

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: EXECUTIVE OFFICE

SUBMITTAL DATE: March 11, 2003

SUBJECT: Report on Matching Funding for Cityhood Efforts

RECOMMENDED MOTION: That the Board of Supervisors:

1. Direct the Executive Office, in consultation with Board members, to oversee requests from community groups for matching funds that assist in incorporation efforts; and
2. Direct the Planning Department through their contract Stanley R. Hoffman Associates, Inc. to assist the Executive Office with obtaining preliminary fiscal assessment information to support incorporation efforts.

BACKGROUND: On January 28, 2003, the Board of Supervisors approved the recommendations contained in the Cityhood Report (Agenda Item 3.5). The Report addressed ways the County can assist unincorporated communities in forming new cities. The Board directed the Executive Office to provide a follow-up report on matching funding to help legitimate local efforts begin the incorporation process.

Attached is a report regarding long- and short-term funding issues that affect incorporation efforts. Based on this analysis, the Executive Office has formulated the above recommendations for the Board's consideration.

Katherine Gifford
Senior Management Analyst

Consent Policy
 Consent Policy

FINANCIAL DATA:

CURRENT YEAR COST	\$0	ANNUAL COST:	\$ 0
NET COUNTY COST	\$0	IN CURRENT YEAR BUDGET:	Yes/ No/
		BUDGET ADJUSTMENT FY:	Yes/ No/

SOURCE OF FUNDS:

C.E.O. RECOMMENDATION: APPROVE

County Executive Officer Signature

Department Recommendation:
 Per Executive Office:

Prev. Agn. ref. 1/28/03 (item 3.5)

Dist. All

AGENDA NO.

03 MAR -E 11 9:07

BACKGROUND

On January 28, 2003, the Board of Supervisors approved the recommendations contained in the Cityhood Report (Agenda Item 3.5). Prepared by the Executive Office, the Report addressed ways the County can assist unincorporated communities in forming new cities. The Board directed the Executive Office to provide a follow up report on matching funding to help legitimate local efforts begin the incorporation process.

The issue of a "legitimate" proposal is tied to several issues: (1) the long-term fiscal ability of a community to support itself, should it incorporate, and (2) the short-term costs of funding the incorporation process.

LONG-TERM FISCAL CONSIDERATIONS

Determining the "legitimacy" of any incorporation request requires an assessment of the community's fiscal strength. Although a comprehensive fiscal analysis (CFA) is required by LAFCO for all incorporation proposals, preparation is not recommended until after the submittal of an application to LAFCO. By that time, a considerable amount of time and energy has been invested by the proponents, including gathering signatures of at least 25% of the registered voters in the proposed area, with limited knowledge on the sufficiency of fiscal resources to support the potential new city.

The State Office of Planning and Research (OPR) suggests that an initial fiscal feasibility review be performed as a preliminary fiscal assessment of the resources available. Attachment A is an outline of an initial fiscal feasibility spreadsheet from the OPR Incorporation Guidelines. The County has a modeling program, developed by Stanley R. Hoffman Associates, Inc., that can be used to provide fiscal data for LAFCO proposals. Fiscal data combined with the proponents projected expenditures for the new city would provide a quick appraisal of the potential for incorporation. The fiscal information will also benefit the County as a snapshot of any revenue neutrality considerations.

The fiscal analysis model was largely developed to assist in general plan and specific plan analyses. The Planning Department has an ongoing contract with Stanley R. Hoffman Associates, Inc. for updates to the model. The updated model is used for general plan analyses and can provide the Board preliminary assessments of the fiscal feasibility of potential incorporations.

RECOMMENDATION: Direct the Planning Department through their contract Stanley R. Hoffman Associates, Inc. to assist the Executive Office with obtaining preliminary fiscal assessment information to support incorporation efforts

SHORT-TERM FISCAL CONSIDERATIONS

The formal procedure for incorporation can cost up to \$100,000 or more (See Table 1). This short-term cost can be daunting to a local community and may cause proponents to abandon incorporation efforts. However, the process of working together and raising funds toward a common goal can help define a community and develop the necessary leadership that will be needed if the incorporation effort is successful. The Board has indicated its general desire to assist legitimate efforts with matching funds to begin the process.

Table 1: Estimate of Incorporation Process Costs

Process	Estimated Cost
LAFCO Staff Review Based on \$59 per hour	\$12,000 - \$20,000
Comprehensive Fiscal Analysis Analysis of alternative boundary scenarios increase costs	\$25,000 - \$75,000
Petition Signature Verification LAFCO reports that current law is ambiguous on the payer of this cost	\$2,000 - \$3,000
Environmental Work If required	\$5,000 - \$100,000

Using district specific or countywide developer agreement funds to assist incorporation efforts provides a nexus back to the general community where the funds originated and links the incorporation effort to the growth that has occurred. The Board may want to consider loaning the matching funds to communities with a condition that the amount is repaid over a period of time by the new city if the incorporation effort is successful. Repaid funds would be available to assist other communities in similar efforts.

The Executive Office, in its coordinating role with LAFCO, can serve as liaison for the Board to community groups seeking financial assistance with incorporation costs. The Executive Office will develop a process, in consultation with Board Members, to oversee requests from community groups for matching funds. Preliminarily, it seems at a minimum, proponents should present a petition containing the unverified signatures of 25 percent of the registered voters in the proposed incorporation area, defined boundaries, and a specific request for matching funding with identified local resources to be applied toward the effort. Requests for matching funding will be presented to the Board for policy consideration.

RECOMMENDATION: That the Board of Supervisors direct the Executive Office, in consultation with Board Members, to oversee requests from community groups for matching funds that assist with incorporation efforts.

INITIAL FISCAL FEASIBILITY SPREADSHEET

INITIAL FISCAL FEASIBILITY ANALYSIS*

GENERAL FUND	
General Fund Revenues	
Property Tax	0
Property Transfer Tax	0
Sales and Use Tax	0
Transient Occupancy Tax	0
Motor Vehicle In-Lieu	0
Franchise Fees	0
Fines & Forfeitures	0
Total Revenues	0
General Fund Expenditures	
City Council	0
City Manager	0
City Clerk	0
City Attorney	0
Finance	0
Community Development	0
Law Enforcement	0
Fire Protection	0
Animal Control (Net Cost)	0
Parks and Recreation	0
Non-Departmental	0
Subtotal	0
<u>Contingency (@ 5%)</u>	0
Total Expenditures	0
General Fund Operating Surplus (Deficit)	0

ROAD FUND	
Road Fund Revenues	
Gas Taxes	0
Transportation Related Sales Tax	0
Total Revenues	0
General Fund Expenditures	
Street Maintenance	0
<u>Contingency (@ 5%)</u>	0
Total Expenditures	0
General Fund Operating Surplus (Deficit)	0

*WARNING: The initial fiscal feasibility spreadsheet is only to be used for educational purposes. It should not be used as the basis or as a substitute for a CFA.