

WILDOMAR MUNICIPAL SERVICE AND INITIAL FISCAL REVIEW

PUBLIC DRAFT

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GLOSSARY

Annexation	Extension of the boundaries of a city to include new territory within the city's jurisdiction.
Base year	All estimates and projections are based on data collected for FY 2003-04. The first year of incorporation or annexation is assumed to be FY 2005-06.
Full annexation	See "governance scenarios".
Full incorporation	See "governance scenarios".
Governance scenarios	The four scenarios analyzed in this report for governing the delivery of municipal services to the Wildomar community: <ul style="list-style-type: none">◆ <u>Full incorporation</u>: incorporation of the entire Wildomar community.◆ <u>Full annexation</u>: annexation of the entire Wildomar community to the City of Murrieta.◆ <u>Partial incorporation/annexation</u>: incorporation of the north area and annexation of the south area to the City of Murrieta.◆ <u>South annexation only</u>: annexation of the south area to the City of Murrieta and the north area remains unincorporated.
Incorporation	Formation of a new city within the unincorporated area of a county.
Initial fiscal review	A preliminary analysis of the financial feasibility of a potential new city or annexation, and the fiscal impacts on affected agencies of incorporation.
Municipal services	Local (less-than-countywide) public services provided to developed areas by cities, counties, and special districts such as land use regulation, parks and recreation, public safety, roads, and utilities.
Municipal service review (MSR)	A current, formal, and comprehensive analysis of the municipal services provided in a geographic area of a county.
North area	The portion of the Wildomar community located north of Central Avenue and Baxter Road.
Partial incorporation/annexation	See "governance scenarios".

Riverside County Local Agency Formation Commission (LAFCO)	A countywide public agency responsible for approving changes in the boundaries of local agencies within Riverside County.
South area	The portion of the Wildomar community located south of Baxter Road and Central Avenue.
Sphere of influence	A policy tool for encouraging logical and orderly development within a county that identifies the probable boundary limits of a local agency's service delivery.
Subvention	A revenue source that is imposed and collected by the State and allocated back to local jurisdictions based on a statutory formula. Includes vehicle license fees and gas taxes.
Tax allocation factor (TAF)	The share of the property tax that is allocated to a local agency.
Wildomar community	An unincorporated community of Riverside County generally located between the cities of Lake Elsinore and Murrieta and bisected by Interstate 15. For purposes of this study and analysis, a north and south area were identified.

EXECUTIVE SUMMARY

Purpose of Study

Wildomar is a developing unincorporated community located in southwestern Riverside County. The community is bisected by Interstate 15 and lies between the cities of Lake Elsinore to the north and Murrieta to the south. The area has an estimated population of about 25,500 in 2004.¹ See **Figure 1** in Chapter 1 of the report for the geographical boundary of this Wildomar community.

Members of the Wildomar community along with the adjoining City of Murrieta, the County, and the Riverside County Local Agency Formation Commission (LAFCO) have been discussing the potential for incorporations or annexations in the area. These discussions resulted in a determination that a municipal service review and fiscal analysis of various governance scenarios would provide critical information to all interested parties. LAFCO determined that this study would examine the following four governance scenarios:

- ◆ **Full incorporation:** Incorporation of the entire Wildomar community;
- ◆ **Full annexation:** Annexation of the entire Wildomar community to the City of Murrieta;
- ◆ **Partial incorporation/annexation:** Incorporation of the north area and annexation of the south area to the City of Murrieta; and
- ◆ **South Annexation Only:** Annexation of the south area with the north area remaining unincorporated.

Key Assumptions and Limitations of the Analysis

Changes To Vehicle License Fee Subvention

Following completion of the analysis for this study the Legislature altered the formula for allocating the Vehicle License Fee (VLF), a significant revenue source for cities and counties. The new law profoundly alters the fiscal impact of new annexations and incorporations (changes to jurisdictions boundaries). The effect is a significant decrease in VLF revenues to cities from annexations, at least initially, and a permanent decrease in VLF revenues to new incorporated cities. It is unknown if the State will change the law in the near or long-term to address these fiscal impacts.

Because of the significance of this issue the analysis presented in this report was amended to include two revenue forecasts, a forecast of VLF revenue under (1) prior law, and (2) current law. Chapter 4 includes a detailed discussion of these alternative assumptions. The precise application of this law is still being determined by county Auditor-Controllers and

¹ Population estimated based on 2000 Census plus development activity to January 1, 2004. See Chapter 2.

the State Controller's Office. This report is based upon the most current information available at the time of its release.

Fiscal Viability

For the purposes of this report a finding of fiscal viability requires a projection of positive fiscal impacts on the affected jurisdiction during the initial five years of the projection period (a 20-year planning horizon). If positive fiscal impacts were not projected to occur until later in the planning horizon, waiting to incorporate or annex would not necessarily change the initial fiscal viability of a scenario. Rather, the same trend may continue to hold true with negative impacts initially, becoming positive later on.

Fiscal impact also considers a reasonable range of error surrounding the assumptions in this analysis. If net fiscal impact (revenues minus costs) as a percent of total costs is:

- ◆ Less than 10 percent then the model indicates a negative fiscal impact;
- ◆ Within plus or minus 10 percent then the model indicates a neutral fiscal impact; and
- ◆ More than 10 percent then the model indicates a positive fiscal impact.

Finally, the findings from this study regarding fiscal viability could be altered if the new city or the City of Murrieta must mitigate negative fiscal impacts on other affected agencies. The impact of such a "fiscal neutrality" requirement is not addressed as part of this study. The fiscal impact on the County, in particular, would require further study if the incorporation scenario moves forward.

Key Findings

Key findings related to growth and fiscal viability for the four governance scenarios are summarized below. Other findings regarding facilities and services significantly affected by the scenarios are also discussed, particularly for fire, library, parks and recreation, and roads. These issues as well as impacts on other services such as law enforcement are fully discussed in Chapter 3.

Full incorporation

- ◆ **Growth to 2025:** More than double in size from 25,500 to 61,900 residents.
- ◆ **Fiscal viability:** Potentially fiscally viable assuming the same service levels as currently provided by the County, and assuming VLF revenue as provided under prior law. With the loss of VLF revenue under current law the new city would not be fiscally viable because it would face significant deficits in its first decade of operation. (See Table 5.1.)
- ◆ **Other key findings:**
 - **Parks & recreation:** Voter-approved special tax or assessment would be needed to fund ongoing services at least during the first ten years following incorporation. Capital funds would be needed if the currently low park facility standard were to be improved, though park dedications by new development would assist in this regard.

- **Roads:** Limited financial resources available to upgrade roads to municipal standards. Most or substantially all existing projected gas tax revenue would be needed to maintain current roads. Funding for road improvements would have to come from road fund surpluses and development exactions such as subdivision requirements and development impact fees.
- **Other:** Current no existing general government facilities are available for a city hall. Library and fire facilities and services would continue to be provided for through the County.

Full annexation

- ◆ **Growth to 2025:** More than double in size from 25,500 to 61,900 residents.
- ◆ **Fiscal viability:** Not fiscally viable regardless of whether or not state law affecting VLF funding is amended. (See Table 5.3.)
- ◆ **Other key findings:**
 - **Library:** City projected to have sufficient revenue to continue operation of the Mission Trail Community library to maintain current service levels. The County would require the City to agree to continue operating the library for the County to consider transferring the facility.
 - **Parks & recreation:** Extension of the City of Murrieta Measure WW special tax to the annexation area would provide funding for recreation programs, plus a substantial portion of park maintenance needs. Capital funds would be needed if the currently low park facility standard were to be improved, though park dedications by new development would assist in this regard.
 - **Fire:** Extension of special assessment would ensure operating funds for new fire station. Funding two additional fire stations in the north area to achieve response time standard could take 10 to 15 years depending on (1) the availability of surplus funds, and (2) the availability and cost of contracting with the County Fire Department. Opportunities exist for joint facility planning, contract agreements, and shared facilities.
 - **Roads:** Most or substantially all existing projected gas tax revenue would be needed to maintain current road conditions. Funding to upgrade roads to municipal standards would have to come from road fund surpluses and development exactions such as subdivision requirements and development impact fees.

Partial incorporation (north area only):

- ◆ **Growth to 2025:** Almost double in size from 15,800 to 28,400 residents.
- ◆ **Fiscal Viability:** Not fiscally viable regardless of whether or not state law affecting VLF funding is amended. (See Table 5.2.)

Partial annexation (south area only):

- ◆ **Growth to 2025:** More than triple in size from 9,700 to 33,500 residents.
- ◆ **Fiscal Viability:** Potentially fiscally viable within five years of annexation regardless of whether or not state law affecting VLF revenue is amended. VLF revenue under the prior law would offer better assurance of fiscal viability. (See Table 5.4.)
- ◆ **Other key findings:**
 - **Library:** County Library would lose property tax revenue equal to a substantial portion of the annual cost of operating the Mission Trail Community library. Opportunities for shared funding with City.
 - **Parks & recreation:** Extension of special tax would provide funding for recreation programs, plus a substantial portion of park maintenance needs. Capital funds would be needed if the currently low park facility standard were to be improved, though park dedications by new development would assist in this regard.
 - **Fire:** City would have new station for south area operating immediately, lowering current response times in the South area. Opportunities for joint facility planning, contracts with County Fire, and shared facilities to maximize efficiencies.
 - **Roads:** See “Full Annexation” scenario.

County Impacts (all scenarios)

- ◆ **Growth to 2025:** Same growth as indicated under each scenario discussed above.
- ◆ **Fiscal Impact:** The County would transfer more costs than revenues to the new city or the City of Murrieta, causing an immediate positive fiscal impact. The projection of ongoing revenues and costs associated with the services that the County would retain indicate that the Wildomar area would generate a negative fiscal impact on the County initially. However, these impacts would decrease and become positive over time, particularly with VLF revenues under current law.
- ◆ **Other key findings:**
 - **Library:** Under the south annexation only scenario, County Library would lose property tax revenue equal to a substantial portion of the annual cost of operating the Mission Trail Community library. Under other scenarios fiscal impact would be neutral.
 - **Parks & recreation:** County would retain responsibility for renovating existing parks in the north area if the south area is annexed to the City of Murrieta. The other alternatives of full incorporation, partial incorporation and full annexation would relieve the County of this function. The County is currently working with the community of Wildomar to develop a property tax measure to support the long-term maintenance of parks. Annexation or incorporation would affect this effort.

- **Fire:** The annexation scenarios (full or partial/south area only) would affect station planning and locations for County Fire. County Fire may relocate the existing Wildomar station under partial or full annexation, and would not build the planned station at Sedco Hills station under either annexation scenario. Opportunities for joint facility planning, contracts with the City of Murrieta, and shared facilities to maximize efficiencies.

Next Steps

If incorporation is pursued, the impact of the fiscal neutrality requirement on the County will require evaluation. 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. Facility and service issues should be addressed as summarized above.

If annexation is pursued, the County and the City of Murrieta have a master property tax sharing agreement for allocation of the property tax. Facility and service issues should be addressed as summarized above.

1. INTRODUCTION

This chapter provides some background on the Wildomar area and explains the reasons for and objectives of this study.

Background

Wildomar is a developing unincorporated community located in southwestern Riverside County. The community is bisected by Interstate 15 and lies between the cities of Lake Elsinore to the north and Murrieta to the south. In the past, the community was predominantly rural with some older areas of residential development. The area is changing rapidly, particularly in the south, with single family residential and neighborhood and freeway-oriented commercial development. The area has an estimated population of about 25,500 in 2004.² The geographical boundary of this Wildomar community is shown in **Figure 1**.

Wildomar has recently begun to experience the same rapid growth that has been affecting the cities that adjoin it and western Riverside County in general. Since 2000, the community has added about 1,500 new housing units and a neighborhood commercial development with 105,000 square feet of space.³ This growth is projected to continue and accelerate as the area continues to benefit from the competitive position of the Inland Empire (Riverside and San Bernardino Counties) relative to the more urbanized counties of Los Angeles and Orange to the west.

These development trends have led to discussions within the Wildomar community and the adjoining City of Murrieta about potential changes in governance for the area. “Governance” in this sense refers to the local agency responsible for delivering municipal services. Currently the County delivers most municipal services to the community. This discussion on future governance is typical for rural, unincorporated communities undergoing urbanization. In response to growth, these communities often seek greater local control of land use issues and increased public service levels characteristic of incorporated communities (cities), through incorporation as a new city or annexation to an existing city.

In February 2003, the City of Murrieta submitted applications to the Local Agency Formation Commission (LAFCO), the agency that is responsible for approving changes in the boundaries of local agencies in Riverside County that would amend the city’s Sphere of Influence to add the Wildomar community. The City subsequently filed a proposal to annex the south area of Wildomar, shown in Figure 1 up to the boundary indicated by the blue line that follows Baxter Street and Central Avenue. Some members of the community have expressed support for the initiative.⁴

² Population estimated based on 2000 Census plus development activity to January 1, 2004. See Chapter 2.

³ Riverside County building permit records. See Table A.1 for more detail.

⁴ A local community group called ATM (Annex To Murrieta) has been organizing support for annexation.

Figure 1 here

Other members of the Wildomar community have expressed support for incorporation of the community as an alternative to annexation. They have expressed interest in submitting an application to LAFCO for incorporation of the entire Wildomar community indicated in Figure 1.⁵

Lengthy discussion among the County, LAFCO, community representatives, and the City, led to the determination that a fiscal analysis of various governance scenarios would provide critical information to all interested parties. These governance scenarios would include partial or full incorporation of the Wildomar community and/or partial or full annexation to the City of Murrieta. This information would assist in evaluating the proposed actions before LAFCO. In addition, LAFCO regulations require a Municipal Service Review (MSR) prior to amending a sphere of influence.

For these reasons, LAFCO, the city and County initiated preparation of the MSR and Fiscal Analysis (MSFA). MuniFinancial prepared the study under contract to the County. Funding of the study was shared between LAFCO, the County, and the City. LAFCO, the County, and the City jointly provided management and oversight of the study.

Purpose of Study

The purpose of the study is to evaluate possible governance options for the Wildomar community. The study will provide a basis for the policy discussion that LAFCO, the County, the City of Murrieta, other affected public agencies, and community groups will need to have to reach a decision on the future governance of the Wildomar community.

The specific purposes of this study are twofold:

1. **Municipal service review:** Conduct a review of local agencies and options for the delivery of municipal services to the Wildomar community; and
2. **Initial fiscal review:** Conduct a preliminary review of the fiscal impacts on local agencies of possible governance options.

The initial fiscal review evaluates the following fiscal impacts:

- ◆ **Incorporation:** The estimated revenues and costs should the entire area incorporate or the north portion alone.
- ◆ **Annexation:** A fiscal impact model for the City of Murrieta to estimate the revenues that would be generated by the annexation area, including the south area only and the entire area, and the costs to serve these different areas.
- ◆ **County:** (1) the base year impact of the transfer of revenues and services to the new City and/or the City of Murrieta, and (2) the impact of continuing to provide unincorporated area and countywide services that would not be transferred to the Wildomar community.

⁵ A local community group called WIN (Wildomar Incorporation Now) has been organizing the incorporation effort.

Governance Scenarios

To determine the specific governance scenarios to be evaluated by this study, LAFCO considered Murrieta's interest in annexing the southern portion of Wildomar and interest expressed by members of the community in incorporating the entire community. LAFCO also considered its own goals and objectives embodied in its strategic plan. The latter includes encouraging "the orderly formation and development of agencies by shaping local agency boundaries".⁶ Given these considerations, LAFCO determined that this study would examine the following four governance scenarios:

- ◆ **Full incorporation:** Incorporation of the entire Wildomar community;
- ◆ **Full annexation:** Annexation of the entire Wildomar community to the City of Murrieta;
- ◆ **Partial incorporation/annexation:** Incorporation of the north area and annexation of the south area to the City of Murrieta; and
- ◆ **South Annexation Only:** Annexation of the south area with the north area remaining unincorporated.

By considering all reasonable governance scenarios this report provides information to facilitate the policy decisions facing LAFCO, Riverside County, the City of Murrieta, and the Wildomar community.

See **Figure 2** for a map of the boundaries of each governance scenario.

⁶ Riverside County Local Agency Formation Commission, *Strategic Plan*, p. ___, [date].

Figure 2 here

2. POPULATION, EMPLOYMENT, AND LAND USE

The municipal service review and initial fiscal analysis are based on estimates of existing and projected population, employment, and land use. This chapter describes how these estimates were developed for the Wildomar community.

Setting

The geographical boundary of the Wildomar community (see Figure 1 in the previous chapter) is derived from the boundaries of the Wildomar Unincorporated Community (UC) as defined by LAFCO. The purpose of the UC designation was to delineate a community that should not be annexed to a city in the foreseeable future. For the purpose of this study, the community has been divided into north and south areas. The dividing line along Central Avenue and Baxter Street is determined by the limit of the annexation area proposed by the City of Murrieta and coterminous with the south area. The north area is 16 square miles and the south area is seven square miles for a total area of 23 square miles.

The area west of Interstate 15 includes many of the historical features of the Wildomar community. The northern part of this area, adjacent to the City of Lake Elsinore and extending north of the Wildomar community boundary, is a community known as Lakeland Village. The area includes residential development on larger rural lots that use onsite water wells and septic systems typical of older unincorporated communities. The area also includes recent residential development at higher densities typical of new development with water and sewer provided by the regional utility district (Elsinore Valley Municipal Water District).

Newer commercial development is concentrated at the Clinton Keith, Central/Baxter, and Bundy Canyon highway interchanges. Older strip commercial development occurs in pockets along these same east-west streets as they extend through the community, and along Mission Trail and Palomar Street, the major north-south arterials.

Development in the area east of Interstate 15 is significantly constrained by a range of steep hills. The hills are several miles east of the highway in the south area, coming much closer to the highway in the north area. Existing development largely includes a mix of older and new residential development with commercial development concentrated at the highway interchanges, similar to the area west of the Interstate.

The hills to the north and east of Interstate 15 include an area traditionally known as Sedco Hills located in the north Wildomar area along Bundy Canyon Road. The hills include some limited residential development. Most development in this area is located to the east of the hills is a large established mobile home development called “The Farm” and other more recent residential subdivisions.

Development Trends

Regional Development Trends

Over the past decade, Wildomar began capturing a share of the residential and related commercial development being attracted to the Inland Empire region of western Riverside

and San Bernardino counties. This development is being driven by the continued population growth in the California economy, a state that has grown by 2.3 million residents (over six percent) since 2000 in spite of the recent economic recession. The State has consistently attracted new residents at about the same rate of 500,000 per year since World War II.

The Inland Empire offers a competitive alternative for development demand within the Los Angeles, Orange and San Diego regions. The coastal counties have become increasingly urban and generally high land prices are limiting development potentials. The Inland Empire offers substantial supplies of developable land and available infrastructure capacity. Critical to the region's growth has been a well-developed highway network that includes east-west routes between the coastal urban areas and destinations throughout the southwest, and north-south routes between Inland Empire communities and to destinations in northern California and the northwest. As described above, the Wildomar community straddles Interstate 15, the major north-south highway in the region.

Growth within Inland Empire communities generally follows a path typical of California suburban development. Residential "exurbs" connected to far off job centers gradually grow into their own independent economic regions. The first phase is driven by workers from job centers near the coast seeking affordable housing and is accompanied by residential-serving commercial development. The second phase is characterized by commercial, office, and industrial development such as warehousing and distribution centers that desire large sites and that do not need an urban location. The final phase includes attraction of professionals and other higher-income households with more expensive residential development, and eventually the office parks that house the companies they work for.

Operating within the sub-regional market of southwestern Riverside County, Wildomar is experiencing the first phase of this regional growth pattern. Residential development is placing more demand on available land supply while commercial, office, and industrial development is lagging behind. The rural character of the Wildomar community is changing as development stretches into Wildomar from the City of Murrieta along Interstate 15. The south Wildomar area has absorbed nearly all of the community's recent growth. A more specific discussion of development trends in the Wildomar area by land use type follows.

Land Use Policy

Riverside County recently updated its *General Plan*, a component of the *Riverside County Integrated Project*. The *General Plan* provides the current policies guiding the development of the Wildomar community. The land use element of the *General Plan* allows for continued residential, commercial, office, and industrial development within the Wildomar community. The most significant land use policy constraint on development is the habitat conservation overlay that includes most of the hills to the east of Interstate 15.

In Wildomar, land supply for future development is concentrated in the area west of Interstate 15 and areas east of Interstate 15 and adjacent to the City of Murrieta within the south Wildomar area. The south area has substantial developable land east of the highway whereas the north area is more constrained by steep topography.

The *General Plan* allows for four "community centers" within the Wildomar community. A community center is a mixed-use designation that allow for commercial retail, commercial office, residential, and, in some cases, industrial development. The north area includes two

centers at Bundy Canyon Road and Interstate 15 and at Bundy Canyon Road and Mission Trail. One center straddles the boundary of the north and south area at Central Avenue/Baxter Road and Interstate 15. The south area includes the fourth center at Clinton Keith and Interstate 15.

Residential Trends

The housing market along the Interstate 15 corridor in southern Riverside County has experienced strong residential growth, absorbing approximately 4,500 units annually since 2000.⁷ This area includes the cities of Lake Elsinore, Murrieta, and Temecula, and the unincorporated community of Wildomar. Murrieta accounts for about half of this absorption with about 2,200 units annually.⁸

The residential market is the strongest segment of the real estate market in Wildomar. Wildomar has seen steady residential growth, absorbing nearly 1,500 units during the four years between the census in April 2000 and the end of 2003, or about 370 units annually.⁹ This absorption represents about eight percent of the local market area described above. Nearly all of these units were in the south area, indicating the influence of the strong absorption rates in Murrieta on the Wildomar area.

This level of demand is expected to increase. Given moderate land prices, the Wildomar market is able to offer housing on the more affordable end of the spectrum (compared to coastal communities) with average prices still below \$400,000. Affordability combined with high demand has resulted in about 50 subdivisions currently in one stage or another of the County's development approval process. Cumulatively these projects could supply an additional 6,110 housing units, though the timing depends on the development review process and market demand. The number of units in the "pipeline", combined with comments by local real estate brokers that the current market is exhibiting strong demand, suggests that absorption in the area could increase in the future substantially above recent levels.

Commercial Trends

Commercial (retail) development has been following in the wake of the strong residential market in Wildomar. The path of development has been similar, proceeding north along Interstate 15 and concentrated at highway interchanges. The Clinton Keith area will continue to build on its recent retail development, to be followed by development at the Central Avenue/Baxter Road and finally the Bundy Canyon Road interchanges. Typical of many newly developing communities, Wildomar residents have had to shop outside their community for many basic needs, resulting in the loss of local sales tax revenue. As the community grows, it will attract significant neighborhood and community retail development and more sales will be captured within the community.

⁷ State of California, Department of Finance, *E-5 City/County Population and Housing Estimates, 2004, Revised 2001-2003, with 2000 DRU Benchmark*. Sacramento, California, May 2004. The absorption estimates developed from this report exclude the impact on the data of 2,850 dwelling units from the annexation of Murrieta Hot Springs to the City of Murrieta.

⁸ Ibid.

⁹ Riverside County building permit records. See Table A.1 for more detail.

The Wildomar community is not anticipated to attract significant regional retail development that would capture retail spending from outside the area within the 20-year planning horizon. Both Lake Elsinore and Murrieta have established regional retail centers with large retailers such as WalMart, Home Depot, and Costco, and related development such as outlet and auto malls. These centers are likely to remain the focus of regional retail development because Wildomar is within their primary market area (10- to 20-minute drive time).

Office and Industrial Trends

The Riverside County General Plan identifies one large area for office and industrial use. The area has Interstate 15 to the east, Clinton Keith Road to the north, and the City of Murrieta to the south. Nearby cities have attracted more of the job growth in the area than unincorporated communities such as Wildomar. Current trends suggest that Wildomar will continue to develop largely as a residential area and only attract limited industrial development. A key land use policy issue is whether the County can maintain the industrial land use designations in the *General Plan* in the face of strong residential demand.

Development Projection

The development projection was developed based on the land supply and development trends described above and the Riverside County General Plan. The projection is used as a basis to project revenues and costs for the initial fiscal review, and is used to support determinations for the municipal services review.

Planning Horizon

The planning horizon for this study is 20 years, to 2025. The planning horizon is unusually long for this type of LAFCO study. Ten years is a more common horizon in part because the uncertainties associated with projections increase as the planning horizon lengthens. However, LAFCO chose a 20-year horizon to ensure that any policy discussions were based on the community's long-term development potential and related fiscal feasibility. LAFCO did not want to base decisions regarding community governance on short-term projections if projected financial feasibility improves in the latter half of the horizon. For example, estimates of the community's ability to attract retail development in the future can have a significant impact on fiscal projections.

Existing Development

Existing residential development was estimated based on the 2000 Census and the number of residential building permits issued between the Census and January 1, 2004. Based on this data, there were an estimated 8,600 housing units in Wildomar. Most were in the north area (5,500) and the remainder was in the south area. Most development since 2000 in the Wildomar area has occurred in the south area. The population of the entire Wildomar area is estimated to be 25,500, though this estimate is a "moving target" given the rapid growth that is occurring in this area. See **Table A.1** in the Appendix for more detail on 2004 estimates of population and housing.

Nonresidential was much more difficult to estimate. The Assessor's parcel database was used to sort for parcels with improvements valued over \$40,000. A floor-area ratio of 0.18 was

applied to total acreage to estimate building square feet.¹⁰ Using this approach, existing nonresidential is roughly estimated at 1.3 million square feet. Based on a windshield survey of the community and review of aerial photographs, half of this total space is assumed to be in commercial (sales tax-generating) uses and the other half in office, industrial, and public uses. See **Table A.2** in the Appendix for more detail on 2004 estimates of nonresidential development.

Employment for 2004 is estimated at 5,100 based on data provided by the California Employment Development Department.

Residential Projection

Given the recent strong demand for residential development, Wildomar is anticipated to develop at the rate of over 609 units annually through 2025, about 63 percent higher than absorption rates since 2000. If absorption in the local area (Lake Elsinore, Murrieta, Temecula, and Wildomar) remains constant, Wildomar would increase its capture from eight to 14 percent. This increase is reasonable given the availability of undeveloped land in Wildomar, the number of units in the “pipeline”, and the affordability of the community. Total absorption over the twenty-year planning period is nearly 12,800 units. Cumulative development would include 21,400 units, accommodating a total population of 61,900.¹¹

Residential absorption in the south is anticipated to reflect recent trends while the north area will capture the additional demand estimated above. Absorption in the south is projected to increase slightly from the 360 units annually seen in the past four years to 385 units annually through the planning horizon. The north area would absorb units at an average rate of 224 units per year. The potential availability of about 2,600 units in the north area that either have been approved or currently are in the development approval process is an indication of the spreading of demand to the north area.

Commercial Projection

Commercial (retail) absorption is estimated based on the assumption that the community will capture a progressively higher percent of local spending as the area develops, but not become a center for regional retail. Captured spending from local households and businesses is based on an analysis of sales tax per capita for other communities in Riverside County. See the discussion in Chapter 4 for more details.

Total absorption of new commercial development in 2025 is based on sales of \$175 per square foot applied to the estimates of captured spending.¹² Deducting the estimate of

¹⁰ Floor-area ratio based on a survey of San Bernardino County nonresidential development because this data appeared most applicable to existing Wildomar development given observations made during a windshield survey of the area. See The Natelson Company, Inc., *Employment Density Study Summary Report*, October 31, 2001, Table 8-A, p. 21.

¹¹ For single family units, population estimates are based on the same persons per dwelling unit indicated by the 2000 Census because all residential development in Wildomar is currently single family. For multi-family units, population estimates are based on persons per dwelling unit data for the City of Murrieta. See Table A.1 in the Appendix.

¹² The \$175 per square foot estimate is based on a review of estimates of typical retail store square footage and annual sales tax provided by The HdL Companies, a firm that does sales tax auditing for local jurisdictions throughout California. The California State Board of Equalization estimates sales tax from existing retail

existing retail development from cumulative 2025 development provided the total absorption projection for 2004 through 2024. This estimate was verified against recent commercial development trends, current approved projects, and the location and amount of undeveloped commercial land supply. Based on this analysis commercial absorption is projected to equal 1.9 million square feet between 2004 and 2025.¹³

The allocation of total absorption between the north and south areas is primarily based on the residential growth in each area. However, 200,000 square feet of development associated with north area residential development is deducted from that area and added to the south area. This adjustment reflects the lead that the south area currently has in commercial development and is expected to maintain through the planning horizon.

Office and Industrial Projection

The projection of office and industrial absorption is based on an analysis of market factors including amount of prior development and current approved projects, comparisons with other development communities, and competing supply alternatives in nearby areas. There is greater uncertainty associated with projecting office and industrial development because, compared to residential and most commercial development, the demand is more influenced by regional economic factors affecting business location decisions. In addition, office and industrial development tends to occur more sporadically in single, larger projects compared to the steadier stream of residential construction.

Wildomar is estimated to have about 640,000 square feet of existing space and 274,000 square feet is under development. Although there are large undeveloped areas zoned for office and industrial development, there is pressure to rezone land to residential because of high current residential demand. These pressures could limit the number of attractive development sites in the future. Also limiting absorption is the large amount of available supply in established industrial areas in the adjacent cities of Murrieta and Lake Elsinore. Given these factors, office and industrial absorption was held to 40 percent of total nonresidential absorption for the 2004 to 2024 period. This level compares with levels of 50 to 60 percent in other communities.¹⁴ Based on this analysis office and industrial absorption is projected to equal 1.3 million square feet between 2004 and 2025.

Total absorption was allocated to the north and south areas using the same 40 percent factor discussed above. Results may appear conservative for the south area given that the area is anticipated to absorb 193,000 square feet annually in the two years between 2004 and 2005, and 103,000 square feet annually over the planning horizon. However, this near-term

development at \$125 per square foot, and the Urban Land Institute estimates sales tax from new retail development at \$185 per square foot.

¹³ The estimate of total retail sales includes sales from non-retail development (office and industrial), possibly resulting in a slight over-estimation of retail absorption. Analysis of existing sales tax from the Wildomar community indicates relatively little non-retail sales tax so the retail absorption estimate was not adjusted.

¹⁴ For example, office and industrial uses represent about 56 percent of total nonresidential development in the City of Roseville, a fast growing and economically diverse community in Placer County. Based on its zoned land, the City of Murrieta anticipates that about 57 percent of its nonresidential land will be developed with office and industrial uses.

absorption is heavily affected by one 210,000 square foot industrial project. Projects of this size are not likely to occur on an annual basis.

Though the north area is currently not experiencing any office or industrial development, the area is projected to absorb 49,000 square feet annually over the planning horizon. This projection reflects the same trends as residential development with demand anticipated to move into the north area under the influence of continue strong growth in the south.

Projections Summary

The projection of new development in Wildomar is shown in **Table 2.1**. The first column is an estimate for the two-year period, 2004 through 2005. This period only includes those projects with approved development applications and anticipated to be constructed during that period based on discussion with Riverside County planning staff.¹⁵ The remaining columns summarize absorption for the four-year period 2006 to 2009, three five-year periods that follow to 2024, and total absorption over the 2004 to 2024 planning horizon.

The land use types indicated in the table are consistent with the *General Plan*. The commercial (retail sales generating) projections discussed above are allocated to the community center and community retail types. Office and industrial projections are allocated to the commercial office and light industrial types. No business park development is projected because the RCIP allocates only 13 acres of business park land use. Actual development may occur in different land use types than shown in the table. For example, as mentioned above, community center is a flexible zoning designation that could include commercial retail, commercial office, residential, and, in some cases, industrial development.

Table 2.2 provides a summary of projected cumulative development at the end of each absorption period indicated in Table 2.1. Projections are based on the absorption shown in Table 2.1 plus the estimates of existing development discussed above. The last column of the table provides an estimate of total available land supply (build out) based on the *General Plan*.

Residential development in Wildomar is projected to be 74 percent built out by 2024 with the south area nearly entirely built out. Commercial, office, and industrial development is projected to be 32 percent build out with substantial supply remaining in both the north and south areas.

¹⁵ Residential multi-family projects included in this period have subdivision application numbers PP16989 (172 apartment units), PP18773 (96 apartment units), and TR31736 (473 condominiums). There are also 400 units of single family units included in this period associated with various subdivisions. Commercial, office, and industrial projects have subdivision application numbers PP16853 (19,000 square foot Alberton's expansion), CUP03390 (93,000 square foot Stator Brothers store), PP19099 (210,000 square foot industrial center), and PP18049 (64,000 medical office building).

Table 2.1: Projected Absorption By Period

Calendar Years	2004-05	2006-09	2010-14	2015-19	2020-24	2004-24	Annual Avg.
North Wildomar Area							
Residential							
Single Family	-	180	325	805	1,425	2,735	130
Multifamily	96	250	-	700	930	1,976	94
Total	96	430	325	1,505	2,355	4,711	224
Nonresidential							
Business Park	-	-	-	-	-	-	-
Community Center	-	-	-	-	-	-	-
Commercial Retail	-	150,000	150,000	150,000	163,000	613,000	29,200
Commercial Office	-	20,000	25,000	25,000	25,000	95,000	4,500
Light Industrial	-	70,000	75,000	75,000	100,000	320,000	15,200
Total	-	240,000	250,000	250,000	288,000	1,028,000	49,000
South Wildomar Area							
Residential							
Single Family	400	1,725	1,552	1,400	1,000	6,077	289
Multifamily	645	320	750	290	-	2,005	95
Total	1,045	2,045	2,302	1,690	1,000	8,082	385
Nonresidential							
Business Park	-	-	-	-	-	-	-
Community Center	19,000	150,000	150,000	150,000	140,000	609,000	29,000
Commercial Retail	93,000	150,000	150,000	150,000	140,000	683,000	32,500
Commercial Office	64,000	50,000	50,000	50,000	50,000	264,000	12,600
Light Industrial	210,000	100,000	100,000	100,000	100,000	610,000	29,000
Total	386,000	450,000	450,000	450,000	430,000	2,166,000	103,100
Entire Wildomar Area							
Residential							
Single Family	400	1,905	1,877	2,205	2,425	8,812	420
Multifamily	741	570	750	990	930	3,981	190
Total	1,141	2,475	2,627	3,195	3,355	12,793	609
Nonresidential							
Business Park	-	-	-	-	-	-	-
Community Center	19,000	150,000	150,000	150,000	140,000	609,000	29,000
Commercial Retail	93,000	300,000	300,000	300,000	303,000	1,296,000	61,700
Commercial Office	64,000	70,000	75,000	75,000	75,000	359,000	17,100
Light Industrial	210,000	170,000	175,000	175,000	200,000	930,000	44,300
Total	386,000	690,000	700,000	700,000	718,000	3,194,000	152,100

Source: Riverside County Planning Department; Riverside County General Plan; interviews with Fred Grimes, West Mar Commercial and Stan Smith, Barnes Realty; MuniFinancial.

Table 2.2: Projected Cumulative Absorption

As of January 1	Exist. 2004	2006	2010	2015	2020	2025	Build Out
<u>North Wildomar Area</u>							
Single Family	5,550	5,550	5,730	6,055	6,860	8,285	13,949
Multifamily	-	96	346	346	1,046	1,976	3,734
Total	5,550	5,646	6,076	6,401	7,906	10,261	17,683
Nonresidential							
Business Park	NA	-	-	-	-	-	-
Community Center	NA	-	-	-	-	-	-
Commercial Retail	NA	-	150,000	300,000	450,000	613,000	2,841,000
Commercial Office	NA	-	20,000	45,000	70,000	95,000	495,000
Light Industrial	NA	-	70,000	145,000	220,000	320,000	1,185,000
Existing	706,000	706,000	706,000	706,000	706,000	706,000	Incl. Above
Total	706,000	706,000	946,000	1,196,000	1,446,000	1,734,000	4,521,000
<u>South Wildomar Area</u>							
Single Family	3,093	3,493	5,218	6,770	8,170	9,170	9,342
Multifamily	-	645	965	1,715	2,005	2,005	2,027
Total	3,093	4,138	6,183	8,485	10,175	11,175	11,368
Nonresidential							
Business Park	NA	-	-	-	-	-	127,000
Community Center	NA	19,000	169,000	319,000	469,000	609,000	1,314,000
Commercial Retail	NA	93,000	243,000	393,000	543,000	683,000	3,096,000
Commercial Office	NA	64,000	114,000	164,000	214,000	264,000	1,166,000
Light Industrial	NA	210,000	310,000	410,000	510,000	610,000	3,611,000
Existing	572,000	572,000	572,000	572,000	572,000	572,000	Incl. Above
Total	572,000	958,000	1,408,000	1,858,000	2,308,000	2,738,000	9,314,000
<u>Entire Wildomar Area</u>							
Residential							
Single Family	8,643	9,043	10,948	12,825	15,030	17,455	23,291
Multifamily	-	741	1,311	2,061	3,051	3,981	5,761
Total	8,643	9,784	12,259	14,886	18,081	21,436	29,051
Nonresidential							
Business Park	NA	-	-	-	-	-	127,000
Community Center	NA	19,000	169,000	319,000	469,000	609,000	1,314,000
Commercial Retail	NA	93,000	393,000	693,000	993,000	1,296,000	5,937,000
Commercial Office	NA	64,000	134,000	209,000	284,000	359,000	1,661,000
Light Industrial	NA	210,000	380,000	555,000	730,000	930,000	4,796,000
Existing	1,278,000	1,278,000	1,278,000	1,278,000	1,278,000	1,278,000	Incl. Above
Total	1,278,000	1,664,000	2,354,000	3,054,000	3,754,000	4,472,000	13,835,000

Source: Tables 2.1, A.1, and A.2; Riverside County; MuniFinancial.

Population & Employment

Table 2.3 presents the population and employment projections for Wildomar. Estimates are based on existing population and employment (discussed above), plus the population and employment associated with the development projection in Table 2.1. Dwelling units and building square feet are converted to population and employment by land use type using the density assumptions presented in Chapter 4 (see Table 4.1).

The result of these development projections on the community's current jobs-housing ratio is to maintain the ratio at close to current levels. The community currently has more jobs than housing with a ratio of 0.59 (jobs-to-dwelling units). This ratio is projected to decline slightly to 0.57 by 2025 reflecting continued development as a community that on balance exports workers to jobs in other areas. See **Table A.3** in the Appendix for more detail.

Table 2.3: Cumulative Employees and Residents

As of January 1	Exist. 2004	2006	2010	2015	2020	2025
<u>North Wildomar Area</u>						
Residents						
Single Family	15,843	15,843	16,357	17,284	19,582	23,650
Multi-family	-	228	823	823	2,489	4,703
Total	15,843	16,071	17,180	18,107	22,071	28,353
Employees	3,071	3,071	3,601	4,152	4,704	5,321
<u>South Wildomar Area</u>						
Residential						
Single Family	9,690	10,943	16,347	21,210	25,596	28,729
Multi-family	-	1,535	2,297	4,082	4,772	4,772
Total	9,690	12,478	18,644	25,292	30,368	33,501
Employees	2,010	2,767	3,809	4,851	5,892	6,884
<u>Entire Wildomar Area</u>						
Residential						
Single Family	25,533	26,786	32,704	38,494	45,178	52,379
Multi-family	-	1,763	3,120	4,905	7,261	9,475
Total	25,533	28,549	35,824	43,399	52,439	61,854
Employees	5,081	5,838	7,410	9,003	10,596	12,205

Source: Tables 2.2 and 4.1; California Employment Development Department (EDD); MuniFinancial.

Redevelopment Project Area

The development projection considered the effect of the Lakeland Village/Wildomar Redevelopment Project Area administered by the Riverside County Redevelopment Agency (RDA). The Project Area lies in the northwest corner of the Wildomar and extends beyond the community boundaries to the north and west. Only a small area (about one block) lies in the south area of Wildomar. The Project Area was formed in 1998 and redevelopment activities will terminate 30 year later in 2028. The Project Area has a bonded indebtedness limit of \$85 million.

The Project Area is projected to absorb 983 housing units, 239,000 square feet of commercial space, and 100,000 square feet of office and industrial space through 2025. The absorption schedule assumed for the purposes of this study is shown in **Table 2.4**. All absorption is projected to occur in the north area of Wildomar only. Absorption is shown only in the later periods of the planning horizon because the Project Area is not along Interstate 15 and therefore will not benefit from growth as soon as other areas of Wildomar. The timing of this absorption, whether sooner or later in the planning horizon, would make little difference in the overall results of this analysis.

See Chapter 4 for an explanation of the effect of redevelopment on property tax revenues.

Table 2.4: Absorption By Period - Lakeland/Wildomar Redevelopment Project Area

Calendar Years	2004-05	2006-09	2010-14	2015-19	2020-24	2004-24
Residential						
Single Family	-	-	100	-	150	250
Multifamily	-	50	-	300	550	900
Total	-	50	100	300	700	1,150
Nonresidential						
Business Park	-	-	-	-	-	-
Community Center	-	-	-	-	-	-
Commercial Retail	-	-	-	100,000	100,000	200,000
Commercial Office	-	-	-	50,000	-	50,000
Light Industrial	-	-	-	-	100,000	100,000
Total	-	-	-	150,000	200,000	350,000

MuniFinancial.

3. MUNICIPAL SERVICES ANALYSIS AND PLAN

The purpose of this chapter is to determine the municipal public services affected by the governance scenarios, estimate the costs of those services, and make specific determinations required by LAFCO. Specifically this chapter will:

1. Develop reasonable assumptions regarding the services likely to be transferred under each governance scenario from affected public agencies serving the Wildomar area to either a new city or the City of Murrieta;
2. For those services transferred to the new city or the City of Murrieta, and for those services retained by the County, develop a method for estimating costs for purposes of the initial fiscal review (see Chapter 5);
3. Support determinations for purposes of the municipal service review required by LAFCO prior to approval of a change in a sphere of influence (see Chapter 6).

This chapter begins with the municipal services plan for each governance scenario. Current service providers are listed and a plan for transferring services to either a new city or the City of Murrieta is presented.

Following this section is a section explaining the general methodology used to evaluate costs of service, including assumptions regarding service levels. Each service is then discussed separately, including a description of current services and facilities and an explanation of the basis for the cost estimates used for the initial fiscal review.

Municipal Services Plan

Current Agencies Providing Municipal Services

Municipal services are local (less-than-countywide) public services typically provided to developed areas by cities, counties, special districts, and private utilities. Common types of municipal services include land use regulation, parks and recreation, public safety, roads, and utilities. Services provided countywide such as the courts, jails, and state and federal health and social programs are not considered municipal services for the purposes of this study because they would not be transferred to a new agency under any of the governance scenarios.

Wildomar currently receives municipal services from the County of Riverside, several special districts, and one private utility. A summary of the agencies and enterprises currently responsible for the delivery of services are listed in **Table 3.1**.

Table 3.1: Current Wildomar Service Providers

Service	Current Provider
Cemetery	Wildomar Cemetery District
Electric & Gas	Southern California Edison, Southern California Gas Company
Flood Control	Riverside County Flood Control & Water Conservation District
General Government ¹	County
Libraries	County
Parks & Recreation	County
Public Protection ²	County (and Calif. Highway Patrol for traffic enforcement)
Public Works ³	County
Solid Waste Collection	County (by contract to private firms)
Solid Waste Disposal	County (County owns and operates landfill)
Telecommunications	Comcast and Verizon
Water & Wastewater	Elsinore Valley Municipal Water District

¹ Includes services such as chief executive, clerk, facilities management, finance, human resources, information technology, land use planning, legal, legislative, and risk management.

² Includes ambulance, animal control, fire protection, and law enforcement.

³ Includes building and safety, code enforcement, and roads.

Source: MuniFinancial

Proposed Municipal Services Plan

Adoption of one of the governance scenarios by LAFCO would result in some or all of the services currently provided by the County being transferred to:

- ◆ The City of Murrieta (full annexation scenario);
- ◆ A new incorporated city (full incorporation scenario); or
- ◆ The City of Murrieta and a new incorporated city (partial incorporation/annexation scenario).
- ◆ The City of Murrieta only (south annexation only scenario).

The following considerations were used to determine what services should be transferred under each governance scenario:

- ◆ **Statutory requirements:** State law requires the cities provide the following services, though they can be provided by contract with another entity: general legislative functions, land use planning and regulation, law enforcement, animal control, and maintenance of roads and other property owned by the city.
- ◆ **Local control:** A primary objective of incorporation or annexation is to provide the community with greater local control. Consequently, if it is feasible to transfer a service without significantly affecting the effectiveness or efficiency of service delivery, then the service typically is transferred.
- ◆ **Extended service territories:** Some services rely on broad infrastructure networks that are currently provided by an agency with a service territory that extends far beyond the local community. For Wildomar these services include cable television, electricity, flood control, gas, water, and wastewater utilities. These services typically

are not transferred because of the inefficiencies associated with a new, smaller agency delivering the service to a limited service area.

- ◆ **Current city policy:** All services currently provided by the City of Murrieta are transferred to the City under the annexation scenarios.
- ◆ **Expressed interest by incorporation proponents:** Representatives of the incorporation effort have indicated that they would contract with the County for services such as fire and library. This study assumes that fire services are transferred to the new city and the city would contract back to the County. Library services are assumed to continue to be provided directly by the County. These assumptions reflect current relationships between the County and most cities within the County (fire services are contracted while library services are directly provided).¹⁶

Based on these considerations, the municipal services plan for a new incorporated city under the full incorporation or partial incorporation/annexation scenarios is provided in **Table 3.2**. **Table 3.3** summarizes the service plan for the City of Murrieta under the full annexation, partial incorporation/annexation, and south annexation only scenarios.

Cost of Services Methodology

The current (FY 2003-04) costs of services to the Wildomar community are estimated for purposes of the initial fiscal review in Chapter 5 and to support the municipal service review determinations in Chapter 6. General elements of the methodology for estimating costs are described in this section. Detailed comments are provided in the sections that follow by type of service.

Operating and Capital Costs

This study focuses on ongoing (operating and maintenance) costs to provide service to the Wildomar community. Ongoing costs are typically the focus of fiscal reviews because of the need for public agencies to generate a balanced budget continually on an annual basis. This level of analysis is appropriate for an initial fiscal review such as the current study. A brief discussion of capital costs is included at the end of this chapter.

¹⁶ The County Fire Department provides contract services to 16 cities while the County Library provides direct services (not by contract) to 17 cities. The County has a total of 24 cities.

Table 3.2: Municipal Services Plan – Incorporation (full or partial)

Service	Current Provider	Proposed Provider	Notes
<u>General Government</u>			
Chief Executive	County of Riverside	New City	
Legal	County of Riverside	New City	City and/or contract staff
Other ¹	County of Riverside	New City	
Libraries	County of Riverside	County	No change
Parks & Recreation	County of Riverside	New City	
<u>Public Protection</u>			
Animal Control	County of Riverside	New City	Contract with County or another provider
Fire & Emergency Medical Services	County of Riverside	New City	Contract with County
Land Use Planning & Regulation	County of Riverside	New City	City and/or contract staff
Law Enforcement	County of Riverside	New City	Contract with County
Traffic Control	Calif. Hwy. Patrol	New City	
<u>Public Works</u>			
Administration	County of Riverside	New City	
Building & Safety ²	County of Riverside	New City	City and/or contract staff
Engineering & Roads	County of Riverside	New City	
Flood Control	RCFC&WCD ³	RCFC&WCD ³	No change
<u>Utilities</u>			
Electric & Gas	Southern Calif. Edison, The Gas Co.	Southern Calif. Edison, Southern California Gas Co.	No change
Solid Waste Collection	County of Riverside	New City	Could use existing County contractors
Solid Waste Disposal	County of Riverside	County of Riverside	No change
Telecommunications	Comcast, Verizon	Comcast, Verizon	No change
Water & Wastewater	Elsinore Valley Municipal Water Dist.	Elsinore Valley Municipal Water Dist.	No change
<u>Other Services</u>			
Cemetery	Wildomar Cemetery District	Wildomar Cemetery District	No change

¹ Includes services such as clerk, facilities management, finance, human resources, information technology, legislative, and risk management.

² Includes code enforcement.

³ Riverside County Flood Control and Water Conservation District.

Source: MuniFinancial

Table 3.3: Municipal Services Plan – Annexation (full or partial)

Service	Current Provider	Proposed Provider	Notes
<u><i>General Government</i></u>			
Chief Executive Legal Other ¹	County of Riverside	City of Murrieta	
Libraries	County of Riverside	City of Murrieta	
Parks & Recreation	County of Riverside	City of Murrieta	
<u><i>Public Protection</i></u>			
Animal Control	County of Riverside	City of Murrieta	Use existing City contractor
Fire & Emergency Medical Services	County of Riverside	City of Murrieta	Use existing City EMS transport contractor
Land Use Planning & Regulation	County of Riverside	City of Murrieta	
Law Enforcement	County of Riverside	City of Murrieta	
Traffic Control	Calif. Hwy. Patrol	City of Murrieta	
<u><i>Public Works</i></u>			
Administration	County of Riverside	City of Murrieta	
Building & Safety ²	County of Riverside	City of Murrieta	
Engineering & Roads	County of Riverside	City of Murrieta	
Flood Control	RCFC&WCD ³	RCFC&WCD ³	No change
<u><i>Utilities</i></u>			
Electric & Gas	Southern Calif. Edison, The Gas Co.	Southern Calif. Edison, Southern California Gas Co.	No change
Solid Waste Collection	County of Riverside	City of Murrieta	Could use existing City contractors
Solid Waste Disposal	County of Riverside	County of Riverside	No change
Telecommunica- tions	Verizon, Comcast	Verizon, Comcast	No change
Water & Wastewater	Elsinore Valley Municipal Water Dist.	Elsinore Valley Municipal Water Dist.	No change
<u><i>Other Services</i></u>			
Cemetery	Wildomar Cemetery District	Wildomar Cemetery District	No change

¹ Includes services such as clerk, facilities management, finance, human resources, information technology, legislative, and risk management.

² Includes code enforcement.

³ Riverside County Flood Control and Water Conservation District.

Source: MuniFinancial

Service Level Assumptions

One critical assumption in estimating service costs is the level of service provided to the community. This study uses the following approach.

- ◆ **Incorporation:** The costs of services transferred to the new city are based on the County's current (FY 2003-04) level of service provided to the Wildomar community. 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, such as parks and recreation, 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 would have an operating surplus, then the new city council could designate the surplus towards increasing existing levels of service and/or adding new services. Capital costs to improve service levels are not directly addressed.
- ◆ **Annexation:** The costs of services transferred to the City of Murrieta are based on the City's current (FY 2003-04) level of service and not the current level or cost of service provided by the County. Service levels for some services are higher than current unincorporated levels of service, and therefore costs typically will be higher as well. (See the *Level of Service Comparison* section in Chapter 6 for a discussion of service level differences.) Capital costs associated with bringing public facilities in Wildomar up to current City of Murrieta standards are considered separately.
- ◆ **County Services:** Estimates of county costs are based on the current (FY 2003-04) level of service to the community.

Per Capita Method

A per capita modeling method is used to estimate many service costs (and revenues) for the City of Murrieta and the County of Riverside. Per capita cost factors represent the current average citywide (or countywide) cost of service. This approach is used for services that likely would not vary substantially from current average costs when delivered to the Wildomar community. For service costs that could vary substantially from current average costs a case study method is used (see below).

Per capita cost factors are based on (1) current (FY 2003-04 budget) costs and (2) current citywide or countywide service population. Per capita factors are calculated by dividing total expenditures for a given service by the appropriate service population. Service population includes current residents and employment. Employment is weighted depending on the specific service to reflect the service demand of one employee relative to one resident. Per capita cost factors multiplied by a specific service population provides an estimate of the additional costs associated with serving that population. The service population used in this calculation depends on the specific governance scenario being analyzed, whether for the north area, the south area, or the entire Wildomar community.

Long-range planning studies such as this typically use a common weighting is used across all services and revenues analyzed on a per capita basis that have both a resident and employment component. Gathering and analyzing data on service demand, such as police

and fire call data by type of land use, is a time-intensive and costly effort. Prior analysis of service demand data has not generated any common factors that seem to apply consistently across multiple jurisdictions. Furthermore, the choice of a weighting factor does not affect results significantly because (1) costs and revenues receive similar weights so net fiscal impacts change little if weighting factors change, and (2) most significant costs and revenues are analyzed individually using a case study analysis and typically do not rely on weighting factors. For these reasons this study assumes a reasonable weighting factor and applies the factor consistently across all costs and revenues that have both a resident and employment component.

For the purposes of this study we use a weighting factor of 0.24 employees per resident. This weighting is based on the number of work hours per week (40) divided by the total number of hours in a week (168) to reflect the demand placed by businesses on municipal services relative to residents. This weighting factor assumes that businesses primarily demand public services during business hours while demand by residents is more constant throughout a 24-hour period.

Case Study Method

A case study method is used for those service costs that are not estimated using the per capita method described above. The case study method is applicable to service costs that could vary substantially from average costs to deliver the same level of service. Typical examples in annexation studies include police and fire costs. For incorporation scenarios, the case study method is used for all service costs because there is no current budget to use as a reference for the new city.

Appendix Tables for Costs of Service Analysis

Detailed tables showing all assumptions, calculations, and results of the service cost analysis are in the Appendix:

- ◆ Costs for the new city (incorporation scenarios):
 - **Tables B.1 through B.4** detail full incorporation scenario costs;
 - **Tables B.5 through B.8** detail partial incorporation/annexation scenario costs; and
 - **Tables B.9 through B.11** detail common cost assumptions for both scenarios.
- ◆ Costs for the City of Murrieta (annexation scenarios):
 - **Table C.1** provides the service population estimates used to calculate per capita costs;
 - **Tables C.2 through C.4** detail general fund costs for the full annexation and partial incorporation/annexation scenarios;
 - **Table C.5** details community service district costs for the full annexation and partial incorporation/annexation scenarios; and
 - **Tables C.6 and C.7** detail fire and library fund costs for the full annexation and partial incorporation/annexation scenarios.

- ◆ Costs for the County of Riverside (all scenarios):
 - **Table D.1** provides the service population estimates used to calculate per capita costs;
 - **Table D.2**; details general fund per capita cost factors for unincorporated services used in the south annexation only scenario.
 - **Table D.3** details general fund per capita cost factors for countywide services used in the full incorporation, full annexation and partial incorporation/annexation scenarios.
 -

General Government

Current Services and Facilities

County of Riverside

The Wildomar community is located in the First Supervisorial District of Riverside County. The First District included a population of 311,000 based on the 2000 census and covers an area of 459 square miles. The community currently receives general government services from the County. General government functions are provided primarily from the County's administration building in the City of Riverside and include:

- | | |
|--|--------------------------------------|
| ◆ Administration (CEO) | ◆ Land use planning |
| ◆ Clerk | ◆ Legal |
| ◆ Finance (Assessor, Treasurer, Auditor) | ◆ Legislative (Board of Supervisors) |
| ◆ Human resources | ◆ Risk management |
| ◆ Information technology | |

These functions are critical to the operation of a local public agency and therefore are fully transferred under each of the governance scenarios and not contracted back to the County. Other services such as police and fire are also transferred but in the case of a new city they are contracted back to the County (see Tables 3.2 and 3.3).

City of Murrieta

The City of Murrieta has five council members elected at large. The City provides a similar list of general government services as described above for the County from a 14,000 square foot City Hall facility at 26442 Beckman Court in Murrieta.

Costs of Service

New Incorporated City

The largest general government costs for the new city are related to personnel. Costs estimates for the new city rely on a staffing plan and salary estimates by position. A review of staffing and salary schedules from existing comparable cities provided the assumptions for

the cost estimates. Cities were selected based on location, population size, revenue base, municipal services provided, and a recent history of incorporation. Not every city was similar across all criteria. For this study data was collected from the cities of:

- ◆ Coachella, Lake Elsinore, Murrieta, and Norco primarily based on their location within Riverside County, and their similarity in terms of size and/or development trends; and
- ◆ Elk Grove, Goleta, and Oakley as examples of cities that have incorporated within the last few years.

Salaries are increased by 40 percent to account for a typical benefits package offered by local agencies in California. Of this total, half (20 percent) is estimated for health care coverage and 14 percent for participation in the California Public Employees Retirement System (CalPERS). The remainder (six percent) is for disability insurance, Medicare, unemployment insurance, and workers compensation. Benefit costs are not added to City Attorney costs, the only contract position included in the general government services area.

This fiscal analysis for the new city assumes that general government services would be provided through the offices of the city manager, city attorney, and city clerk, and an administrative services department. The staffing plan for the full incorporation scenario includes growth commensurate with population growth such that the number of staff per 1,000 residents remains roughly constant through the planning horizon. Staffing is lower for the partial incorporation/annexation scenario to reflect the lower service population of the north area. The north area staffing plan also maintains a roughly constant ratio per 1,000 residents. Staffing ratios are slightly lower in the full incorporation scenario to reflect economies of scale in larger cities in this size range.

Non-personnel costs include an estimate of 33 percent of salaries for services, supplies, and capital outlays. Specific lump sum costs were added to this amount for council expenses, elections, general plan, insurance, office leases, and start up costs.

City of Murrieta and County of Riverside

All general government service costs for the City of Murrieta and County of Riverside are estimated using the per capita method described in the *Cost of Services Methodology* section, above. Total costs depend on the service population associated with each governance scenario. City costs are based on the extension of general government services to the annexation area. County costs are based on the general government costs for services that the County would continue to provide under all of the governance scenarios.

Libraries

Current Services and Facilities

County of Riverside

The Riverside County Library provides library services to the unincorporated community and 14 of the County's 24 incorporated cities. Services are provided through 29 library facilities, two bookmobiles, and an administrative center. The County Library has a budget of \$9.8 million for FY 2003-04 and is primarily funded through a dedicated portion of the

property tax accounted for in a separate Library Fund. The County Library provides services directly to the 14 cities served and not by contract in exchange for retaining a portion of the property taxes generated within the jurisdiction.

The County Library administers the Riverside County Network (RCN) that links together other library systems in the County. RCN enables member libraries to jointly manage checkout services, facilitate interlibrary lending, access information databases, and manage the acquisition of additions to their catalogues.

Nearly all direct library operations and services, including administration of the RCN, are provided under a master contract between the County of Riverside and a private company, Library Systems and Services (LSSI). Under the terms of the contract, library services are divided into three geographic zones – West, Desert, and Mid-South. The County provides funds to LSSI by zone based on the library property tax received and the cost of services within each zone.

The Library operates one branch in Wildomar, the Mission Trail Community Library, located at 34303 Mission Trail near Bundy Canyon Road. The library is centrally located in the north area of the Wildomar community, and one of ten facilities within LSSI's Mid-South zone. The facility is a 5,000 square-foot, full-service library offering a collection of approximately 18,000 items, five public Internet computers, reference and children's services, and a meeting room that can accommodate up to 50 persons. Under the terms of the LSSI contract the library is open 40 hours each week. With library facilities in Lake Elsinore to the north and Murrieta to the south, the Mission Trail Community Library primarily serves the Wildomar community.

City of Murrieta

The City of Murrieta Public Library has a temporary facility at 39589 Los Alamos Road. The facility is open to the public 39 hours each week. The City provides a full range of services similar to those provided by the Riverside County Library. The City is a member of the RCN described above. The City is one of several that contracts with the County for automated library services provided by LSSI.

In FY 2004-05 the City is planning to construct a new permanent main library at the Town Square at 24700 Adams Avenue. The facility will initially be 20,000 to 25,000 square feet, sufficient to serve the City for the next 10 to 15 years. The \$7.6 million facility is funded by a \$4.9 million state library grant with the remainder provided by developer fees. Build out of the facility would increase its size to 40,000 square feet.

Costs of Service

New Incorporated City

Under both incorporation scenarios, this study assumes that library services would not be transferred to the new city so there would be no cost of service to the new city. This study assumes that the County would continue to maintain and operate the Mission Trail Community Library at current levels of service under both incorporation scenarios. The Mission Trail Community Library is located in the north area of Wildomar and both incorporation scenarios include the north area. The County would retain the portion of property tax revenue dedicated to the Library Fund.

City of Murrieta

The City would assume responsibility for library services to the annexation area. Under the full annexation, partial incorporation/annexation, and south annexation only scenarios, library costs are estimated using the per capita method described in the *Cost of Services Methodology* section, above. This approach reflects extension of the City's existing level of service to the annexation area. The portion of property tax revenue currently dedicated to the County Library Fund would transfer to the City's Library Fund.

This study assumes that the City would continue operation of the Mission Trail Community Library under the full annexation scenario in which that facility would now fall within the City's new boundaries. The County has indicated that it would transfer the library to the City if the City would continue providing services from that location. The City's options include:

- ◆ Accept the Mission Trail facility from the County and use the library property tax from the annexation area to fund continued operation;
- ◆ Do not accept the facility from the County and instead expand services provided through the new main library; or
- ◆ Accept the facility from the County, continue operations, and expand services from the main library.

County of Riverside

Under the full incorporation scenario there would be no transfer of library services so there would be no change in County costs and revenues.

Under the partial incorporation/annexation and south area only annexation scenarios a substantial portion of Mission Trail Community Library's service population would now be the responsibility of the City of Murrieta. This study assumes that the County would continue to operate the library to serve the north Wildomar area at current levels of service.

Under the full annexation scenario this study assumes that the County would transfer the library to the City of Murrieta in return for its continued operation, though that would be a decision for the City. The County would realize a reduction in costs equal to the current costs of operating the facility.

The County's contract with LSSI provides sufficient flexibility to adjust funding and service levels in response to the annexation scenarios. The contract is for one fiscal year with provisions to renew the contract on an annual basis. This term should allow sufficient time to renegotiate funding and service levels in response to an annexation. The contract also allows the County to reduce funding during the year if revenues fall short of projections, and the ability to renegotiate service levels with LSSI in response.

Parks & Recreation

Current Services and Facilities

The Wildomar community is currently receiving only limited park and recreation services, though the County plans to improve these services in the near future. Several neighborhood parks owned and maintained by homeowners associations and fields owned by the school

district provide the only park facilities currently available in the community. Funding mechanisms that the County has established to provide park and recreation services to the area include the Ortega Park District and County Service Area 152 Zone A, described below.

Ortega Park District

The Ortega Park District provided park services to the Wildomar community by maintaining the three parks listed in **Table 3.4**. Based on the Community's 2004 population of 25,500 these parks would provide 0.57 acres per 1,000 residents. Unfortunately, because of a lack of funding, in 1999 the District board of directors recommended that the District be dissolved. The Riverside County Regional Park & Open Space District (Regional Park District) assumed the Ortega Park District's debt and took responsibility for the District's parks. The Regional Park District is a dependent district governed by the Regional Park and Open Space District Board of Directors.

Table 3.4: Wildomar Public Parks

Park	Location	Approximate Size (acres)
Marna O'Brien	North area	8.94
Heritage	North area	<u>3.26</u>
Subtotal		12.20
Windsong	South area	<u>2.64</u>
Total		14.84

Source: Riverside County Park & Open Space District; MuniFinancial.

The County has closed all three Ortega Park District parks due to a lack of operating funds, but plans to re-open them in the near future. The District receives a small share of the one percent property tax (about \$100,000 annually). These funds are currently budgeted to retire the District's debt and to minimize deterioration of the former District's parks. Maintenance tasks are focused on keeping hazards to a minimum and repairing any vandalism. The County is currently developing plans to renovate and re-open the three parks in the near future, including a substantial renovation of Marna O'Brien park.

The Regional Park District also owns 240 acres of undeveloped land in the north area of Wildomar on the east side of I-15. The local community college has an option on 80 acres of this land to build a new campus. The District has no plans for the remaining acreage. The District would not transfer the land to another agency under any of the governance scenarios being studied here.

County Service Area 152 Zone A

The County has taken actions recently to provide park and recreation services to the Wildomar community. In 2000 the County Board of Supervisors extended the powers of County Service Area 152 (CSA 152) to include park and recreation services. Later that year the Board established two zones within CSA 152 for the purposes of imposing taxes,

services charges, or benefit assessments to fund park and recreation services. One of those zones, CSA 152 Zone A (CSA 152A), lies entirely within the boundaries of the Wildomar community and includes all but the eastern portion of the north area of the community.

In 2002 the County had a park and recreation master plan completed for CSA 152A to suggest strategies and policies to meet the community's recreation needs, and to provide conceptual prototypes of park site plans.¹⁷ On April 1, 2004 the Board of Supervisors adopted the Master Park Plan for CSA 152A for parkland acquisition. The Board also adopted a development impact fee to fund park acquisition and rehabilitation. See further discussion of the fee in the *Capital Costs* section, below. The CSA could impose charges for park operation and maintenance subject to property owner approval, but has not done so to date.

City of Murrieta

The City of Murrieta Community Services Department (MCSD) provides comprehensive park and recreation services. The City has 31 parks providing 4.15 acres of developed parkland and over two acres of open space (passive parkland) per 1,000 residents. The Department offers a wide variety of recreation classes for a fee (non-residents are charged more than residents) and provides facilities for a range of nonprofit youth sports leagues. In addition to park facilities, the Department operates a community center with a kitchen, restrooms, stage with lighting and sound, and 3,500 square feet of open floor space.

The Murrieta Community Services District, a dependent district governed by the City Council, funds park and recreation services for the City. As explained in more detail in Chapter 4 operating funding for park and recreation services comes primarily from a \$45.00 per dwelling unit citywide special assessments. The District also receives a small contribution (\$440,000 in FY 2003-04) from the City's general fund for park and related facility maintenance.

The City's most significant capital projects that it anticipates completing by FY 2005-06 include:

- ◆ Phase 1 of the Los Alamos Hills Sports Park to include 46 acres. The facility is 85 acres and will include softball, hardball, and soccer fields, tennis and basketball courts, a snack bar, and 750 parking spaces. The facility is anticipated to attract county and statewide athletic tournaments. Estimated annual operating costs for the MCSD are \$400,000.
- ◆ A senior center with an estimated annual operating cost of \$200,000.
- ◆ A new main library described above in the *Libraries* section with an estimated annual operating cost of \$300,000.

The City expects that these three projects will substantially increase the general fund subsidy needed by the MCSD.

¹⁷ Purkis-Rose-RSI, *County of Riverside Park and Recreation Master Plan County Service Area 152A*, September 26, 2002.

Costs of Service

New Incorporated City

No park and recreation costs are projected by the new city consistent with the service level assumptions described in the *Cost of Services Methodology* section, above. To the extent that the new city can generate a fiscal surplus, the new city council would have the option of funding parks and recreation services.

City of Murrieta

The revenue base (dwelling units) for these services is essentially the same as the service population base (residents). As a result this study assumes that the costs to serve the annexation area will equal the revenues generated by the area plus a per capita amount associated with the general fund contribution.

The costs of MCSD services are assumed to equal the revenues generated by the \$45.00 per dwelling unit special assessment mentioned above, plus a per capita contribution from the general fund. The latter represents the general fund's additional support for park maintenance. This approach applies the current level of service currently supported by the citywide assessment to the annexation area.

County of Riverside

Given the planned dissolution of the Ortega Park District there would be no transfer of these park and recreation costs to the new city or Murrieta. The County would continue collecting the property tax generated by the Ortega Park District until the debt is retired and then the District would be dissolved.

The County would continue to provide regional park services to the Wildomar community under any of the governance scenarios through the Regional Park District. There would be no other ongoing costs to the County under any of the governance scenarios.

Animal Control

Current Services and Facilities

County of Riverside

The County provides animal control services to the unincorporated area with a staff of 113 and a county cost of \$3.2 million net of all licenses and charges. One animal control officer stationed in the City of Hemet is assigned to the southwest area of the County that includes the Wildomar community. Coverage is provided from 7:30 a.m. to 5:00 p.m. daily. The County contracts with Animal Friends of the Valley for animal sheltering services.

City of Murrieta

The City contracts with Animal Friends of the Valley for all animal control services including sheltering. The contract provides for one animal control officer for the City.

Costs of Service

New Incorporated City

The new city would contract back with the County for animal control services. County staff indicate that the contract cost would be approximately \$79,000 to maintain existing levels of service.

City of Murrieta

The City would extend its current contract with Animal Friends of the Valley to cover the annexation area. The cost is included in the City's non-departmental expenditures under general government services and is estimated using the per capita method. Future costs associated with a new animal control facility that the City will be contributing to are not included.

County of Riverside

The change in animal control costs is estimated based on the per capita method net of contract revenues from the new city described above.

Fire Protection & Emergency Medical

Current Services and Facilities

County of Riverside

Fire protection services are currently provided by the County Fire Department. The Department classifies the Wildomar community as a rural-urban area. The response time goal for this land use type is to be at the scene of an incident within six to ten minutes. The County currently plans for a seven-minute response time in the Wildomar area. The current ISO rating for Wildomar is four in areas with hydrants and nine in areas without hydrants.

The County Fire Department's Wildomar station, centrally located on Gruwell Street (see Figure 1), provides primary response to most of the community. Two other stations (Menifee and Bear Creek) located in adjacent areas also serve parts of the community. These stations and their locations are listed in **Table 3.5**.

Table 3.5: Riverside County Fire Stations Serving Wildomar

Number	Name	Location	Wildomar Areas Served ¹
61	Wildomar	32637 Gruwell St.	Most of north & south areas
68	Menifee	26020 Wickerd Rd.	Northeastern part of north area
75	Bear Creek	38900 Clinton Keith Rd.	Southwestern part of south area

¹ Based on seven-minute response time.

Source: Riverside County Fire Department; MuniFinancial.

All three stations have similar staffing and equipment. Three personnel are on duty at all times. The typical levels of paid staff for each station includes one captain, one or two

engineers, three firefighters, and two or three paramedics. Volunteers supplement this staffing. Equipment includes one or two engines, one squad, and one water tender.

The Fire Department responds to emergency medical calls with certified paramedics. Emergency medical transport (ambulance) services for the Wildomar area are provided under a contract with American Medical Response (AMR).

Dispatch services are provided through a consolidated County dispatch center dedicated solely to fire services in the County. The County Fire Department also has special use staff, facilities, and equipment that provide services throughout its service territory and to other fire departments as needed. These include:

1. Fire prevention services such as education, code enforcement, and weed abatement programs;
2. Emergency services planning and training including the community emergency response team (CERT) program;
3. Emergency medical programs such as CPR training and automatic external defibrillator programs;
4. Engineering services to check new development plans;
5. Hazardous materials team (HAZMAT); and
6. Air attack base at the Hemet/Ryan airport.

Emergency (911) calls are received by the County Sheriff dispatch center. Fire and medical calls are transferred to the Fire Department's regional emergency command center located in Perris. The center provides dispatch services to the unincorporated area, 16 contract cities, and one community services district.

The County Fire Department has an automatic aid agreement with the City of Murrieta Fire Department. The County provides first-in response to two parts of the City that are outside the City's five-and-a-half minute response time standard for its stations: (1) the Bear Creek area in the western corner of the City and (2) between Elm and Cherry streets west of Interstate 15 in the southern corner of the City. Under this same agreement the City provides first-in response to the south Wildomar area that its engines can reach more quickly than the County's. No funds are exchanged between the two agencies under this agreement.

There are two fire stations planned for the near future that would improve service to the Wildomar community, particularly the north area. First, the City of Lake Elsinore, a contract city of the County Fire Department, is planning to open a new station in the Cottonwood Canyon area in early 2005. The station would provide back up (not primary) response to parts of the north area. Second, should the Wildomar community remain unincorporated the Fire Department plans to open a new station by 2008 near Bundy Canyon Road east of Interstate 15 to improve service to the north area, specifically the Sedco Hills area and the northeast portions of the community.

City of Murrieta

The City of Murrieta Fire Department provides fire protection and emergency medical services (EMS). The Department's service goal is to provide a firefighter and paramedic response within five minutes and 30 second of driving time to 90 percent of calls within the City. In 2003 the Department's average driving response time was four minutes and 20

seconds for EMS calls and five minutes and 38 seconds for fire calls. The current ISO ratings for the City are four for urban areas and nine for rural areas. The Fire Department's most recent *Fire Protection Plan* was completed in January 2004.

The Department's facilities include three fire stations, one administrative office, and a vehicle maintenance facility. Each station maintains constant staffing with three personnel (one captain, one engineer, and one firefighter/paramedic) at all times, augmented by volunteers. Half of the Department's firefighters are cross-trained in urban search and rescue, and six are swift water rescue certified. Apparatus include five engines (plus one in reserve), one brush truck, one squad, and six staff vehicles.

The Fire Department responds to emergency medical calls with certified paramedics. Emergency medical transport (ambulance) services for the local area are provided under a contract through the County with American Medical Response (AMR). To improve service levels, AMR recently agreed to rent space at Fire Stations No. 2 and No. 3. The AMR ambulance at Station No. 2 is a priority post whereby AMR automatically moves up another ambulance to fill Station No. 2 when that ambulance is out on call. AMR serves a large territory beyond the City of Murrieta from these stations including the cities of Temecula and Lake Elsinore, the unincorporated communities of Wildomar and Menifee, and surrounding areas. Since the City, County, and AMR have implemented this new agreement the average response time has improved 20 percent within Murrieta to less than 10 minutes. These service levels would be unaffected under either governance scenario.

The Fire Department provides a broad range of community services to complement its core mission, including the first five of the six services listed above for the County Fire Department. The City Fire Department does not maintain an air attack base and relies on the County and State Department of Forestry for this service.

Emergency (911) calls are received by the Murrieta Police Department at a joint police/fire dispatch center. The center transmits calls directly to engine companies and the contract ambulance company.

Murrieta has two fire stations and a training facility planned. Station No. 4 is scheduled to open in 2005 to serve the northeast area of the City. The City anticipates providing automatic aid to unincorporated areas north and east of Scott Road from this station. The other significant planned capital project is a new \$1.4 million training facility adjacent to Station No. 1. The facility is planned for FY 2006-07 and would be funded by development fees.

Costs of Service

New Incorporated City

This study assumes that the new city would contract back with the Riverside County Fire Department for fire, first responder, and emergency medical services. Contracting with Riverside County is a cost-effective option for the City because the County would not charge the City for automatic aid from the Bear Creek and Menifee stations currently serving Wildomar under this plan. If the City contracted with another agency or established its own fire department then the County would charge for automatic aid.

The County's contract cost to the new city for the full incorporation scenario would be based on the cost of operating (1) the Wildomar station, (2) 30 percent of the Sedco Hills

station when it begins operation, and (3) associated overhead. The Wildomar station with 9.0 full-time equivalent staff costs \$541,000 annually. Overhead, which the Department charges as a “service delivery cost”, would cost \$308,000. The total annual contract cost would be \$849,000. The service delivery cost includes all other services provided by Riverside County Fire including administration, communications, dispatch, emergency services, fire prevention, HAZMAT, training, and vehicles. This is the same cost used to estimated costs for the Sedco Hills station

The contract cost would be lower under the partial incorporation governance scenario because only one station would continue to be required to provide adequate service to the north area. Department staff indicated that they may relocate the existing Wildomar station to a more central location within the north area to better serve the community, and not construct the Sedco Hills Station. The relocation would likely entail a one-time capital cost representing the difference between the cost of a new station and the value realized from sale of the current station.

The authority to contract with an ambulance service would remain with the County.

City of Murrieta

The City of Murrieta Fire Department conducted an analysis of response times for the annexation area under the two annexation governance scenarios. This case study determined that one new fire station would be needed in the south area for the partial incorporation/annexation and south annexation only scenarios. This station would provide additional benefit by serving the Bear Creek area of the City that currently relies on automatic aid from the County’s Bear Creek fire station. Three stations would be needed for the full annexation scenario.

Operating costs per station for the City of Murrieta are estimated to be \$1.1 million based on costs for existing stations. Stations were programmed through the planning horizon as sufficient surplus revenue became available in the fire fund to open a new station.

Total costs under each governance scenario also include an amount based on the per capita method for non-station Department costs. These costs include administration, maintenance, and non-departmental.

The authority to contract with an ambulance service would remain with the County.

County of Riverside

Under all governance scenarios, costs transferred equal the contract cost to a new city of operating the County fire stations that serve the Wildomar area. These stations include that the existing Wildomar station under the full annexation, partial incorporation/annexation, and south annexation only scenarios. This assumes that the Sedco Hills station would not be constructed under these three scenarios. Under the full incorporation scenario contract costs would include the Wildomar station plus 30 percent of the planned Sedco Hills station. Contract costs include both the direct cost of operating the station and all indirect costs associated with the Fire Department, as discussed above.

Land Use Planning & Regulation

In addition to land use planning, this service category includes related services such as code enforcement and building inspection.

Current Services and Facilities

County of Riverside

Land use planning and regulation in Riverside County is provided through the Planning, Building & Safety, and Code Enforcement divisions. Services are administered from the County's administrative center located at 4080 Lemon Street in Riverside. The County provides direct services to the Wildomar community and surrounding unincorporated areas from the South County Permit Assistance Center located at 39493 Los Alamos Road in Murrieta, south of Wildomar.

The County currently recovers about 80 percent of these service costs from fees and charges on average. Lower cost recovery ratios are associated with some services such as code enforcement. The latter recovers about 50 percent of its costs.

City of Murrieta

The City of Murrieta provides land use planning and regulation services through its Planning and Building & Safety divisions. Code enforcement is provided by the Police Department. All services are provided out of the City Hall. The City fully recovers about half of its planning costs and all of its Building & Safety costs from fees and charges.

Costs of Service

New Incorporated City

The business plan for the new city anticipates that a development services department will provide land use planning and regulation services. The department would use contract staff for some positions, particularly in the initial years of the planning horizon. Cost recovery rates are assumed at the conservative level of 70 percent.

City of Murrieta

The City of Murrieta would extend services to the annexed area from its existing facilities at City Hall. Costs are estimated using the per capita method and are net of offsetting revenue.

County of Riverside

Costs transferred under all government scenarios equal the current cost of service to the Wildomar community. Costs net of offsetting revenues were estimated using the per capita method.

Law Enforcement

Current Services and Facilities

County of Riverside

Administrative functions of the Riverside County Sheriff are provided from its main facility in Riverside at 4095 Lemon Street. The Lake Elsinore station at 333 Limited Avenue in Lake Elsinore provides sheriff patrol services to the Wildomar community. The station has a total staff of 90 sworn positions to provide all command, patrol, and investigation services. Of this total, 53 are dedicated to serving the unincorporated communities of Alberhill, El Cariso, Glen Eden, Glen Ivy Hot Springs, Good Hope, Lakeland Village, Quail Valley, Sedco Hills, and Wildomar. The remaining staff serve under contract to the City of Lake Elsinore and other agencies.

For the unincorporated area community the Lake Elsinore station provides two sheriff deputies on duty during the morning and afternoon shifts, and one deputy on the night shift. The number of deputies patrolling in the Wildomar community at any given time varies depending on service demands in other unincorporated areas.

The California Highway Patrol (CHP) provides traffic control and enforcement for all unincorporated areas in the State. The CHP office serving Wildomar and surrounding unincorporated areas is located in Temecula at 27685 Commerce Center Drive. The office currently provides two shifts per day (16 hours) to patrol the Wildomar area. Responsibility for traffic control and enforcement would shift to either the new city under an incorporation scenario or the City of Murrieta under an annexation scenario.

City of Murrieta

The City of Murrieta's police station is located at 24701 Jefferson Avenue, a new 38,000 square foot facility occupied in 2002. A substation is planned in the northeast area of the City on Antelope Road between Clinton Keith Road and Scott Road. Funding and construction of the substation will coincide with development of the area.

The Police Department currently divides the City into five patrol beats that average six to seven square miles each. The Department assigns a minimum of one officer to each beat 24 hours a day. The Department currently is staffed at a ratio of 0.67 sworn officers per 1,000 residents.¹⁸ The Department is adding 6 more officers that would increase this ratio to 0.74 per 1,000 residents. The Department's staffing ratio for civilian personnel is 0.50 per sworn officer.

Costs of Service

New Incorporated City

For purposes of estimating costs, the new city is assumed to contract with the County Sheriff for law enforcement. Contract costs are based on a case study of providing the same staffing currently provided through the Lake Elsinore station as follows:

¹⁸ Based on 52 sworn positions and a population of 77,700.

- ◆ Of the 25,000 calls for service generated in the unincorporated community served by the Lake Elsinore station in 2003, the entire Wildomar area generated 29 percent and the north area of Wildomar generated 20 percent.
- ◆ Total station unincorporated area patrol deputy staffing of 44 for FY 2003-04 was allocated to Wildomar using the call volume percentages, resulting in staffing ratios per 1,000 residents of 0.51 for the entire Wildomar area and 0.57 for the north area. These staffing ratios are maintained through the planning horizon (2025).
- ◆ Contract costs were estimated based on an average cost per patrol deputy of \$166,000 that includes direct salary and benefits costs plus all related administrative, support, and patrol division personnel and non-personnel costs per deputy.¹⁹

Total estimated contract costs are comparable to other cities served by the Sheriff with similar staffing ratios.

City of Murrieta

Estimates for the cost of services transferred include: (1) a case study of patrol and support division costs, and (2) a per capita cost analysis for the administration and code enforcement divisions. For the case study, costs are estimated based on maintaining the City's current ratio of 0.67 sworn officers per 1,000 residents, and 0.50 civilians per officer. Costs of \$125,000 per officer and \$75,000 per civilian multiplied by the staffing needs were used to estimate total costs for the annexation area.

This approach resulted in staffing estimates that were similar to those estimated by the Police Department in response to an information request for this study. The Department estimated a staffing need of eight sworn and four civilian staff to serve the south area, and 25 sworn and 12 civilian staff to serve the entire Wildomar area. The staffing projections developed for the initial fiscal review resulted in these staffing levels being achieved during 2006 to 2010 period. The Department anticipates that it would create a new beat to serve the south Wildomar area, and probably three beats for the entire Wildomar area.

County of Riverside

Base year estimates for the cost of services transferred include: (1) the case study of patrol division costs, and (2) a per capita cost analysis of other unincorporated sheriff services provided through the administration, support, and training divisions. The patrol division analysis used the same service call percentages explained above to allocate the total \$6.5 million cost of the Lake Elsinore station to Wildomar. This cost is only the cost of unincorporated area services provided by the station. The per capita method applied to the other sheriff divisions used the entire unincorporated area population as a base to estimate the Wildomar share of those costs.

¹⁹ Average cost per deputy is the same amount charged by the Sheriff's Department in FY 2003-04 to the 13 cities in Riverside County that receive law enforcement services under contract.

Public Works

Current Services and Facilities

County of Riverside

The County Transportation Department currently provides engineering, road maintenance, and other public works services to the Wildomar community. Direct services include:

- ◆ **Road maintenance:** The Department's operations division provides construction and maintenance of 104 miles of roads in the Wildomar community (71 miles in the north area and 33 in the south area). County-maintained roads do not include the extensive network of unimproved road and private roads in the Wildomar community for which the County does not provide maintenance.
- ◆ **Landscape and lighting maintenance:** As new development has occurred the County and developers have formed assessment districts for landscape maintenance along streets. Wildomar is included in a portion of Landscape and Lighting Maintenance District (LLD) 89-1, Zone 3. Wildomar includes eight sub-areas within this zone for a total of 972 parcels and total annual assessments of \$75,500. Wildomar is also included in CSA 103 that provide street lighting in new subdivisions, and CSA 152 that provides street sweeping and open space maintenance to new subdivisions.²⁰

The Department also manages capital projects for the County's Transportation Improvement Program (TIP), discussed below under *Capital Costs*.

City of Murrieta

The City provides public works services through the engineering and maintenance divisions of its Public Works Department. The Department coordinates all but the recreation services funded through the Murrieta Community Service District (MCSD), include:

- ◆ Park maintenance;
- ◆ Landscape maintenance of open space;
- ◆ Maintenance of natural drainage channels;
- ◆ Citywide street sweeping;
- ◆ Street lighting

The special tax and assessment revenues collected to fund these services are discussed in Chapter 4.

²⁰ The County originally formed CSA 152 to fund its National Pollutant Discharge Elimination System program. Currently that funding is only collected from incorporated areas (see *City of Murrieta Special Taxes and Assessments* section in Chapter 4). In the Wildomar area the powers of CSA 152 have been broadened to include other services such as parks and recreation (see *Parks & Recreation* section in this chapter).

Costs of Service

New Incorporated City

Staffing for capital improvement planning, public works engineering, and street maintenance services are included in the development services department of the new city described above under *Land Use Planning & Regulation*, above. Road maintenance costs are based on the County's current average annual cost for road maintenance of \$7,100 per mile. Street miles are projected to increase at the same ratio of street area per resident currently found in the City of Murrieta. See **Table A.13** for estimates of future street miles used for this analysis.

City of Murrieta

Public Works engineering and maintenance services are estimated using the per capita method. Street maintenance costs are estimated based on total Measure A sales tax and gas tax revenues generated by the annexation area, plus the general fund contribution per square foot of roads applied to all roads in the annexation area. Road maintenance costs are based on the City's current average annual cost for road maintenance of \$3,400 per mile. Road miles are projected to increase as mentioned above based on the current City ratio of street area per resident.

The costs of MCSD services are assumed to equal the revenues generated by the \$45.44 per dwelling unit MCSD special assessment. This approach applies the current level of service currently supported by the citywide assessment to the annexation area. See Chapter 4 for more discussion of MCSD revenues sources that would be applied to the annexation area.

County of Riverside

The County's costs are fully reimbursed with fees, charges, and other restricted revenue so there is no net cost reduction to the County for this service.

Other Municipal Services

The remaining municipal services for which little change is anticipated under any of the governance scenarios are discussed here. Some of these services are provided by regional agencies with service territories that extend significantly beyond the Wildomar community. Other services now provided under contract or franchise with the County and these contracts and franchises would be transferred to the new city or the City of Murrieta.

Cemetery

The only existing public agency with a service territory limited to Wildomar is the Wildomar Cemetery District. Cemetery districts typically retain responsibility for the delivery of their services regardless of the incorporation status of the community served.

Electric & Gas

Southern California Edison supplies electric service and the Southern California Gas Company supplies gas service. There would be no change in these service providers under any of the governance scenarios.

Flood Control

The Wildomar community receives flood control services from the Riverside County Flood Control and Water Conservation District (RCFC&WCD). The District is a dependent district of Riverside County governed by the Board of Supervisors. The Wildomar community is divided between zones 3, 4, and 7 of the District. All three zones overlap the north area while South Wildomar is only in zone 7. No change is anticipated in this service provider.

Solid Waste Collection & Disposal

Waste collection is provided by the County under an exclusive franchise with Waste Management of the Inland Empire for areas west of I-15, and CR&R west of I-15. The basic monthly rate as of May 2004 was \$19.17. Service includes weekly trash and green waste pickup and bi-weekly recycling pickup.

The City of Murrieta contracts with Waste Management to serve their entire jurisdiction. The basic monthly rate as of May 2004 was \$16.81. Service includes weekly trash, green waste, and recycling pickup.

Waste Management and CR&R would retain the right to provide waste collection services for five years after notice is given by a new or annexing city. Under the incorporation scenarios, the new city would assume responsibility for waste collection services and could continue using the same contractors or negotiate a different arrangement after five years. Under the annexation scenarios, the City of Murrieta anticipates using their current contractor to provide services to the entire annexation area. Franchise fee revenues are discussed in Chapter 4.

The County provides waste disposal through ownership and operation of the County landfill.

Telecommunications

Comcast provides cable service to the more densely developed areas of Wildomar. Verizon is the local telephone company though consumers may now choose a different telephone provider. Satellite technologies and the Internet are opening up choices for both services. There would be no change under any of the governance scenarios.

Water & Wastewater

The Elsinore Valley Municipal Water District provides water supply, treatment, and distribution, wastewater collection and treatment, and reclaimed water services. The District's service territory includes the cities of Lake Elsinore and Canyon Lake, surrounding unincorporated areas, and a small part of the City of Murrieta. The District's current service area boundary excludes certain rural and undeveloped areas of Wildomar. Its sphere of influence and ultimate service area boundary encompasses the entire Wildomar area. Developed areas of Wildomar receive service from the District while rural areas rely on on-site water wells and septic systems.

The District completed water and wastewater master plans in 2002 for their entire ultimate service territory. The District's water capital improvement program calls for \$183 million in improvements through 2020 of which \$130 million are needed to serve growth and the

remainder to correct existing deficiencies. The District relies on both its own groundwater wells and water imported from the Metropolitan Water District for supply. The District has adequate water supplies through about 2015 based on its growth projections, though the master plan recommended additional supplies for emergencies in case the largest source is temporarily unavailable. State law now requires subdivisions over 500 homes to verify adequate water supplies for a 20-year planning horizon. The District will need to identify additional supplies to enable large scale development to continue in its service area.

The District's wastewater capital improvement program calls for \$205 million in improvements through 2020 of which \$168 million are needed to serve growth and the remainder to correct existing deficiencies. A regional plant and two smaller plants provide wastewater treatment.

In cooperation with local landowners, the District formed Community Facilities District 96-2 (CFD) that encompasses nearly the entire portion of the south area of Wildomar east of Interstate 15. The CFD will provide funding for facilities to serve growth.

Countywide Services

The initial fiscal review includes a projection of fiscal impacts on services that the County would retain under the governance scenarios. These countywide services include

- ◆ General government
- ◆ Judicial
- ◆ Detention and correction
- ◆ Health
- ◆ Public assistance

General government services include county offices and departments such as the County Assessor, Auditor-Controller, Clerk-Recorder, and Registrar of Voters.

Cost estimates for these services are based on a per capita method using countywide population and employment as the service population base. Costs are allocated to the Wildomar area based on growth in population and employment.

Capital Costs

Capital facility needs and funding are discussed here in brief. Unincorporated areas tend to have lower existing facility standards compared to the policy objectives of new cities or the existing service levels of annexing cities, resulting in substantial capital needs. This section focuses on public building, parks, fire facilities, and roads, facilities likely to have the greatest needs under any of the incorporation or annexation scenarios.

Capital costs facing a new city or the City of Murrieta could be funded with:

- ◆ Operating budget surpluses;
- ◆ One-time revenue such as grants;

- ◆ Dedicated revenues such as the countywide Measure A sales tax (see Chapter 4);
- ◆ Voter approved revenues; and
- ◆ Fees and charges on new development.

Fees and charges on new development such as development impact fees and special assessments play a substantial role in funding new facilities for most growing communities. However, these revenues cannot fully fund new facilities if those facilities also serve existing development. Finding the additional funding needed to complement development-related revenues is a common challenge facing any local jurisdiction.

Public Buildings

The only public buildings in the community include the Wildomar fire station and the Mission Trail Community Library. The community has no facilities that could serve as general government facilities or community centers, though the library does have a meeting room with capacity for 50 people.

The new city would initially have limited revenue options for addressing these facility needs. As discussed above, the fiscal analysis assumes the new city would initially lease space for general government functions. Overtime it could use general fund surpluses generated from operations, new revenue sources approved by voters, and any grants it can attract to construct a civic center or other community buildings.

The City of Murrieta would not face the same challenges in providing adequate public buildings as a new city. The annexation area (whether the entire area or the south area only) would be served by the existing city hall and the community center described under the *General Government* and *Parks and Recreation* sections, above.

Parks

The County would likely transfer local parks to the new city or the City of Murrieta. The park facility standard would vary depending on the area, but in all cases the standard would be less than one acre per 1,000 residents as shown in **Table 3.6**. Based on prior studies conducted by MuniFinancial, park standards for cities typically range from three to five acres per 1,000 residents.²¹ The City of Murrieta currently has a park standard of 4.15 acres per 1,000 residents. The cost of achieving this standard would be \$16 million for the north area and \$11 million for the south area.

²¹ Many cities probably develop parks to this level because the Quimby Act in *California Government Code* section 66477 specifically authorizes a parkland standard of three to five acres per 1,000 residents.

Table 3.6: Park Facility Needs (Based on Existing City of Murrieta Park Standard)

	Governance Scenario		
	Full Incorporation or Annexation	Partial Incorporation (north area)	Partial Annexation (south area)
Existing Residents (2004)	25,533	15,843	9,690
Existing Park Facilities (acres)	<u>14.84</u>	<u>12.20</u>	<u>2.64</u>
Existing Park Facility Standard (acres per 1,000 residents)	0.58	0.77	0.27
City of Murrieta Park Facility Standard (ac./1,000 residents) ¹	<u>4.15</u>	<u>4.15</u>	<u>4.15</u>
Difference (acres per 1,000 residents)	(3.57)	(3.38)	(3.88)
Park Facility Needs To Achieve Murrieta Standard (acres)	91.12	53.55	37.57
Cost Per Acre (land and improvements)	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Park Facility Needs (cost)	\$ 27,337,000	\$ 16,065,000	\$ 11,272,000

¹ Based on current City of Murrieta park acreage divided by current residents.

Source: Tables 2.3 and 3.7; City of Murrieta; MuniFinancial.

Concurrent with adoption of the park master plan for CSA 152A in April 2004 the Board of Supervisors adopted a park acquisition and rehabilitation impact fee on residential development. The fee is the only capital improvement revenue source for CSA 152A and is commonly known as a Quimby Act fee.²² Fee revenues are kept in a separate fund for the benefit of CSA 152A only. The fee was set at a level to fund parkland acquisition at a standard of 5.0 acres per 1,000 residents. As a result, expenditure of the fee over time on park acquisition would increase the existing park standards shown in Table 3.6. Fee revenues could also be used to rehabilitate existing parks in the Wildomar community. The fee cannot be used for ongoing operations and maintenance. At current rates of residential development the fee generates about \$700,000 annually.

Fire Facilities

Fire facility needs would vary depending on the governance scenario. Under the governance scenarios resulting in incorporation or continued unincorporated status, fire facility planning would continue to be managed by the County Fire Department. The Fire Department plans to open a new station in the Sedco Hills area in 2008 with capital costs fully funded by development impact fees.

Under the annexation scenarios, facility planning would be transferred to the City of Murrieta. The City anticipates needing one station centrally located in the south area under partial annexation scenario, and three stations throughout the entire community under the full annexation scenario. At an estimated cost of \$2.5 million per station including land, the funding requirements would be \$2.5 million if the City annexed only the south area, and \$7.5 million if the City annexed the entire area.

Roads

The County has maintained roads in the community at levels similar to other unincorporated areas of the County. Information regarding the extent of deferred maintenance, safety

²² See *California Government Code* §66477.

problems, and capacity deficiencies on these roads was not available during the timeframe for this study.

The County Transportation Department's engineering division manages the County's Transportation Improvement Program (TIP). Local funding comes from development impact fees imposed by zone. Zone A of the Southwest Area Road and Bridge Benefit District (Southwest Area RBBD) is nearly coterminous with the boundaries of the Wildomar community. A small portion of the Wildomar community in the northeast corner between Bundy Canyon Road and Hemlock Street is included in Zone B of the Scott Road and Bridge Benefit District. With a change in governance, responsibility for the Southwest Area RBBD could be transferred to the new city, the City of Murrieta, or remain with the County.

The County recently increased development fees in Southwest Area RBBD Zone A to fund \$69.2 million in projects. These fees are dedicated to specific projects in and outside the zone. Fee revenues would need to be spent on those projects, or alternative projects that benefit new development.

4. REVENUE ANALYSIS

This section describes the approach used to estimate revenues for the new city, additional revenues for the City of Murrieta, and revenue lost and retained by the County under each of the governance scenarios.

Property Tax

Property tax estimates are based on a projection of real property assessed value multiplied by a local public agency's share of the one percent property tax, called a tax allocation factor (TAF).²³ Only assessed property value within a jurisdiction generates property tax for that jurisdiction. For example, in an incorporated area the city general fund, county general fund, the public school district, and possibly separate fire and library district funds would each have a TAF that in sum would equal the one percent tax. TAFs may vary by tax rate area within a jurisdiction and are calculated by the County Auditor-Controller. The methodology used in this study to estimate property tax is explained below.

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.²⁴

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 eight percent excluding the additional value from new development. With new development, nominal property tax revenue can increase 10 to 15 percent annually in fast growing communities. The fiscal model applies a discount rate of five percent to projected revenue, suggesting a real appreciation rate of three percent. These assumptions are reasonable estimates for the purposes of a long-range projection and reflect average rates over the course of the business cycle. These assumptions have been verified against historical property value data in prior studies completed by MuniFinancial.²⁵

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

²³ Proposition 13 limits the property tax to one percent of assessed value unless increased by two-thirds voter approval to support bonded debt.

²⁴ California Constitution, Article XIII A.

²⁵ See for example *10-Year Financial Plan* (unpublished), City of Roseville, 2003.

- ◆ Market value in nominal dollars (including inflation) of new development occurring in a given year based on annual absorption in that year (see Table 2.1) multiplied by the unit values shown in **Table 4.1**. The unit values are based on a review of current real estate development in the Wildomar area and interviews with real estate professional in the area. The unit values shown in the table are increased at the nominal annual appreciation rate to the year in which the new development occurs.

Table 4.1: Land Use Assumptions

Land Use Type	Unit Values¹	Density²	Holding Period (years)³	Vacancy⁴
<u><i>New Residential</i></u>				
North Wildomar Area				
Single Family	\$ 380,000	2.85	7	0.0%
Multi-family	180,000	2.38	7	0.0%
South Wildomar Area				
Single Family	380,000	3.13	7	0.0%
Multi-family	180,000	2.38	7	0.0%
<u><i>New Nonresidential</i></u>				
Business Park	\$ 150	1.67	15	0.0%
Community Center	130	2.50	15	0.0%
Commercial Office	150	3.33	15	0.0%
Commercial Retail	130	2.50	15	0.0%
Light Industrial	100	1.25	15	0.0%
<u><i>All Existing Development</i></u>	NA	NA	8	NA
<u><i>Other Assumptions</i></u>				
Real Property Appreciation Rate	8.0%			
Discount Rate	5.0%			

¹ Market value (\$ 2004) per dwelling unit for residential development or per building square foot for nonresidential development. Single family values are based on the average asking price across three current subdivisions in Wildomar (Polamor Ridge, Clayton Ranch, and Willow Creek). Multi-family values are approximately 50 percent of single family values based on discussions with local realtors and consultants and experience in other California real estate markets. Nonresidential unit values are based on market data.

² Single family residents per dwelling unit based on 2000 Census. Multi-family density based on data for the City of Murrieta because Wildomar currently has no multi-family development. Employees per 1,000 square feet based on survey data for Los Angeles region.

³ Holding period represents number of years a property is held before resale. Values are common assumptions used in similar studies based on demographic and market research.

⁴ Vacancy rates are already incorporated into the density factors.

Source: 2000 Census, Tables H-31, H-32, and H-33; County of Riverside General Plan; The Natelson Company, Inc., *Employment Density Study Summary Report*, October 31, 2001, Table 2-A, p. 15; Stan Smith, Barnes Realty; Fred Grimes, West Mar Commercial; Economic & Planning Systems; MuniFinancial

- ◆ The share of total assessed value from the prior year that is not re-sold increased by the Proposition 13 constraint of two percent. The share is based on the “Holding Period” assumptions shown in Table 4.1 and reflect the length of time property is held prior to re-sale
- ◆ 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.

The housing and employment density assumptions in Table 4.1 are used to calculate the residents and employees accommodated by projected housing and building square feet and shown previously in Table 2.3.

One Percent Property Tax (Excluding Redevelopment Tax Increment)

For the one percent property tax not generated by redevelopment tax increment (see next section) assessed value is based on:

- ◆ Assessed value of all tax rate areas outside the redevelopment project areas based on the approach described above; plus
- ◆ Base assessed value of the project area held constant over time (assessed value at the time the project area was formed).

Assessed value is multiplied by the one percent property tax rate and then by the tax allocation factor (TAF) applicable to the public agency to calculate property tax in nominal dollars. Nominal property tax revenue is discounted back to the present to generate revenue estimates in real (constant 2004) dollars. This approach ensures consistency with other model fiscal estimates that are expressed in real dollars.

In most cases the TAF for a new city upon incorporation or for an existing city in an annexation area is based on the services transferred from existing public agencies to the new or annexing city. If a service is transferred then property tax revenue to fund that service is transferred as well. For TAFs dedicated to restricted uses, such as for a fire or library district, the entire TAF is transferred to the city if the service is transferred. For a county’s general fund TAF, only a portion is transferred because while the county transfers some services to the city such as law enforcement, it retains other services such as the courts.

New Incorporated City (Incorporation Scenarios Only)

The property transferred to a new incorporated city from the County’s general fund share is based on a the following statutory formula:

$$(\text{Auditor's ratio}) \times (\text{Net county cost}) = \text{New city property tax}$$

Where:

Auditor’s ratio = Total general fund property taxes divided by total general fund undesignated revenues; and

Net county cost = Total cost of services transferred to the new city from the county, net of designated revenues (such as charges for services and restricted tax revenue).

This calculation relies on data for the most recent fiscal year. If the first year of incorporation is later than the year used to calculate the property tax transfer, then the transfer amount is increased by the increase in assessed value for the new city.

The new city's share of the one percent property tax associated with future increases in assessed value is calculated as follows:

$$\begin{aligned} & \text{New city property tax} / \text{One percent of new city assessed value} \\ & = \text{New city tax allocation factor (new city TAF)} \end{aligned}$$

For the two restricted property tax funds that could be affected by incorporation, the new city would receive:

- ◆ 100 percent of the County structure fire protection fund property tax because this service is assumed to transfer to the new city; and
- ◆ None of the County library fund property tax because this service is not assumed to transfer to the new city (see Municipal Services Plan discussion in Chapter 3).

City of Murrieta (Annexation Scenarios Only)

The general fund TAF that a city receives from the county general fund from an annexation area is subject to negotiation between the city and the county. The amount is not determined by a statutory formula as it is for an incorporation. The County of Riverside and the City of Murrieta have a master property tax sharing agreement to govern the allocation of property tax for annexations.²⁶ This agreement states that the City will receive:

- ◆ 25 percent of the County general fund TAF;
- ◆ 100 percent of the County structure fire protection fund TAF if this service is transferred to the City; and
- ◆ 100 percent of the County library fund TAF if this service is transferred to the City.

For the purposes of this study fire and library services are transferred to the City so the City receives the current County share of the property tax for these services in the annexation area.

County of Riverside (All Scenarios)

The County of Riverside retains any property tax revenue not allocated to the new city or the City of Murrieta based on the assumptions and methodology presented above. Specifically:

- ◆ *Full incorporation scenario:* County retains general fund property tax not allocated to new city, none of the structure fire protection fund tax, and all of the library fund tax.
- ◆ *Full annexation scenario:* County retains 75 percent of the general fund property tax and none of the structure fire protection fund or library fund tax.

²⁶ Riverside County, *Master Property Tax Transfer Agreement Between The City of Murrieta And County Of Riverside Related To Annexations To The City Of Murrieta*, Resolution No. 95-280, September 19, 1995.

- ◆ *Partial incorporation/annexation scenario:* In the north area the County retains general fund property tax not allocated to new city, none of the structure fire protection fund tax, and all of the library fund tax. In the south area the County retains 75 percent of the general fund property tax and none of the structure fire protection fund or library fund tax.
- ◆ *South annexation only scenario:* In the north area the County retains all property taxes. In the south area the County retains the same property taxes as under the partial incorporation/annexation scenario.

Redevelopment Tax Increment

Redevelopment Pass-Through Revenue

Redevelopment tax increment is the one percent property tax generated by a redevelopment project area based on the increase in assessed value since the area was formed. The property tax associated with the amount of assessed value at the time of formation (the “tax base”) remains unchanged and is allocated to local public agencies based on their TAF prior to formation, as mentioned above.

For project areas formed after January 1, 1995, a statutory formula governs the share of the tax increment allocated to the redevelopment agency. The remainder continues to be allocated to local public agencies based on their TAF prior to redevelopment. The revenues that local agencies receive in redevelopment project areas from tax increment are commonly known as “pass-through” revenues. These revenues are in addition to the revenues generated by the tax base discussed above.

Lakeland Village/Wildomar Redevelopment Project Area

Under any of the governance scenarios the Lakeland Village/Wildomar Redevelopment Project Area would continue to be administered by the County Redevelopment Agency (RDA). The RDA would continue to receive the property tax increment generated by the Project Area. The statutory pass-through revenue would be reallocated to the new city or the City of Murrieta based on the same TAFs used to calculate property tax generated outside the Project Area. The County Redevelopment Agency would seek to work with the new city or the City of Murrieta to co-sponsor capital projects in the Project Area with redevelopment funding.

Educational Revenue Augmentation Fund

The Educational Revenue Augmentation Fund (ERAF) is a separate property tax fund mandated by the State. The fund receives property tax allocations from each local public agency. The result is that each agency has an average jurisdiction-wide TAF that is “gross” and “net” of ERAF. The difference is the “ERAF share”. Based on discussions with the County of Riverside Auditor-Controller’s Office, the effect of incorporations and annexations on ERAF is as follows:

- ◆ *Incorporations, county general fund:* New city receives its general fund property tax share calculated per the statutory formula. ERAF does not affect the new city’s TAF. Instead the Auditor-Controller calculates a gross TAF based on the County ERAF obligation associated with the level of assessed value in the new city.

- ◆ *Incorporations, restricted funds:* ERAF obligations associated with restricted funds in the incorporating area are transferred to the new city. The same ERAF share is used to calculate the net TAF for the new city.
- ◆ *Annexations, all funds:* The County transfers the amount of the ERAF obligation associated with the annexation area to the annexing city. This amount is added to the City's current total ERAF obligation, resulting in a new ERAF share for the city.

To further explain the impact of ERAF in annexation areas, the ERAF obligation associated with the annexation area would be added to the City's current citywide obligation. Thus the citywide ERAF share changes slightly to account for differences between the current ERAF share citywide and the annexation area's share. If the annexation area has a higher ERAF share than the City, then the City's ERAF share goes up. If the annexation area has a lower ERAF share than the City, then the City's ERAF share goes down.

This study uses the revised citywide ERAF share to calculate the net property tax generated by the annexation area. The rest of the City will also be subject to this revised citywide ERAF share. The share of the annexation area's ERAF obligation transferred to the City and spread to the rest of the City outside the annexation area is shown below in **Table 4.2**.

Table 4.2: City of Murrieta - Net Change In Citywide ERAF

<u>All Data For FY 2003-04</u>				
Total Citywide ERAF With Annexation		Current Citywide ERAF (Without Annexation)	Additional ERAF Funded By Annexation Area	ERAF Increase/(Decrease) In Rest of City (Outside Annexation Area)
<i>Full Annexation</i>				
General Fund	\$ 1,179,400	\$ 705,200	\$ 224,600	\$ 249,600
Fire Fund	276,400	276,400	63,900	(63,900)
Library Fund	<u>938,800</u>	<u>765,700</u>	<u>173,300</u>	<u>(200)</u>
Total	\$ 2,394,600	\$ 1,747,300	\$ 461,800	\$ 185,500
<i>South Area Annexation</i>				
General Fund	\$ 945,000	\$ 705,200	\$ 100,500	\$ 139,300
Fire Fund	276,400	276,400	35,700	(35,700)
Library Fund	<u>853,700</u>	<u>765,700</u>	<u>88,100</u>	<u>(100)</u>
Total	\$ 2,075,100	\$ 1,747,300	\$ 224,300	\$ 103,500

Note: The net increase or decrease in ERAF outside the annexation area represents the change to the amount that the City will have deducted from its gross property tax in addition to the share funded by the annexation area. This is as a result of the ERAF deduction associated with the annexation area being allocated citywide. "ERAF" is the Educational Revenue Augmentation Fund. All data is for FY 2003-04.

Source: Riverside County Auditor-Controller; MuniFinancial.

As shown in Table 4.2 the City's ERAF share goes up for the general fund and down for the two restricted funds. The County's general fund ERAF share is 50.05 percent (over half of the County's property tax is allocated to ERAF). The City general fund current share is 17.51 percent. The revised citywide share would increase to 23.70 percent under the full annexation scenario and 20.97 under the partial annexation/incorporation or south annexation only scenarios. There is no ERAF deduction from the County fire fund so that

ERAF share decreases under all annexation scenarios. The ERAF share for the library fund is nearly identical so there is little net impact to that fund under all annexation scenarios.

Appendix Tables For Property Tax Analysis

Detailed tables in the Appendix showing all assumptions, calculations, and results of the property tax analysis include:

- ◆ **Table A.4** lists the tax rate areas included in the Wildomar area.
- ◆ Market and assessed property value projections in nominal dollars with and without the Redevelopment Project Area:
 - **Tables A.5 and A.8** present projections of the market value of new development in a given year based on the absorption schedule in Table 2.1 and the market values shown in Table 4.1 increased annually by the property appreciation rate.
 - **Table A.6 and A.9** present projections of the cumulative market value based on the sum of (1) the value of the prior year inflated by the property appreciation rate, plus (2) the market value of new development in the current year. Initial market value is based on increasing it by 20 percent to account for the differences between assessed and market values.
 - **Tables A.7 and A.10** present projections of assessed value based on the sum of (1) the portion of the prior year assessed value that is not resold increased by two percent, (2) the portion of the prior year cumulative market value that is resold increased by the property appreciation rate, and (3) the market value of new development in the current year.
 - **Table A.11** presents projections of assessed value for redevelopment tax increment projections based on the difference between Tables A.7 and A.10, and the statutory shares allocated for payments to affected agencies (“pass-through”).
- ◆ Property tax for the new city (incorporation scenarios):
 - **Table B.12** shows calculation of the Auditor’s ratio.
 - **Table B.13** shows calculation of net county cost.
 - **Table B.14** shows calculation of the property tax transfer and the TAF.
- ◆ Property tax for the City of Murrieta (annexation scenarios):
 - **Table C.8** shows the TAF by fund.
- ◆ Property tax for the County of Riverside (all scenarios):
 - **Table D.4** shows TAFs transferred to the new city or the City of Murrieta based on the law governing transfers to new cities and ERAF deductions, the services transferred to the new city of the City of Murrieta, and the County’s master property tax sharing agreement with the City of Murrieta.
 - **Table D.5** shows TAFs retained by the County based on Table D.4.

- **Table D.6** shows the property tax revenue retained by the County reduced by the discount rate to real (constant) dollars.
- **Table D.7** shows the property tax increment pass-through revenue retained by the County.

Sales Tax

The State Board of Equalization (SBOE) provided existing sales tax data for reporting businesses with addresses in Wildomar. Address ranges were developed from a Wildomar base map that is a composite of highways, streets, places, cities, names, and census blocks from the U.S. Geological Survey and U.S. Census Bureau. StreetMap data from ESRI, a private firm, provided the address ranges. These ranges were plotted on work sheets and verified. The ranges were checked against known data and corrected as necessary. Finally, HdL, the firm responsible for assisting the County with sales tax reporting and auditing, checked a list of businesses provide by Wildomar community members against the SBOE business listings and found no significant discrepancies.

The sales tax projection used for this report is based on the discussion of development trends in Chapter 2. Wildomar is anticipated to attract significant neighborhood and community retail to serve local residents and businesses, but is unlikely to attract regional retail development.

Potential spending from local households and businesses that could be captured by local commercial development is based on an analysis of sales tax per capita for other communities in Riverside County. Cities were identified for the sample based on having less than 100,000 in population, and generating sales tax at less than the countywide median of \$114 per capita. The first criterion limits the sample to cities similar in population to Wildomar. The second criterion reduced the effect of cities with significant regional retail development. The median sales tax generation for the sample cities was \$72 per capita.²⁷ The current Wildomar sales tax levels per capita were increased over time to \$72 by 2015 in the south area and by 2025 in the north area. These time periods represent the point when each area will reach 25,000 in population, the median population for the sample cities.

Table 4.3 shows the sales tax per capita earned by each city in the County in 2003, and the sample cities selected to estimate future sales taxes for the Wildomar area. The increase in sales per capita used to estimate total sales is shown in the Appendix in **Table A.12**.

²⁷ Population estimates provided by California Department of Finance. Sales tax data provided by The HdL Companies.

Table 4.3: Sales Tax Analysis

City	Population 2003	Sales Tax 2003	Sales Tax Per Capita	In Sample?
BANNING	25,581	1,894,489	74	Yes
BEAUMONT	13,898	1,000,145	72	Yes
BLYTHE	21,321	1,553,006	73	Yes
CALIMESA	7,395	346,202	47	Yes
CANYON LAKE	10,601	109,319	10	Yes
CATHEDRAL CITY	47,690	8,186,978	172	
COACHELLA	27,000	1,799,820	67	Yes
CORONA	138,163	23,057,512	167	
DESERT HOT SPRINGS	17,324	707,876	41	Yes
HEMET	62,737	7,478,869	119	
INDIAN WELLS	4,432	645,160	146	
INDIO	54,906	5,712,306	104	Yes
LAKE ELSINORE	33,316	4,169,517	125	
LA QUINTA	30,710	4,429,377	144	
MORENO VALLEY	151,195	9,630,698	64	
MURRIETA	68,238	6,157,075	90	Yes
NORCO	25,420	4,784,212	188	
PALM DESERT	44,286	12,621,731	285	
PALM SPRINGS	44,363	6,648,889	150	
PERRIS	38,523	4,159,272	108	Yes
RANCHO MIRAGE	15,088	3,636,282	241	
RIVERSIDE	276,299	38,143,775	138	
SAN JACINTO	26,261	870,986	33	Yes
TEMECULA	<u>75,651</u>	<u>20,238,325</u>	<u>268</u>	
Total Incorporated	1,260,398	167,981,821	133	
Unincorporated Area	<u>458,606</u>	<u>21,329,484</u>	<u>47</u>	
Total Countywide	1,719,004	\$ 189,311,305	\$ 110	
Median (all cities)	32,013		114	
Median (sample cities)	25,581		72	

¹ Sample cities are all cities that have less than the countywide median per capita sales tax revenue and less than 100,000 in population.

Source: California Department of Finance; HdL; MuniFinancial.

Other Taxes

Property Transfer Tax

Property transfer tax revenues are estimated using the cumulative estimates of real estate market value and the holding period assumptions discussed in the property tax section above. Upon incorporation or annexation the County and the new city or the City of Murrieta would evenly split the current County unincorporated area rate of \$1.10 per \$1,000 of value on each real estate transaction. Tax revenues are calculated as follows:

- ◆ The cumulative market value for a given year is divided by the holding period, by land use type, to calculate the value of transactions subject to tax in a that year;
- ◆ The transaction value is multiplied by the tax rate to calculate tax revenues in current dollars; and
- ◆ Tax revenues are discounted to 2004 dollars to be consistent with the other projections in this study.

Tables B.15, C.9, and D.8 show projections of property transfer tax revenue for the new city, the City of Murrieta, and the County under the four governance scenarios.

Gas Tax and Measure A

Gas tax (highway users tax) revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. The gas tax plays an important role in increasing revenues for incorporating or annexing cities without generated 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.

Measure A is a countywide sales tax measure for transportation. A portion of Measure A revenues are allocated to the County and cities per capita to use for road projects and other transportation needs. Incorporation or annexation would transfer a portion of the County's allocation to the new city or the City of Murrieta, respectively.

For projections of gas tax and Measure A revenues see the Appendix **Tables B.16 and B.17** for the new city, and **Tables C.3 and C.4** for the City of Murrieta.

Taxes Not Included

The County of Riverside and the City of Murrieta also impose a transient occupancy tax (TOT) on hotel and motel charges. This study does not include TOT revenue because there are no visitor lodging businesses currently located in the area and the land use scenario does not anticipate such development within the planning horizon.

Neither the County nor the City imposes a utility users tax so that potential tax revenue source is also not included in this study.

Other Revenues

For the new city and the County (scenarios that include incorporation or continued unincorporated status), other revenues included in this study are based on revenues currently collected by the County of Riverside from the unincorporated area. Except in cases where an unincorporated area revenue source would not transfer to a new incorporated city, this study assumes that the new city would assume collection of the same level of local revenues currently being collected by the County.

For the City of Murrieta annexation area revenues are based on revenues currently collected citywide by the City. Collection of these revenues would be extended at current rates to the annexation area.

In all cases the calculation of other revenues is based on a per capita analysis using FY 2003-04 budgeted revenues. Details by revenue type are discussed below:

Franchise Taxes and Fees

This revenue is generated through franchise agreements for services such as solid waste collection. Both the City of Murrieta and the County (in the unincorporated area only) collect franchise taxes and fees. The new city is assumed to receive revenues comparable to the County's on a per capita basis. The City of Murrieta is assumed to collect the same revenue on a per capita basis that it currently collects citywide.

Business Licenses

The City of Murrieta collects business license revenue while the County does not. The City is assumed to collect the same revenue on a per capita basis in annexation areas that it currently collects citywide. The new city is assumed not to have business license revenue consistent with current County revenues collected in the unincorporated area.

Traffic Fines

Revenue from traffic fines have steadily declined for cities since the early 1990's as the State has redistributed revenues towards the State and counties. The new city is assumed to generate revenues equal to the half of the County's traffic fine revenue allocated to the unincorporated area on a per capita basis. The City of Murrieta is assumed to receive the same revenue per capita that it currently generates citywide.

Interest Income

Interest earnings on general fund balances generate interest income. The new city is assumed to generate revenues at the same per capita level as generated for the County from the unincorporated area. The City of Murrieta is assumed to generate the same revenue per capita that it currently generates citywide.

Charges For Services

For the City of Murrieta and the County charges for services are deducted from service costs before calculating per capita costs (see Chapter 3). Consequently this revenue source is not included in revenue projections for annexation and unincorporated areas.

For the 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. This rate is the same as the County's cost recovery rate for development services provided through its Transportation Land Management Agency.

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. Similar to the gas tax, VLF plays an important role in increasing revenues for incorporating or annexing cities while reducing the potential negative fiscal impacts on counties. The State subvention formula for VLF does not adjust the share of statewide revenue allocated to counties because of an annexation or incorporation. Incorporated or annexed areas receive their VLF revenue from the share of statewide revenue allocated to cities. Thus, counties are able to transfer service costs while still retaining a major revenue source.

The projection of VLF revenue had to be adjusted to account for recent changes in state law passed after the analysis for this study had been substantially completed.²⁸ These adjustments are described below.

Prior Law

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.

For new 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 applies 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 greater than the actual population.

Current Law

Under the new law, starting FY 2004-05, most of the VLF revenue allocated to cities and all of the revenue allocated counties would increase based on assessed value growth instead of population growth in a jurisdiction. Revenue would be distributed as property tax in lieu of VLF, funded by each county's ERAF account so that existing property tax revenue to local jurisdictions would not be affected. A small portion of the VLF, about \$5 per capita or about eight percent of the FY 2003-04 per capita amount, would remain allocated to cities based on population.

²⁸ See Senate Bill No. 1096 and Assembly Bill No. 2115 from the 2004 Legislative Session.

The critical language in the new law that affects this analysis is regarding the change in VLF revenue caused by a change in a jurisdiction's boundaries. This analysis is based on the following assumptions with regards to the impact of the law on incorporations and annexations. These assumptions reflect our best understanding of the new law as of the date of this report. The State Controller's Office and the county Auditor-Controllers are still developing procedures for implementing the legislation at this time so these assumptions should be reviewed as part of any further analysis of these governance scenarios.

◆ **Incorporations:**

- Per capita VLF: A new incorporated city would only receive VLF revenue based on the small amount that remains allocated on a per capita basis. There would be no adjustment to population based on three times registered voters for seven years as under prior law.
- Property tax in lieu of VLF: There does not appear to be a provision in the law for cities incorporated after August 5, 2004 to receive property tax in lieu of VLF. Because of the importance of VLF as a local revenue source, particularly to new incorporated cities, this impact casts doubt about the fiscal viability of any incorporation effort in the State at this time, including the Wildomar effort.

◆ **Annexations:**

- Per capita VLF: The additional population in an annexation area would increase the city's per capita VLF revenue.
- Property tax in lieu of VLF: The law specifically states that the property tax in lieu of VLF would not be increased in the first year following a change in boundaries so that the initial increase in assessed value from an annexation area would not increase the city's VLF revenue.²⁹ Increases in assessed value in the annexation area after the first year would be included in the calculation of the city's increase in VLF.

◆ **County Impacts:**

- Per capita VLF: Counties would no longer receive a per capita VLF subvention. All VLF revenue would be allocated as property tax in lieu of VLF.
- Property tax in lieu of VLF: Incorporations and annexations would not create boundary changes for a county so increases in assessed value in the incorporated or annexed area would be included in the calculation of the county's increase in VLF. Incorporations and annexations would have no net impact on a County's VLF revenue.

City of Murrieta Special Taxes and Assessments

The City of Murrieta currently levies the following special taxes and assessment through the Murrieta Community Services District (MCSD):

²⁹ *California Revenue & Taxation Code*, Section 97.70(c)(1)(C)(ii)(II).

- ◆ A citywide special tax of \$45.00 per dwelling unit for park maintenance and recreation programs that is divided into:
 - A \$17.55 per dwelling unit charge for recreation programs; and
 - A \$27.45 per dwelling unit charge for park maintenance.
- ◆ A citywide special assessment of \$45.44 per dwelling unit for open space landscape maintenance, natural drainage channel maintenance, and citywide street sweeping.
- ◆ Individual assessments in landscape and lighting districts that vary by subdivision and fund landscape, lighting, and street sweeping services within the subdivision.

The citywide special tax and the special assessment would be extended to the annexation area to fund the same services. Current charges levied in Wildomar, such as those levied through LLD 89-1 and CSA 103, and that fund the same services as the special assessment would be credited against that assessment. Current charges that fund services that are in addition to the services funded by the special assessment would continue to be levied. To fund services for individual subdivisions, the City anticipates establishing landscape and lighting districts in new subdivisions as they develop in Wildomar, as it does in the City currently.

The City also collects the following assessments that would be extended to the annexation area to fund the extension of existing city services:

- ◆ A special assessment for the Fire District at \$40 per dwelling unit and \$40 per 1,000 gallons of fire flow for nonresidential buildings.
- ◆ An assessment as part of CSA 152 to fund the City's participation in a countywide program regarding the National Pollutant Discharge Elimination System (NPDES). The assessment is levied only on developed property at the rate of \$10 per dwelling unit and \$120 per nonresidential acre.

Appendix Tables For Other Revenues Analysis

Detailed tables in the Appendix showing all assumptions, calculations, and results for analysis of other revenues include:

- ◆ **Tables B.16 and B.17** provide new city estimates of other revenues for the full incorporation and partial incorporation/annexation (north area) scenarios, respectively, including calculation of VLF under the prior and current law.
- ◆ **Tables C.10, C.11, C.12, and C.13** provide City of Murrieta per capita revenue estimates for the general fund, Community Services District fund, fire fund, and library fund, respectively.
- ◆ **Table C.14 and Table D.9** provide worksheets for calculation of VLF under the prior and current law for the City of Murrieta and the County respectively.
- ◆ **Table D.10** shows calculation of the County general fund per capita revenue factor.
- ◆ **Table D.11** provides County general fund per capita projections for the entire Wildomar area for countywide revenues.

- ◆ **Table D.12** provides County general fund per capita projections for the north area only for unincorporated area revenues.

5. INITIAL FISCAL REVIEW

The purpose of the initial fiscal review is to provide estimates of the net fiscal impacts on local agencies from potential changes in governance. “Net fiscal impacts” under this analysis are defined as follows, depending on the local agency affected and the governance scenario analyzed:

- ◆ **New city:** For the governance scenarios that include full or partial incorporation, net fiscal impacts are the ongoing revenues available to a new city net of the operating costs transferred to the new city from the County.
- ◆ **City of Murrieta:** For the governance scenarios that include full or partial annexation, net fiscal impacts are the ongoing revenues that would become available to the City of Murrieta net of the City’s operating costs associated with serving the annexation area.
- ◆ **County:** For all governance scenarios there are two estimates of fiscal impacts: (1) the ongoing revenues that would continue to be generated by the Wildomar community net of the operating costs that would not be transferred, and (2) the base year impact from the cost of services transferred net of the revenues transferred to the new City and/or the City of Murrieta.

Key Assumptions

This section describes several key assumptions not addressed in prior chapters.

Real (Constant 2004) Dollars

All model results are calculated in real (2004 constant) dollars, that is, factoring out the effect of inflation.

All revenue factors except property tax projections are based on 2004 estimates and held constant over the planning horizon. As discussed in Chapter 4, property tax is based on assessed value in nominal (current) dollars discounted to real dollars to incorporate constraints imposed by Proposition 13.

Most cost factors such as salary rates, non-personnel costs, and per capita 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. Tying non-personnel costs to this same real rate of increase integrates a small degree of conservatism in the estimates. Assuming a one percent real increase in costs (before inflation) is reasonable based on analysis of other cities.³⁰

³⁰ An analysis of City of Roseville salaries per full-time equivalent over a ten-year period (1993-2003) revealed a 4.5 percent nominal annual increase (including inflation), or a 1.9 percent average annual real increase (excluding inflation).

Fiscal Neutrality Not Addressed

State law requires that LAFCO cannot approve the incorporation of a new city without either demonstrating that the impact on an affected agency is fiscally neutral, or receiving the approval of the agency. Counties typically experience the largest fiscal impact from incorporations. As a result, a county that is negatively affected by incorporation can receive payments from and participate in tax sharing agreements with the new city.

This initial fiscal review does not address the fiscal neutrality requirement. The issue would be appropriately addressed at the next stage during the completion of a comprehensive fiscal analysis required by statute prior to an incorporation.

Range of Error

The results of a fiscal impact analysis should be evaluated within the context of a reasonable range of error surrounding model assumptions. If net fiscal impact (revenues minus costs) as a percent of total costs is:

- ◆ Less than 10 percent then the model indicates a negative fiscal impact;
- ◆ Within plus or minus 10 percent then the model indicates a neutral fiscal impact; and
- ◆ More than 10 percent then the model indicates a positive fiscal impact.

New City

Full Incorporation Scenario

The results of the initial fiscal review of the full incorporation scenario are shown in **Table 5.1**. VLF revenues are shown as projected under prior law, with an adjustment at the bottom of the General Fund section of the table for the impact of current law. Results indicate that a new city for the entire Wildomar area may be fiscally viable if it was able to receive VLF revenue as under prior law. The significant decrease in VLF revenue under current law would render the incorporation unfeasible from a fiscal perspective. The primary reasons for these results are:

- ◆ **Property tax:** The city would receive a reasonable net property tax allocation factor (TAF) of 13.2 percent, including transfers from the County general fund and the Structural Fire Protection Fund. With the impact of continued new development property tax is projected to grow at an 8.5 percent real annual rate (excluding inflation).
- ◆ **Sales tax:** Sales tax demonstrates the strongest real growth rate of any revenue source at 15.9 percent annually excluding inflation. This growth rate is due to (1) the assumption that over the planning horizon sales per capita will gradually increase to the County median for cities fewer than 100,000 in population, and (2) the new city starts with very low per capita sales tax generation.

Table 5.1: New City - Full Incorporation Scenario

		Source	2006	2010	2015	2020	2025
General Fund							
Revenues							
Property Taxes	Tables 4.1, A.10, B.14		\$ 2,371,000	\$ 3,862,000	\$ 5,649,000	\$ 8,135,000	\$ 11,114,000
Redev. Pass-Through	Tables 4.1, A.11, B.14		22,000	61,000	107,000	185,000	366,000
Sales Tax	Table A.12		789,000	1,427,000	2,593,000	3,451,000	4,451,000
Property Transfer Tax	Table B.15		157,000	256,000	390,000	580,000	828,000
Franchise Fees	Table B.16		308,000	388,000	470,000	563,000	659,000
Fines and Penalties	Table B.16		41,000	50,000	62,000	74,000	88,000
Charges for Services	Table B.16		1,273,000	1,174,000	1,520,000	1,851,000	2,224,000
Vehicle License Fees ¹	Table B.16		2,150,000	2,898,000	2,996,000	3,957,000	5,103,000
Use of Money & Property	Table B.16		83,000	104,000	126,000	152,000	179,000
Total			\$ 7,194,000	\$ 10,220,000	\$ 13,913,000	\$ 18,948,000	\$ 25,012,000
Costs							
City Council	Table B.1		\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
City Manager	Table B.1		517,200	631,800	846,800	889,800	935,500
City Attorney	Table B.1		374,000	584,000	819,500	860,300	904,900
City Clerk	Table B.1		20,000	290,900	326,400	402,500	400,200
Administrative Services	Table B.1		475,000	649,600	897,400	1,116,100	1,306,100
Development Services	Table B.1		1,591,200	1,467,900	1,899,400	2,313,900	2,780,500
Fire Department	Table B.1		849,000	1,149,000	1,208,000	1,269,000	1,334,000
Police (incl. Animal Control)	Table B.1		2,653,000	3,288,000	4,213,000	5,413,000	6,511,000
Non-Departmental	Table B.1		425,000	395,000	494,000	559,000	613,000
Contingency	10 percent of costs		774,000	946,000	1,196,000	1,431,000	1,649,000
Total			\$ 7,736,400	\$ 9,460,200	\$ 11,958,500	\$ 14,312,600	\$ 16,492,200
Net Revenue (VLF Under Prior Law)			\$ (542,400)	\$ 759,800	\$ 1,954,500	\$ 4,635,400	\$ 8,519,800
<i>Net Revenue % Costs</i>			(7%)	8%	16%	32%	52%
Adjustment For VLF Under Current Law ²			(2,009,000)	(2,708,000)	(2,744,000)	(3,625,000)	(4,674,000)
Net Revenue			\$ (2,551,400)	\$ (1,948,200)	\$ (789,500)	\$ 1,010,400	\$ 3,845,800
<i>Net Revenue % Costs</i>			(33%)	(21%)	(7%)	7%	23%
Road Maintenance Fund							
Revenues							
Gas Tax	Table B.16		\$ 411,000	\$ 516,000	\$ 625,000	\$ 754,000	\$ 890,000
Measure A	Table B.16		272,000	341,000	413,000	499,000	588,000
Total			\$ 683,000	\$ 857,000	\$ 1,038,000	\$ 1,253,000	\$ 1,478,000
Costs							
Road Maintenance	Table B.1		\$ 739,000	\$ 807,000	\$ 970,000	\$ 1,141,000	\$ 1,344,000
Net Revenue			\$ (56,000)	\$ 50,000	\$ 68,000	\$ 112,000	\$ 134,000
<i>Net Revenue % Costs</i>			(8%)	6%	7%	9%	9%
Net Revenue All Funds			\$ (598,400)	\$ 809,800	\$ 2,022,500	\$ 4,747,400	\$ 8,653,800
<i>Net Revenue % Costs</i>			(7%)	8%	16%	31%	49%

¹ Revenues based on prior law effective through August 5, 2004. Full allocation of per capita tax based on three times registered voters for first seven years. Current law applies thereafter with property tax in-lieu payment substituting for 87.5 percent of per capita allocation.

² Adjustment for loss of revenue under current law effective after August 5, 2004. Based on 12.5 percent of FY 2003-04 per capita allocation and no adjustment for registered voters.

Source: MuniFinancial

- ◆ **Vehicle license fees (VLF):** As discussed in Chapter 4, the new VLF law generates a significant negative fiscal impact for new incorporated cities, and appears to be the determining factor for the fiscal viability of the Wildomar incorporation.
- ◆ **Staffing plan:** The staffing plan is in part based on new incorporated cities that received less property tax upon incorporation and are constrained in the levels of

service they can offer initially. Staffing ratios (staff per 1,000 residents) are held roughly constant through the planning horizon.

Partial Incorporation/Annexation Scenario (north area)

The results of the initial fiscal review of incorporation of the north area under the partial incorporation/annexation scenario are shown in **Table 5.2**. The review suggests that, even with VLF revenue projected under prior law, a new city for the north Wildomar area would start with an operating deficit that would persist through nearly the end of the planning horizon. The primary reasons for these results are:

- ◆ **Property tax:** Although the city would receive a slightly higher share of the property tax compared to the full incorporation scenario (15.5 versus 13.2 percent) the growth is not as strong due to development initially being concentrated in the south area (see Chapter 2 for discussion). Only in the last period from 2020 to 2025 does growth in the north area reach high levels as the south area approaches residential build out. Property tax revenue is projected to grow at a 5.2 percent real annual rate (excluding inflation).
- ◆ **Staffing plan:** The staffing plan has a higher ratio of employees per 1,000 residents compared to the full incorporation scenario because of the fixed costs associated with staffing a public agency regardless of service population size.

City of Murrieta

Full Annexation Scenario

Results of the fiscal impact of the full annexation scenario on the City of Murrieta are presented in **Table 5.3**. The results by fund are discussed below:

- ◆ **General Fund:** Negative fiscal impact at least through the first 10 years. The primary reason for the initial negative fiscal balance is the lack of sales tax generated within the annexation area compared to citywide levels.³¹ VLF revenue under current law would increase the negative impact of the incorporation initially. But because assessed value is projected to grow faster than population, VLF revenue under current law would eventually provide more revenue than VLF revenue under the prior law.
- ◆ **Fire Fund:** Similar impact as the general fund, but with a positive fiscal impact generated within the first five years of the planning horizon. The fund experiences a neutral impact in most years as the second and third fire stations are assumed to be in operation.

³¹ In 2006 sales tax revenue from the annexation area is projected to be 15 percent of total revenues versus 43 percent of total revenues in the FY 2003-04 city budget.

Table 5.2: New City - Partial Incorporation/Annexation Scenario (north area only)

		Source	2006	2010	2015	2020	2025
General Fund							
Revenues							
Property Taxes	Tables 4.1, A.10, B.14		\$ 1,133,000	\$ 1,181,000	\$ 1,501,000	\$ 1,877,000	\$ 2,987,000
Redev. Pass-Through	Tables 4.1, A.11, B.14		25,000	68,000	120,000	210,000	420,000
Sales Tax	Table A.12		263,000	483,000	773,000	1,266,000	2,040,000
Property Transfer Tax	Table B.15		66,000	76,000	100,000	131,000	211,000
Franchise Fees	Table B.17		169,000	187,000	202,000	241,000	297,000
Fines and Penalties	Table B.17		23,000	24,000	25,000	32,000	40,000
Charges for Services	Table B.17		933,000	767,000	877,000	1,031,000	1,083,000
Vehicle License Fees ¹	Table B.17		1,334,000	1,798,000	1,746,000	2,292,000	2,764,000
Use of Money & Property	Table B.17		46,000	49,000	53,000	64,000	82,000
Total			3,992,000	4,633,000	5,397,000	7,144,000	9,924,000
Costs							
City Council	Table B.5		\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
City Manager	Table B.5		350,200	363,800	382,800	595,100	625,100
City Attorney	Table B.5		149,800	194,300	204,600	430,700	452,000
City Clerk	Table B.5		20,000	191,700	224,900	289,100	288,100
Administrative Services	Table B.5		391,000	494,600	519,300	643,400	809,900
Development Services	Table B.5		1,165,800	958,600	1,096,200	1,288,300	1,354,100
Fire Department	Table B.5		849,000	1,149,000	1,208,000	1,269,000	1,334,000
Police (incl. Animal Control)	Table B.5		1,579,000	1,820,000	1,925,000	2,615,000	3,365,000
Non-Departmental	Table B.5		291,000	249,000	274,000	339,000	360,000
Contingency	10 percent of costs		539,000	609,000	655,000	836,000	961,000
Total			\$ 5,392,800	\$ 6,088,000	\$ 6,547,800	\$ 8,363,600	\$ 9,607,200
Net Revenue (VLF Under Prior Law)			\$ (1,400,800)	\$ (1,455,000)	\$ (1,150,800)	\$ (1,219,600)	\$ 316,800
<i>Net Revenue % Costs</i>			(26%)	(24%)	(18%)	(15%)	3%
Adjustment For VLF Under Current Law ²			(1,193,000)	(1,608,000)	(1,494,000)	(1,960,000)	(2,335,000)
Net Revenue			\$ (2,593,800)	\$ (3,063,000)	\$ (2,644,800)	\$ (3,179,600)	\$ (2,018,200)
<i>Net Revenue % Costs</i>			(48%)	(50%)	(40%)	(38%)	(21%)
Road Fund							
Revenues							
Gas Tax	Table B.17		\$ 231,000	\$ 247,000	\$ 261,000	\$ 318,000	\$ 408,000
Measure A	Table B.17		77,000	82,000	87,000	106,000	136,000
Total			\$ 308,000	\$ 329,000	\$ 348,000	\$ 424,000	\$ 544,000
Costs							
Road Maintenance	Table B.5		\$ 243,000	\$ 268,000	\$ 289,000	\$ 378,000	\$ 519,000
Net Revenue			\$ 65,000	\$ 61,000	\$ 59,000	\$ 46,000	\$ 25,000
<i>Net Revenue % Costs</i>			21%	19%	17%	11%	5%
Net Revenue All Funds			\$ (1,335,800)	\$ (1,394,000)	\$ (1,091,800)	\$ (1,173,600)	\$ 341,800
<i>Net Revenue % Costs</i>			(24%)	(22%)	(16%)	(13%)	3%

¹ Revenues based on prior law effective through August 5, 2004. Full allocation of per capita tax based on three times registered voters for first seven years. Current law applies thereafter with property tax in-lieu payment substituting for 87.5 percent of per capita allocation.

² Adjustment for loss of revenue under current law effective after August 5, 2004. Based on 12.5 percent of FY 2003-04 per capita allocation and no adjustment for registered voters.

Source: MuniFinancial

- ◆ **Community Services District Fund:** Neutral fiscal impact throughout the planning horizon because of the assumption that special tax and assessment revenues equal costs. As discussed in Chapter 4, this assumption replicates current levels of service provided citywide in the annexation area.
- ◆ **Library Fund:** Neutral fiscal impact initially becoming increasingly positive over the planning horizon.

Table 5.3: City of Murrieta - Full Annexation Scenario

<u>FY Ending June 30</u>	<u>Source</u>	<u>2006</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>
<u>General Fund</u>						
Revenue						
Property Tax	Tables 4.1, A.10, C.8	\$ 905,000	\$ 1,473,000	\$ 2,155,000	\$ 3,104,000	\$ 4,240,000
RDA Pass-Through	Tables 4.1, A.11, C.8	7,000	18,000	27,000	43,000	72,000
Property Transfer Tax	Table C.9	157,000	256,000	390,000	580,000	828,000
Sales Tax	Table A.12	789,000	1,427,000	2,593,000	3,451,000	4,451,000
Vehicle License Fee ¹	Table C.3	1,678,000	2,262,000	2,996,000	3,957,000	5,103,000
Other (Per Capita)	Table C.3	893,000	1,172,000	1,495,000	1,877,000	2,306,000
Gas Tax & Measure A	Table C.3	683,000	857,000	1,038,000	1,253,000	1,478,000
Total Revenue		\$ 5,112,000	\$ 7,465,000	\$ 10,694,000	\$ 14,265,000	\$ 18,478,000
Cost						
Police	Table C.3	\$ 3,825,000	\$ 4,966,000	\$ 6,358,000	\$ 8,050,000	\$ 9,906,000
Other (Per Capita)	Table C.3	3,017,000	3,943,000	5,023,000	6,361,000	7,867,000
Road Maintenance	Table C.3	388,000	466,000	547,000	643,000	745,000
Total Cost		\$ 7,230,000	\$ 9,375,000	\$ 11,928,000	\$ 15,054,000	\$ 18,518,000
Net Revenue		\$ (2,118,000)	\$ (1,910,000)	\$ (1,234,000)	\$ (789,000)	\$ (40,000)
Net Rev. % Total Cost		(29%)	(20%)	(10%)	(5%)	(0%)
Adjustment For VLF Current Law ²		(1,537,000)	(968,000)	(330,000)	483,000	1,516,000
Net Revenue		\$ (3,655,000)	\$ (2,878,000)	\$ (1,564,000)	\$ (306,000)	\$ 1,476,000
Net Revenue % Costs		(51%)	(31%)	(13%)	(2%)	8%
<u>Fire Fund</u>						
Revenue						
Fire Property Tax	Tables 4.1, A.10, C.8	\$ 984,000	\$ 1,602,000	\$ 2,344,000	\$ 3,375,000	\$ 4,611,000
RDA Pass-Through	Tables 4.1, A.11, C.8	8,000	19,000	29,000	47,000	78,000
Fire Assessment	Table C.7	391,000	490,000	595,000	723,000	857,000
Other (Per Capita)	Table C.7	62,000	78,000	95,000	114,000	135,000
Total Revenue		\$ 1,445,000	\$ 2,189,000	\$ 3,063,000	\$ 4,259,000	\$ 5,681,000
Cost						
New Station	Table C.7	\$ 1,100,000	\$ 1,100,000	\$ 2,200,000	\$ 3,300,000	\$ 3,300,000
Other (Per Capita)	Table C.7	606,000	761,000	923,000	1,113,000	1,311,000
Total Cost		\$ 1,706,000	\$ 1,861,000	\$ 3,123,000	\$ 4,413,000	\$ 4,611,000
Net Revenue		\$ (261,000)	\$ 328,000	\$ (60,000)	\$ (154,000)	\$ 1,070,000
Net Rev. % Total Cost		(15%)	18%	(2%)	(3%)	23%
<u>Community Services District Fund</u>						
Revenue						
Spec. Taxes & Assmnt	Table C.5	\$ 886,000	\$ 1,109,000	\$ 1,346,000	\$ 1,635,000	\$ 1,938,000
Other ³	Table C.5	270,000	338,000	410,000	495,000	584,000
Total Revenue		\$ 1,156,000	\$ 1,447,000	\$ 1,756,000	\$ 2,130,000	\$ 2,522,000
Cost						
Recreation Programs	Table C.5	\$ 172,000	\$ 215,000	\$ 261,000	\$ 317,000	\$ 376,000
Parks Maintenance	Table C.5	539,000	675,000	819,000	991,000	1,172,000
Open Space, etc. ⁴	Table C.5	445,000	557,000	676,000	822,000	974,000
Total Cost		\$ 1,156,000	\$ 1,447,000	\$ 1,756,000	\$ 2,130,000	\$ 2,522,000
Net Revenue		\$ -	\$ -	\$ -	\$ -	\$ -
Net Rev. % Total Cost		0%	0%	0%	0%	0%
<u>Library Fund</u>						
Revenue						
Library Property Tax	Tables 4.1, A.10, C.8	\$ 241,000	\$ 392,000	\$ 573,000	\$ 825,000	\$ 1,127,000
RDA Pass-Through	Tables 4.1, A.11, C.8	2,000	5,000	7,000	12,000	19,000
Other (Per Capita)	Table C.7	30,000	38,000	46,000	55,000	65,000
Total Revenue		\$ 273,000	\$ 435,000	\$ 626,000	\$ 892,000	\$ 1,211,000
Cost Per Capita	Table C.7	261,000	328,000	397,000	480,000	566,000
Net Revenue		\$ 12,000	\$ 107,000	\$ 229,000	\$ 412,000	\$ 645,000
Net Rev. % Total Cost		5%	33%	58%	86%	114%

¹ Revenue estimate based on prior law (per capita subvention and a 2.0 percent effective tax rate).

² Adjustment for revenue estimates under current law effective FY 2004-05. See Table C.4

³ General Fund transfer plus per capita revenue.

⁴ Includes landscape and drainage channel maintenance and street sweeping.

Source: MuniFinancial.

Partial Incorporation/Annexation and South Annexation Only Scenarios (south area)

The partial incorporation/annexation and south annexation only scenarios results are shown in **Table 5.4**. The results by fund are discussed below:

- ◆ **General Fund:** Negative fiscal impact initially, reduced to a neutral fiscal impact within the first five years, and becoming an increasingly positive over the planning horizon. The primary reason for the initial negative fiscal balance is the lack of sales tax generated within the annexation area compared to citywide levels.³² Results are more positive fiscal impact compared to the full annexation scenario because the land use scenario assumes more development in the south area compared to the north area. VLF revenue under current law would increase the negative impact of the incorporation initially, but revenue would grow faster than VLF revenue under the prior law.
- ◆ **Fire Fund:** Similar impacts as the general fund, but with a larger negative fiscal impact initially and a more positive fiscal impact over the planning horizon. The fund must absorb the cost of a new station in the south area, as in the full annexation scenario, but then experiences little increase in costs because no additional would be needed.
- ◆ **Community Services District Fund:** Neutral fiscal impact throughout the planning horizon because of the assumption that special tax and assessment revenues equal costs. As discussed in Chapter 4, this assumption replicates current levels of service provided citywide in the annexation area.
- ◆ **Library Fund:** Large positive fiscal impact initially becoming increasingly positive over the planning horizon.

³² In 2006 sales tax revenue from the annexation area is projected to be 19 percent of total revenues versus 43 percent of total revenues in the FY 2003-04 city budget.

Table 5.4: City of Murrieta - Partial Incorporation/Annexation & South Annexation Only Scenarios

FY Ending June 30	Source	2006	2010	2015	2020	2025
General Fund						
Revenue						
Property Tax	Tables 4.1, A.10, C.8	\$ 566,000	\$ 1,080,000	\$ 1,698,000	\$ 2,337,000	\$ 2,942,000
RDA Pass-Through	Tables 4.1, A.11, C.8	400	1,000	2,000	2,000	3,000
Property Transfer Tax	Table C.9	85,000	164,000	270,000	386,000	502,000
Sales Tax	Table A.12	526,000	944,000	1,820,000	2,185,000	2,411,000
Vehicle License Fee ¹	Table C.4	733,000	1,177,000	1,746,000	2,292,000	2,764,000
Other (Per Capita)	Table C.4	404,000	607,000	844,000	1,070,000	1,270,000
Gas Tax & Measure A	Table C.4	<u>394,000</u>	<u>589,000</u>	<u>800,000</u>	<u>960,000</u>	<u>1,059,000</u>
Total Revenue		\$ 2,708,400	\$ 4,562,000	\$ 7,180,000	\$ 9,232,000	\$ 10,951,000
Cost						
Police	Table C.4	\$ 1,591,000	\$ 2,482,000	\$ 3,748,000	\$ 4,570,000	\$ 5,286,000
Other (Per Capita)	Table C.4	1,329,000	2,049,000	2,904,000	3,670,000	4,278,000
Road Maintenance	Table C.4	<u>241,000</u>	<u>269,000</u>	<u>337,000</u>	<u>408,000</u>	<u>462,000</u>
Total Cost		\$ 3,161,000	\$ 4,800,000	\$ 6,989,000	\$ 8,648,000	\$ 10,026,000
Net Revenue		\$ (452,600)	\$ (238,000)	\$ 191,000	\$ 584,000	\$ 925,000
Net Rev. % Total Cost		(14%)	(5%)	3%	7%	9%
Adjustment For VLF Current Law ²		<u>(671,000)</u>	<u>(243,000)</u>	<u>213,000</u>	<u>690,000</u>	<u>1,163,000</u>
Net Revenue		\$ (1,123,600)	\$ (481,000)	\$ 404,000	\$ 1,274,000	\$ 2,088,000
Net Revenue % Costs		(36%)	(10%)	6%	15%	21%
Fire Fund						
Revenue						
Fire Property Tax	Tables 4.1, A.10, C.8	\$ 572,000	\$ 1,092,000	\$ 1,717,000	\$ 2,363,000	\$ 2,975,000
RDA Pass-Through	Tables 4.1, A.11, C.8	400	1,000	2,000	2,000	3,000
Fire Assessment	Table C.7	166,000	247,000	339,000	407,000	447,000
Other (Per Capita)	Table C.7	<u>28,000</u>	<u>41,000</u>	<u>55,000</u>	<u>66,000</u>	<u>74,000</u>
Total Revenue		\$ 766,400	\$ 1,381,000	\$ 2,113,000	\$ 2,838,000	\$ 3,499,000
Cost						
New Stations	Table C.7	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Other (Per Capita)	Table C.7	<u>266,000</u>	<u>396,000</u>	<u>536,000</u>	<u>644,000</u>	<u>711,000</u>
Total Cost		\$ 1,366,000	\$ 1,496,000	\$ 1,636,000	\$ 1,744,000	\$ 1,811,000
Net Revenue		\$ (599,600)	\$ (115,000)	\$ 477,000	\$ 1,094,000	\$ 1,688,000
Net Rev. % Total Cost		(44%)	(8%)	29%	63%	93%
Community Services District Fund						
Revenue						
Spec. Taxes & Assmnt	Table C.5	\$ 375,000	\$ 560,000	\$ 768,000	\$ 920,000	\$ 1,011,000
Other ³	Table C.5	<u>118,000</u>	<u>176,000</u>	<u>239,000</u>	<u>287,000</u>	<u>317,000</u>
Total Revenue		\$ 493,000	\$ 736,000	\$ 1,007,000	\$ 1,207,000	\$ 1,328,000
Cost						
Recreation Programs	Table C.5	\$ 73,000	\$ 109,000	\$ 149,000	\$ 179,000	\$ 196,000
Parks Maintenance	Table C.5	232,000	346,000	472,000	566,000	624,000
Open Space, etc. ⁴	Table C.5	<u>188,000</u>	<u>281,000</u>	<u>386,000</u>	<u>462,000</u>	<u>508,000</u>
Total Cost		\$ 493,000	\$ 736,000	\$ 1,007,000	\$ 1,207,000	\$ 1,328,000
Net Revenue		\$ -	\$ -	\$ -	\$ -	\$ -
Net Rev. % Total Cost		0%	0%	0%	0%	0%
Library Fund						
Revenue						
Library Property Tax	Tables 4.1, A.10, C.8	\$ 146,000	\$ 279,000	\$ 439,000	\$ 604,000	\$ 760,000
RDA Pass-Through	Tables 4.1, A.11, C.8	100	300	400	500	700
Other (Per Capita)	Table C.7	<u>13,000</u>	<u>20,000</u>	<u>27,000</u>	<u>32,000</u>	<u>35,000</u>
Total Revenue		\$ 159,100	\$ 299,300	\$ 466,400	\$ 636,500	\$ 795,700
Cost Per Capita	Table C.7	<u>114,000</u>	<u>170,000</u>	<u>231,000</u>	<u>278,000</u>	<u>306,000</u>
Net Revenue		\$ 45,100	\$ 129,300	\$ 235,400	\$ 358,500	\$ 489,700
Net Rev. % Total Cost		40%	76%	102%	129%	160%

¹ Revenue estimate based on prior law (per capita subvention and a 2.0 percent effective tax rate).

² Adjustment for revenue estimates under current law effective FY 2004-05. See Table C.4

³ General Fund transfer plus per capita revenue.

⁴ Includes landscape and drainage channel maintenance and street sweeping.

Source: MuniFinancial.

County of Riverside

Fiscal Impact On Future Operations

Full Incorporation, Full Annexation, and Partial Incorporation/ Annexation Scenarios

The fiscal impact on the County general fund of three of the four governance scenarios is shown in **Table 5.5**. In all three scenarios all municipal services are transferred to the north and south areas. Consequently the only remaining service responsibilities are countywide services such as the courts, jails, health, and social services. The County retains a portion of the property tax and other countywide revenues such as vehicle license fees (VLF) to fund these services.³³

The projection of ongoing revenues and costs associated with the services that the County would retain indicate that the Wildomar area would generate a negative fiscal impact on the County initially under the full incorporation and partial incorporation/annexation scenarios. Negative impacts are greatest under the full incorporation scenario because of the larger share of property tax transferred to the new city compared to the City of Murrieta.³⁴

The full annexation scenario is projected to have a neutral impact on the County initially because of the lower amount of property tax transferred to the City of Murrieta.

For all three scenarios impacts are projected to become more positive over time, particularly with VLF revenues under current law.

South Annexation Only Scenario

The fiscal impact on the County general fund of the south annexation only scenario is shown in **Table 5.6**. In this scenario municipal services are transferred to the south area and the County retains responsibility for the north area. As with the other scenarios, the County also continues to provide countywide services to the entire area. The County retains all revenue in the north area while transferring a share of the property tax, all sales tax, and other unincorporated-related revenue to the City of Murrieta in the south area.

The results are similar to the results of the other three scenarios. The initial fiscal impact is negative with results become increasingly positive over the planning horizon.

³³ The State subvention formula for VLF does not adjust the share of statewide revenue allocated to counties because of annexations or incorporations. Growth in VLF revenue would be driven by assessed value growth and not population growth. Incorporated or annexed areas receive their VLF revenue from the share of statewide revenue allocated to cities.

³⁴ See Table D.5.

Table 5.5: Riverside County - General Fund Fiscal Impact (Three Scenarios)

	Source	2006	2010	2015	2020	2025
<u>Full Incorporation</u>						
Revenue						
Property Tax	Table D.6	\$ 1,066,000	\$ 1,736,000	\$ 2,540,000	\$ 3,658,000	\$ 4,998,000
RDA Pass-Through	Table D.7	10,000	26,000	46,000	80,000	157,000
Property Transfer Tax	Table D.8	157,000	256,000	390,000	580,000	828,000
Vehicle License Fee	Table D.9	1,927,000	2,597,000	3,439,000	4,543,000	5,859,000
Other Countywide (Per Capita)	Table D.11	<u>1,594,000</u>	<u>2,001,000</u>	<u>2,425,000</u>	<u>2,927,000</u>	<u>3,449,000</u>
Total Revenue		\$ 4,754,000	\$ 6,616,000	\$ 8,840,000	\$ 11,788,000	\$ 15,291,000
Costs						
Other Countywide (Per Capita)	Table D.11	\$ <u>5,593,000</u>	\$ <u>7,307,000</u>	\$ <u>9,305,000</u>	\$ <u>11,802,000</u>	\$ <u>14,616,000</u>
Total Costs		\$ 5,593,000	\$ 7,307,000	\$ 9,305,000	\$ 11,802,000	\$ 14,616,000
Net Revenue		\$ (839,000)	\$ (691,000)	\$ (465,000)	\$ (14,000)	\$ 675,000
Net Rev. % Total Cost		(15%)	(9%)	(5%)	(0%)	5%
Adjust. For VLF Current Law	Table D.9	<u>(315,000)</u>	<u>150,000</u>	<u>704,000</u>	<u>1,553,000</u>	<u>2,738,000</u>
Net Revenue		(1,154,000)	(541,000)	239,000	1,539,000	3,413,000
Net Revenue % Costs		(21%)	(7%)	3%	13%	23%
<u>Full Annexation</u>						
Revenue						
Property Tax	Table D.6	\$ 1,779,000	\$ 2,897,000	\$ 4,238,000	\$ 6,103,000	\$ 8,338,000
RDA Pass-Through	Table D.7	16,000	44,000	76,000	133,000	262,000
Property Transfer Tax	Table D.8	157,000	256,000	390,000	580,000	828,000
Vehicle License Fee	Table D.9	1,927,000	2,597,000	3,439,000	4,543,000	5,859,000
Other Countywide (Per Capita)	Table D.11	<u>1,594,000</u>	<u>2,001,000</u>	<u>2,425,000</u>	<u>2,927,000</u>	<u>3,449,000</u>
Total Revenue		\$ 5,473,000	\$ 7,795,000	\$ 10,568,000	\$ 14,286,000	\$ 18,736,000
Costs						
Other Countywide (Per Capita)	Table D.11	\$ <u>5,593,000</u>	\$ <u>7,307,000</u>	\$ <u>9,305,000</u>	\$ <u>11,802,000</u>	\$ <u>14,616,000</u>
Total Costs		\$ 5,593,000	\$ 7,307,000	\$ 9,305,000	\$ 11,802,000	\$ 14,616,000
Net Revenue		\$ (120,000)	\$ 488,000	\$ 1,263,000	\$ 2,484,000	\$ 4,120,000
Net Rev. % Total Cost		(2%)	7%	14%	21%	28%
Adjust. For VLF Current Law	Table D.9	<u>(315,000)</u>	<u>150,000</u>	<u>704,000</u>	<u>1,553,000</u>	<u>2,738,000</u>
Net Revenue		(435,000)	638,000	1,967,000	4,037,000	6,858,000
Net Revenue % Costs		(8%)	9%	21%	34%	47%
<u>Partial Annexation/Incorporation</u>						
Revenue						
Property Tax	Table D.6	\$ 1,312,000	\$ 2,345,000	\$ 3,584,000	\$ 5,020,000	\$ 6,530,000
RDA Pass-Through	Table D.7	6,000	16,000	27,000	46,000	88,000
Property Transfer Tax	Table D.8	157,000	256,000	390,000	580,000	828,000
Vehicle License Fee	Table D.9	1,927,000	2,597,000	3,439,000	4,543,000	5,859,000
Other Countywide (Per Capita)	Table D.11	<u>1,594,000</u>	<u>2,001,000</u>	<u>2,425,000</u>	<u>2,927,000</u>	<u>3,449,000</u>
Total Revenue		\$ 4,996,000	\$ 7,215,000	\$ 9,865,000	\$ 13,116,000	\$ 16,754,000
Costs						
Other Countywide (Per Capita)	Table D.11	\$ <u>5,593,000</u>	\$ <u>7,307,000</u>	\$ <u>9,305,000</u>	\$ <u>11,802,000</u>	\$ <u>14,616,000</u>
Total Costs		\$ 5,593,000	\$ 7,307,000	\$ 9,305,000	\$ 11,802,000	\$ 14,616,000
Net Revenue		\$ (597,000)	\$ (92,000)	\$ 560,000	\$ 1,314,000	\$ 2,138,000
Net Rev. % Total Cost		(11%)	(1%)	6%	11%	15%
Adjust. For VLF Current Law	Table D.9	<u>(315,000)</u>	<u>150,000</u>	<u>704,000</u>	<u>1,553,000</u>	<u>2,738,000</u>
Net Revenue		(912,000)	58,000	1,264,000	2,867,000	4,876,000
Net Revenue % Costs		(16%)	1%	14%	24%	33%

Source: MuniFinancial.

Table 5.6: Riverside County - South Annexation Only - General Fund Fiscal Impact

Source	2006	2010	2015	2020	2025	
<i>South Annexation Only</i>						
Revenue						
Property Tax	Table D.6	\$ 2,031,600	\$ 3,235,800	\$ 4,680,000	\$ 6,788,200	\$ 9,389,600
RDA Pass-Through	Table D.7	20,000	56,000	98,000	170,000	336,000
Property Transfer Tax	Table D.8	228,000	348,000	511,000	773,000	1,154,000
Sales Tax	Table A.12	263,000	483,000	773,000	1,266,000	2,040,000
Vehicle License Fee	Table D.9	1,927,000	2,597,000	3,439,000	4,543,000	5,859,000
Other Countywide (Per Capita)	Table D.11	1,594,000	2,001,000	2,425,000	2,927,000	3,449,000
Other Unincorporated (Per Capita)	Table D.12	281,000	307,000	330,000	395,000	494,000
Total Revenue		\$ 6,344,600	\$ 9,027,800	\$ 12,256,000	\$ 16,862,200	\$ 22,721,600
Costs						
Other Countywide (Per Capita)	Table D.11	\$ 5,593,000	\$ 7,307,000	\$ 9,305,000	\$ 11,802,000	\$ 14,616,000
Other Unincorporated (Per Capita)	Table D.12	165,000	184,000	205,000	261,000	351,000
Police	Table B.8	1,579,000	1,820,000	1,925,000	2,615,000	3,365,000
Total Costs		\$ 7,337,000	\$ 9,311,000	\$ 11,435,000	\$ 14,678,000	\$ 18,332,000
Net Revenue		\$ (992,400)	\$ (283,200)	\$ 821,000	\$ 2,184,200	\$ 4,389,600
<i>Net Rev. % Total Cost</i>		<i>(14%)</i>	<i>(3%)</i>	<i>7%</i>	<i>15%</i>	<i>24%</i>
Adjust. For VLF Current Law	Table D.9	(315,000)	150,000	704,000	1,553,000	2,738,000
Net Revenue		(1,307,400)	(133,200)	1,525,000	3,737,200	7,127,600
<i>Net Revenue % Costs</i>		<i>(18%)</i>	<i>(1%)</i>	<i>13%</i>	<i>25%</i>	<i>39%</i>

Source: MuniFinancial.

Base Year Impacts On Revenues and Services Transferred

The base year impacts on revenues and services transferred are shown in **Table 5.7** by fund. These results indicate that the governance scenarios would generate either a neutral or positive fiscal impact. These positive impacts from a change in governance are not sufficient to offset the initial ongoing negative fiscal impacts discussed above and shown in Tables 5.5 and 5.6. Results by fund include:

- ◆ **General Fund:** Positive fiscal impact under all scenarios except the south annexation only scenario, which has a neutral impact.
- ◆ **Road Fund:** Positive fiscal impact under all scenarios. Incorporations and annexations allow counties to transfer responsibility for road maintenance while continuing to receive the same gas tax subvention revenue from the State.
- ◆ **Fire Fund:** Neutral fiscal impact for all scenarios except the south annexation only scenario because the property tax transferred is nearly identical to the Wildomar fire station operating cost. Negative fiscal impact for south annexation only scenario because property tax is transferred without any transfer of costs.
- ◆ **Library Fund:** Neutral fiscal impact for the full incorporation and full annexation scenarios. Negative fiscal impact for south annexation only scenario because property tax is transferred without any transfer of costs.

Table 5.7: Riverside County Base Year Fiscal Impacts on Municipal Services (FY 2003-04)

Source	Full Incorporation	Full Annexation	Partial Incorporation/Annexation	South Annexation Only	
General Fund					
Revenues Transferred or Lost					
Property Tax	Tables A.10, B.14, D.4	\$ 1,043,000	\$ 473,100	\$ 945,500	\$ 239,500
Redevelopment Pass-Through	Tables 5.3, 5.4, B.15	22,000	6,900	25,200	400
Sales Tax	Table A.12	534,000	534,000	534,000	367,000
Property Transfer Tax	Tables A.6, D.5, D.8	124,000	124,000	124,000	58,000
Licenses & Permits	Tables D.1, D.10	286,000	286,000	286,000	110,000
Fines and Penalties	Tables D.1, D.10	36,000	36,000	36,000	14,000
Intergovernmental	Footnote 1	-	-	-	-
Use of Money & Property	Tables D.1, D.10	74,000	74,000	74,000	28,000
Total		\$ 2,119,000	\$ 1,534,000	\$ 2,024,700	\$ 816,900
Costs Transferred					
Animal Control	Table B.13	\$ 69,000	\$ 69,000	\$ 69,000	\$ 26,000
Building & Safety	Table B.13	7,000	7,000	7,000	3,000
Code Enforcement	Table B.13	204,000	204,000	204,000	77,000
General Government	Table B.13	234,000	234,000	234,000	89,000
Planning	Table B.13	81,000	81,000	81,000	31,000
Public Works		-- Costs fully reimbursed from charges and fees --			
Sheriff - Admin. & Support	Table B.13			- Included in Sheriff - Patrol -	
Sheriff - Training & Auto Theft	Table B.13			- Services not transferred -	
Sheriff - Patrol	Table B.13	2,158,000	2,158,000	2,158,000	664,000
Total		\$ 2,753,000	\$ 2,753,000	\$ 2,753,000	\$ 890,000
Net Fiscal Impact - Positive/(Negative)		\$ 634,000	\$ 1,219,000	\$ 728,300	\$ 73,100
Net Impact % Total Cost		23%	44%	26%	8%
Road Fund					
Revenues Transferred or Lost					
Gas Tax	Footnote 1	\$ -	\$ -	\$ -	\$ -
Measure A	Table 2.3, B.16	243,000	243,000	243,000	92,200
Total		\$ 243,000	\$ 243,000	\$ 243,000	\$ 92,200
Costs Transferred - Road Maintenance	Table A.13, B.4	739,000	739,000	739,000	501,000
Net Fiscal Impact - Positive/(Negative)		\$ 496,000	\$ 496,000	\$ 496,000	\$ 408,800
Net Impact % Total Cost		67%	67%	67%	82%
Structural Fire Protection Fund					
Revenues Transferred or Lost					
Property Tax	Table A.10, D.4	\$ 850,000	\$ 850,000	\$ 851,000	\$ 419,000
Redevelopment Area Pass-Through	Table A.11, C.8	8,000	8,000	8,000	400
Total		\$ 858,000	\$ 858,000	\$ 859,000	\$ 419,400
Costs Transferred - Wildomar Station	Footnote 2, Table B.4	849,000	849,000	849,000	-
Net Fiscal Impact - Positive/(Negative)		\$ (9,000)	\$ (9,000)	\$ (10,000)	\$ (419,400)
Net Impact % Total Cost		(1%)	(1%)	(1%)	NA
Library Fund					
Revenues Transferred or Lost					
Property Tax	Table A.10, D.4	\$ -	\$ 192,000	\$ 98,000	\$ 98,000
Redevelopment Area Pass-Through	Table A.11, C.8	-	2,000	100	100
Total		\$ -	\$ 194,000	\$ 98,100	\$ 98,100
Costs Transferred - Mission Trail Library	Footnote 3	-	240,000	-	-
Net Fiscal Impact - Positive/(Negative)		\$ -	\$ 46,000	\$ (98,100)	\$ (98,100)
Net Impact % Total Cost		NA	19%	NA	NA

¹ County vehicle license fee and gas tax revenues are not affected by incorporation or annexation.

² For the purposes of this study fire service would be transferred under all scenarios. Costs under the first three scenarios represents operation of the Wildomar station including department overhead. The station is located in North Area so the County would retain the direct costs to operate it under the South Annexation Only scenario.

³ For the purposes of this study library services are assumed to remain with the County under the incorporation scenarios and be transferred to the City of Murrieta under the annexation scenarios. The Mission Trail Library is located in the North Area so the County would continue to operate it except under the full annexation scenario. Estimate of costs transferred prepared by MuniFinancial.

Source: MuniFinancial.

6. MUNICIPAL SERVICE REVIEW

A municipal service review (MSR) provides a current, formal, and comprehensive analysis of the municipal services provided in a geographic area of a county. LAFCO directed the completion of an MSR to accompany its consideration of governance scenarios for the Wildomar community. This chapter provides an MSR to assist LAFCO in making policy decisions regarding the Wildomar community.

To assist LAFCO in its consideration of the governance scenarios the MSR focuses on the services currently provided by the County that would transfer to one or both of these agencies. These services were discussed previously in Chapter 3 (see Tables 3.2 and 3.3).

The MSR examines the other municipal service providers to the Wildomar community but not in detail. As discussed in Chapter 3, the services delivered by these other agencies would not be transferred to a new city or the City of Murrieta, or if transferred would continue to be provided under contract or franchise by the current provider. LAFCO is separately conducting an MSR for water and wastewater services in the County, including the Wildomar area.

Purpose and Scope of the Municipal Service Review

LAFCO's authority includes changes to spheres of influence (SOIs). SOIs are a policy tool for encouraging logical and orderly development within a county. Each local agency has an SOI to identify the probable limits of the agency's boundaries for service delivery in response to growth. SOIs may extend beyond an agency's current boundaries and generally do not overlap for the same type of agency. As a result each agency clearly understands the areas in which it may eventually be responsible for providing public services and can plan accordingly.

LAFCO is required by state law to conduct an MSR prior to adopting or updating a sphere of influence.³⁵ The City of Murrieta has applied to LAFCO to expand its sphere of influence to include the South Wildomar, and to annex the same area, triggering the MSR requirement. Consideration of the incorporation of a new city in Wildomar would also benefit from the data compiled by an MSR. Thus, LAFCO directed the completion of an MSR to accompany its consideration of governance scenarios for the Wildomar community.

For the geographic area being studied, MSRs must make determinations with regards to the following nine service delivery issues:

1. Infrastructure needs and deficiencies
2. Growth and population projections
3. Financing constraints and opportunities
4. Cost avoidance opportunities
5. Opportunities for rate restructuring

³⁵ Calif. Government Code §56430.

6. Opportunities for shared facilities
7. Governance structure options
8. Evaluation of management efficiencies
9. Local accountability and governance

The MSR addresses each of these nine issues based on the public service analysis presented in Chapter 3, and the revenue analysis presented in Chapter 4. The MSR is prepared based on guidelines provided by the Governor's Office of Planning and Research.³⁶

Level of Service Comparison

To assist in making determinations for the MSR, **Table 6.1** summarizes the different level of service assumptions used for this study drawing from the information presented in Chapter 3. The table also indicates if there are any voter-approved revenues sources dedicated to funding these services and discussed in Chapter 4. In most cases higher levels of service are associated with extra revenue approved by voters to fund those services.

Infrastructure Needs and Deficiencies

The MSR determinations regarding infrastructure needs and deficiencies for the Wildomar community are discussed below for public buildings, parks, fire facilities, and roads. These facilities are likely to have the greatest needs under the incorporation or annexation scenarios.

General Government Facilities

Wildomar has no public buildings for local delivery of general government services.

- ◆ **Full incorporation and partial incorporation (north area):** The new city would have to lease space for general government services until it was able to fund a new city hall or similar facility.
- ◆ **Full annexation and partial annexation (south area):** The City has a city hall from which it could provide service to the annexation area.
- ◆ **South annexation only:** The City has a city hall from which it could provide service to the annexation area. The north area would remain unincorporated and would continue to be served by existing County general government facilities.

³⁶ Governor's Office of Planning & Research, *Local Agency Formation Commission Municipal Service Review Guidelines (Final)*, August 2003.

Table 6.1: Level of Service Comparison

Service	Current Unincorporated Area/ Assumed For New City		Current City of Murrieta/ Assumed For Annexations	
	Level of Service	Voter- Approved Revenues	Level of Service	Voter- Approved Revenues
Fire	7.0 minutes response time	None	5.5 minutes response time	\$40/dwelling unit assessment ¹
Sheriff	0.51 – 0.57 ² officers per 1,000 residents	None	0.67 officers per 1,000 residents	None
Parks & Recreation	0.58 – 0.77 ³ acres per 1,000 residents	None	4.15 acres per 1,000 residents Existing comm. Center; senior center and sports park to open in FY 2004-05	\$45/dwelling unit special tax (Measure WW)
Library	5,000 sq. ft. branch library (Mission Trail) for 25,500 Wildomar residents plus surrounding areas	None	20,000- 25,000 sq. ft. main library (open in FY 2004-05) for 77,700 residents Continued operation of Mission Trail library	None
Landscape Maintenance, Street Sweeping, Street Lighting	Street sweeping and lighting limited to new subdivisions No community-wide services (outside new subdivisions)	Local assessments vary	Street sweeping and lighting in most subdivisions Maintenance of landscaped arterials; citywide street sweeping	Local assessments vary \$45.44/dwelling unit MCSD special assessment

¹ Assessment on nonresidential property is \$40 per 1,000 gallons per minute of fire flow.

² 0.51 applies to entire area and 0.57 applies to north area only.

³ 0.58 applies to entire area and 0.77 applies to north area only.

Source: Tables 3.6, 3.7, B.11; MuniFinancial.

Libraries and Community Centers

The Mission Trails Community Library is a relatively new facility and a valuable resource to the community. The library is located in the north area of Wildomar so it would likely transfer to the new city under the full or partial incorporation scenarios, or to the City of Murrieta under the full annexation scenario.

- ◆ **Full incorporation:** The library would continue to be operated by the Riverside County Library.
- ◆ **Full annexation:** The library would transfer to the City of Murrieta if it agrees to continue to operate it. Closing the library would reduce current levels of service in Wildomar. The entire community would have access to the City's existing community center.
- ◆ **Partial incorporation/annexation:** The library would remain open and operated by the Riverside County Library, and would continue to attract many users from the annexation area because of its close proximity to the area. The annexation area would have access to the City's existing community center.
- ◆ **South annexation only:** The library would remain open and operated by the Riverside County Library, and would continue to attract many users from the annexation area because of its close proximity to the area. The annexation area would have access to the City's existing community center.

Parks

The Wildomar area has a severe deficiency in neighborhood and community parks with dissolution of the Ortega Park District and closure of the three public parks in the community. The County is currently planning to re-open these parks in the near future. Even with these parks open the area would provide less than an acre of parkland per 1,000 residents. The community would require additional park acreage of 38 acres in the south area and 53 acres in the north area to have a park standard equivalent to the City of Murrieta (see Table 3.6).

Fire Facilities

The Wildomar community needs one to two more fire stations to meet the response time objectives of the County Fire Department or the City of Murrieta, respectively, depending on the governance scenario.

- ◆ **Full incorporation:** The County Fire Department plans to open a new station in the Sedco Hills area by 2008. The Department will also be opening a station in the City of Lake Elsinore in the Cottonwood Canyon area in 2005 that will provide back up to the north Wildomar area.
- ◆ **Full annexation:** The City of Murrieta would achieve its response time standard in the south area and a small portion of the north area with the opening of a new station in the vicinity of Clinton Keith Road soon after annexation. Achieving the standard throughout the north area would take two more stations. The County Fire Department would not build the planned Sedco Hills station under this scenario.
- ◆ **Partial incorporation/annexation:** The south Wildomar area would receive a higher service level as the City of Murrieta constructs a new station in the vicinity of Clinton Keith Road. The County Fire Department may relocate its existing Wildomar station more central to the north area, and would not build the planned Sedco Hills station under this scenario.

- ◆ **South annexation only:** The same determinations apply to this scenario as to the partial incorporation/annexation scenario.

Roads

Both the new city and the City of Murrieta would face the same challenges upgrading roads to municipal standards with limited financial resources. Estimated funding from dedicated sources such as the gas tax and Measure A would be the same for both jurisdictions. Given estimates of growth in new road miles and the maintenance costs per mile, it appears that most or substantially all of this revenue will be needed simply to maintain current road conditions.³⁷

Growth and Population Projections

The Wildomar community is on a growth path to become another center for residential, commercial, and industrial development along the southern portion of Interstate 15 in Riverside County. The growth scenario remains constant for the entire area across all governance scenarios.

- ◆ **Full incorporation and full annexation:** By 2025 the community is projected to more than double in size to 61,900 residents.
- ◆ **South annexation only:** By 2025 the south area is projected to more than triple in size to 33,500 residents. The unincorporated north area would nearly double to 28,400 residents.

Financing Constraints and Opportunities

Summary of Fiscal Viability

- ◆ **Full incorporation:** Incorporation of the entire Wildomar community is a fiscally viable alternative only with VLF revenue as provided under prior law.
- ◆ **Full annexation:** Annexation of the entire Wildomar community to the City of Murrieta does not appear to be a fiscally viable alternative. The annexation would generate a negative fiscal impact regardless of whether VLF revenue is estimated based on prior or current law.
- ◆ **Partial incorporation/annexation (north area):** Incorporation of a new city in the north area is not fiscally viable alternative at present and is not projected to become viable in the foreseeable future. This result is regardless of whether VLF

³⁷ Projection revenue needed for maintenance depends on assumptions of road miles and maintenance costs per mile. Compare Net Revenue in the Road Maintenance Fund for the new city in Tables 5.1 and 5.2. Also compare the difference between Gas Tax & Measure A revenue and Road Maintenance costs for the City of Murrieta general fund in Tables 5.3 and 5.4. The new city analysis is close to balance (costs \approx revenue) while the City of Murrieta analysis shows a surplus. The difference is the assumption for the new city of the County's current average road maintenance spending per mile of \$7,100. This amount is about double the City's assumptions based on its current costs of \$3,400 per mile.

revenue is estimated based on prior or current law. For purposes of this section of the MSR, this governance scenario is not discussed further.

- ◆ **South annexation only:** Annexation of the south area to the City of Murrieta is a fiscally viable alternative if the City can reduce costs in the first years of the annexation. VLF revenue under current law increases the initial deficit, but generates more revenue over time.

General Government Services and Facilities

- ◆ **Full incorporation:** The new city would be challenged, at least in its initial years, to fund a city hall, civic center, or other public buildings.

Library Services and Facilities

- ◆ **Full incorporation:** The County Library would continue to have the funding necessary to operate the Mission Trail Community library.
- ◆ **Full annexation:** The City of Murrieta library fund would have the funding necessary to operate the Mission Trail Community library.
- ◆ **South annexation only:** The County Library would lose property tax revenue equal to a substantial portion of the annual cost of operating the Mission Trail Community library.

Park and Recreation Services and Facilities

Both a new city and the City of Murrieta under all governance scenarios would face a challenge identifying the capital funds needed to improve the current park facility standard (see Table 3.6).

- ◆ **Full incorporation:** The new city would face the challenge of identifying capital funds for the park needs estimated in Table 3.6. Quimby Act development impact fees could be used to address some of these needs. Maintaining park facilities and providing recreation programs initially would cost about \$700,000 annually if the city duplicated the level of service provided within the City of Murrieta by the Murrieta Community Services District.³⁸ (These costs are not included in the fiscal analysis because current unincorporated levels of service are assumed for the new city.)
- ◆ **Full annexation:** The City would face the challenge of identifying capital funds to bring the annexation area up to current city park standards. Quimby Act development impact fees could be used to address some of these needs. Extension of the City of Murrieta Measure WW special tax to the annexation area would provide funding for recreation programs, plus a substantial portion of the maintenance of park maintenance needs identified in Table 3.6.³⁹

³⁸ See full annexation scenario cost estimates for recreation programs and park maintenance in Table C.5.

³⁹ See Table C.5 for an estimate of the park acres that could be maintained by extension of the City's special tax to the annexation area.

- ◆ **South annexation only:** The City would face the same types of constraints and opportunities identifying capital funds for new parks as under the full annexation scenario. Extension of the City of Murrieta Measure WW special tax to the annexation area would provide funding for recreation programs, plus a substantial portion of park maintenance needs identified in Table 3.6.⁴⁰

Remaining unincorporated, the north area would benefit from existing park impact fees to fund the rehabilitation of the former Ortega Park District facilities. The challenge would be to identify ongoing funding for park maintenance and recreation programs. A voter approved charge for the north area portion of CSA 152A may be necessary.

Fire Services and Facilities

- ◆ **Full annexation:** Funding the operation of two additional fire stations in the north area to achieve the City of Murrieta’s response time standard could take 10 to 15 years⁴¹ depending on (1) the availability of surplus funds within the City’s fire fund, and (2) the availability and cost of contracts with the County Fire Department.⁴²

Roads

- ◆ **Full incorporation and full annexation:** Both the new city and the City of Murrieta would face the same challenges upgrading roads to municipal standards with limited financial resources. Estimated funding from dedicated sources such as the gas tax and Measure A would be the same for both jurisdictions. Given estimates of growth in new road miles and the maintenance costs per mile, it appears that most or substantially all of this revenue will be needed simply to maintain current road conditions.⁴³ Funding for road improvements would have to come from road fund surpluses and development exactions such as subdivision requirements and development impact fees.
- ◆ **South annexation only:** The City of Murrieta would face the challenge of upgrading roads to municipal standards with limited financial resources. It appears that most or substantially all road fund revenue will be needed simply to maintain current road conditions.⁴⁴ Funding for road improvements would have to come from

⁴⁰ Ibid.

⁴¹ See Table C.7.

⁴² The existing Menifee station and the new Cottonwood Canyon station in Lake Elsinore would be in a position to serve the north Wildomar area if a contract can be negotiated between the City and the County.

⁴³ Projection revenue needed for maintenance depends on assumptions of road miles and maintenance costs per mile. Compare Net Revenue in the Road Maintenance Fund for the new city in Tables 5.1 and 5.2. Also compare the difference between Gas Tax & Measure A revenue and Road Maintenance costs for the City of Murrieta general fund in Tables 5.3 and 5.4. The new city analysis is close to balance (costs ≈ revenue) while the City of Murrieta analysis shows a surplus. The difference is the assumption for the new city of the County’s current average road maintenance spending per mile of \$7,100. This amount is about double the City’s assumptions based on its current costs of \$3,400 per mile.

⁴⁴ Ibid.

road fund surpluses and development exactions such as subdivision requirements and development impact fees. The City would have to negotiate expenditure of Southwest Area RBBB revenues, and determine whether or not to remain in the District.

Remaining unincorporated, the County would be able to continue maintaining streets in the north area at the same level of service as it is currently.

Cost avoidance opportunities

Determinations regarding cost avoidance opportunities are discussed under the *Opportunities for Shared Facilities* section, below.

Opportunities for Rate Restructuring

The City of Murrieta has an established program of citywide special taxes and assessments imposed by the Murrieta Community Services District (MCSD) to provide recreation programs, park maintenance, landscape maintenance, drainage channel maintenance, and street sweeping. These charges have been extensively reviewed and re-engineered to ensure compliance with Proposition 218. The extension of these taxes and charges to the annexation area would enable the City to provide the same levels of service that it currently provides citywide.

Current charges levied in Wildomar through LLD 89-1, CSA 103, and CSA 152 that fund the same services as the special assessment would be credited against or discontinued and replaced by the MCSD assessment. Current charges in subdivisions that fund landscape and lighting services that are in addition to the services funded by the special assessment would continue to be levied. The MCSD could administer these landscape and lighting districts as it currently does for existing districts within the City.

Opportunities for Shared Facilities

- ◆ **Full annexation:** The City of Murrieta faces the burden of building and operating two fire stations in the north area in addition to the one planned in the south area. The City could examine if contracts for service from the County Fire Department would be a cost-effective approach to relieving this burden. For example, the northeast area of Wildomar is currently served by the Menifee fire station. The planned Cottonwood Canyon station in Lake Elsinore could possibly serve other portions of the north area.
- ◆ **South annexation only:** This scenario would divide the community with an existing centrally located fire station between two public agencies with different response time objectives. Consequently, the scenario has the risk of causing inefficiencies and duplication of effort in the provision of fire facilities and services.

The City could examine if contracts for service from the County Fire Department to provide services to the south area from the existing Wildomar fire station would be

cost-effective, at least on a temporary basis, until the County moves the facility to better serve the north area.⁴⁵

The Mission Trail Community library would continue to attract substantial patronage from the south area regardless of the governance scenario due to its location and facility. The City could discuss with the County the costs and benefits of participating financially in operating the library.

Governance Structure Options

- ◆ **Full incorporation and full annexation:** These scenarios would provide advantages over the other scenarios based on the following determinations:
 - A larger agency, whether a new city or the City of Murrieta, will realize greater efficiencies and have stronger financial resources to deliver services compared to a smaller city incorporated solely in the north area.
 - Local facilities such as libraries, parks, and fire stations could be planned more efficiently for the entire Wildomar community.
 - The boundaries of two existing districts, CSA 152A and Southwest Area Road and Bridge Benefit District Zone A, are nearly coterminous with the entire Wildomar community. The County has developed master plans for these districts and collects impact fees from new development to fund capital projects district-wide. Transferring these planning efforts and funding programs to a single agency (new city or City of Murrieta) would facilitate their continued implementation. This approach would be more efficient compared to dividing the districts between two jurisdictions.

Evaluation of Management Efficiencies

There are no key determinations with regards to management efficiencies and the governance scenarios being evaluated. The overwhelming experience of newly incorporated cities is that they can effectively and efficiently deliver municipal services. Likewise the City of Murrieta has demonstrated the ability to deliver services efficiently and effectively to its residents and businesses. The City has also demonstrated the ability to effectively integrate an annexation area with a large number of residents with the recent annexation of the Murrieta Hot Springs area.

Local Accountability and Governance

All governance scenarios except if the north area remained unincorporated would provide greater local accountability and governance because:

⁴⁵ The County has indicated that it does not plan to provide any more automatic aid to communities outside its service area without compensation, further complicating station planning and service funding.

- ◆ The number of local elected officials responsible for the Wildomar community would increase; and
- ◆ The number of constituents that each local elected official is responsible for serving would decline.

If the north area remained unincorporated then it would see no change in accountability and governance. The area would be bounded north and south by two incorporated areas, with possibly a third area to the east if the current efforts are successful to incorporate the community of Menifee.