

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

471



SUBMITTAL DATE:
August 25, 2008

FROM: Executive Office

SUBJECT: Board Policy on Revenue Neutrality

RECOMMENDED MOTION: That the Board of Supervisors approve the recommended changes to Board Policy A-46 (Attachment A).

BACKGROUND: The law governing Revenue Neutrality states that any proposal "that includes an incorporation should result in a similar exchange of both revenue and responsibility for service delivery among the county, the proposed city and other subject areas" {§56815(a)}.

The Local Area Formation Commission (LAFCO) is prohibited by Government Code §56815(b) from approving an incorporation proposal unless it finds revenues and expenditures "substantially equal" unless: 1. both (or all if more than one jurisdiction is involved) subject agencies agree to the proposal's fiscal effects; or 2. The negative fiscal effect has been adequately mitigated through a mitigation agreement that all parties endorse. The mitigation agreement can include the following: tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to §56886.

Continued

Tina Grande, Principal Management Analyst

FINANCIAL DATA	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: **APPROVE**

BY:
Gary M. Christmas

County Executive Office Signature

- Policy
- Policy
- Consent
- Consent

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

FORM APPROVED COUNTY COUNSEL
BY: BRUCE G. FORDON 8/26/08
DATE
Departmental Concurrence

The Revenue Neutrality process begins after the Draft Comprehensive Fiscal Analysis (CFA) is created and before the creation of the Public Hearing Draft CFA. The Draft CFA contains the interpretation and analysis by the consultant of the data submitted by the county and the state (primarily sales tax). The results of the mitigation agreement are included in the Public Hearing Draft (CFA).

If an agreement is reached, the agreement is adopted by the Board of Supervisors and the chief petitioners. If no agreement is reached, the LAFCO staff will draft a revenue neutrality proposal for the LAFCO board to adopt. It is, therefore, in the best interest of all parties to negotiate an agreement.

LAFCO staff has suggested that the county adopt a policy regarding revenue neutrality. Board Policy A-46 covers the Board's position on LAFCO matters. Although the policy states that consideration shall be given to negotiating a contribution to the initial cost of city services in the case where the proposed incorporation is deemed revenue neutral or result in a reduction of net county cost, it does not address a position on revenue neutrality in the case where the incorporation has a negative fiscal effect. No incorporations with a negative fiscal effect have occurred in Riverside County since the passing of the Revenue Neutrality Law.

ATTACHMENT A

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

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

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 shall be given to negotiating a county contribution to the initial cost of city services. When an incorporation is not deemed revenue neutral or result in a reduction in net county cost, the Board may seek to negotiate compensation due to the loss of revenue.

Reference:

- Minute Order 3.40 of 04/13/92
- Minute Order 3.7 of 11/07/06
- Minute Order 3.2 of 07/31/07