relatively high to compensate for the lack of a benefits package. Consequently no equivalent annual salary has been calculated to avoid misinterpretation. Real cost increases (cost increases above inflation) are assumed at one percent per year for both salary and contract cost increases. The city benefits rate is estimated to add 35 percent to the annual cost of salaried positions as is shown in **Table 4.3**.

Table 4.2: Annual Salary & Contract Employee Expense (Per FTE)

	Contract Rate/Hr.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
		2011	2012	2013	2014	2015	2016	2017	2018
City Manager									
City Manager		150,000	151,500	153,000	154,500	156,000	157,600	159,200	160,800
Executive Secretary		48,000	48,500	49,000	49,500	50,000	50,500	51,000	51,500
Assistant to the City Manager		90,000	90,900	91,800	92,700	93,600	94,500	95,400	96,400
City Attorney									
City Attorney (contract)	200.00								
City Clerk									
City Clerk		90,000	90,900	91,800	92,700	93,600	94,500	95,400	96,400
Deputy City Clerk		50,000	50,500	51,000	51,500	52,000	52,500	53,000	53,500
Clerk/Typist		35,000	35,400	35,800	36,200	36,600	37,000	37,400	37,800
Administrative Services									
Administrative Services Director		110,000	111,100	112,200	113,300	114,400	115,500	116,700	117,900
Accountant		60,000	60,600	61,200	61,800	62,400	63,000	63,600	64,200
H.R./Risk Mgmt. Specialist		60,000	60,600	61,200	61,800	62,400	63,000	63,600	64,200
Senior Account Clerk		45,000	45,500	46,000	46,500	47,000	47,500	48,000	48,500
Payroll Clerk		45,000	45,500	46,000	46,500	47,000	47,500	48,000	48,500
Account Clerk/Typist		35,000	35,400	35,800	36,200	36,600	37,000	37,400	37,800
Community Development									
Development Svcs. Dir.		110,000	111,100	112,200	113,300	114,400	115,500	116,700	117,900
City Planner		89,000	89,900	90,800	91,700	92,600	93,500	94,400	95,300
City Planner (contract)	150.00								
Principal Planner		89,000	90,000	91,000	92,000	93,000	94,000	95,000	96,000
City Engineer		90,000	91,000	92,000	93,000	94,000	95,000	96,000	97,000
City Engineer (contract)	180.00								
Engineering Inspector (contract)	140.00								
City Traffic Engineer (contract)	110.00								
Associate Engineer		105,000	106,000	107,000	108,000	109,000	110,000	111,000	112,000
Building Official		60,000	61,000	62,000	63,000	64,000	65,000	66,000	67,000
Building Official (contract)	150.00								
Building Inspector		64,000	64,600	65,200	65,900	66,600	67,300	68,000	68,700
Building Inspector (contract)	115.00								
Code Enforcement		58,000	58,600	59,200	59,800	60,400	61,000	61,600	62,200
Counter Technician		35,000	35,400	35,800	36,200	36,600	37,000	37,400	37,800
Clerk/Typist		30,600	30,900	31,200	31,500	31,800	32,100	32,400	32,700
Parks Department									
Department Director		75,000	75,800	76,600	77,400	78,200	79,000	79,800	80,600
Staff		40,000	40,400	40,800	41,200	41,600	42,000	42,400	42,800
Annual contract real cost increase	1.00%								
Hours/year for contract salary	2,080								

Note: Salary costs for city employees based on comparable cities.

Source: Willdan Engineering Services *Schedule of Hourly Rates*, 2009; Willdan Financial Services.

The actual or equivalent proposed total annual employee compensation dollars are real regardless of whether those dollars are paid to an employee with the salary weighted to include benefits or to a contractor whose rates are higher because they don't include benefits. How is honestly stating total compensation amounts "misrepresentation" of the proposed cost of filling any proposed position?

10.52

Table 4.3: Benefit Rate as a Percentage of Salary

Benefit	Percent of	
	Salary	Notes & Sources
Medical/Dental/Vision	15.00%	Similar to other cities; Council discretion
Retirement (Employer)	7.00%	California Public Employees Retirement System (CalPERS) estimate
Retirement (Employee)	7.00%	California Public Employees Retirement System (CalPERS) estimate
Medicare	1.45%	Federal rate
Disability Insurance	1.18%	State rate; applies to salary up to \$65,000
Unemployment Insurance	0.74%	6.3% of first \$7,000; rate based on \$60k average salary
Workers Compensation	2.20%	State rate estimated @ \$2.20 per \$100 salary
Total	35%	Rounded to nearest 1.00 percent

Note: Assumes City will pay both employer and employee portion of PERS contribution.
 Source: Willdan Financial Services.

Total estimated personnel costs, including contract personnel costs and benefits for city employees, are shown in **Table 4.4**.

Are California cities required by law to offer CalPERS union benefits? If no, why were they chosen? How do CalPERS benefits at 35% compare to median current benefits packages in the private sector? Were alternative benefits options considered? If yes, how did they compare?

10.53

A third scenario is also examined in this analysis. Summary table E.3 examines the feasibility of the proposed city's general fund, structural fire fund and road fund if a second station, paramedic assessment unit and truck are not added in Scenario 2. This third scenario utilized costs from Table 4.6, compared to revenue from Scenario 2.

The costs shown in Tables 4.6 and 4.7 include an annual transfer to the general fund of five percent (5%) of service costs to cover the new city's administration costs related to fire. Service costs include a one (1) percent real cost increase (above inflation) in contract costs per year, consistent with other contract costs estimated in this study.

How hard can it be to "administer" one fire stations with one fire engine? Why would we need (or taxpayers want) 1 out of every 20 tax dollars collected for fire protection to be spent on fire administration by the city? If 5% of fire fund taxes are not needed to pay for that one fire station and one fire engine (and ambulance?), either give that money back to the taxpayers or (since tax rebates would require cutting more checks) set it aside in a fire department reserve fund that can collect interest while enabling to prepare for future needs - like wildfires and/or in the aftermath of damaging quakes. The city government should not be given (or simply assume) the right to take designated funds for fire protection and road repairs and "redirect" them wherever they choose - like to the general fund where they can be used for their own compensation.

10.54

Animal Control

Animal control costs are estimated for Eastvale based on the County's actual costs for providing animal shelter and field services to the existing Eastvale area. The costs are translated into a cost per capita for each scenario. The cost per capita is applied to the Eastvale service population in each scenario to determine an annual cost for animal services contracts in Eastvale through 2018. Costs and assumptions for animal control services are shown in **Tables 4.13** and **4.14**.

Parks Maintenance Costs

Park maintenance is currently provided by the Jurupa Area Recreation and Parks District (JARPD) and the Jurupa Community Services District (JCSD). This CFA assumes that the new city will assume responsibility for those parks facilities within the incorporation scenario boundaries that are currently managed by the JARPD (Cambira, Delaware Greenbelt, Harmony, Moonriver, and Vernola parks), but does not assume responsibility for the parks facilities and services provided within the incorporation scenario boundaries by the JCSD (lighting and landscaping and maintenance of parks within the Jurupa Community Services District boundaries).

The areas in the incorporation scenarios within the JARPD would detach from the District and become the responsibility of the new city. Parks maintenance costs are estimated to be \$15,000 per acre annually based on data provided by the JARPD. General park cost assumptions are shown in **Table 4.15**. Annual costs for each scenario are shown in **Tables 4.16** and **4.17**, respectively.

The JARPD has several community facilities districts (CFDs) in effect. Per direction from Riverside County LAFCo, these CFDs will not be detached from the JARPD in the incorporation. As such, CFD revenue is not included in this analysis.

0.55

Page: 42 Author: irenelong Subject: Sticky Note

How much does the JCSD spend per acre annually on park maintenance? Let's assume that Eastvale residents would want all parks maintained at the same level. Were the cost of recreation services included in this estimate or is this just watering and mowing the grass and maintaining the facilities?

10.56

Page: 42 Author: irenelong Subject: Sticky Note

So will the new city need to impose a special annual tax assessment for the remaining term of those 30-year CFDs on all residents or at least the residents currently served by JARPD parks in order to compensate for the loss of that CFD revenue that will continue supporting the remaining JARPD parks? Has that been factored into the models anywhere?

Table 4.15 Parks Maintenance Cost Assumptions (2008\$)

Eastvale Area	
Existing Park Acres ¹	1.73 Acres
Additional Planned Park Acreage ²	<u>22.00</u> Acres
Total Developed at Buildout	23.73 Acres
Annual Park Maintenance Cost	\$ 15,000 per acre
Existing Annual Maintenance Cost (Scenario 1)	\$ 26,000 per year
Buildout Maintenance Budget (Scenario 2)	\$ 356,000 per year

Note: Totals have been rounded.

¹ Park sites: Cambira Park, Delaware Greenbelt, Harmony Park, Moonriver Park. All parks are currently located in area associated with Scenario 1.

² Vernola Park, to be constructed in 2008/09, located in area associated with Scenario 2.

Source: Jurupa Area Recreation and Park District; Willdan Financial Services.

Table 4.16: Parks Maintenance Costs - Scenario 1 (2008\$)

Department	Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
		2011	2012	2013	2014	2015	2016	2017	2018
Annual Maintenance Cost per Acre	\$ 15,000								
Park Acreage		1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73
Service Costs		\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000

Source: Jurupa Area Recreation and Park District; Willdan Financial Services.

10.57

Page: 44 Author: irenelong Subject: Sticky Note

Please clarify... does this mean only 1.73 acres of the 4 JARPD parks that fall within the Hwy 15 boundary model have been built or are these 4 parks already built and just 1/2 acre or smaller parks?

10.58

Page: 44 Author: irenelong Subject: Sticky Note

Does this figure include labor? If yes, what is the assumed head count per acre or other employee model and how do the costs being paid for labor compare to the labor costs per acre (or other structure) currently being paid by JCSD?

10.59

Page: 44 Author: irenelong Subject: Sticky Note

Does this mean that it would cost \$141,000 per year (\$26,000 a year for maintenance, not including any budget for the purchase of maintenance equipment or vehicles, plus the proposed \$115,000 per year total compensation for 2 half-time people) to manage 1.73 acres of parkland? This money would have to come out of the general fund because there are no CFDs funds that come with these parks, or else a special tax assessment would have to be levied on the residents served by these parks, correct?

10.60

Page: 44 Author: irenelong Subject: Sticky Note

If the above "understanding" is correct, this mean that \$471,653 (\$356,653 per year for maintenance, not including equipment purchase, plus the \$115,000 per year total compensation for 2 half-time employees) would have to come out of the general fund to maintain current JARPD parks if the city boundary is at Wineville, right?

Other Costs

Tables 4.18 and **4.19** display estimated other costs (non-personnel) associated with city operations for each scenario. Significant other costs include the cost to prepare a General Plan, the cost of services that are assumed will be contracted back to Riverside County (fire protection services, police, and animal control, shown in Tables 4.6, 4.7, 4.9, 4.10, 4.13 and 4.14), the cost of leased office space and of special and regular elections. Insurance and other incidental costs are estimated on a percentage of personnel costs consistent with our work for other incorporating cities.

Total Costs

Total costs, including estimated personnel and contract employee costs (Table 4.4) and non-personnel costs (Tables 4.18 and 4.19) are summarized in **Table 4.20** and **4.21**. These costs, along with 10 percent contingency for General Fund related costs and transition year repayment are also shown in the summary tables in the Executive Summary (Tables E.1, E.2 and E.3) and in Chapter 6 (Tables 6.1, 6.2 and 6.3).

Where does this analysis show how many years beyond 2018 it will take Eastvale to pay back the country for the money the city has to borrow to run the city government in its first year and how much of that debt remains?

10.61

Table 5.1: Land Use Assumptions

Land Use Type	Market Value/Unit or 1,000 SF ¹	Holding Period (years)	Density ¹	Vacancy ¹	Occupancy ¹
<i>Residential (dwelling units)</i>					
Single Family	\$ 340,000	7	3.34	3%	97%
Multi-family	265,000	7	2.38	3%	97%
<i>Nonresidential (sq. ft.)</i>					
Retail	\$ 174	15	2.39	5%	95%
Office (Business Park)	233	15	3.12	5%	95%
Industrial	82	15	1.22	5%	95%
Existing Development ²	NA	10	NA	NA	NA

¹ Density represents persons per household or employees per 1,000 square feet. Density assumptions are not calculated net of vacant dwelling units and building space.

² Assumes existing development is a mix of residential and non-residential with significantly more residential.

Sources: California Department of Finance (DOF), Table E-5; Colliers International "National Retail Market Report" (summer 2007); "Los Angeles Office Market Report" (3Q 2007); and "East Inland Empire Industrial Market Report" (4Q 2007); 2000 U.S. Census; The Natelson Company, Inc., Employment Density Study Summary Report, prepared for the Southern California Association of Governments, October 31, 2001; Residential value assumptions come from DQNews.com for zip code 92880 in April and May 2009; Willdan Financial Services.

Assessed Value

Assessed value is based on a projection of the total market value of development. Market value is the total estimated sales value of all property. Assessed value is the value carried on the property tax rolls for calculating property taxes. Market value is typically higher than assessed value because Proposition 13 limits annual increases in assessed value to two percent until the property is resold.²

This Proposition 13 constraint on assessed value requires estimating property tax based on nominal property values and then discounting revenues to exclude inflation. Discounting revenues to real dollars (excluding inflation) makes the results consistent with all other revenue and cost estimates generated by the fiscal model.

The fiscal model assumes a nominal annual property appreciation rate of 5.8 percent excluding the additional value from new development. The 5.8 percent property appreciation rate is based on an analysis of Federal Housing Agency's Housing Price Index (HPI) data. The data was examined to determine the annual property appreciation rate in the Riverside-San Bernardino-Ontario MSA from 1984 to 2008 – the annualized rate from low point to low point the area's real estate cycles. By including the current recession, the recession of the early 1990s and the recession in the mid-1980s, the average annual appreciate rate is 5.8 percent.

For the purposes of estimating nominal value, inflation is estimated at three percent per year. Depending on the market conditions, nominal property tax revenue can increase 10 to 15 percent annually in fast growing communities.

² California Constitution, Article XIII A.

This can be and was true between 2001 and 2007 but growth has slowed to a crawl and, using the figures in Table 2.3, Eastvale is already at 82% of projected 2018 residential build out. A portion of that remaining 18% of residential building must be set aside for low income (lower property value) housing if Eastvale becomes a city. Were lower property tax revenues for this mandated low income housing factored into the models?

10.62

Proposition 8 requires the temporary re-assessment of properties based on falling market values within an area. As market conditions improve, the assessed values for these properties can be increased beyond the two percent limitation of Proposition 13, up to the previous value. Also, foreclosure related transfers trigger 'permanent' resets of the assessed value under Proposition 13 to reflect current market conditions. The assessed value of these properties can only be increased a maximum of two percent annually unless sold again for a higher price.

The Riverside County Assessor provided three years of projections for existing asessed values in the analysis. Given the current economic climate, Assessor suggested that the base year assessed value be discounted by 14.5 percent in FY2010, discounted another three percent in FY2011 and held constant from the prior year in FY2012. After FY2012 it is assumed that the economy will recover and assessed values will increase at a rate faster than two percent due to the temporary reassessments being lifted.

Existing assessed value is assumed to recover to its base year amount in FY2015. In the years after FY2015, existing assessed value for properties not being resold is increased by two percent, per Proposition 13.

Assessed value for a given year is calculated for each land use type and is the sum of the following three values:

- ♦ Market value in nominal dollars (including inflation) of new development occurring in a given year based on annual absorption in that year (see Table 2.2) multiplied by the unit values shown in Table 5.1. Calculated by increasing the unit market values shown in Table 5.1 at the nominal annual appreciation rate to the year in which the new development occurs, and multiplying the unit values by the number of new units in that year.
- ♦ Existing assessed value: Typically the share of total assessed value from the prior year that is not re-sold is increased by the Proposition 13 constraint of two percent. The share is based on the holding period assumptions shown in Table 5.1. However, given the County Assessor's suggestions, existing assessed value is treated differently in the early years of the analysis.
- ♦ The share of total market value from the prior year that is re-sold based on the holding period assumptions, increased by the nominal annual appreciation rate to the current year.

Total assessed value is based on the sum of assessed values for all parcels in 2008 based on data provided by the County. Total property (assessed value) is shown for each scenario in **Tables 5.2a** and **b**, respectively.

The County Assessor just devalued our Eastvale home below our 2002 original purchase price. Are the property tax revenue assumptions in these models based on a projected increase in value of 2% a year stated in this paragraph, or on the 5.8% a year stated on the previous page?

10.63

Table 5.2a: Property Value Scenario

	2009	2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018
New Property Sales (nominal market value)										
Residential										
Single Family	\$ -	\$ 115,012,000	\$ 158,188,000	\$ 128,741,000	\$ 205,265,000	\$ 172,929,000	\$ 608,797,000	\$ -	\$ -	\$ -
Multi-family	-	16,908,000	17,889,000	18,928,000	20,024,000	-	-	-	-	-
Subtotal	\$ -	\$ 131,920,000	\$ 176,077,000	\$ 147,667,000	\$ 225,289,000	\$ 172,929,000	\$ 608,797,000	\$ -	\$ -	\$ -
Nonresidential										
Retail	\$ 2,689,348	\$ 7,113,326	\$ 15,051,797	\$ 15,924,801	\$ 25,272,659	\$ 17,825,849	\$ 20,745,490	\$ 19,953,390	\$ 31,666,030	\$ 26,802,127
Office (Business Park)	1,962,384	5,190,506	10,983,111	11,620,132	18,441,149	13,007,157	15,137,730	14,559,744	23,106,313	19,557,184
Industrial	7,643,513	20,217,093	42,779,369	45,260,572	71,828,528	50,663,055	58,961,663	56,710,400	89,999,405	76,175,496
Subtotal	\$ 12,295,246	\$ 32,520,925	\$ 68,814,277	\$ 72,805,505	\$ 115,542,336	\$ 81,495,861	\$ 94,844,883	\$ 91,223,533	\$ 144,771,747	\$ 122,534,807
Total	\$ 12,295,246	\$ 164,440,925	\$ 244,891,276	\$ 220,472,505	\$ 340,831,336	\$ 254,424,861	\$ 703,641,883	\$ 91,223,533	\$ 144,771,748	\$ 122,534,807
Cumulative Property Value (nominal market value)										
Residential										
Single Family	\$ -	\$ 115,012,000	\$ 279,871,000	\$ 424,845,000	\$ 654,751,000	\$ 865,856,000	\$ 1,524,661,000	\$ 1,613,091,000	\$ 1,706,650,278	\$ 1,805,635,994
Multi-family	-	18,908,000	35,778,000	58,779,000	80,096,000	84,742,000	89,657,000	94,857,000	100,358,706	106,179,511
Subtotal	\$ -	\$ 131,920,000	\$ 315,649,000	\$ 481,824,000	\$ 734,847,000	\$ 950,398,000	\$ 1,614,318,000	\$ 1,707,948,000	\$ 1,807,008,984	\$ 1,911,815,505
Nonresidential										
Retail	\$ 2,689,348	\$ 9,958,856	\$ 25,588,055	\$ 42,998,983	\$ 70,763,446	\$ 92,693,375	\$ 118,815,081	\$ 145,659,745	\$ 185,774,040	\$ 223,351,061
Office (Business Park)	1,962,384	7,266,709	18,871,289	31,374,356	51,635,218	67,637,218	86,697,907	106,286,129	135,557,038	162,976,529
Industrial	7,643,513	28,303,930	72,724,927	122,203,545	201,119,878	263,447,886	337,689,527	413,985,919	527,996,507	634,795,800
Subtotal	\$ 12,295,246	\$ 45,529,295	\$ 118,964,271	\$ 196,574,863	\$ 323,518,542	\$ 423,778,479	\$ 543,202,514	\$ 665,931,793	\$ 849,327,584	\$ 1,021,123,391
Total	\$ 12,295,246	\$ 177,449,295	\$ 432,633,270	\$ 678,198,863	\$ 1,058,365,542	\$ 1,374,176,479	\$ 2,157,520,514	\$ 2,373,879,793	\$ 2,656,336,568	\$ 2,932,938,896
Assessed Value (nominal)										
Residential										
Single Family	\$ -	\$ 115,012,000	\$ 276,125,000	\$ 412,454,000	\$ 630,080,000	\$ 822,760,000	\$ 1,458,962,000	\$ 1,505,991,000	\$ 1,560,473,600	\$ 1,622,247,775
Multi-family	-	16,908,000	35,227,000	36,264,000	60,311,000	64,835,000	69,492,000	74,307,000	79,302,507	84,501,550
Subtotal	\$ -	\$ 131,920,000	\$ 311,352,000	\$ 448,718,000	\$ 690,391,000	\$ 887,595,000	\$ 1,528,454,000	\$ 1,580,298,000	\$ 1,639,776,106	\$ 1,706,749,325
Nonresidential										
Retail	2,689,348	9,863,274	25,144,050	41,666,748	87,972,122	87,526,291	110,608,492	133,633,098	169,158,806	200,944,363
Office (Business Park)	1,962,384	7,197,110	18,347,305	30,403,715	49,598,424	63,866,861	80,709,660	97,510,432	123,432,959	146,626,651
Industrial	7,643,513	28,032,840	71,463,003	118,422,882	193,186,535	248,762,292	314,365,223	379,804,460	480,773,057	571,112,800
Subtotal	\$ 12,295,246	\$ 45,093,223	\$ 114,954,359	\$ 190,493,345	\$ 310,757,061	\$ 400,155,444	\$ 505,683,374	\$ 610,947,990	\$ 773,364,823	\$ 918,883,833
Existing	\$ 6,102,821,422	\$ 5,217,912,316	\$ 5,061,374,946	\$ 5,061,374,946	\$ 5,387,110,634	\$ 5,733,809,744	\$ 6,102,821,422	\$ 6,248,069,000	\$ 6,396,773,000	\$ 6,549,016,000
Total	\$ 6,115,116,668	\$ 5,394,925,539	\$ 5,487,681,305	\$ 5,700,586,291	\$ 6,388,258,715	\$ 7,021,560,188	\$ 8,136,958,796	\$ 8,439,314,990	\$ 8,809,913,729	\$ 9,174,449,158
Assessed Value (real)										
Residential										
Single Family	\$ -	\$ 111,662,000	\$ 260,274,000	\$ 377,454,000	\$ 559,818,000	\$ 709,720,000	\$ 1,221,858,000	\$ 1,224,508,000	\$ 1,231,852,000	\$ 1,243,318,000
Multi-family	-	16,416,000	33,205,000	33,187,000	53,586,000	55,927,000	58,198,000	60,418,000	62,802,000	64,763,000
Subtotal	\$ -	\$ 128,078,000	\$ 293,479,000	\$ 410,641,000	\$ 813,404,000	\$ 765,647,000	\$ 1,280,056,000	\$ 1,284,926,000	\$ 1,294,454,000	\$ 1,308,081,000
Nonresidential										
Retail	\$ 2,689,000	\$ 9,578,000	\$ 23,701,000	\$ 38,131,000	\$ 60,392,000	\$ 75,501,000	\$ 92,633,000	\$ 108,656,000	\$ 133,535,000	\$ 154,007,000
Office (Business Park)	1,962,000	6,987,000	17,294,000	27,824,000	44,068,000	55,092,000	67,593,000	79,285,000	97,439,000	112,377,000
Industrial	7,644,000	27,216,000	67,361,000	108,374,000	171,644,000	214,585,000	263,276,000	308,816,000	379,527,000	437,710,000
Subtotal	\$ 12,295,000	\$ 43,779,000	\$ 108,356,000	\$ 174,329,000	\$ 276,104,000	\$ 345,178,000	\$ 423,502,000	\$ 496,757,000	\$ 610,501,000	\$ 704,094,000
Existing	\$ 6,102,821,000	\$ 5,065,934,000	\$ 4,770,831,000	\$ 4,631,875,000	\$ 4,786,379,000	\$ 4,946,035,000	\$ 5,111,017,000	\$ 5,080,252,000	\$ 5,049,672,000	\$ 5,019,275,000
Total	\$ 6,115,116,000	\$ 5,237,791,000	\$ 5,172,666,000	\$ 5,216,845,000	\$ 5,875,886,000	\$ 6,056,860,000	\$ 6,814,575,000	\$ 6,661,935,000	\$ 6,954,627,000	\$ 7,031,450,000

Sources: Tables 2.2 and 5.1; Riverside County, Wilbur Financial Services

Large areas of land within the proposed city boundaries (including much of the land north of Bellgrave, the land opposite the Von's shopping center, and the land on which the Von's/Edwards/Home Depot center are built was purchased using community redevelopment funding - so all of the increases in the assessed value and 100% of the associated property tax increases/revenues must be paid to the state, right? None of that revenue comes to the city. Was that fact factored into these models? If not property tax revenues for retail, office and industrial that may fall in those areas must be taken out of the model revenues.

10.64

Gas Tax

Gas tax (highway users tax) revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. Gas tax is a restricted revenue source for road purposes only. The gas tax plays an important role in increasing revenues for incorporating or annexing cities without generating a negative fiscal impact on counties. The State subvention formula for gas tax does not adjust the share of statewide revenue allocated to counties because of an annexation or incorporation. Incorporated or annexed areas receive gas tax revenue from the share of statewide revenue allocated to cities. Thus, counties are able to transfer costs for road maintenance to new incorporated cities while still retaining this revenue source.

Different gas tax distributions correlate and are named based on the corresponding California Streets and Highways Code sections. For example, code sections 2105, 2106, 2107 and 2107.5 pertain to gas tax distributions made either entirely (2107, 2107.5) or partially (2105, 2106) to cities. Calculations of gas tax distribution are made by the State Controller's office and are fairly complex as described in the code.

Gas tax distributions are based on population and other factors such as the percentage of registered or exempt vehicles in a city compared to the state and also miles of maintained road. Gas tax Section 2107.5 is based on an unadjusted flat rate per year based on city resident population ranges.

For this analysis the resulting statewide per capita amounts for FY 2007-08 have been applied for 2105 and 2107 gas tax revenues and the flat rate of \$6,000 has been applied for 2107.5 gas tax revenue. The \$6,000 figure for 2107.5 gas tax revenue is increased to \$7,500 in 2013 or 2018 depending on the scenario, when the population surpasses 50,000 residents. Revenue from Section 2106 is estimated at \$4,800 annually from section (a). Section 2106 (c) revenue is estimated at \$3.12 per capita based on April 2009 apportionments to cities in Riverside County of a comparable size (Coachella - 41,000, and La Quinta, 43,778).

Vehicle License Fees

Vehicle License Fee (VLF) revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. Historically, VLF played an important role in increasing revenues for incorporating or annexing cities while reducing the potential negative fiscal impacts on counties.

Prior Law

Previously, the State subvention formula for VLF did not adjust the share of statewide revenue allocated to counties because of an annexation or incorporation. Incorporated or annexed areas received their VLF revenue from the share of statewide revenue allocated to cities. Thus, counties were able to transfer service costs while still retaining a major revenue source.

Under the law prior to adoption of the State's FY 2004-05 budget, the portion of VLF revenue available for distribution as general revenue to cities and counties was divided in half. One half was distributed to cities on a per capita basis and the other half was distributed to counties in a similar manner. County distributions were based on countywide population, not just the population of unincorporated areas. Counties and cities received approximately \$60 per capita in VLF revenue in FY 2003-04.

Page: 66 Author: irenelong Subject: Sticky Note

The California legislature is looking at and may "borrow" part of these funds from counties and cities to help balance the state budget in the next couple of days. Is it correct that there is no legal restriction on the number of years the state may chose to "borrow" these funds to continue to try balance the state budget in future years?

10.65

Page: 66 Author: irenelong Subject: Sticky Note

Is there any legal restriction on the state choosing to "borrow" part or all of these funds to balance the state budget as well? This is the single largest source of revenue for the city's general fund - accounting for more than 1/3 of total general fund revenues under all models presented.

10.66

Importantly for newly incorporated cities, prior law allowed the population base for purposes of determining VLF revenue to be calculated based on three times the registered voter population. This formula was applied for the first seven years of a new city's existence, following which the formula relies on the same population basis as other cities. This approach tended to give new cities additional income than they would have had otherwise because the estimated population using three times registered voters is usually greater than the actual population.

Starting in FY 2004-05, most of the VLF revenue allocated to cities and all of the revenue allocated to counties is based on assessed value growth instead of population growth in a jurisdiction. This revenue is distributed as property tax in lieu of VLF, funded by each county's ERAF (educational revenue augmentation fund) account so that existing property tax revenue to local jurisdictions is not affected. A significantly smaller portion of the VLF is allocated to cities based on population. In total, \$52 per capita per year in VLF revenue is assumed (before the bonus) is assumed, based on data from an allocation to a newly incorporated city, per Riverside LAFCo.

Assembly Bill 1602

Assembly Bill 1602 (AB 1602) was signed into law in 2006 and restored VLF per capita payments to newly incorporating cities to approximately the same levels as before the VLF – property tax swap. It is currently limited to cities incorporating between the dates of August 5, 2004 and July 1, 2009. AB 1602 only provides the currently distributed per capita amount (estimated to be \$2 based on data from an allocation to a newly incorporated city, per Riverside LAFCo) plus an additional \$50 per capita.

The total would be multiplied by the annual estimated resident population times a factor of 1.5 in the first year of incorporation, 1.4 in the second year, 1.3 in the third year, 1.2 in the fourth year, and 1.1 in the fifth year. The base \$50 per capita is actually programmed to be adjusted slightly each year, determined by the ratio of the growth of VLF revenue to the increase in State population. For the purposes of this analysis it is assumed that the \$50 portion of the VLF funding remains at \$50 based on the latest data from the State.

Senate Bill 301

Amendments to the VLF law (Senate Bill 301) were approved in 2008. These amendments extended the date for incorporating cities to qualify for the VLF revenue based on population from July 1, 2009 to July 1, 2014.

Parks Department

The parks department will receive revenue from the Jurupa Area Recreation and Park District existing assessment of \$15 per parcel per year for residential and \$15 per acre per year for nonresidential. Annual revenue is displayed in **Tables 5.10a** and **5.10b**.

2.67

Page: 67 Author: irenelong Subject: Sticky Note
This date came and went so why is it relevant?

10.68

Page: 67 Author: irenelong Subject: Sticky Note
Most of the increase in California population in recent years has been coming from illegal immigration. There is legislation pending that pushes for the federal government to employ electronic verification of citizenship for everyone seeking employment by the federal government and/or on federal stimulus projects or other contracts that private companies bid on that are funded by the federal government. Given the high rate of legal resident unemployment as well as the number of businesses that are leaving the state because they can no longer afford to do business here, our state government leaders are also receiving increasing pressure to impose stiff penalties on all employers who hire illegal immigrants. So California may actually begin to see a decrease in state population. If that happens won't the per capita rate go down - whether or not the state also decides to "borrow" money from this fund?

10.69

Page: 67 Author: irenelong Subject: Sticky Note
So the original "driving force" behind the Incorporation Committee pushing for Eastvale to pursue cityhood NOW as opposed to waiting for better (more stable) economic times has been pushed back 5 years.

Table 5.10a: Park Department Revenue - Scenario 1 (2008\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	2011	2012	2013	2014	2015	2016	2017	2018
Dwelling Units in Existing Assessment Area	2,484	2,559	2,635	2,714	2,796	2,880	2,966	3,041
Nonresidential Acreage	140	145	149	153	158	166	174	181
Maintenance Assessment per DU	15.00							
Maintenance Assessment Revenue	\$ -	\$ 41,000	\$ 42,000	\$ 43,000	\$ 44,000	\$ 46,000	\$ 47,000	\$ 49,000

Sources: Jurupa Area Recreation and Park District; Willdan Financial Services.

Table 5.10b: Park Department Revenue - Scenario 2 (2008\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	2011	2012	2013	2014	2015	2016	2017	2018
Dwelling Units in Existing Assessment Area	2,749	2,831	2,916	3,004	3,094	3,187	3,282	3,381
Nonresidential Acreage	280	288	297	306	315	331	347	365
Maintenance Assessment per DU	15.00							
Maintenance Assessment Revenue	\$ -	\$ 47,000	\$ 48,000	\$ 50,000	\$ 51,000	\$ 53,000	\$ 54,000	\$ 56,000

Sources: Jurupa Area Recreation and Park District; Willdan Financial Services.

Does this mean there are only 183 acres of land left that is not already built out as residential in the entire proposed scenario 1 city?
If yes, how much of that land is already zoned as residential?

10.70

Other Revenues

The new city will receive revenue from a number of other non-tax sources. Most revenues are estimated based on per capita calculations consistent with the Riverside County budget actuals for FY2007-08. Some adjustments have been made and are discussed in the following section. See **Table A.1** in the Appendix for more detail on the calculation of these revenues.

Franchise Fees

This revenue is generated through franchise agreements for services such as solid waste collection. The County of Riverside collects franchise fees (in the unincorporated area only). The new city is assumed to receive revenues comparable to the County's on a per capita basis.

Fines, Forfeitures and Penalties

Revenue from traffic fines is calculated based on per capita revenue assumptions from other cities in the County. It is assumed that \$5.95 per resident in revenue is generated per year in fines, forfeitures and penalties.

Charges for Services

For the proposed new city, charges for services are calculated based on recovery of costs projected for the development services department. Unlike other types of municipal services, planning, development, and code enforcement services can often recover up to 100 percent of their costs through fees and charges. For the new city, revenue from charges for services is based on a cost recovery rate of 80 percent applied to total development services department costs.

Proposition 42

Proposition 42 dedicates a portion of gas tax to transportation projects. Revenue is estimated at \$10.04 per capita.

Measure A Sales Tax

Measure A, a half-cent sales tax for funding transportation, sales tax revenue was estimated for each scenario for FY2010 by the Riverside County Transportation Commission. For the purposes of this analysis Measure A sales tax revenue is projected forward based on service population growth.

Use of Money and Property

Revenue from use of money and property is assumed to be equal to two percent of General Fund revenue for a given year. This estimate is consistent with use of money and property revenue in other cities in Riverside County.

Other Tax and Revenue Projections

Projections of other taxes and revenues are shown in **Table 5.11a** and **5.11b**.

Page: 69 Author: irenelong Subject: Sticky Note

10.71 What are the assumptions about these fees - like garbage collection. Are the fees per household projected to remain the same or go up? Are franchise fees typically set at a break-even rate to simply cover actual costs charged for services or are they "overcharged" to create a source of "surplus" city revenue for the general fund? Which of the two is assumed in these models and why?

Page: 69 Author: irenelong Subject: Sticky Note

10.72 Why wouldn't we want whatever additional services the city chooses to provide to be 100% self supporting? Specifically what new or additional services were assumed to be offered immediately upon incorporation to justify the proposed hiring of 5.5 people for the first partial year and a 6.5 person department with a \$1,691,000 budget in the first full year as a city?

6. Results

Fiscal Feasibility

Fiscal feasibility is evaluated based on net revenue (revenues minus costs) as a percent of total costs. Positive net revenue indicates that the new city would be fiscally feasible while negative net revenue indicates the opposite.

The criteria for determining fiscal feasibility of the new city should be evaluated within the context of a reasonable range of error surrounding model assumptions, recommended to be plus or minus 10 percent. Thus, the criteria for determining fiscal feasibility are as follows:

- Positive net revenue that is more than 10 percent of total costs typically indicates that the new city is likely to be fiscally feasible;
- Negative net revenue that is more than 10 percent of total costs typically indicates that the new city is not likely to be fiscally feasible; and
- Net revenue that is within plus or minus 10 percent of total costs typically indicates that the new city may be fiscally feasible.

For Riverside LAFCO, the minimum legal requirement for making a finding of fiscal feasibility as stated in Government Code Section 56720 (e) requires the proposed city “to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.” Riverside County LAFCO requires analysis over a longer period to have a more complete picture of the fiscal balance of the city once certain state subventions are reduced after five years pursuant to statute. The analysis also includes a 10 percent contingency, which is assumed to be expended each year.

The results of the analysis are presented in **Tables 6.1, 6.2 and 6.3**. All three scenarios show the incorporation as having a neutral impact, and have a negative general fund balance in the later years of the analysis. It is important to note that net revenue trends are improving in the final years analyzed. Overall, the feasibility of the incorporation is inconclusive: neither clearly feasible, nor clearly infeasible. Feasibility of the incorporation will rely on the policy decisions that the new city officials make.

Revenue Neutrality Not Addressed

Under the revenue neutrality law, enacted in 1992, LAFCO cannot approve the incorporation of a new city without either demonstrating that the incorporation would not have a negative fiscal impact on an affected agency, or receiving the approval of that agency. An agency that is negatively affected by incorporation can, for example, negotiate payments from and participate in tax sharing agreements with the new city.

For the County, revenue neutrality is calculated based on recurring General Fund costs and revenues for the base year (FY 2007-08). The County would lose revenue but would also realize a reduction in service costs in the incorporated city. If the revenues transferred exceed the costs of services within the incorporation scenario boundaries, the County would realize a negative long-term fiscal impact. **Tables 6.4 and 6.5** show the revenue neutrality

0.73 Page: 72 Author: irenelong Subject: Sticky Note

All three models show net revenues negative (therefore not feasible) by 2014 and staying that way - regardless of whether Hwy 15 or Wineville is chosen as the northern boundary. Revenue neutrality costs and capital equipment purchase costs aren't yet included in those numbers and will only serve to make them even worse. To top that, operating reserves go negative in 2012 in Scenario 2 and by 2018 in Scenario 1 - which is fiscally irresponsible.

10.74 Page: 72 Author: irenelong Subject: Sticky Note

Only Scenario 1 meets that threshold - but only for 2 years after the county stops loaning the city money to pay our expenses. Scenario 2 never meets that threshold after the county stops paying our costs (as a loan). Once "estimated" revenue neutrality fees are factored in it's red ink everywhere!

10.75 Page: 72 Author: irenelong Subject: Sticky Note

Thank you Riverside County LAFCO!!!!!!!

10.76 Page: 72 Author: irenelong Subject: Sticky Note

I think it's safe to assume that most residents are not simply interested in barely squeaking by to pass the minimal threshold to qualify for incorporation as a city and would NOT favor living in a city that plans to run in the red every year (with "a negative general fund balance").

10.77 Page: 72 Author: irenelong Subject: Sticky Note

The numbers just don't add up for creating a viable city right now and through 2018 any way you slice them. On top of that, if the hiring of 17 city employees from the start when the only change in services that cityhood will bring is that a handful of JARPD parks may be managed by a couple of part-time city employees is any indication of the kinds of fiscally responsible decision-making that may be made those on the incorporation committee hoping to be hired as government leaders, we're really in trouble if cityhood passes!

10.78 Page: 72 Author: irenelong Subject: Sticky Note

Since under all three models the plan is to continue to contract back to the county for police and fire and almost all services, the fees that have been negotiated should be fairly small for now. But if Eastvale were to become a city and the residents were to decide to want to have a city police department or fire department at some future date years from now, it appears that under current law the city would have to get the approval of the County Sheriff or Cal Fire first. It also appears that the city would also be charged new neutrality fees at that time for whatever negative impact the County Sheriff or Cal Fire would experience from the city choosing to take those services on. Is that correct?

analysis for scenarios 1 and 2, respectively. This analysis indicates that the County would realize a negative fiscal impact under all scenarios.

The results of negotiating approval from the County if either scenario is approved, including potential tax sharing, may affect the fiscal feasibility finding stated above.

Unless the county decided on charging zero neutrality fees, logic dictates that ANY costs would only serve to make Eastvale cityhood even less viable.

10.79

Table 6.4: Estimated Annual Revenue Neutrality Mitigation - General Fund, Scenario 1

	Base Year FY08
<u>Revenues Transferred</u>	
Property Taxes	\$ 1,536,000
Sales Tax	2,439,500
Property Transfer Tax	271,000
Franchise Fees	502,686
Fines and Forfeitures	281,000
Total Revenues Transferred	\$ 5,030,186
<u>Net County Cost</u>	\$ 4,017,297
Additional Future Revenues to County (Tax Admin. at 1 %)	\$ 15,360
County Surplus or (Deficit)	\$ (997,529)

Sources: Tables 5.3, 5.5 and A.1; Willdan Financial Services.

Table 6.5: Estimated Annual Revenue Neutrality Mitigation - General Fund, Scenario 2

	Base Year FY08
<u>Revenues Transferred</u>	
Property Taxes	\$ 1,632,000
Sales Tax	3,075,500
Property Transfer Tax	288,000
Franchise Fees	518,161
Fines and Forfeitures	307,000
Total Revenues Transferred	\$ 5,820,661
<u>Net County Cost</u>	\$ 4,270,011
Additional Future Revenues to County (Tax Admin. at 1 %)	\$ 16,320
County Surplus or (Deficit)	\$ (1,534,330)

Sources: Tables 5.3, 5.5 and A.1; Willdan Financial Services.

Does this indicate that the county was managing to provide any and all services that may be taken over by the city for less than half of what is being proposed be budgeted to hire employees to create the city bureaucracy?! So the whole concern about how the county might be spending taxes collected in Eastvale to help other parts of the county actually doesn't bear out when compared to the proposal that we spend twice as much as the county is currently spending to manage these exact same services - plus continue to pay the county neutrality fees for years to come - making it 3 times as expensive to provide the exact same services we have right now. Correct?

10.80