

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



FROM: Supervisor Buster and Supervisor Stone

SUBMITTAL DATE:  
July 20, 2007

SUBJECT: Allocation of Funds to Incorporating Cities in the Areas of Wildomar and Menifee Based On a Net Savings Calculation

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Approve the attached recommended changes to Board Policy A-46 (Attachment A); and
2. Allocate the net savings calculation in Attachment B and Attachment C to the respective cities; and
3. Continue annual payments based on the attachments for ten (10) years, to be reduced annually by the amount of sales tax which exceeds the estimated amounts identified in the respective Comprehensive Fiscal Analysis (CFA) for the areas of Wildomar and Menifee submitted to the Local Agency Formation Commission (LAFCO) for approval; and
4. Direct the Executive Office to adjust net county cost allocations consistent with the proposed net savings displayed in the respective CFA.

**BACKGROUND:** In 1992, the State enacted legislation designed to reduce the negative fiscal impact incorporations can have on counties and other affected agencies. This legislation is termed "revenue neutrality."

Under the revenue neutrality law (§56815) the Local Agency Formation Commission (LAFCO) cannot approve a proposal for incorporation unless it finds that the amount of revenues the new city receives from the county and other affected agencies after incorporation would be substantially equal to the amount of savings the county or the affected agencies would attain from no longer providing services to the proposed incorporation area. A broad range of mitigation measures is permitted as is a less-than-substantially equal exchange if the county or affected agencies agree to the transaction.

*Bob Buster*

Bob Buster, Supervisor  
1<sup>st</sup> District

*Jeff Stone*

Jeff Stone, Supervisor  
3<sup>rd</sup> District

Dep't Recomm.:  Consent  Policy  
Per Exec. Ofc.:  Consent  Policy

Prev. Agn. Ref.:

District:

Agenda Number:

3.2

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In simplest terms, revenue neutrality was designed to prevent incorporations from adversely impacting counties' and other affected agencies' budgets. The reduction in revenues should be offset by a reduction in service expenditures. If a loss to the affected county or agency is calculated during the incorporation process, the parties enter into revenue neutrality negotiations. A result of these negotiations can be an assessment of payments by the city to mitigate this imbalance.

In the cases of the current incorporation proposals for the communities of Wildomar and Menifee, revenue neutrality negotiations was deemed unnecessary, as the respective Comprehensive Fiscal Analysis (CFA) indicates the county's budget is not adversely affected by the incorporation. In fact, it is estimated that the county will have a net-savings if these incorporations occur.

Attachment B and Attachment C are calculations, which estimate the net-savings to the county. The action requested is for the county, upon the successful incorporation of the city, to annually submit payments for up to ten (10) years, with payments being reduced on an annual basis if there is an increase in the estimated sales tax above the amounts identified in the respective CFA for the areas of Wildomar and Menifee submitted to LAFCO for approval.

Recently, other communities have taken informal and formal steps towards incorporation. It is proposed that Board Policy A-46 be changed, so that future incorporation efforts are given the same consideration (Attachment A).

**COUNTY OF RIVERSIDE, CALIFORNIA  
BOARD OF SUPERVISORS POLICY**

<b><u>Subject:</u></b>	<b><u>Policy Number</u></b>	<b><u>Page</u></b>
<b>BOARD OF SUPERVISORS' POSITION(S) ON LOCAL AGENCY FORMATION COMMISSION MATTERS</b>	<b>A-46</b>	<b>1 of 1</b>

**Purpose:**

To establish direction for Board of Supervisors' position(s) on county boundary changes.

**Policy:**

The Board of Supervisors may elect to state its position in support of or opposition to any proposed or pending LAFCo action that the Board deems will adversely impact the County of Riverside. The Board position shall be based on findings that demonstrate a significant operational impact upon the county as a result of jurisdictional changes (e.g. major annexations and incorporations).

The Board may seek reconsideration of any matter which LAFCo approves that the Board determines will have a detrimental fiscal or operational impact upon the County of Riverside's budget or service delivery capability.

The Board may seek reimbursement and/or redress from cities or other agencies for the loss of investment in public works projects that would normally transfer to a city upon approval of a jurisdictional change.

Where a Comprehensive Fiscal Analysis (CFA) clearly demonstrates that a proposed incorporation will be revenue neutral or result in a reduction in net county cost, consideration may be given to negotiating a County contribution to the initial cost of city services.

**Reference:**

Minute Order 3.40 of 04/13/92

Minute Order 3.7 of 11/07/06

ATTACHMENT B

Wildomar Net Savings Calculations

Transition Year	2	3	4	5	6	7	8	9	10
FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 04/05	FY 15/16	FY 16/17	FY 17/18
\$237,579	\$244,706	\$252,048	\$259,609	\$267,397	\$275,419	\$283,682	\$292,192	\$300,958	\$309,987

ATTACHMENT C

Menifee Net Savings Calculations

**Boundary 1**

Transition Year	2	3	4	5	6	7	8	9	10
FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 04/05	FY 15/16	FY 16/17	FY 17/18
\$1,209,520	\$1,245,806	\$1,283,180	\$1,321,675	\$1,361,325	\$1,402,165	\$1,444,230	\$ 1,487,557	\$ 1,532,184	\$1,578,149

**Boundary 2**

Transition Year	2	3	4	5	6	7	8	9	10
FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 04/05	FY 15/16	FY 16/17	FY 17/18
\$ 505,950	\$ 521,129	\$ 536,762	\$ 552,865	\$ 569,451	\$ 586,535	\$ 604,131	\$ 622,255	\$ 640,922	\$ 660,150

**Boundary 3**

Transition Year	2	3	4	5	6	7	8	9	10
FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 04/05	FY 15/16	FY 16/17	FY 17/18
\$ 331,481	\$ 341,425	\$ 351,668	\$ 362,218	\$ 373,085	\$ 384,277	\$ 395,806	\$ 407,680	\$ 419,910	\$ 432,508