

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

385



FROM: Executive Office

SUBMITTAL DATE:
July 19, 2013

SUBJECT: LAFCO 2013-05-1 – Reorganization to Include Annexation 114 to the City of Corona (Temescal Valley), Concurrent Detachment from the Riverside County Waste Resources Management District and Detachment from County Service Area 134.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and File the County of Riverside's fiscal analysis; and
2. Direct the Executive Office to submit the County's response to LAFCO; and
3. Direct the Executive Office to begin negotiations with the City of Corona and return with a recommendation on the annexation dependent upon mitigation agreed to by the City of Corona.

Summary: The fiscal impact of the proposed annexation proceeding without a fiscal mitigation agreement is negative \$3 million in the short-term and as high as \$6 million in the long-term.

BACKGROUND: In April 2013, the City of Corona submitted an application to initiate an annexation of the Temescal Canyon area to the Local Agency Formation Commission (LAFCO). The Annexation is referred to as LAFCO 2013-05-1 – Reorganization to Include Annexation 114 to the City of Corona (Temescal Valley), Concurrent Detachment from the Riverside County Waste Resources Management District and Detachment from County Service Area 134.

Continued on the next page

Tina Grande

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 ☐

Requires 4/5 Vote ☐

C.E.O. RECOMMENDATION:

APPROVE

BY:

George A. Johnson
George A. Johnson

County Executive Office Signature

☐ Consent
☒ Policy
☐ Consent
☒ Policy

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

2013 JUL 19 PM 10:32
FILED IN THE OFFICE OF THE CLERK OF THE BOARD
COUNTY OF RIVERSIDE, CALIFORNIA

3-12

RE: LAFCO 2013-05-1 - Reorganization to Include Annexation 114 to the City of Corona (Temescal Valley), Concurrent Detachment from the Riverside County Waste Resources Management District and Detachment from County Service Area 134.
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BACKGROUND continued: The proposed area to be annexed is located in Supervisorial District 1 and is described as 15.58 square miles adjacent to the City of Corona's southern boundary at Weirick Road extending east and west of the Interstate 15 to just south of Indian Truck Trail. The population was 15,586 (Census 2010), and the assessed value of the study area was \$2.2 billion in fiscal year 2011/2012.

Once an application is deemed complete by LAFCO it is distributed to affected agencies and interested parties for comment. Comments are usually requested within 30 days. The county requested and received an extension until July 30, 2013.

Annexations are covered under the Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000 (Government Code §§ 56000 et seq). In addition, the Riverside LAFCO has adopted policies governing local boundary changes. One such policy is LAFCO Policy 3.1.3. It requires the initiating agency to enter into discussions prior to submitting an application to LAFCO with an affected agency if there is a significant negative impact on the affected agency. In this case, the City of Corona's fiscal analysis determined that the annexation would result in a small positive impact to the county in the short-term, and a negative impact in the future. As a result, the city did not initiate negotiations before submitting its application to LAFCO.

Board Policy A-46 states that the "Board of Supervisors may elect to state its position in support or opposition to any proposed or pending LAFCO action that the Board deems will adversely impact the County of Riverside," and that this decision will be based on findings that "demonstrate a significant operational impact upon the county. . ." Policy A-46 also states that the Board may seek reimbursement for public works projects. This relates to LAFCO's Transportation Reimbursement Policy.

Due to the size and location of the proposed annexation, the Executive Office sought the expertise of the county's fiscal advisors at C.M. de Crinis and its subcontractor Burr Consulting. These organizations have extensive knowledge of the county's fiscal complexities and have dealt with major incorporation and annexation proposals in the State of California.

The County of Riverside's fiscal analysis is attached. The study has determined that there would be a significant immediate and long-term impact to the county. The county's study estimates that annexation would initially have a negative impact on the county's general and fire funds of \$2.3 million annually (in FY 11-12 dollars), in addition to a negative impact of \$0.3 million annually on the county library. Over time, the negative impact increases as the economy and real estate markets recover and approved specific plans are built. The study projects that the negative fiscal impact would grow from \$2.6 million (FY 11-12 actuals) to \$2.9 million (FY 13-14) due to budding recovery in county property and sales tax revenues. In the long-term, annexation would shift future revenues from the county to the City of Corona as the county-approved Serrano (6.8 million square feet of commercial development capacity), and Toscana (1,364 housing unit capacity) Specific Plans come to fruition.

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The county's fiscal analysis found there would be a positive \$1.1 million impact on the county's transportation fund. The net impact on roadway funding is positive because annexation would not reduce the county's gas tax and Measure A allocations to the same extent as the county's annexation-related add savings on roadways. This positive impact does not offset the negative impact on the county's general, fire, and library funds, because gas tax and Measure A funds may only be used for road and transportation purposes. Consistent with Board and LAFCO policy, county-city negotiations would involve the city reimbursing the county for recent capital projects in the annexation area.

A commercial segment of Temescal Canyon Road in the County's 1-1986 redevelopment area generated \$1.5 million in Redevelopment Property Tax Trust Fund (RPTTF) revenues in FY 11-12. The county's former Redevelopment Agency (RDA) had financed construction of a regional sports park and funded design for street widening in Temescal Valley before the State dissolved RDAs. RPTTF revenues are pledged to repay debt service for bonds that mature in 2037. Due to the complexity of the RDA wind-down, it may be prudent for the county to negotiate related matters directly with the city.

The county's study includes three additional study areas that are in the city's sphere, which the city did not analyze. The county's analysis shows that the annexation of Coronita, El Cerrito, Home Gardens would have a positive fiscal impact on the county. There have been previous annexation attempts on these areas except for Home Gardens. The annexation of Home Gardens would have the most positive impact on the county.

County staff shared preliminary findings with the city in July and initiated discussions on the report findings. Specifically, the county explained its findings and how it differed from the city's report. The summary of the differences are included at the end of Chapter 6 of the attached county fiscal analysis. The Executive Office solicited input of many county departments and held multiple meetings with key departments as part of the data discovery portion of the project. The county also used the most current budget, which was not available to the city. The complexity of the county budget may have contributed to differences as well. Although there is a net loss to the county, which is different from the city's conclusion, some differences were found to have a positive impact on the county, such as the previously mentioned transportation fund.

The Waste Management Department has raised concerns about the annexation of the access road to the El Sobrante landfill. Those concerns may be addressed by exclusion of the road and some buffer parcels from the annexation area.

Staff recommends that the Board of Supervisors direct the staff to submit the county's fiscal analysis to LAFCO with a letter signed by the Executive Officer or his designee stating the intent of the county is to begin formal negotiations with the city, and depending on the outcome of the negotiations and any mitigation agreed to by the city, reserve taking a vote of no position, opposition, or support of the annexation.

The Board's action today will allow staff to submit the fiscal analysis, begin formal negotiations, with the intent to have staff return with a recommendation for position on the annexation.