



Local Agency Formation Commission for the County of Riverside

6216 Brockton Avenue, Suite 111-B  
Riverside, CA 92506

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# **City Municipal Service Review and Sphere of Influence Update**

## **Riverside County**

**LAFCO 2021-06-1, 2, 3, 4, 5**  
**Final Draft approved on July 28, 2022**

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## LIST OF ABBREVIATIONS USED

ACS	American Community Survey
ADP	Annexation Development Plan
ACFR	Annual Comprehensive Financial Report
CalPERS	California Public Employees' Retirement System
CCA	Community Choice Aggregate
CFPD	Consolidated Fire Protection District
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
COVID-19	Coronavirus Disease
DOF	California Department of Finance
DUC	Disadvantaged Unincorporated Community
GIS	Geographic Information System
HCD	California Department of Housing and Community Development
LAFCO	Local Agency Formation Commission
LMIHF	Low- and Moderate-Income Housing Fund
MHI	Median Household Income
MSHCP	Multiple Species Habitat Conservation Plan
MSR	Municipal Service Review
MVLF	Motor Vehicle License Fees
NPDES	National Pollutant Discharge Elimination System
OPEB	Other Post-Retirement Benefits
PEPRA	California Public Employees' Pension Reform Act
RCA	Riverside Conservation Authority
RHNA	Regional Housing Needs Allocation
RPTTF	Redevelopment Property Tax Trust Fund
SCAG	Southern California Association of Governments
SCO	California State Controller's Office
SOI	Sphere of Influence
TRA	Tax Rate Area
VLF	Vehicle License Fee

## EXECUTIVE SUMMARY

The Local Agency Formation Commission (“LAFCO”) for the County of Riverside (“County”) is preparing this Municipal Service Review (“MSR”) and Sphere of Influence (“SOI”) update for all twenty-eight (28) cities within the County, following the requirements of State law and LAFCO policies. LAFCO acts as the county-wide oversight agency that coordinates logical and timely changes to local government boundaries. A primary objective for this MSR is to provide LAFCO with a recommendation on Spheres of Influence over unincorporated areas, with special attention given to Disadvantaged Unincorporated Communities (“DUCs”).

This report is organized as follows:

- This Executive Summary provides an overview of the County, a brief discussion of the COVID-19 virus pandemic impacts, and a summary of MSR findings.
- A Background section with additional discussion of LAFCO responsibilities, the legal requirements of MSR and SOI updates, and the methodology and data sources used.
- Service Review sections for each of the 28 cities, in alphabetic order within three geographic regions.

## COUNTY OVERVIEW

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Riverside County in Southern California covers more than 7,300 square miles in a generally rectangular shape, running roughly 180 miles across from Los Angeles and Orange counties in the West, to the California border with Arizona in the East. It borders San Bernardino County to the North, and San Diego and Imperial counties to the South.

Riverside is the fourth largest county in California in both size and population, and the 10th most populous county in the U.S., with over 2.4 million residents. Geographically, the County is mostly desert in the central and eastern portions but has a Mediterranean climate in the western portion. Most of Joshua Tree National Park is located in the County.

Riverside County is vast and its municipalities are varied, some with a large focus on a suburban quality of life that is elusive in denser coastal cities to the West, others weighing the benefits and impacts of industrial transformation from agricultural to logistics and distribution, while others are considered world class tourist destinations with their own unique challenges. In the past two years, the COVID-19 virus pandemic crisis put all local governments through a period of great uncertainty and turmoil, particularly those that relied on tourism and retail shopping to fund essential services. Overall, the County continues to experience growth and the pressures that come with it, including the increasing challenge of meeting demands for housing.

Of the County's 28 incorporated cities, half are located in the Western region and comprise 62% of the County population. Four smaller cities are in the Pass/Mountain region, and the remaining ten are in the Coachella Valley/Eastern region. About 16% of the County's population reside in unincorporated areas. Figure 1 lists the cities by region in descending population.

*Figure 1: Cities by Region and Population*

<b>Western</b>		<b>Pass/Mountain</b>		<b>Coachella Valley/Eastern</b>	
Riverside	328,155	Beaumont	51,475	Indio	90,751
Moreno Valley	208,838	San Jacinto	51,028	Cathedral City	53,580
Corona	168,248	Banning	31,125	Palm Desert	52,986
Murrieta	115,561	Calimesa	<u>9,329</u>	Palm Springs	47,427
Temecula	111,970	Total	142,957	Coachella	47,186
Jurupa Valley	107,083			La Quinta	40,660
Menifee	97,093			Desert Hot Springs	29,660
Hemet	85,175			Blythe	19,255
Perris	80,201			Rancho Mirage	19,114
Eastvale	66,413			Indian Wells	<u>5,403</u>
Lake Elsinore	63,453			Total	406,022
Wildomar	37,183				
Norco	27,564				
Canyon Lake	<u>11,000</u>				
Total	1,507,937			Balance of County	385,388
				Total County	2,442,304

Source: California Department of Finance, Population and Housing Projections (1/1/2020)

Exhibit 1 illustrates the Western and Pass/Mountain Regions. Exhibit 2 illustrates the Coachella Valley Region, and Exhibit 3 illustrates the Eastern Region.



## Cities, City Spheres, & DUCs in Western Riverside County





## Cities, City Spheres, & DUCs in the Coachella Valley

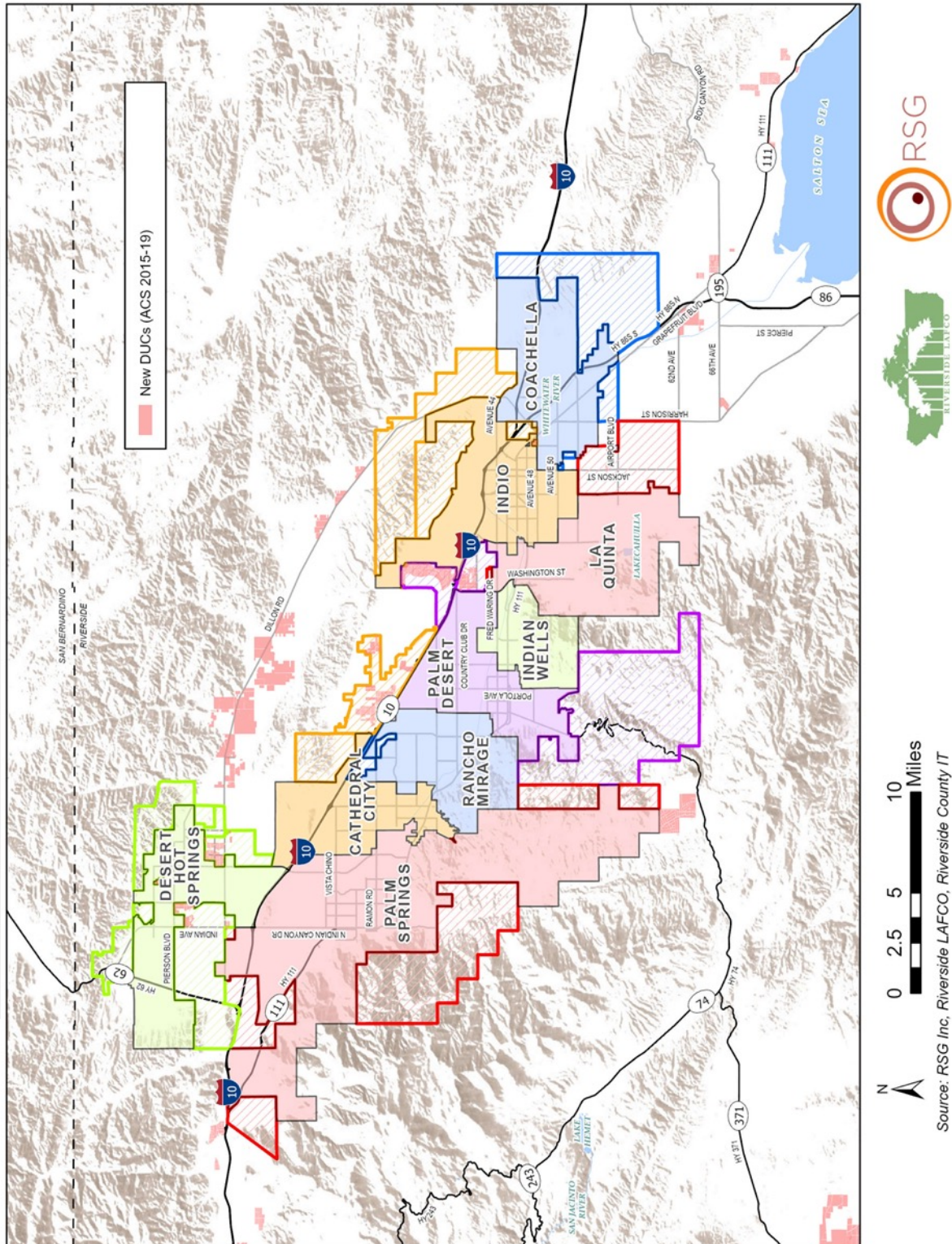
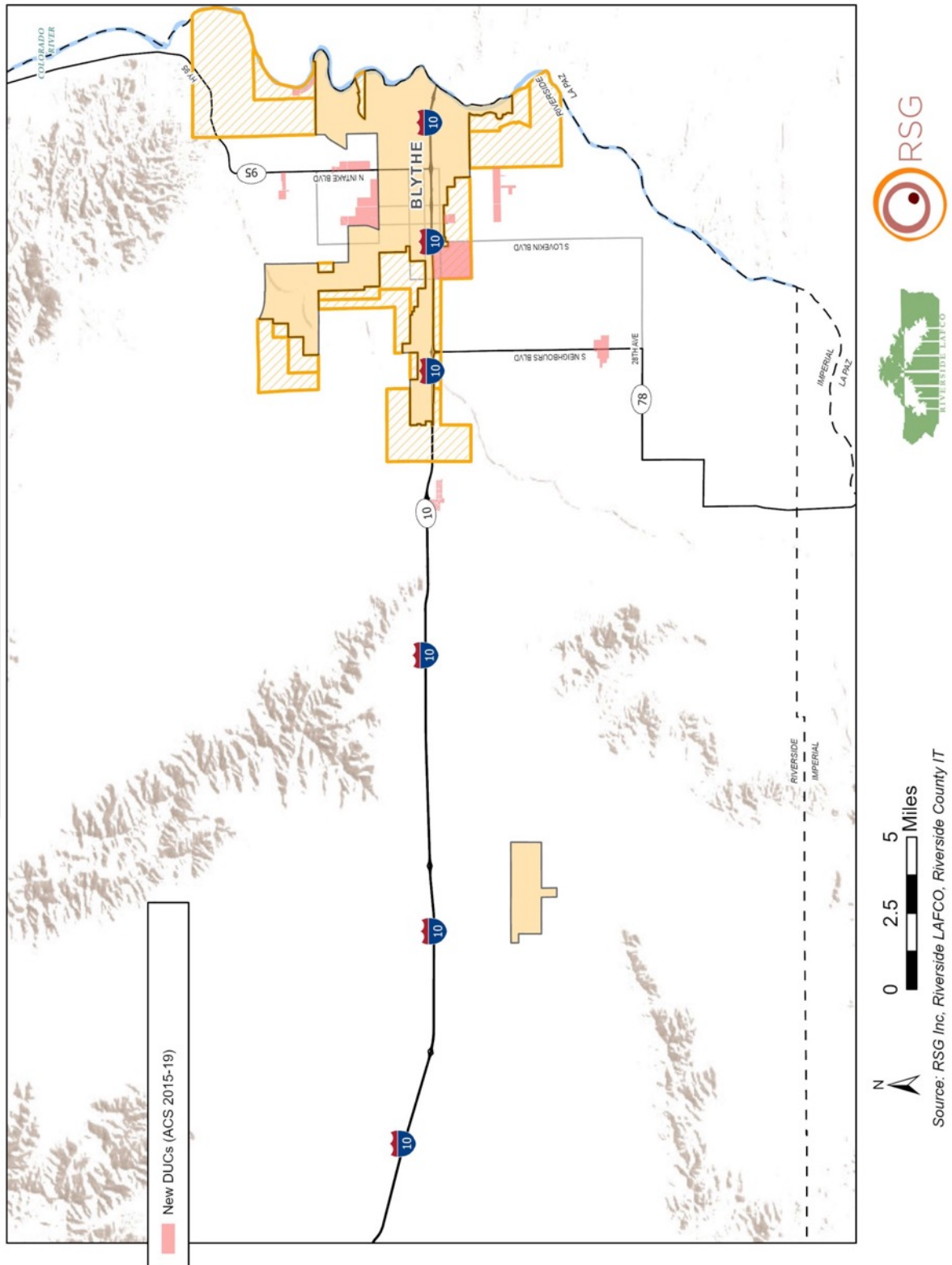


Exhibit 3: Locator Map - Eastern Riverside County (including Current City Boundaries and SOI)

## City & City Sphere - Blythe



LAFCO conducted a comprehensive review of all cities and municipal services between 2005 and 2007. Updates for four recently incorporated cities were performed during the 2009-2014 timeframe. Since 2008, there have been 34 annexations, eight (8) reviews and amendments of SOI boundaries, 14 municipal service reviews, and two (2) incorporations.

## **COVID-19 VIRUS PANDEMIC IMPACTS AND FISCAL HEALTH**

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During the time of preparation of this MSR, the COVID-19 virus pandemic had exponentially spread throughout the world and the United States, resulting in the infection of more than 7.6 million Californians as of the writing of this MSR<sup>1</sup>, and over 78,000 deaths. Through January 24, 2022, Riverside County had a total of 445,110 confirmed cases and 5,812 deaths related to COVID-19.<sup>2</sup> The most significant concentration of cases has been in the City of Riverside, accounting for 67,380 confirmed cases and 898 deaths related to COVID-19.

Efforts to control the spread of the coronavirus included an initial statewide stay-at-home order by Governor Newsom on March 19, 2020, alternating shutdowns and partial re-openings of many parts of the State economy, and a nationwide spike in unemployment with nearly 40 million Americans filing for unemployment in May 2020, which caused the national unemployment rate to increase to 14.8 percent. As of November 2021, national unemployment has declined to 3.9 percent, while the rate in Riverside County was 5.4 percent.<sup>3</sup> State and Federal resources have been directed to support the economic effects of the pandemic as well, and the long-term economic consequences are not yet known. A Federal stimulus bill adopted in early 2021 included direct payments to several of the larger cities in Riverside County, as well as to the County for further redistribution to local governments.

Along with these health and economic impacts public agencies have experienced to date, many expect to encounter more fiscal challenges in the coming years due to lingering tax revenue

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<sup>1</sup> Source: California Department of Public Health, COVID-19 State Dashboard, as of January 26, 2022

<sup>2</sup> Source: Riverside County Public Health, Riverside County COVID-19 Indicators, January 24, 2022

<sup>3</sup> Source: United States Bureau of Labor Statistics, April 2020 and December 2021, Riverside County unemployment rate for November 2021 is preliminary at this time.



shortfalls, loss of businesses, and high unemployment. Due to these evolving circumstances, RSG cannot provide a complete determination regarding the ongoing fiscal and operational impacts on the cities studied in this MSR, or any public agency, at this time. Rather, LAFCO, City management, and the respective elected officials should contextualize the findings in this MSR with the ongoing but not yet fully known COVID-19 pandemic fallout.

This MSR and SOI update gives special attention to the fiscal health and actions of the County's cities, both leading up to and subsequent to the COVID-19 crisis, in order to assess their preparedness to withstand fiscal challenges, gird for a longer-term recovery, and continue to adequately deliver services to the growing populations in their Spheres of Influence.

## SUMMARY OF MSR DETERMINATIONS

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The following section outlines the major determinations presented in this MSR. Additional minor determinations can be found in each City's subsection.

### Western Region

- **Canyon Lake** – The City of Canyon Lake is fiscally sound but its opportunities for economic development are limited. The City will begin providing fire protection services on January 1, 2022. It is common for municipalities that provide fire protection services to have rapidly escalating pension and Other Post-Employment Benefits ("OPEB") costs. The City of Canyon Lake's fiscal management of the new fire department will need to be carefully managed.
- **Corona** – Voters approved a sales tax increase that puts the City of Corona in a better fiscal position, and the City has accumulated substantial reserves, but is still experiencing rapidly growing pension and OPEB liabilities.
- **Eastvale** – The City of Eastvale reports that it is experiencing conflicts related to provision of parks and recreation facilities and services as a result of two (2) special districts providing these services in the City. Eastvale's northern extent is also a challenging area for the City to provide fire protection services. There may be opportunities for shared services in this area from a neighboring jurisdiction, such as the City of Jurupa Valley. The City of Eastvale is fiscally healthy.

- **Hemet** – The City of Hemet has significant pension and OPEB liabilities, which may be assuaged by the recent approval of a sales tax increase. The Hemet SOI contains five (5) DUCs, and two (2) additional DUCs are located immediately outside the SOI.
- **Jurupa Valley** – The City of Jurupa Valley’s fiscal position improved when property tax in-lieu of Vehicle License Fee ("VLF") revenues were restored to newly incorporated cities. The City does not have conventional pension or OPEB plans, which reduces the City’s long-term liabilities significantly. The Jurupa Valley streets and roads were identified by City staff as substandard.
- **Lake Elsinore** – The City of Lake Elsinore counts a lake and minor league baseball stadium among its assets, which are unique compared to other Riverside County municipalities. City staff indicated that maintaining existing buildings and infrastructure is a challenge. The voters of Lake Elsinore recently approved a sales tax measure that will alleviate the City’s fiscal issues related to debt, pension, and OPEB liabilities.
- **Menifee** – The City of Menifee is among the fastest growing communities in Riverside County, which presents issues with management of public facilities and service delivery. To counterbalance the fiscal issues associated with rapid growth, the City is requiring the adoption of Community Facilities Districts ("CFDs"), which support infrastructure needs, for all new developments. The City’s fiscal health has improved in recent years. Like most recently incorporated cities, Menifee benefitted greatly from the restoration of property tax in-lieu of VLF revenues. The City of Menifee now has strong reserves and minimal pension and OPEB liabilities. The City recently formed an independent law enforcement services district.
- **Moreno Valley** – The City of Moreno Valley has taken action to improve its fiscal health by addressing its pension and OPEB liabilities.
- **Murrieta** – Murrieta voters recently approved a sales tax measure that provides the City with financial flexibility to maintain service levels. There were no significant determinations made in relation to the City of Murrieta. Riverside LAFCO recently completed a narrowly Focused Municipal Service Review ("FMSR") on the future provision of water services by three (3) different water districts, the Eastern Municipal Water District, Rancho California Water District, and Western Municipal Water District, to a specific area in the City of Murrieta. Water service is not the subject of this MSR, and for more information please

refer to the FMSR.<sup>4</sup> The City may also consider the use of an Enhanced Infrastructure Financing District (EIFD) to finance infrastructure improvements pursuant to State law.

- **Norco** – The City of Norco is heavily reliant on sales tax revenues, which can be volatile during crises such as the COVID-19 pandemic, and the City’s pension and OPEB liabilities are significant. The City has accumulated reserves sufficient to meet internal policies.
- **Perris** – Infrastructure in Perris is in relatively good condition because Perris, aside from downtown, was largely built out over the last 20 years. The City of Perris is currently seeking a local animal services provider that has an animal shelter within or near Perris. The City is actively reducing its unfunded pension liabilities. According to City staff, Perris is considering transitioning sewer and water services to a different provider.
- **Riverside** – The City of Riverside indicated that the existing electricity delivery infrastructure will be deficient beyond fiscal year 2021-22. Riverside voters approved a sales tax measure to support City service delivery. The City provides sewer services to several areas outside of the City’s corporate boundary, including the Highgrove area, identified as DUC1, Home Gardens, portions of Jurupa Valley and Rubidoux, the Edgemont Community Services District, and the March Joint Powers Authority area within the SOI.
- **Temecula** – The City of Temecula’s parks and recreation facilities are significantly impacted by non-resident users from unincorporated surrounding areas. According to City staff, the City of Temecula has prepared fiscal analyses of annexation of portions of the SOI and concluded that such actions would not be fiscally cost neutral.
- **Wildomar** – As the City of Wildomar considers adding a public works team, there may be opportunities for shared facilities with neighboring jurisdictions. Wildomar’s fiscal position improved with restoration of property tax in-lieu of VLF to newer cities and voter-approval of Measure AA.

## Pass/Mountain Region

- **Banning** – The City of Banning has expressed that its City Hall has reached or exceeded its capacity and the City is actively seeking opportunities for new facilities. There may be

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<sup>4</sup> Source: Riverside LAFCO, Focused Municipal Service Review for the Murrieta Service Area (LAFCO 2019-11-3) <https://lafco.org/wp-content/uploads/documents/september-23-2021-lafco-meeting/5.a.%20LAFCO%202019-11-3-Murrieta%20Focused%20MSR.pdf>



an opportunity for shared facilities with another public agency or neighboring municipality. City staff also indicated that the infrastructure in Banning has a wide range of quality, from very good to poor. Because Banning residents are less affluent when compared to other Riverside County communities, the City is hesitant to address infrastructure, facility, and service funding shortfalls with voter-approved tax measures.

- **Beaumont** – Beaumont is currently in a fiscally healthy position, however it is still recovering from embezzlement schemes prior to 2017. The Beaumont annual audits presented several significant deficiencies that remain uncorrected.
- **Calimesa** – The City of Calimesa does not have a diverse tax revenue base, with 52.0 percent of revenues derived from property tax, and 17.9 percent of revenues derived from property tax in-lieu of motor vehicle license fees. The Calimesa population growth rates for the last ten (10) years were very high compared to the region, and anticipated growth is not expected to slow over the next 15 to 25 years.
- **San Jacinto** – No significant determinations were identified related to the City of San Jacinto.

### Coachella Valley/Eastern Region

- **Blythe** – Mayflower County Park, in the Blythe SOI, lacks adequate sewer infrastructure. RSG understands that the Riverside County Regional Park and Open-Space District recently agreed to provide sanitary sewer service improvements to the Mayflower County Park.<sup>5</sup>
- **Cathedral City** – The 2011 MSR determined that Cathedral City's facilities and personnel would be inadequate to provide services to Cathedral City's SOI, including the Thousand Palms Area. Cathedral City's future annexation of this area would require unprecedented expansion of City services and would need to be resolved prior to annexation. City staff did not disagree with the determinations and noted that any annexation action would be preceded by careful evaluation.

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<sup>5</sup> Source: State of California Governor's Office of Planning and Research, Mayflower Park Sanitary Sewer Improvement Project, posted June 29, 2021, <https://ceqanet.opr.ca.gov/2021060660>

- **Coachella** – The City of Coachella struggles to maintain bridge and interchange infrastructure, which is undersized and deficient. Imperial Irrigation District's 99-year agreement to provide electrical service to Coachella is nearing expiration.
- **Desert Hot Springs** – The street and road infrastructure providing ingress and egress to the City of Desert Hot Springs lacks sufficient storm drainage facilities and can cause health and safety hazards during extreme weather conditions. Improvements to the storm drainage facilities in this area may require coordination by several agencies.
- **Indian Wells** – It is unclear how library services and facilities are provided in Indian Wells, which refers to the City of Rancho Mirage for library services. Imperial Irrigation District's 99-year agreement to provide electrical service to Indian Wells is nearing expiration.
- **Indio** – The City of Indio indicated that there are deficiencies related to streets, roads, storm water, and electricity infrastructure in Indio. With the voter approval of a sales tax increase in 2016, there may be sufficient funding to correct these deficiencies. Imperial Irrigation District's 99-year agreement to provide electrical service to Indio is nearing expiration.
- **La Quinta** – Imperial Irrigation District's 99-year agreement to provide electrical service to La Quinta is nearing expiration.
- **Palm Desert** – Imperial Irrigation District's 99-year agreement to provide electrical service to Palm Desert is nearing expiration.
- **Palm Springs** – No significant determinations were made in relation to the City of Palm Springs.
- **Rancho Mirage** – Imperial Irrigation District's 99-year agreement to provide electrical service to Rancho Mirage is nearing expiration.

## SUMMARY OF SOI RECOMMENDATIONS

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RSG's recommendations related to the SOIs are presented below:

### Western Region

City	Current SOI	Recommendations
<b>Canyon Lake</b>	Coterminous	Expand Canyon Lake SOI to include unincorporated areas, known as Meadowbrook, north of the City.
<b>Corona</b>	Designated	Recommending no SOI change. Pockets 8,9, and 10 (Coronita and El Cerrito) of the Corona SOI have deficient services and infrastructure. The City is the most logical service provider for Coronita and El Cerrito.
<b>Eastvale</b>	Coterminous	Recommending no SOI change.
<b>Hemet</b>	Designated	Recommending no SOI change. The Hemet SOI contains five (5) DUCs, and the City would be the most logical service provider for these areas. Two (2) additional DUCs are immediately outside the current SOI.
<b>Jurupa Valley</b>	Coterminous	Recommending no SOI change. The Jurupa Valley SOI is coterminous with the City of Jurupa Valley municipal boundary. However, unincorporated portions of the Santa Ana Riverbed, between the incorporated boundaries of Jurupa Valley and the City of Riverside, present law enforcement and fire protection challenges for both cities. These unincorporated areas would

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be best served by the City of Riverside, and the City has expressed interest in annexing these areas.

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<b>Lake Elsinore</b>	Designated	Recommending no SOI change. The Lake Elsinore SOI includes multiple DUCs, including DUC4, which is adjacent to the City-owned lake. The City already provides informal law enforcement services to DUC4, so it may be logical to formalize provision of services via annexation. The unincorporated area that includes DUC1 and a portion of DUC2, known as Meadowbrook, should be considered for addition to the City's SOI as well as for annexation. The City of Canyon Lake expressed interest in expanding its SOI to this area as well. The County has expressed challenges associated with service delivery to the Warm Springs area, identified as Pocket P23 and DUC3 within Lake Elsinore's SOI, and given the isolation of this area, Lake Elsinore may be the most logical service provider.
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<b>Menifee</b>	Coterminous	Recommending coordination with the City of Menifee to determine a new extent of the City's eastern boundary. Menifee City staff indicated a desire to expand the SOI to include most of the unsphered land between the City's eastern boundary and State Route 79. Five (5) DUCs are immediately north of Menifee, and four (4) additional DUCs are northeast of the City and the area under consideration for the Menifee SOI expansion.
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<b>Moreno Valley</b>	Designated	Recommending no SOI change.
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<b>Murrieta</b>	Designated	Recommending expanding the SOI to include LAFCO-identified island or pocket (P25). An application for a SOI amendment and concurrent annexation for most of Pocket P25 was submitted in May 2022.
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<b>Norco</b>	Designated	Recommending no SOI change. LAFCO may wish to coordinate with Norco to annex portions of the existing SOI where the City may already be extending municipal services. The municipal boundary for the City is bifurcating residential developments southwest of River Road along Bluff Street, leaving unincorporated residential properties in portions of the Norco SOI on the opposite side of City-maintained streets from incorporated residential properties.
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<b>Perris</b>	Designated	Perris is requesting expansion of the Perris SOI in one area on the City's eastern boundary. As the Perris SOI nears a population of 30,000 and contains multiple DUCs, the City of Perris should consider annexing parts of the SOI.
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<b>Riverside</b>	Designated	Recommending working with Riverside City staff to add existing unsphered pockets P17, P18, P19, P20, and P21 to the Riverside SOI. As mentioned in relation to the Jurupa Valley SOI, there are unincorporated areas along the Santa Ana River which the City of Riverside has expressed interest in annexing. A remote area in the Riverside SOI, south of Cajalco Ridge,

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may be unreasonably difficult for the City of Riverside to be the ultimate service provider.

<b>Temecula</b>	Designated	Recommending no SOI change.
<b>Wildomar</b>	Coterminous	Recommending no SOI change. City staff indicated that there is interest in extending the Wildomar SOI to include the unincorporated La Cresta community.

### Pass/Mountain Region

City	Current SOI	Recommendations
<b>Banning</b>	Designated	Recommending no SOI change at this time, however, the City has proposed expansion of the SOI in two (2) areas south (South Bobcat) and east (Morongo/Cabazon area, which would overlap with the existing Morongo Reservation boundaries) of the City's corporate boundary. We recommend coordinating with Banning City staff on review of proposed SOI expansions.
<b>Beaumont</b>	Designated	Recommending no SOI change.
<b>Calimesa</b>	Designated	Recommending extending the Calimesa SOI to include two unincorporated areas with proposed developments – the Cherry Valley Boulevard & Roberts Street area and the Golden Triangle.



<b>San Jacinto</b>	Designated	Recommending no SOI change.
<b>Coachella Valley/Eastern Region</b>		
<b>City</b>	<b>Current SOI</b>	<b>Recommendations</b>
<b>Blythe</b>	Designated	Recommending no SOI change.
<b>Cathedral City</b>	Designated	Recommending no SOI change at this time. Riverside LAFCO may consider future detachment of Pocket P30 from Palm Springs and addition of this area to the Cathedral City SOI.
<b>Coachella</b>	Designated	Recommending coordination with Coachella City staff on changes to the Coachella SOI boundary.
<b>Desert Hot Springs</b>	Designated	Recommending no SOI change. While Desert Hot Springs has expressed interest in annexation of areas within its SOI, including several DUCs, the current conditions of streets and roads, and storm water drainage infrastructure in the Desert Hot Springs SOI are significantly deficient, and resistance from DUC residents may make annexation unlikely at this time.
<b>Indian Wells</b>	Coterminous	Recommending no SOI change.
<b>Indio</b>	Designated	Recommending coordination with Indio City staff on changes to the Indio SOI boundary. Indio is interested in

several changes to the SOI. The City is interested in making several changes to the unincorporated portions of its southern boundary, including annexation of pocket P15 (the “Carver Tract”). There are ongoing discussions about the future SOI and corporate boundaries of Indio and Coachella in pocket P7, and current provision of services to this area may help define this boundary. The City also expressed interest in a sphere reduction in Pocket P14, citing historical issues related to maintenance of infrastructure by the City on tribally owned lands.

<b>La Quinta</b>	Designated	Recommending no SOI change.
<b>Palm Desert</b>	Designated	Two (2) small areas, which appear to be accessible from Palm Desert’s existing SOI, which are currently in the Indio SOI and Pocket P29 (Sun City), may be detached from Indio’s SOI and added to the Palm Desert SOI.
<b>Palm Springs</b>	Designated	Recommending no SOI change at this time. Riverside LAFCO may consider future detachment of Pocket P30 from Palm Springs and addition of this area to the Cathedral City SOI.
<b>Rancho Mirage</b>	Designated	Recommending no SOI change.

## BACKGROUND

### LEGAL REQUIREMENTS AND PURPOSE

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The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56430 et. seq., (“CKH”) requires that LAFCOs prepare periodic reviews of services provided by most local agencies and provides discretion on the manner in which a Commission may go about undertaking these reviews. These reviews are instrumental in making determinations on jurisdictional and SOI boundaries, informing Commissions, affected agencies, and the general public of opportunities for improving service delivery.

### LAFCO RESPONSIBILITIES

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CKH directs LAFCOs in California to discourage urban sprawl, encourage the orderly formation and development of cities and special districts, and to preserve agricultural land. LAFCOs act as the county-wide oversight agency that is responsible for coordinating logical and timely changes in local governmental boundaries, including annexations and detachments of territory, incorporations of cities, formations of special districts, and consolidations, mergers, and dissolutions of districts. In this manner, LAFCOs play an important role in assuring the thoughtful, appropriate, and efficient reorganization, simplification and streamlining of quality local governmental services.

As part of these objectives, LAFCOs establish and periodically review spheres of influence for local agencies through a process known as a Municipal Service Review and Sphere of Influence update. These processes are described below.

### SPHERE OF INFLUENCE

In 1972, LAFCOs throughout the state were tasked with determining and overseeing the Sphere of Influence for local government agencies. A SOI is a planning boundary that may be outside of an agency’s jurisdictional boundary (such as a special district service area or city limits) that

designates the agency's probable future boundary and service area. Factors considered in a SOI include current and future land use, capacity needs, and any relevant areas of interest such as geographical terrain, location, and any other aspects that would influence the level of service.

Per Government Code Section 56425, a LAFCO shall consider and prepare a written statement of its SOI determinations on the following factors:

1. the present and planned land use in the area, including agricultural and open space lands;
2. the present and probable need for public facilities and services in the area;
3. the present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
4. the existence of any social or economic communities of interest in the area; and
5. the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The purpose of a SOI is to ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands by preventing overlapping jurisdictions and duplication of services. On a regional level, LAFCOs coordinate the orderly development of a community through reconciling differences between different agency plans. This is intended to ensure the most efficient urban service arrangements are created for the benefit of area residents and property owners.

## **SPHERE OF INFLUENCE UPDATES AND LAFCO POLICY**

From time-to-time, a SOI may be modified as determined by the Commission; the procedures for making sphere amendments are outlined in CKH and further refined by the Commission's own Policies & Procedures, as approved on August 26, 2004, which are available on the Riverside LAFCO website at <https://lafco.org/resources/lafco-library/policies-procedures/>. Pursuant to Government Code Section 56430, a Commission must first conduct a municipal services review prior to updating or amending a SOI.

In addition, to our Policies & Procedures, Policy 2.3.4 mentions that one of the factors the Commission shall use in determining a SOI for a city shall be the city's general plan. Prior to any

expansion of a city's SOI, the affected city's general plan must contain provisions to adequately demonstrate that the city has planned for the increased needs associated with a larger geographic boundary.

## **MUNICIPAL SERVICE REVIEW (MSR)**

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Section 56425(g) of CKH requires that LAFCOs evaluate a given SOI every five years, or as necessary; and the vehicle for doing this is known as a Municipal Service Review. Pursuant to Government Code Section 56430, MSRs make determinations on seven (7) required topics as follows:

1. Growth and population projections for the affected area;
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence(s);
3. Present and planned capacity of public facilities and adequacy of public services, adequacy of public services, infrastructure needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence;
4. Financial ability of agencies to provide services;
5. Status of, and opportunities for, shared facilities;
6. Accountability for community service needs, including government structure and operational efficiencies; and
7. Any other matter related to effective or efficient service delivery, as required by Commission Policy.

The focus of an MSR is to ensure that public services are being carried out efficiently and the residents of any given area or community are receiving the highest level of service possible, while also discouraging urban sprawl and the premature conversion of agricultural lands. If an MSR determines that certain services are not being carried out to an adequate standard, LAFCO can recommend changes be made through making sphere changes and dissolution or consolidation of service providers to provide the best service possible to the population.

## **DISADVANTAGED UNINCORPORATED COMMUNITIES (DUCS)**

As part of this MSR, RSG considered the impact of the SOI related to Disadvantaged Unincorporated Communities. DUCs are defined as inhabited territory located within an unincorporated area of a county in which the annual median household income is less than 80 percent of the statewide median household income. State law considers an area with 12 or more registered voters to be an inhabited area. CKH requires identification and analysis of service issues within DUCs as part of MSR/SOI updates. State law (SB 244) also places restrictions on annexations to cities if the proposed annexation is adjacent to a DUC.

LAFCO previously designated a total of forty (40) DUCs in the County using the U.S. Census Bureau American Community Survey ("ACS") 2006-10 median household income ("MHI") data. At the time, the State MHI for that period was \$60,883 when LAFCO adopted the first and second set of DUCs on November 29, 2012 and January 24, 2013, respectively. The qualifying income for a DUC is 80% of that figure, or \$48,706<sup>6</sup>. In addition, LAFCO's policy and increased the registered voter threshold to fifty (50), as allowed by Government Code Section 56046. The DUCs were finalized by removing any commercial or vacant land as was visible from satellite imagery.

Per LAFCO's Five-Year Strategic Plan, a total of ninety-three (93) DUCs were identified as part of this MSR. In the process of updating the DUCs, LAFCO sought to improve upon the prior methodology. This included using ACS 2015-19 data which showed an MHI of \$75,235 for the period (80% of which is \$60,188), eliminating areas with above average home values, adding a metric to account for mortgage costs and property values, and removing commercial and vacant parcels on the periphery. Thirty (30) of the DUCs were in sparsely populated rural areas away from cities while sixty-three (63) DUCs were in the vicinity of city boundaries. The maps presented in this MSR illustrate both the DUCs adopted in 2012 and 2013, as well as the updated DUCs based on the ACS 2015-19 data.

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<sup>6</sup> Riverside LAFCO Five Year Strategic Plan adopted January 23, 2020.

## **Annexation Development Plans**

In 2014, the Legislature passed Senate Bill 614 (“SB 614”), which provides options for financing infrastructure specifically for DUCs. Under SB 614, an annexation applicant may adopt an Annexation Development Plan (“ADP”), which assists with the funding for services and structures identified in the ADP. All annexation applicants must submit a plan for providing services to newly incorporated territories, including:

- An enumeration and description of the services to be extended to the affected territory.
- The level and range of the services.
- An indication of when those services can feasibly be extended to the affected territory.
- An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency could impose or require the affected territory if the change of organization or reorganization is completed.
- Information with respect to how those services will be financed.

Through January 1, 2025, annexation proposals that include one or more DUCs may include an ADP to improve or upgrade infrastructure to serve the territory through the formation of a special district or reorganization of one or more existing special districts. The ADP must include:

- The necessary financial resources to improve or upgrade structures, roads, sewer, or water facilities or other infrastructure.
- The identity of the local entity that will be responsible for the delivery and maintenance of the services identified in the application.
- An estimated timeframe for constructing and delivering the services identified in the application.
- The governance, oversight, and long-term maintenance of the services identified in the application after the initial costs are recouped and tax increment financing terminates.

If the annexation proposal with an ADP is approved, the district has the authority to carry out the ADP, collect tax increment, and finance the services and infrastructure improvements identified in the ADP, which may include water, wastewater, storm water systems, and local streets, roads, and sidewalks, among other improvements, serving the territory. The ADP also may contain



provisions outlining the sharing of tax increment with consent from each special district's governing body, the termination date for the tax increment allocations, and the authorization to issue bonds to finance services and infrastructure improvements. The legislation introduces four (4) limitations, including (1) ADPs are only applicable to annexation proposals that include DUCs, (2) unless extended by the Legislature, ADPs are not available beyond January 1, 2025, (3) portions of DUCs that overlap former redevelopment project areas may not be included in ADPs, and (4) tax increment distributions under an ADP may not reduce property tax revenues allocated to school entities.<sup>7</sup>

## UNINCORPORATED ISLANDS/POCKETS

There are several unincorporated island and pocket communities (territory completely or substantially surrounded by cities) within Riverside County that should eventually be adjudicated over time. CKH, in various sections of the statute, requires LAFCO to address these islands/pockets during MSR/SOI updates and annexation proceedings. In June 2017, LAFCO identified forty (40) such locations, categorized as either meeting or not meeting streamlined procedures for annexation under CKH. Subsequently, LAFCO prioritized the islands/pockets for potential annexation and set a goal in its Five Year Strategic Plan to work with the cities, the County, and communities to encourage appropriate annexation. These islands/pockets are addressed in each city's review below.

## METHODOLOGY AND DATA SOURCES

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RSG worked in coordination with LAFCO staff throughout the duration of this MSR. Key tasks and activities in the completion of this MSR include data collection, interviews, city profile development, determination analysis, public review of MSR, and the adoption of the final MSR.

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<sup>7</sup> Source: California Association for Local Economic Development, "Summary of Other Tax Increment Financing Tools" Appendix D dated March 2017. <https://caled.org/wp-content/uploads/2017/05/CALED-TIF-Primer-3-17.pdf>

## **Data Collection**

To fully understand key factors and current issues involving the cities, RSG conducted an initial working session with LAFCO staff to determine the project scope and process and formalize overall MSR objectives, schedules, policy and fiscal criteria, city service standards, and roles and responsibilities. The MSR began with a complete and thorough review of available data and documents. In collecting data, adopted budgets, comprehensive financial reports, capital improvement plans, and strategic plans were assessed to develop a comprehensive overview of each of the cities. In addition, various reports and documents were utilized from the Southern California Association of Governments ("SCAG"), California Department of Finance ("DOF"), California State Controller's Office ("SCO"), California Department of Housing and Community Development ("HCD"), the Census Bureau, LAFCO, Costar (a commercial real estate database) and ESRI Business Analyst.

It is important to acknowledge that the data presented in this report represents the best information available during the data collection phase, which was largely completed between December 2020 and April 2021. This report represents a snapshot in time, and there may be material changes since then that are not reflected in this report.

Population growth rates were determined by utilizing DOF estimates through 2020 and projected figures from SCAG for the years 2035 and 2040.

## **Fiscal Health Data: State Controller's Office, Audited Financial Reports, Adopted Budgets, and State Auditor Evaluation**

Cities in California are required by Government Code Section 53891 to provide the SCO with an annual report of all financial transactions, commonly known as the Cities Financial Transactions Report. According to the SCO, the purpose of this report is to collect and compile statewide financial and statistical data on as uniform a basis as possible. The data collected in the Financials Transactions Report is published on the SCO's "By the Numbers" website and in raw data format. RSG relied on this data for the most recent three years reported in preparing financial tables in this MSR; as of the time the data for this report was compiled, the most recent fiscal

year reported was 2018-19. Several cities have indicated that more current financial information would provide a more accurate reflection of fiscal health, particularly where significant improvements have been made. Where significant subsequent fiscal changes were cited, RSG included such comments in the city profile sections.

RSG categorized the SCO data for the purpose of this MSR. In most cases, each revenue and expenditure category, as presented in this MSR, includes several different data entries in the raw SCO dataset. The revenues and expenditures as presented in this MSR are summarized below:

<b>MSR Description</b>	<b>SCO Dataset Field(s)</b>
Property tax	Secured and unsecured property taxes, supplemental roll secured and unsecured property taxes, prior property taxes, supplemental roll property taxes, pass-through property taxes, residual property taxes, tax increment, parcel tax, interest, penalties and delinquencies, and other property taxes (as specified by the jurisdiction)
Sales tax	Sales and use taxes, in-lieu local sales and use taxes
Transient occupancy tax	Transient occupancy tax
Franchise tax	Franchise tax
Business license tax	Business license tax
Property transfer tax	Property transfer tax

<b>MSR Description</b>	<b>SCO Dataset Field(s)</b>
Utility user tax	Utility user tax
Other tax revenues	Construction and development taxes, admission taxes, employers payroll taxes, and other taxes (as specified by the jurisdiction)
Transportation tax	Transit and non-transit transportation taxes
Parking tax	Parking tax
Voter-approved tax	Voter-approved indebtedness property taxes
Functional tax	Functional revenues generated by secured and unsecured property taxes, supplemental roll secured and unsecured property taxes, property tax in-lieu of vehicle license fees, supplemental roll voter-approved indebtedness, prior property taxes, supplemental roll prior property taxes, pass-through property taxes, residual property taxes, tax increment, parcel tax, other property taxes, interest, penalties, and delinquent taxes, sales and use taxes, in-lieu local sales and use taxes, transient occupancy taxes, franchises, business license taxes, real property transfer taxes, utility users taxes, construction and development taxes, admission tax, and other taxes (as specified by the jurisdiction)

MSR Description	SCO Dataset Field(s)
Charges for services	Zoning and subdivision fees, assessments and tax collection fees, court fees and costs, special police department services, law enforcement services, special fire department services, plan checking fees, recording fees, animal shelter fees and charges, engineering fees, inspection and other charges, street, sidewalk, curb repair charges, weed and lot cleaning charges, sewer service charges, sewer connection charges, solid waste revenues, sales of refuse, first aid and ambulance charges, health fees, mental health services, library fines and fees, California children's services, institutional care and services, parking facility charges, parks and recreation fees, golf course fees, water service charges, water connection fees, electric revenues, gas revenues, airport revenues, cemetery revenues, housing revenues, ports and harbor revenues, hospital revenues, transit revenues, stadium revenues, personnel services, building maintenance and grounds, administrative services, quasi-external transactions, and other charges for current services (as specified by the jurisdiction)
Special benefit assessments	Fire benefit assessments, paramedics benefit assessments, police benefit assessments, lighting benefit assessments, and other special benefit assessments (as specified by the jurisdiction)
Use of money	Investment earnings, rents and concessions, royalties, other revenue from use of money and property (as specified by the jurisdiction)
Fines and forfeitures	Vehicle code fines, other fines, forfeitures and penalties,



MSR Description	SCO Dataset Field(s)
Licenses and permits	Animal licenses, bicycle licenses, construction permits, street and curb permits, other licenses and permits (as specified by the jurisdiction)

MSR Description	SCO Dataset Field(s)
Intergovernmental	<p>State revenues and grants: Homeowners property tax relief, realignment from the vehicle license fee fund, gasoline tax, peace officers standards and trainings, off-highway motor vehicle in-lieu fee, other state intergovernmental revenues (as specified by the jurisdiction), mandated cost, public safety Proposition 172, public safety 2011, public assistance administration, public assistance programs, realignment for social services, aid for mental health, realignment for mental health, alcohol and drug abuse, realignment for health services, other aid for health, tobacco tax AB 75 Proposition 99, supplemental law enforcement service funds, OCJP programs, library revenues, stabilization revenues, veterans affairs programs, sheriff boating safety, victim witness programs, DA programs including family, child, child support incentives, civil defense, aging programs, law enforcement grants, and other state grants (as specified by the jurisdiction)</p> <p>Federal revenues and grants: public assistance administration, public assistance programs, health administration, citizens option for public safety (COPS), OCJP programs, DEA programs/drug and alcohol programs, DA programs including family and child programs, grazing revenues, aging programs, senior citizens programs, road projects, law enforcement, community development block grant, workforce investment act (WIA), and other federal grants (as specified by the jurisdiction)</p> <p>County revenues and grants: county grants of State gasoline tax, other County grants (as specified by the jurisdiction)</p>

<b>MSR Description</b>	<b>SCO Dataset Field(s)</b>
Other taxes in-lieu	Other taxes in-lieu
Miscellaneous revenues	Development impact fees, welfare repayments, cancelled warrants, contributions from non-governmental sources, other miscellaneous revenues (as specified by the jurisdiction), city/county revenues, redevelopment/housing revenues, special districts/joint powers authority revenues, other intergovernmental miscellaneous revenues (as specified by the jurisdiction), and other revenues (as specified by the jurisdiction)
General government expenditures	Legislative, management and support, auditor-controller, treasurer and tax collector, assessor, County counsel, personnel, elections, property management, and other general government expenditures (as specified by the jurisdiction)
Public safety expenditures	Police, trial court maintenance of effort (MOE), fifty percent excess revenue calculation, other trial court expenditures, district attorney prosecution and family support, public defender, court appointed counsel, adult detention, juvenile detention, probation, fire, emergency medical service, animal regulation, weed abatement, street lighting, disaster preparedness, recorder, coroner, planning and zoning, and other public safety expenditures (as specified by the jurisdiction)

<b>MSR Description</b>	<b>SCO Dataset Field(s)</b>
Transportation expenditures	Streets, highways, storm drains, street trees and landscaping, parking facility, public transit, airports, ports and harbor, and other transportation expenditures (as specified by the jurisdiction)
Community development expenditures	Planning, construction and engineering regulation, redevelopment, housing, employment, community promotion, and other community development expenditures (as specified by the jurisdiction)
Health expenditures	Physical and mental health, public health, medical care, mental health, drug and alcohol abuse services, hospitals and sanitariums, solid waste, sewers, cemeteries, welfare administration, aid programs, social services administration and programs, other social services (as specified by the jurisdiction), aid to indigents, care of court wards, other public assistance (as specified by the jurisdiction), and other health expenditures (as specified by the jurisdiction)
Culture and leisure expenditures	Parks and recreation, marina and wharfs, libraries, museums, golf courses, sports arenas and stadiums, community centers and auditoriums, and other culture and leisure expenditures (as specified by the jurisdiction)
Public utilities expenditures	Water, gas, electric, and other public utilities expenditures (as specified by the jurisdiction)

<b>MSR Description</b>	<b>SCO Dataset Field(s)</b>
Debt service expenditures	Principal payments on long-term debt, interest payments on long-term debt, lease principal, principal and interest on short-term notes and warrants, and other debt service (as specified by the jurisdiction)
Capital outlay expenditures	Land expenditures, buildings and improvements expenditures, equipment expenditures, and other capital outlay expenditures (as specified by the jurisdiction)
Salaries and wage expenditures	Salaries and wages operating expenditures
Employee benefits expenditures	Retirement benefits, other employee benefits
Materials and supplies expenditures	Materials and supplies operating expenditures
Contract services expenditures	Private contract services, and governmental agency contract services
Other operating expenditures	Other operating expenditures (as specified by the jurisdiction)

Cities are required to undergo an annual financial audit with the results published in an Annual Comprehensive Financial Report (“ACFR”). An outside auditor provides an opinion on whether the city's financial statements accurately present its financial position, and if there are any audit



findings that require a city response or action to correct. RSG reviewed the most recent three years of ACFRs which, for most cities, included fiscal years 2017-18 through 2019-20. In addition, RSG reviewed the most recent adopted and published city budget available for Fiscal Year 2020-21. For fiscal years where SCO data and City ACFRs overlapped, RSG confirmed that they yielded similar results, although categorization of certain revenues and expenditures varied in some cases.

The California State Auditor completes an annual audit of local government finances to determine which cities may be facing fiscal challenges by assessing risk associated with various fiscal indicators. The fiscal health analysis examined liquidity, debt burden, general fund revenues, revenue trends, pension obligations, pension funding, pension costs, future pension costs, Other Post-Employment Benefit ("OPEB") obligations, OPEB funding, and overall risk. The Auditor ranked all 471 cities in California on each of these fiscal indicators, and ranked the cities with 1 being the highest risk, and 471 the lowest risk. Throughout this report, RSG utilized the State Auditor's 2019-20 financial data and risk rankings.

Pension and OPEB costs are a consistent and common area of concern for the cities of Riverside County, as well as across the State. The California Public Employees' Retirement System ("CalPERS"), which provides pensions for most public employees, has been earning less on investments than needed to adequately meet future retirement obligations, especially as retirees are living longer. As a result, CalPERS has required cities to provide increasing levels of funding toward retirement accounts. Also in recent years, new accounting standards require cities to report on future unfunded obligations for pension and OPEB liabilities in their financial statements. Cities that incorporated relatively recently have much lower legacy liabilities and are able to benefit fully from the the California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changed the way CalPERS retirement and health benefits are applied, and placed compensation limits on members.

RSG used all of the above noted financial data sources and context as a basis to objectively evaluate the fiscal health and performance of the cities under review.

## **Addressing Housing Needs: RHNA, Housing Element Reporting, and SB35 Impacts**

Since 1969, local governments in California have been required to adopt plans to meet the housing needs of their community. The regional government, SCAG, determines the allocation of housing needs for each jurisdiction within the region through a process called the Regional Housing Needs Assessment (“RHNA”). Every city must adopt a Housing Element as part of their General Plan and must show there are adequate opportunities to meet its RHNA allocation based on land use, zoning, and other policies. Housing Elements are prepared in periodic cycles and cities submit Annual Progress Reports to HCD by April 1 of each year. The RHNA 5<sup>th</sup> Cycle for SCAG, the most recent cycle, spans from January 1, 2014 through October 31, 2021.

RSG relied on RHNA and Annual Progress Reports to evaluate the performance of each city in meeting the housing needs of its population. Most if not all cities in Riverside County and statewide are having varying degrees of difficulty producing adequate levels of housing. A variety of factors present obstacles including: an imbalance in market value versus development and land costs; lack of local, State and Federal funding to subsidize below market rate housing; and difficult and lengthy local approval processes. An array of State legislation has been adopted in recent years to incentivize housing development, and to better hold cities accountable for meeting housing production goals. These new housing laws may become an increasingly important tool for overcoming impediments in some communities that have been resistant to growth.

For example, Senate Bill 35 (“SB 35”), signed by Governor Newsom in 2017, created streamlining provisions that developers can pursue in cities that fail to submit Housing Element Annual Reports or make meaningful progress towards permitting affordable and market rate housing units. As administered by HCD, California cities and counties will fall into one of three tiers: (1) cities and counties not subject to SB 35 streamlining provisions; (2) cities and counties subject to SB 35 streamlining provisions when proposed developments include at least 10 percent affordable units; or (3) cities and counties subject to SB 35 streamlining provisions when proposed developments include at least 50 percent affordable units. Cities and counties in the first tier have met their prorated affordable and market rate RHNA allocation and submitted the latest Annual Progress Report. Cities and counties in the second tier have failed to make sufficient progress towards

either market rate RHNA production or submittal of the Annual Progress Report. The third tier includes cities and counties that have made insufficient progress towards affordable housing production.

The housing production and RHNA allocation figures presented in this MSR reflect the most up-to-date information available at the time the data collection for the MSR commenced. RSG's contract for preparation of this MSR began on October 8, 2020, and data collection commenced at that time.

### **City Interviews**

In coordination with LAFCO, during the months of February through April 2021, RSG conducted online interviews with the executive leadership of each city in the County, including one or more of the following key staff: the City Manager, Assistant City Manager, Director of Community Development or Planning and Building, Finance Director, and Public Works Director. These interviews allowed RSG to gain insight on the current operations and any unique challenges or opportunities of each city.

The content of these interviews included the following topics:

- Financing constraints and opportunities;
- Growth and population projections, including RHNA allocations and long-term strategy for service delivery;
- Infrastructure needs or deficiencies;
- Cost avoidance opportunities;
- Opportunities for rate restructuring regarding services provided;
- Opportunities for shared facilities with other cities or agencies;
- Government structure options, including advantages or disadvantages of consolidation or reorganization of service providers;
- Evaluation of management efficiencies; and
- Local accountability and governance, specifically the efforts being made to support public engagement and participation.

## City Profiles

Following data collection and interviews, RSG developed city profiles based on the information collected and as required for the completion of the MSR per the CKH Act. This includes key characteristics such as municipal services offered, staffing levels, population and growth, service providers, infrastructure, financial condition, and boundary areas and maps. City profiles can be found in the following regional sections of this MSR.

## CITIES AND SERVICES UNDER REVIEW

Riverside LAFCO is responsible for reviewing and updating, as necessary, the SOIs for approximately 151 public agencies in Riverside County (28 cities, 62 dependent special districts and 61 independent special districts). In preparation for initiating the MSR and SOI update process, Riverside LAFCO is proceeding with a two-phase work plan. The first phase consists of this review of the 28 cities in three subregions.

LAFCO completed its inaugural MSR and SOI updates for all cities' services in 2005-2007. Updates for the four recently incorporated cities were performed during the 2009-2014 timeframe. These reports are available online at <http://lafco.org/studies/municipalservice-reviews>.

Municipal services to be covered in this “city services” MSR will include those listed below:

- Airport
- Animal Control
- Building/Planning and Housing
- Code Enforcement
- Emergency Medical
- Fire Protection
- Innovation and Technology
- Landscape Maintenance
- Law Enforcement

- Library
- Lighting
- Museum
- Parks & Recreation
- Solid Waste
- Streets/Road Maintenance
- Streetlights
- Stormwater Drainage
- Utilities (gas, electricity)

Services not included in this review are:

- Water, wastewater collection and treatment (covered in an MSR approved in May 2019);
- Healthcare services (covered under a separate MSR review filed in October 2020);
- Resource conservation;
- Mosquito & vector control; and
- Burial/interment.

Other agencies that provide “city services” such as private and other entities are included in the MSR to the extent necessary to establish relationships, quantify services and provide a comprehensive overview of services citywide.

RSG also reviewed situations where the subject cities are providing "extraterritorial services", whether by contract or other arrangement, to areas outside their city boundaries. Per Government Code Section 56133, a city may provide extraterritorial services only if it first requests and receives written approval from LAFCO approval and certain requirements are met.

## WESTERN REGION SERVICE REVIEWS

The next section of this report covers the municipal service reviews of the fourteen (14) cities in the Western region of Riverside County, presented alphabetically, as follows:

- Canyon Lake
- Corona
- Eastvale
- Hemet
- Jurupa Valley
- Lake Elsinore
- Menifee
- Moreno Valley
- Murrieta
- Norco
- Perris
- Riverside
- Temecula
- Wildomar



## CITY OF CANYON LAKE

The City of Canyon Lake incorporated in 1990<sup>8</sup> as a general law city. Located in the Western Region of the County, the majority of Canyon Lake's incorporated area contains a gated community around the Canyon Lake reservoir. Canyon Lake's northern boundary is unincorporated County land, touching the City of Perris at its northeast corner, with the City of Menifee to the east, and the City of Lake Elsinore on the south and west. Canyon Lake has a population of 11,000 residents in 2020.<sup>9</sup> Canyon Lake's incorporated boundary includes 3.9 square miles.<sup>10</sup> Canyon Lake's SOI is coterminous with its corporate city boundary.

Figure 2 presents a current and projected demographic profile of Canyon Lake.

Figure 2: Demographic Profile - Canyon Lake

Canyon Lake	City	County
Population as of 2020	11,000	2,442,304
Population as of 2010	10,561	2,189,641
Annual Pop. Growth Since 2010	0.41%	1.10%
Housing Units	4,584	867,637
Persons / Housing Unit	2.40	2.81
Land Area (sq mi)	3.9	7,206.0
Persons / Square Mile	2,821	339
Median Household Income	\$91,322	\$67,369
Projected Population in 2035	11,223	2,995,509
Annual Proj. Growth 2020-2035	0.13%	1.37%
Projected Population in 2045	11,427	3,251,705
Annual Proj. Growth 2020-2045	0.25%	1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>8</sup> Source: City of Canyon Lake

<sup>9</sup> Source: California Department of Finance City/County Population Estimates with Annual Percent Change, dated May 1, 2020

<sup>10</sup> Source: Riverside LAFCO

The population of Canyon Lake has grown modestly over the last decade, with a 0.41 percent annualized population growth rate. SCAG population projections only forecast 0.13 and 0.25 percent population increases for 2035 and 2045, respectively. With very few remaining development opportunities within the existing incorporated Canyon Lake, City staff acknowledges that these projections are accurate. Much of the City's anticipated future growth is likely to come from demographic changes to Canyon Lake's population, with younger families moving into the community, resulting in a higher average household size.

The median household income in Canyon Lake is over \$91,000, which is 36 percent higher than the County median household income (\$67,369).

Canyon Lake's land use distribution is unique among Riverside County cities, with most of the existing development concentrated heavily in single-family housing. The City added 52 new housing units and had a net loss of 1,000 square feet of commercial space between 2010 and 2020. Commercial space is predominately retail use.<sup>11</sup>

Canyon Lake's land use summary is presented in Figure 3.

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<sup>11</sup> Source: Costar and California Department of Finance

Figure 3: Land Use Summary - Canyon Lake

Canyon Lake		County	
Residential Units	Units	%	%
Single Family	4,234	92.4%	54.8%
Multifamily	283	6.2%	43.6%
Mobile Home	67	1.5%	1.6%
Total Units	4,584	100.0%	100.0%
New Units Since 2010	52		
Commercial	Gross SF		
Retail	166,419	76.6%	26.6%
Industrial	5,252	2.4%	61.8%
Office	45,617	21.0%	9.6%
Other	-	0.0%	2.0%
Total	217,288	100.0%	100.0%
New Commercial Since 2010	(1,000)		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

According to City staff, the Canyon Lake Town Center, essentially the City's only retail development, is in the early stages of being rehabilitated under a specific plan. The Town Center is expected to incorporate new mixed use housing development in order to meet the City's 6<sup>th</sup> Cycle RHNA allocation. Although with approximately 48 separate owners within the Town Center, it may be challenging to effectively redevelop the Center as planned.

Canyon Lake has 387 active businesses with 1,444 employees. The largest industries in Canyon Lake include services sectors (484 employees), led by health services (111 employees) and other services (272 services), and real estate (189 employees).<sup>12</sup>

<sup>12</sup> Source: ESRI Business Analyst Online

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

As illustrated in Exhibit 4, the City of Canyon Lake does not have a SOI beyond the City boundary. City staff indicated that the City is actively evaluating potential annexation of the unincorporated County territory north of the City. Riverside LAFCO should consider expanding the Canyon Lake SOI to include the unincorporated Meadowbrook area. Future annexation of this area along State Route 74 is being considered as an economic development opportunity for the City. The Canyon Lake SOI does not contain any DUCs. If the Canyon Lake SOI were extended to include the Meadowbrook area, the Canyon Lake SOI would then contain two DUCs, including the entirety of DUC1, commonly known as Meadowbrook (North), and the northern portion of DUC2, commonly known as Meadowbrook (South). City staff indicated that the City would likely be willing to assume responsibility for providing municipal services to the underserved communities in this unincorporated area. The unincorporated Meadowbrook area is illustrated in Exhibit 5.

The City's boundary was previously reconfirmed in the May 2005 Final Draft of the Western Riverside County MSR (LAFCO 2004-60-1,2,5) ("2005 MSR"). The 2005 MSR did not make any significant MSR determinations regarding the City of Canyon Lake.

Exhibit 4: City and SOI Boundaries – Canyon Lake

## City of Canyon Lake

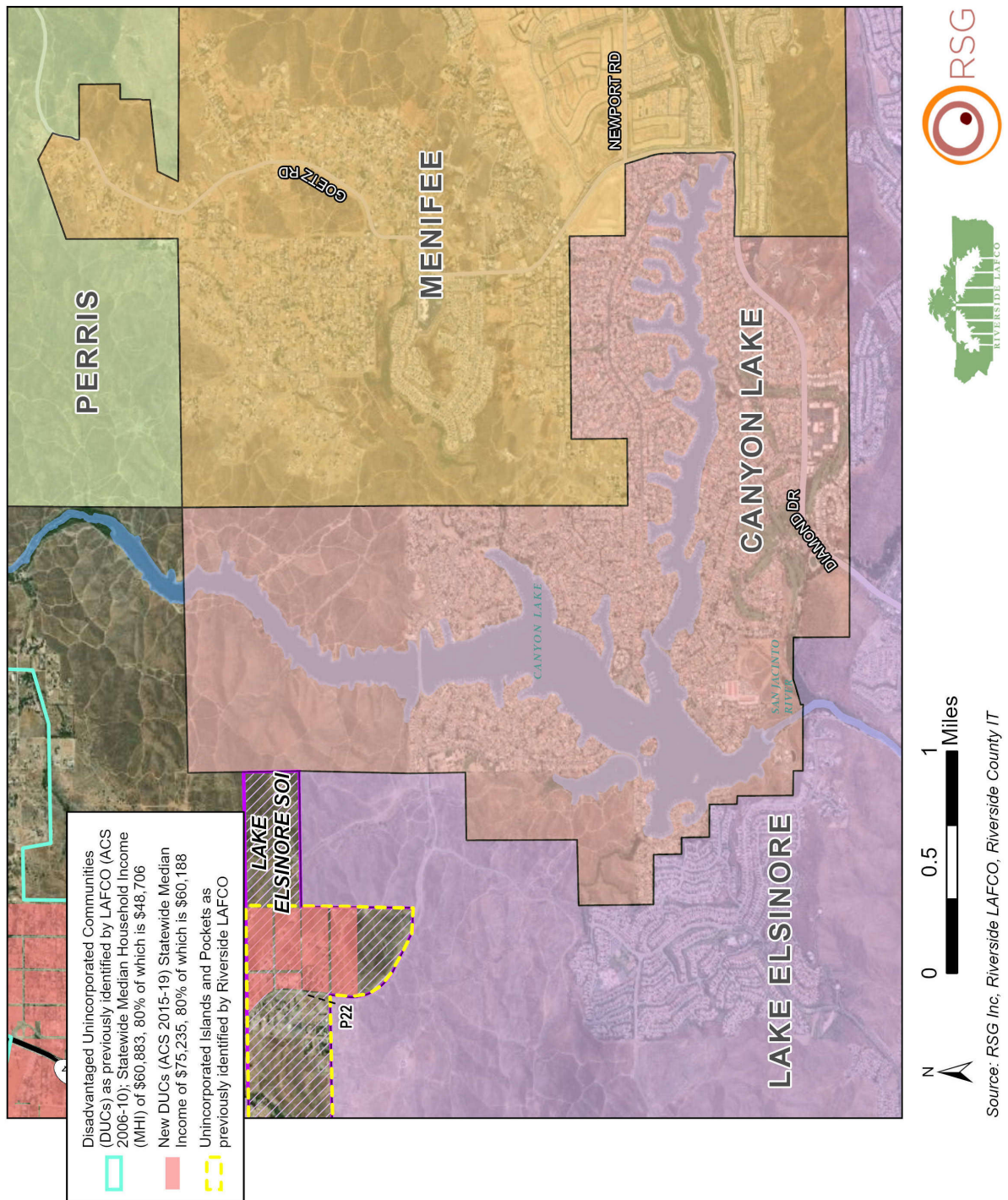
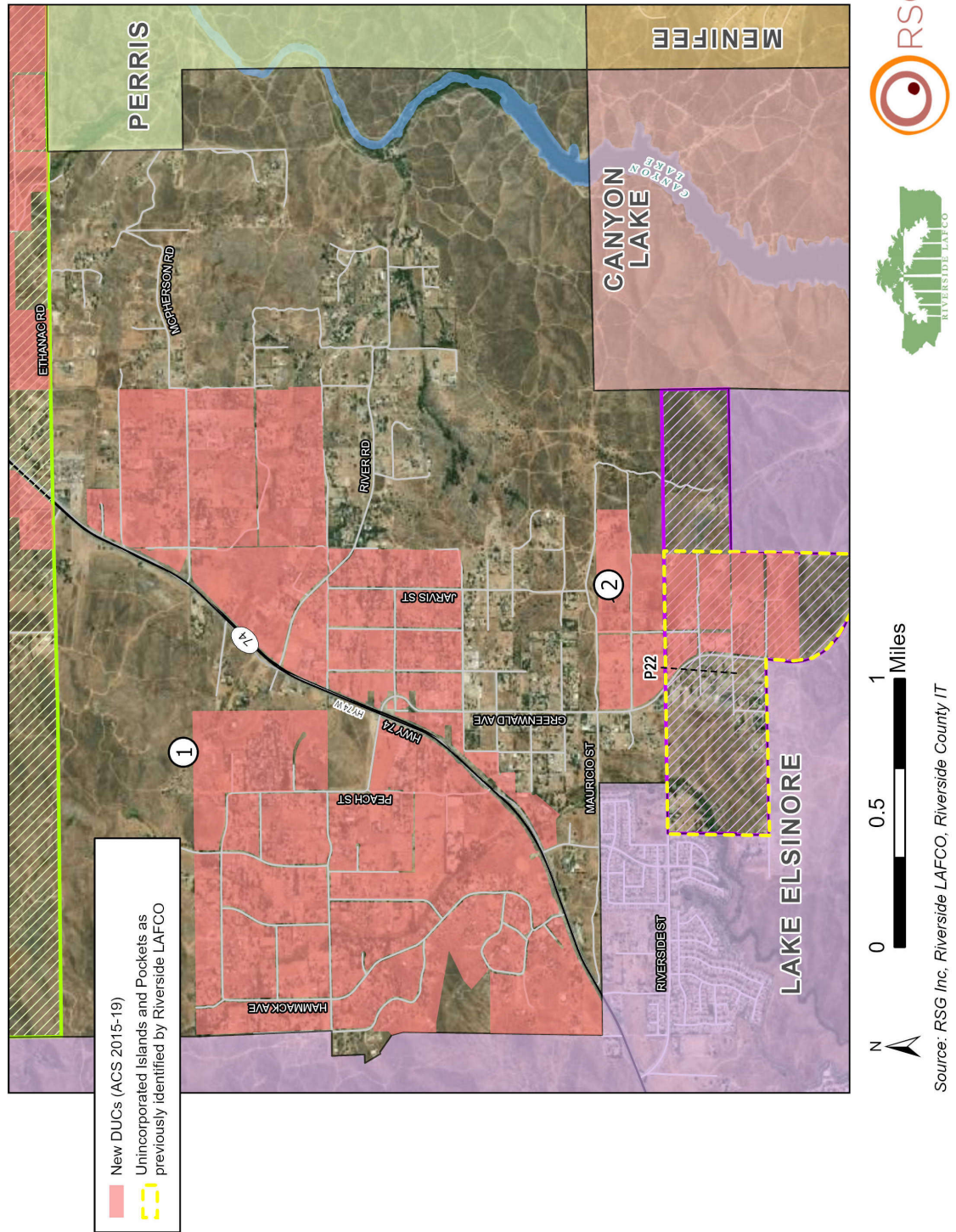




Exhibit 5: Meadowbrook Pocket (Areas proposed for inclusion in the SOI) – Canyon Lake

## Meadowbrook: Unincorporated Pocket with DUCs near Lake Elsinore



## FORM OF GOVERNMENT AND STAFFING

The City of Canyon Lake operates as a "Council – Manager" form of government, with a City Council elected by the residents and a City Manager appointed by the City Council. The City Council includes five (5) elected members. The Mayor is also selected and appointed by the City Council. The Finance and Planning Committee carries out assignments at the direction of the City Council.<sup>13</sup>

The City Manager oversees the daily operations of the City's eight (8) full time and four (4) part time employees<sup>14</sup>, with an annual General Fund operating budget of \$5.6 million in 2018-19<sup>15</sup>.

## SERVICES PROVIDED

The City of Canyon Lake staff provides general government services, building, planning and housing services, code enforcement, landscape maintenance, and some streets and road maintenance services. The Canyon Lake Property Owners Association ("POA") was formed in 1968 as a non-profit corporation and is responsible for the operation and maintenance of common areas in Canyon Lake, and parks and recreation, streetlights, and road maintenance, in particular. The residents of Canyon Lake are assessed a \$300 monthly fee that provides funding to the POA. City staff estimates the POA budget may be up to three (3) times the size of the City's budget.

The following sections describe municipal services provided within Canyon Lake. Figure 4 presents a matrix summarizing the services provided by the City of Canyon Lake and other service providers.

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<sup>13</sup> Source: City of Canyon Lake

<sup>14</sup> Source: City of Canyon Lake, 2019-20 Comprehensive Annual Financial Report

<sup>15</sup> Source: California State Controller's Office, "Cities Financial Data"



Figure 4: Service Provider Matrix – Canyon Lake

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Canyon Lake Fire Department, Fire/CalFire										
Emergency Medical	Canyon Lake Fire Department, Fire/CalFire										
Building/Planning	Development Services, PLZ Inc.										
Housing	Development Services										
Code Enforcement	Development Services										
Animal Control	Animal Friends of the Valley										
Parks and Recreation	Regional Parks, Property Owners Association										
Library	Library System										
Museum	N/A										
Landscape Maintenance	Gas Tax Fund										
Streets/Road Maintenance	Gas Tax Fund, Property Owners Association										
Streetlights	Public Works, Property Owners Association										
Lighting	N/A										
Utilities	Edison										
Solid Waste	CR&R										
Stormwater Drainage	Flood Control & Water Conservation										
Innovation and Technology	Verizon, Spectrum, AT&T										
Airport	N/A										
Cemetery *	Elsinore Valley Cemetery District										
Healthcare *	N/A										
Water *	Elsinore Valley Municipal Water District										
Wastewater *	Elsinore Valley Municipal Water District										

## Government Services

General government services are primarily provided by elected officials and appointed staff. The City Manager's and City Clerk's offices combine for two (2) full time employees. The City Manager is responsible for day-to-day supervision of all City departments and staff, preparation, monitoring, and execution of the City budget, advising the City Council on overall operations, public relations, and the efficient operation of all City services. The City Clerk administers municipal elections, manages the City's records, prepares and distributes Council agendas and other legislative documents, maintains the City's municipal code, and ensures transparency to the public.

## Law Enforcement

The City of Canyon Lake contracts with the Riverside County Sheriff's Department for law enforcement services. Contract services include investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and

administration of the volunteer program and Explorer youth program. Additionally, contracting with the Sheriff provides access to the resources of the Riverside County Sheriff, the fourth largest law enforcement agency in the State, which also provides law enforcement services to 13 cities in Riverside County.

According to City staff, law enforcement contract costs have increased 41 percent over the last five (5) years. Although very satisfied with the level of service, staff acknowledges the concern that the costs are not sustainable without the City increasing revenue.

### **Fire Protection**

As of January 1, 2022, the City of Canyon Lake began operations of its own fire department, providing fire protection services within City limits. Through December 31, 2021, the Riverside County Fire Department/CalFire provided fire protection services.

According to City staff, this transition was in response to the increasing costs associated with contract fire protection from the Riverside County Fire Department/CalFire, which had grown by 79 percent over six (6) years. Similar to the concerns about police contract costs, with very few economic development opportunities to increase revenue, the City is unable to continue absorbing increased contract fire costs.

The City owns Fire Station #60, which is located in Canyon Lake on Vacation Drive. Once under the City's auspices, the Department will include one fire chief, eleven (11) fire fighters, one management analyst, and about fifteen (15) reserve fire fighters.

### **Emergency Medical**

The City's newly formed Fire Department will also begin providing emergency medical services on January 1, 2022. The Riverside County Fire Department/CalFire will continue to provide emergency medical services through the end of 2021.

## **Building/Planning and Housing (Community Development)**

The City has three (3) full time employees providing building and planning services in Canyon Lake. The City also budgeted \$237,000 for contract building services and \$185,000 for contract planning services in 2021-21. Contract building services were previously provided by Interwest Consulting Group, including processing building permit applications, building plan reviews, field inspections, and permit issuance. According to City staff, building services were brought in-house on September 1, 2021 and are now provided by the City. Contract planning services are still provided by PZL, Inc, and include review of development site plans, conditional use permits, General Plan and Zoning Code updates, signage regulations, and business license services.

## **Code Enforcement**

The City's Code Enforcement Department provides code enforcement services in Canyon Lake. The Department is responsible for investigation of violations of the City's municipal code, including weed abatement, zoning violations, unpermitted construction, business license violations, abandoned property abatement, and the NPDES permit program.

## **Animal Control**

The City provides animal control services as a member of a Joint Power Authority, called the Southwest Communities Financing Authority ("SCFA"). SCFA contracts with Animal Friends of the Valley for animal control services and operation of the City's animal shelter. Animal Friends of the Valley is responsible for animal control and care, humane education and euthanasia, dog licensing, lost and found animals, spaying and neutering services, microchipping, and vaccinations. Animal Friends of the Valley is a non-profit agency that provides animal control services in Canyon Lake and surrounding areas.

## **Parks and Recreation**

The POA provides parks and recreation services in the City of Canyon Lake. The POA owns 23 park facilities, including parks, beaches, and other recreation facilities.

## **Library**

The Riverside County Public Library System provides library services in Canyon Lake. The System is responsible for providing reading materials, literacy programs, and access to a technology center with computer and broadband access for residents. The Canyon Lake Library is located within the Canyon Lake Town Center on Railroad Canyon Road.

## **Museum**

Canyon Lake does not contain any museum facilities.

## **Landscape Maintenance**

The City of Canyon Lake utilizes the Gas Tax Fund for landscape maintenance funding. The City's 2020-21 budget included a \$72,000 landscape maintenance budget.

## **Streets/Road Maintenance**

According to staff, the City is only responsible for providing street and road maintenance to Railroad Canyon Road. Most of the street and road infrastructure in Canyon Lake is owned and maintained by the POA. The City's 2020-21 annual budget included a \$25,000 street maintenance budget, also utilizing the Gas Tax Fund.

## **Streetlights**

Most, if not all, streetlight equipment in the City is owned and maintained by the POA, according to City staff. The City does maintain streetlights on public roads, which is currently limited to infrastructure on Railroad Canyon Road.

## **Utilities (Gas, Electric)**

The City has a franchise agreement with Southern California Edison to provide electricity services. According to City staff, Canyon Lake primarily relies on electric for energy use and does not have natural gas lines or services.

## **Solid Waste**

The City has a franchise agreement with CR&R Inc. for solid waste and recycling collection services. CR&R is a privately held solid waste disposal company that provides service to over 3 million residents and more than 25,000 businesses in a service area that covers parts of Orange, Los Angeles, San Bernardino, Imperial, and Riverside counties.

## **Storm Drainage**

Riverside County Flood Control and Water Conservation District provides stormwater drainage services to Canyon Lake. The District is responsible for construction of flood control structures and facilities, regulation of drainage development, and maintenance and operation of completed storm drain structures. The District is a large dependent special district that is governed by the Riverside County Board of Supervisors. It was formed in 1945 in response to significant flooding in Riverside County, and now provides services to much of western Riverside County.

## **Innovation and Technology**

Canyon Lake has franchise agreements with Verizon Wireless, Spectrum, and AT&T for the provision of broadband, cable TV, and telecommunications services within the City. Verizon, Spectrum, and AT&T are privately held telecommunications services providers with operations throughout the United States.

## **Airport**

Canyon Lake does not contain any airport facilities.

## **Extraterritorial Services Provided**

Beyond mutual aid agreements with neighboring communities, the City of Canyon Lake does not provide any extraterritorial services at the present time. According to City of Lake Elsinore staff, the City of Canyon Lake has had trouble making reimbursement payments to the City of Lake Elsinore for services provided under the mutual aid agreements. Government Code Section

56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS

The City does not maintain a capital improvement plan. Per City staff, the City does not own or maintain very much infrastructure and therefore has little need for a capital improvement plan.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City of Canyon Lake submitted the 6<sup>th</sup> Cycle Housing Element to HCD on May 8, 2020, and HCD designated it in compliance with Housing Element Law on June 18, 2020.<sup>16</sup> The City had submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports consistently between 2014 and 2019, but failed to submit an Annual Progress Report in 2013.<sup>17</sup>

Figure 5 shows the City's progress towards meeting its 5<sup>th</sup> Cycle RHNA allocation of 83 units.

*Figure 5: 5th Cycle Housing Element Summary - Canyon Lake*

Canyon Lake 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	21	14	16	32
Permitted Units	0	0	10	32
Allocation Surplus/(Shortage)	(21)	(14)	(6)	0

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City saw 42 new housing units developed during the 5<sup>th</sup> Cycle, in the moderate- and above moderate-income categories, but no progress towards development of very low- or low-income

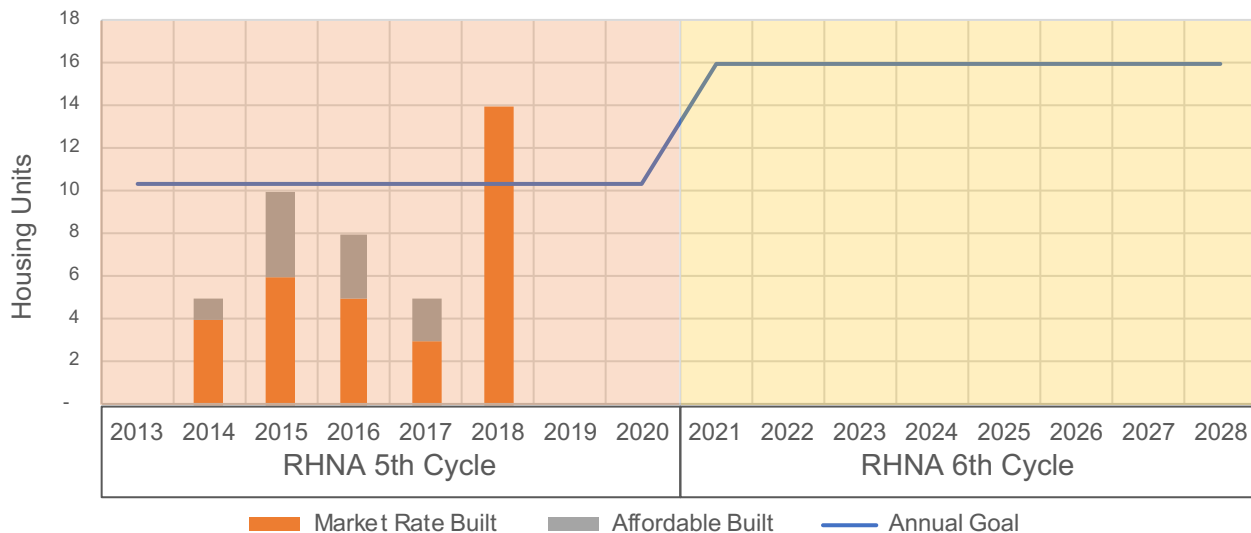
<sup>16</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>17</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

housing. The upcoming 6<sup>th</sup> Cycle RHNA allocation is 128 units for Canyon Lake, a 54 percent increase over the 5<sup>th</sup> Cycle allocation.

Figure 6 highlights the increase in Canyon Lake’s 6<sup>th</sup> Cycle allocation, which results in an annual production target (one-eighth of the full cycle RHNA allocation) of 16 units. Market rate and affordable unit production during the 5<sup>th</sup> Cycle is presented as well. As previously noted, the City expects the Town Center Specific Plan will be able to satisfy its RHNA allocation requirements for the 6<sup>th</sup> Cycle.

Figure 6: 5th and 6th Cycle RHNA Allocation and Production - Canyon Lake



Canyon Lake is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at



least 10 percent affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>18</sup>

## FISCAL HEALTH

The sections that follow evaluate the City's fiscal health, inclusive of revenue sources and major expenditure categories, long-term obligations and reserves, audit findings, as well as State Auditor assessments. Figure 7 presents the City's net position, presented as annual revenues less expenditures, for fiscal years 2016-17 through 2018-19. In 2017-18, the City's expenditures exceeded revenues by about \$32,000, while the City had surplus cash flow in 2016-17 and 2018-19.

Figure 7: Net Position - Canyon Lake

Canyon Lake	2016-17	2017-18	2018-19
Total General Tax Revenues	\$4,392,397	\$4,543,799	\$4,847,857
Other Tax Revenues	-	184,294	204,962
Other Revenues	976,698	1,029,725	1,115,693
<b>Total Revenues</b>	<b>5,369,095</b>	<b>5,757,818</b>	<b>6,168,512</b>
Total Operating Expenditures	4,509,386	5,463,995	5,383,416
Debt Service	205,150	219,530	186,958
Capital Outlay	29,427	106,346	66,774
<b>Total Expenditures</b>	<b>4,743,963</b>	<b>5,789,871</b>	<b>5,637,148</b>
<b>Net Position</b>	<b>\$625,132</b>	<b>(\$32,053)</b>	<b>\$531,364</b>

Source: California State Controller's Office

## Operating Revenues

As illustrated in Figure 8, in the State Controller's data catalog for fiscal year of 2018-19, total revenues were nearly \$6.2 million.

<sup>18</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

Figure 8: Operating Revenue History - Canyon Lake

Canyon Lake	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$1,767,954	\$1,840,766	\$1,908,718
Sales Tax	240,026	291,586	483,359
Transient Occupancy Tax	62,295	57,248	59,759
Property Tax in-lieu of VLF	843,600	877,260	917,654
Franchise Tax	327,992	335,153	340,253
Business License Tax	48,707	50,414	65,325
Property Transfer Tax	86,112	84,642	86,433
Utility User Tax	1,015,711	1,006,730	986,356
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>4,392,397</b>	<b>4,543,799</b>	<b>4,847,857</b>
Transportation Tax	-	184,294	204,962
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	-	-
<b>Total Tax Revenues</b>	<b>4,392,397</b>	<b>4,728,093</b>	<b>5,052,819</b>
Charges for Services	39,068	49,533	57,047
Special Benefit Assessments	-	-	-
Use of Money	28,781	38,699	138,341
Fines and Forfeitures	26,646	22,128	11,669
Licenses and Permits	229,110	283,970	261,785
Intergovernmental	584,767	575,630	630,841
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	68,326	59,765	16,010
<b>Total Revenues</b>	<b>\$5,369,095</b>	<b>\$5,757,818</b>	<b>\$6,168,512</b>

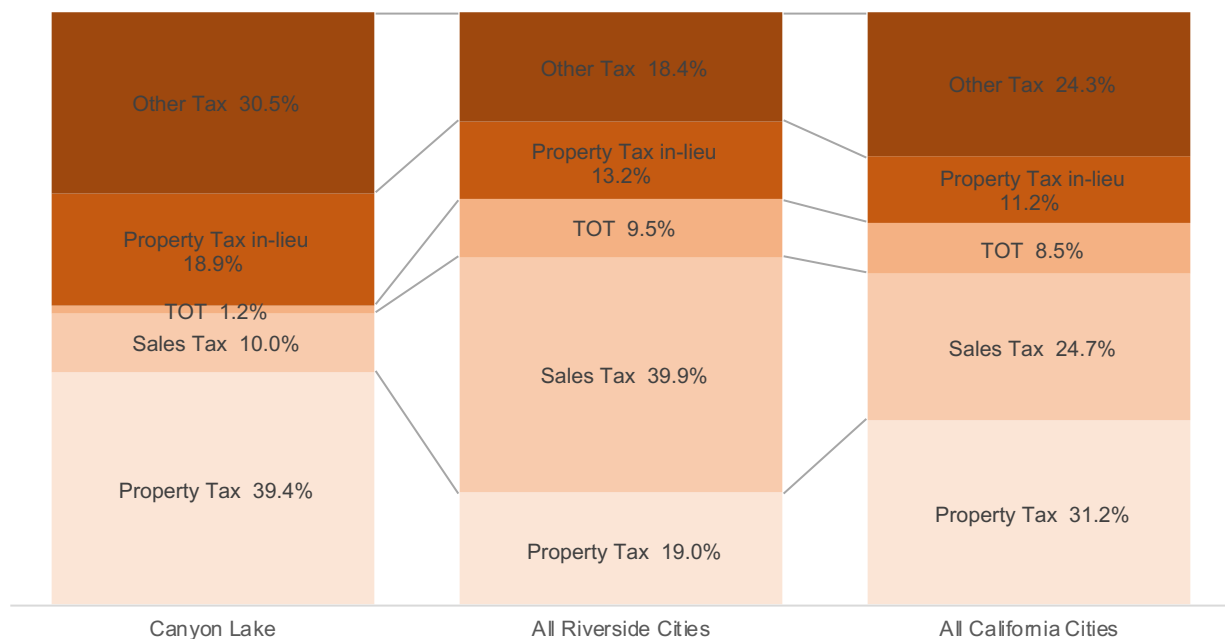
Source: California State Controller's Office

General tax revenues represented about 78.6 percent of total revenues in 2018-19, largely attributed to property tax, utility user tax, and property tax in-lieu of VLF revenues. The largest tax revenues as a proportion of all general tax revenues were property tax (39.4 percent), utility user tax (20.3 percent), and property tax in lieu of VLF (18.9 percent). Beyond tax revenue sources, the City's largest revenue sources were intergovernmental (\$630,841) and licenses and permits (\$261,785).

According to staff, the City polled the community about introducing a sales or property tax measure to the ballot. However, the results indicated that the tax measure would likely fail.

Compared to all other Riverside County and California cities, the City receives a disproportionately higher portion of property tax, utility user tax, and property tax-in-lieu revenue. Meanwhile, the City's sales tax and transient occupancy tax revenues are significantly lower than the average Riverside County and California cities. The City's general tax revenues compared to all other Riverside County and California cities are presented in Figure 9.

Figure 9: General Tax Revenue Comparison - Canyon Lake



### Property Tax and Property Tax in-lieu of VLF

The combined secured and unsecured assessed valuation of all land, improvements, and personal property in Canyon Lake combine for about \$1.77 billion (2018-19). The total assessed land value amounts to \$559 million and improvement value exceeds \$1.22 billion. The City's \$1.9 million property tax revenue collections in 2018-19 represented about 10.7 percent of gross property tax collections in Canyon Lake, which is about average compared to peer cities.<sup>19</sup>

<sup>19</sup> Source: California City Finance, "Assessed Valuation of Property by City"

The City collected about \$917,000 in property tax in-lieu of VLF in 2018-19, which was the City's third largest revenue source. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004; this source increases based on assessed valuation growth within the City.

The City does not have a Master Property Tax Exchange Resolution with the County.<sup>20</sup> City staff indicated that this matter would be discussed internally.

### **Utility User Tax**

The City's second-largest tax revenue source is derived from utility users. The City assessed a 3.95 percent utility user tax on telephone, electricity, gas, water, sewer, and garbage utility services. The City's 3.95 percent utility user tax rate is slightly below average among cities in Riverside County that have utility user tax rates for similar services. Riverside County average utility user taxes range from 4.4 to 5.2 percent, depending on the type of utility service being taxed.<sup>21</sup> The City's utility user tax revenues were \$986,356 in 2018-19, a decrease from \$1,006,730 in 2017-18 and \$1,015,711 in 2016-17.

### **Intergovernmental Revenues**

The City's intergovernmental revenues amounted to \$630,841 in 2018-19, including revenues from the Gas Tax (\$421,056), homeowners property tax relief (\$19,553), and other intergovernmental sources. Intergovernmental revenues represented about 10.2 percent of total revenues for the City in 2018-19.

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<sup>20</sup> Source: Riverside LAFCO

<sup>21</sup> Source: California City Finance, "Utility User Tax by City" updated in February 2021

## Operating Expenditures

The City's operating expenditures ranged from \$4.7 million in 2016-17 to almost \$5.8 million in 2017-18. In 2018-19, operating expenditures decreased to about \$5.6 million. The City's annual operating expenditures are presented in Figure 10.

Figure 10: Operating Expenditures - Canyon Lake

Canyon Lake	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$471,057	\$477,319	\$521,306
Employee Benefits	83,553	79,618	89,613
Materials and Supplies	48,083	33,713	34,353
Contract Services	3,906,693	4,873,345	4,738,144
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>4,509,386</b>	<b>5,463,995</b>	<b>5,383,416</b>
Debt Service	205,150	219,530	186,958
Capital Outlay	29,427	106,346	66,774
<b>Total Expenditures</b>	<b>\$4,743,963</b>	<b>\$5,789,871</b>	<b>\$5,637,148</b>

Source: California State Controller's Office

The City expended \$4.7 million, or about 84.1 percent of all expenditures, on contract services in 2018-19. The City's expenditures on contract services, as a proportion of all expenditures, are significantly higher than the average city in Riverside County (28.3 percent) and California (11.9 percent).

The City's departmental current expenditures are presented in Figure 11 for each function or program between 2016-17 and 2018-19.

Figure 11: Current Expenditures - Canyon Lake

Canyon Lake	2016-17	2017-18	2018-19
General Government	\$826,955	\$847,866	\$895,570
Public Safety	2,984,429	3,534,638	3,776,872
Transportation	254,793	610,903	170,614
Community Development	443,209	470,588	540,360
Health	-	-	-
Culture and Leisure	-	-	-
Public Utilities	-	-	-
Debt Service	205,150	219,530	186,958
Capital Outlay	29,427	106,346	66,774
<b>Total Current Expenditures</b>	<b>\$4,743,963</b>	<b>\$5,789,871</b>	<b>\$5,637,148</b>

Source: California State Controller's Office

Similar to most other County cities, public safety is the largest current expenditure for the City of Canyon Lake, amounting to almost \$3.8 million in 2018-19, or 70.2 percent of all expenditures. This is, however, disproportionately high as a share of all expenditures when compared to all Riverside County (52.2 percent) and California (47.3 percent) cities. The increase from 2016-17 to 2018-19 is also noteworthy, with public safety expenditures increasing by 26.6 percent over the three (3) year period.

### Reserve Fund Balances

The City of Canyon Lake does not have a formal or adopted reserve policy, but currently holds almost \$4 million in reserves.<sup>22</sup>

### Pension and OPEB Obligations

The City of Canyon Lake's pension and OPEB obligations are outlined in Figure 12.

<sup>22</sup> Source: City of Canyon Lake

Figure 12: Pension and OPEB Obligations - Canyon Lake

Canyon Lake	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$380,550	\$375,028	\$417,619
Total OPEB Liability/(Surplus)	134,345	164,664	298,346
Total Benefit Liability/(Surplus)	\$514,895	\$539,692	\$715,965

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City contracts with CalPERS to provide a defined benefit Miscellaneous Pension Plan to employees of the City. The City's combined Pension and OPEB liability is \$715,965 in 2019-20. Relative to other cities pension and OPEB obligations, this is not a particularly concerning level of liability.

The City's pension metrics or indicators on pension health, including the employer and actuarially determined contributions, total covered payroll, and the employer contribution rate, are presented in Figure 13.

Figure 13: Pension Metrics - Canyon Lake

Canyon Lake	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$38,386	\$49,184	\$66,387
Employer Contribution	38,386	49,184	66,387
Covered Payroll	\$367,763	\$399,181	\$514,343
Employer Contribution Rate	10.4%	12.3%	12.9%

Source: 2017-18, 2018-19 and 2019-20 ACFR

As outlined above, the City has consistently made minimum actuarially determined contributions. While the City's covered payroll has increased by almost 40 percent over the period, the employer contribution rate has also steadily increased. However, the employer contribution rate is much lower than the County-wide average, which ranged from 26 to 32 percent over the three (3) year study period.

With the creation of a new fire department, the City will be required to begin offering a public safety pension plan in 2022 to qualifying employees.



## **Annual Audit Findings**

The City's Consolidated Annual Financial Reports from FY 2017-18 through FY 2019-20 stated that the City's financial statements accurately presented its financial position and did not present any audit findings.<sup>23</sup>

## **California State Auditor Fiscal Health Evaluation**

The California State Auditor ranked the City of Canyon Lake 338 out of 471 cities, considering it low risk overall. Seven (7) fiscal indicators were considered low risk, including liquidity, debt burden, general fund reserves, pension obligations, pension costs, future pension costs, and OPEB obligations. Two (2) fiscal indicator was given a moderate risk rating – revenue trends and pension funding, while OPEB funding was rated high risk for Canyon Lake.<sup>24</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for this MSR for Canyon Lake are presented by topic below:

### **1. Population, Growth, and Housing**

Canyon Lake has limited potential for population, housing, and economic growth due to existing buildout and geography. Expanding the City's SOI to include the unincorporated area to the north of the City, including the existing DUC, would present the City with an opportunity for future growth while also satisfying LAFCO policy by absorbing an unincorporated pocket and DUC into the SOI and potentially the City limits.

### **2. Disadvantaged Unincorporated Communities in SOI**

The City does not currently have an SOI. One LAFCO-identified unincorporated pocket is located to the north of the City (DUCs 1&2 – Meadowbrook). City staff identified this area as

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<sup>23</sup> Source: City of Canyon Lake

<sup>24</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

an opportunity for City expansion as a means to meet future potential population growth and provide economic development opportunities. Exhibit 5 illustrates this area in detail.

### **3. Present and Planned Capacity of Facilities**

The City's facilities are designed to meet current and future planned uses. On January 1, 2022, the City will begin providing fire protection services to Canyon Lake. The City currently owns the fire equipment and Fire Station 60, located in Canyon Lake, and the City's fire protection services will continue to utilize this facility. The City did not identify a need for additional facilities.

### **4. Financial Ability to Provide Services**

Despite being considered low risk by the State Auditor, Canyon Lake lacks opportunities for economic growth, which impacts its ability to provide more robust services or to maintain current service levels in the future. The City's expanding contract service costs, including police and fire services, may become unsustainable. The City's solution to create a new fire department will need to be carefully managed to minimize ongoing operating costs and increases in pension and OPEB costs.

According to City of Lake Elsinore staff, the City of Canyon Lake has had trouble making reimbursement payments related to mutual aid agreements.

### **5. Opportunities for Shared Facilities**

The Riverside County Sheriff, the City's contract law enforcement provider, has an office in City Hall, and the Riverside County Fire Department/CalFire will utilize Fire Station 60 through the end of the 2021. RSG did not identify any additional opportunities for shared facilities in Canyon Lake.

## **6. Accountability for Community Service Needs**

The City utilizes technology and social media to share information with the public effectively. City staff indicates that there is good engagement with the community. RSG did not identify any issues with accountability in Canyon Lake.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI DETERMINATIONS**

RSG's recommended determinations related to any potential Canyon Lake SOI amendments are presented by topic below. As noted, the City is interested in the expansion of the Canyon Lake SOI to include the unincorporated area known as Meadowbrook, including the DUCs located in this area. RSG recommends expanding the Canyon Lake SOI to include the Meadowbrook area.

### **1. Present and Planned Land Uses**

Development growth is constrained under present land uses within the City's current boundary. As a result, City staff identified an expansion of the Canyon Lake SOI to include the unincorporated Meadowbrook area as an economic development opportunity for the City. Expansion of the Canyon Lake SOI would also encompass two existing DUCs, known as Meadowbrook (North) and Meadowbrook (South). City staff indicated that the City may be willing to accommodate infrastructure improvements to this area.

### **2. Present and Probable Need for Public Facility and Services**

The City's public facilities and services are sufficient to accommodate growth over the next decade.

### **3. Present Capacity of Public Facilities**

Canyon Lake residents rely on facilities owned and maintained by the POA for services in the community, which reduces the City's responsibility to deliver services and facilities, such as parks and recreation facilities, streets and roads, and streetlighting. RSG did not identify any issues related to present capacity of public facilities.

### **4. Social or Economic Communities of Interest**

The Good Hope/Meadowbrook Municipal Advisory Council and Highway 74 Community Plan areas are located north of the City's corporate boundary.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The City does not have any DUCs within its SOI. Presently the City's SOI is coterminous with its corporate boundary.

## CITY OF CORONA

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The City of Corona is one of the County's oldest cities, having been incorporated in 1896<sup>25</sup> as a general law city. It is located in the Western Region of the County and is bounded on the north by the cities of Norco and Riverside, and by unincorporated County on the east, south, and west. The City's southern border extends to the foothills below Santiago Peak. Corona's incorporated city boundary encompasses about 38.8 square miles<sup>26</sup>, with a population of 168,248 in 2020<sup>27</sup>. The City's SOI extends over an additional 25.9 square miles from its east, south and west borders, touching the City of Riverside's SOI on the east and Lake Elsinore's SOI on the south. The combined incorporated Corona and its SOI encompass a total of 64.7 square miles.

Corona's current and projected demographic profile is presented in Figure 14.

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<sup>25</sup> Source: City of Corona

<sup>26</sup> Source: Riverside LAFCO

<sup>27</sup> Source: California Department of Finance City/County Population Estimates with Annual Percent Change, dated May 1, 2020

Figure 14: Demographic Profile - Corona

Corona	City	SOI	County
Population as of 2020	168,248	40,354	2,442,304
Population as of 2010	152,401	35,622	2,189,641
Annual Pop. Growth Since 2010	0.99%	1.26%	1.10%
Housing Units	49,941	11,957	867,637
Persons / Housing Unit	3.37	3.37	2.81
Land Area (sq mi)	38.8	25.9	7,206.0
Persons / Square Mile	4,336	1,557	339
Median Household Income	\$83,893	\$34,343	\$67,369
Projected Population in 2035	177,702		2,995,509
Annual Proj. Growth 2020-2035	0.37%		1.37%
Projected Population in 2045	185,073		3,251,705
Annual Proj. Growth 2020-2045	0.64%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

The City's population has steadily grown over the last decade at 0.99 percent annually, which is slightly slower than the County's population growth rate of 1.10 percent. The household density of 3.37 persons per housing unit and population density of 4,336 persons per square mile are both much greater than the County average, and among the highest for cities in Riverside County. SCAG's population projections through 2035 and 2045 estimate slower growth.

The City's median household income (\$83,893) is almost 25 percent higher than the County-wide median household income (\$67,369). The median household income for the 40,354 residents of the Corona SOI (\$34,343) is significantly lower than both the City and County median household income.

The City has a variety of land uses, including a variety of different residential land uses, retail, industrial and office. Compared to the County as a whole, Corona has a higher proportion of single-family housing units and industrial space. Conversely, the City has lower proportions of

multifamily housing units and retail square footage, compared to the County as a whole. According to City staff, the community is supportive of responsible development.<sup>28</sup>

Corona is home to about 6,659 businesses with 66,754 total employees. Corona's top ten employers include two (2) public agencies (Corona-Norco Unified School District and City of Corona), two (2) healthcare providers (Corona Regional Medical Center and Kaiser Permanente), two (2) construction services or material providers (All American Asphalt and TWR Framing Enterprises), and four (4) manufacturers or distributors (Monster Energy, Fender USA Corona, Veg Fresh Farms, and Thermal Structures).<sup>29</sup>

Corona's land use summary is presented in Figure 15.

Figure 15: Land Use Summary - Corona

Corona		County	
Residential Units	Units	%	%
Single Family	33,178	66.4%	54.8%
Multifamily	15,089	30.2%	43.6%
Mobile Home	1,674	3.4%	1.6%
Total Units	49,941	100.0%	100.0%
New Units Since 2010	2,767		
Commercial	Gross SF		
Retail	7,824,854	17.7%	26.6%
Industrial	31,198,225	70.6%	61.8%
Office	4,012,258	9.1%	9.6%
Other	1,124,134	2.5%	2.0%
Total	44,159,471	100.0%	100.0%
New Commercial Since 2010	2,646,027		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

<sup>28</sup> Sources: Costar and California Department of Finance

<sup>29</sup> Source: City of Corona 2019-20 Comprehensive Annual Financial Report



## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

Corona has ten (10) noncontiguous SOI areas, located on the City's western, eastern, and southern boundaries. The City's municipal and SOI boundaries are outlined in Exhibit 6. The largest contiguous SOI areas are situated along the City's eastern boundary, with the single-largest SOI area extending southeast of Corona along Interstate 15 to the border of Lake Elsinore's SOI. The City's SOI does not contain any LAFCO-designated DUCs, however two areas – known as Home Gardens and a portion of El Cerrito, previously qualified as DUCs. The City's corporate boundary creates four (4) LAFCO-identified unincorporated islands or pockets, as follows:

- Pocket P8 is commonly known as Coronita. According to City staff, a majority of residents are believed to be against annexation, although the climate may be slowly changing. The area contains mostly housing, as well as an abandoned golf course. It is almost entirely surrounded by the City of Corona, and water service in this area is currently provided by the City of Corona. City staff also indicated that this area does not have municipal sewer services – most, if not all, of the area is currently on septic systems.
- Pocket P9 is an unincorporated area within the Corona SOI commonly known as El Cerrito, generally at the intersection of East Ontario Avenue and El Cerrito Road.
- Pocket P10 is commonly known as Home Gardens and is generally located at the intersection of McKinley Street and Magnolia Street in the Corona SOI.
- Pocket P11 is a small area adjacent to Corona's northern border near the Santa Ana river, that also borders Eastvale and the Norco SOI.

Another potential annexation that was considered recently involved the City's southern SOI along Interstate 15, which includes a community commonly referred to as Temescal Valley. This potential annexation was denied by LAFCO. According to City staff, the community did not want to be part of Corona, preferring instead to become its own City in the future, as unlikely as that may be.

Staff also made note of an area to the east within the Corona SOI, but surrounded by the Riverside SOI, commonly known as Eagle Valley East. According to City staff, this area has issues related to water access that could be costly to resolve.

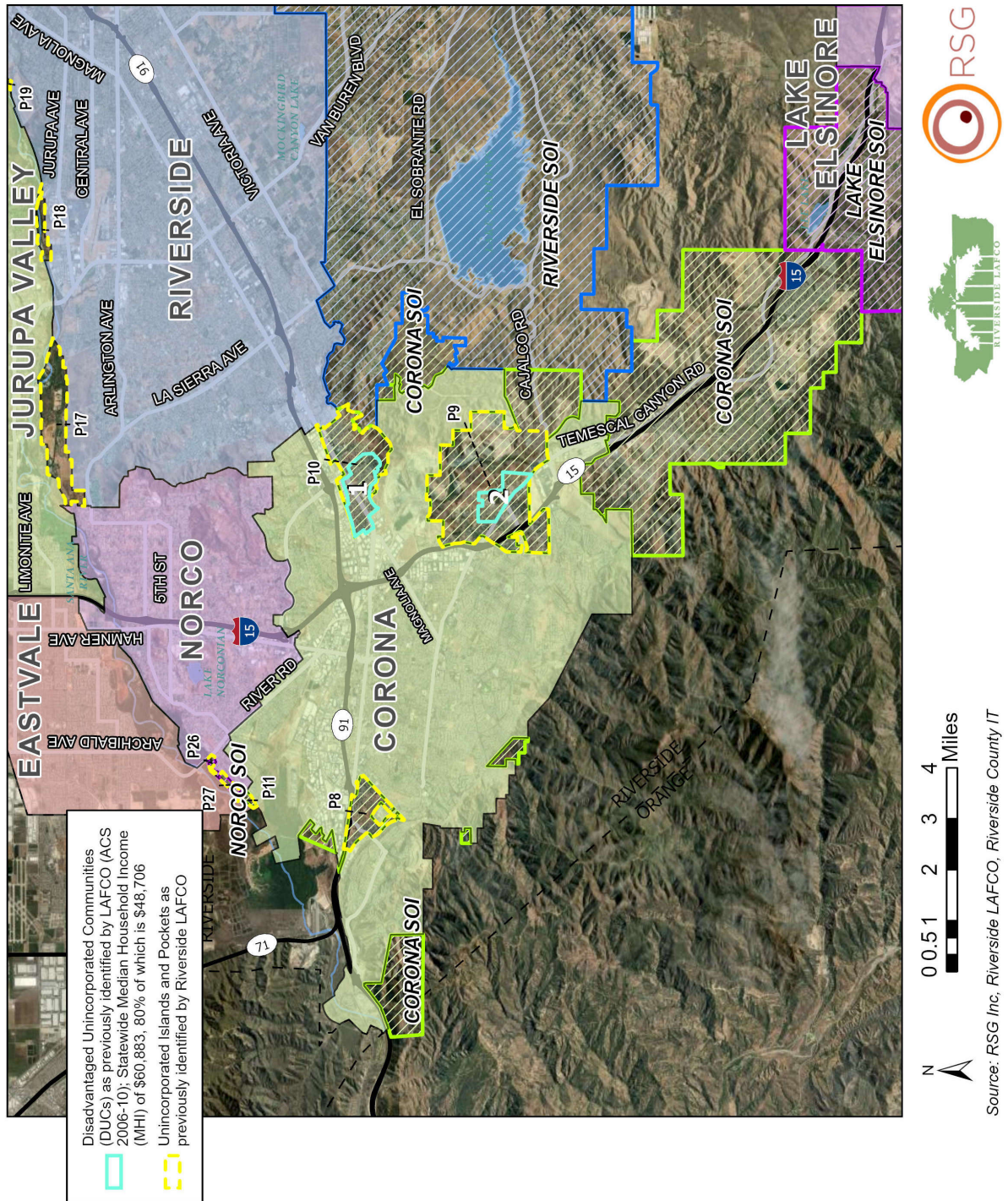
Corona's SOI was previously reconfirmed in LAFCO's May 2005 Western Riverside County MSR (LAFCO 2004-60-1,2,5) ("2005 MSR").<sup>30</sup>

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<sup>30</sup> Source: Riverside LAFCO

Exhibit 6: Current City and SOI Boundaries - Corona

## City of Corona and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

Corona's city government is structured as a "Council – Manager" form of government in which the voters elect five (5) Councilmembers, and the City Council appoints a City Manager to serve as the chief administrator. The Council is elected in alternating cycles to four (4) year terms. The City Treasurer is also elected by the voters of Corona. The City Council annually appoints one member to serve as the City's Mayor. The Council is elected according to districts, while the City's Treasurer is elected at-large.<sup>31</sup>

The City Council also serves as the Successor Agency to the Redevelopment Agency of the City of Corona, the Corona Public Financing Authority, the Corona Utility Authority, and the Corona Housing Authority. Several boards and commissions carry out assignments at the request of the City Council, including the Finance, Legislation and Economic Development Committee, Infrastructure Committee, Library Board of Trustees, Parks and Recreation Commission, Planning and Housing Commission, and Public Services Committee.<sup>32</sup>

The City Manager oversees the daily operations of the City, managing a General Fund annual operating budget of almost \$192 million (2018-19)<sup>33</sup> and directing 651 full-time personnel and 87 part-time personnel<sup>34</sup>.

## SERVICES PROVIDED

Corona City staff provide general government, law enforcement, building and planning, housing, code enforcement, animal control, parks and recreation, library, landscape maintenance, streets/road maintenance, streetlights, utilities, stormwater drainage, and innovation and technology services.

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<sup>31</sup> Source: City of Corona

<sup>32</sup> Source: City of Corona

<sup>33</sup> Source: California State Controller's Office, "Cities Financial Data"

<sup>34</sup> Source: City of Corona 2019-20 Comprehensive Annual Financial Report



Figure 16 summarizes the municipal services provided within Corona city limits by the City or by other service providers.

Figure 16: Service Provider Matrix - Corona

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire Department										
Emergency Medical	Fire Department										
Building/Planning	Community Development										
Housing	Community Development										
Code Enforcement	Community Development										
Animal Control	Police Department										
Parks and Recreation	Maintenance Services, Regional Parks										
Library	Public Library, Library System										
Museum	N/A										
Landscape Maintenance	Maintenance Services, CFD, CSA										
Streets/Road Maintenance	Maintenance Services, CSA										
Streetlights	Maintenance Services, CSA										
Lighting	LMD 2003-1 Lighting Fund, LMD 84-1 Lighting Fund										
Utilities	Water and Power, So Cal Gas										
Solid Waste	Waste Resources, Waste Management										
Stormwater Drainage	Maintenance Services, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum										
Airport	Maintenance Services										
Cemetery *	N/A										
Healthcare *	N/A										
Water *	Dept. of Water and Power, Western Municipal Water District										
Wastewater *	Utilities Dept., Western Muni., Home Gardens Sanitary										

\* Not included in this MSR

## Government Services

General government services are provided by the elected officials and appointed City staff, including the City Manager and City Clerk. The City Manager is responsible for the implementation and administration of goals, policies, and programs adopted by City Council, evaluation of programs and resources, and preparing research and recommendations for City Council. The City Clerk is the custodian of City records and the chief election official, prepares council agendas, maintains legislative history, and administers the Corona Municipal Code.

## Law Enforcement

The Corona Police Department is the main law enforcement agency in the City. The department manages the City's jail services, provides regular dispatch and patrol services, provides animal

control services, and investigates criminal activity. Its headquarters are located within the City at 730 Public Safety Way. According to City staff, the department is monitoring population growth and demands on police services to determine future needs for more staff.

## **Fire Protection**

The City of Corona operates its own fire department, unlike the great majority of Riverside County cities, yet understandable given the City's size, density, and long history. When it was originally founded in 1898, the Corona Fire Department had one fire station that also functioned as the Corona City Hall. In those days, the Department was made up of volunteers from the community whose chief mission was the prevention and suppression of fires and the protection of life and property. Today, the Department's chief operations also include emergency medical, advanced life support, fire training, and fire safety. Fire stations 1 through 7 are located within the City and are operated by the Department. According to City staff, the Department contracts with the Riverside County Fire Department/CalFire to service the SOI neighborhoods of El Cerrito and Temescal Canyon. In addition, the Department provides fire protection services to the SOI island/pocket community of Coronita, although if there are multiple emergencies, by contract the Department may give higher priority to those within City limits.

## **Emergency Medical**

The Corona Fire Department provides emergency medical services. Refer to the previous section for more information.

## **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the City's Community Development Department. The Department is split up into four (4) divisions: Planning, Building, Code Enforcement, and Housing Services. The Planning division is responsible for the review and issuance of permits for fence and walls, patio covers, signage, residential and commercial additions, and providing overall general zoning information and General Plan information. The Building division is responsible for providing inspections for construction activities, assisting with

plan review, and issuing building permits. The Housing Services division, known formally as the Corona Housing Authority, oversees the creation of affordable housing and the preservation of the current housing stock.

### **Code Enforcement**

Code enforcement services are included as a division of the Community Development Department referenced in the prior section. They are responsible for enforcing all code violations on private property, inspections of certain health and safety regulations, providing zoning info to the business community and residents, and abandoned vehicle abatement.

### **Animal Control**

Animal control in the City is provided by the Corona Police Department's Animal Services and Enforcement division. The division is responsible for licensing, control and management of rabies, control of overpopulation of unwanted animals, care and treatment of pets, sheltering services, and shelter adoption services.

### **Parks and Recreation**

Parks and recreation services in Corona are provided by two (2) departments: the Library and Recreation Services Department and the Maintenance Services Department. The Library and Recreation Services Department provides various community programs and services, maintains community centers, and promotes recreational activities. The Maintenance Services Department maintains all developed and undeveloped parkland, community centers, and aquatic facilities.

### **Library**

The Library and Recreation Services Department provides library services to the City, including maintaining a large catalog of books, providing homework help, reading assistance, book clubs, research assistance, library system maintenance, and printer services. The City also has a Library Facilities Capital Improvement Fund for various library construction improvements. The Corona Public Library, where the department is based, is located at 650 South Main Street.

## **Museum**

The Corona Heritage Park and Museum opened in 2000. The museum provides resources documenting the history, culture, and art of Corona.

## **Landscape Maintenance**

The Maintenance Services Department maintains landscaping and irrigation for approximately 467 acres of general City areas. The Department also administers the maintenance contracts for various Landscape Maintenance Districts and Community Financing Districts in the City.

## **Streets/Road Maintenance**

The City's Public Works Department manages the streets and roads of the City. The Department and its staff are responsible for maintaining all City streets, alleys, and right of ways, sidewalk repair, road closures, hazardous materials response, special events, and street sweeping.

## **Streetlights**

The City's Public Works Department provides maintenance and repair to the residential and arterial street lighting system in Corona.

## **Utilities (Gas, Electric)**

The Corona Department of Water and Power provides all electricity services to Corona residents and is responsible for billing. The Department is a full-service electricity provider that is responsible for electricity generation, water services, maintenance of infrastructure, and billing services. The department was founded in 1886. The City does not provide electricity service throughout Corona. According to City staff, the Department only provides electricity service to small pockets in Corona.



## **Solid Waste**

The City has a franchise agreement in place with Waste Management for solid waste collection services. Waste Management is a private solid waste disposal company that provides solid waste disposal and recycling services to Corona residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers.

## **Storm Drainage**

Storm drainage services and maintenance are provided by the City's Maintenance Services Department. The Department provides maintenance of all City owned drainage facilities including catch basins, storm drains, and debris basins. It was noted in the 2005 MSR that the City's storm drainage facilities were insufficient to meet present demand. Staff did not indicate this was an issue, noting that storm drainage had improved.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

## **Innovation and Technology**

The Information Technology Department supports the technology needs of the City government. The Department provides various other departments employee training, cyber security, emergency communication systems, computer equipment and software management.

## **Airport**

The Corona Municipal Airport manages all airport operations and is dedicated to safety and providing a first-rate aviation facility. As with most other services in the City, the Maintenance Services Department also assists with maintenance to the airport. The airport opened in April of 1960 and is open to public use. An average of 96 aircraft per day travel through the airports' facilities. The Corona Municipal Airport is located at 1900 Aviation Drive within the City boundaries.

## **Extraterritorial Services Provided**

The City does provides water services to areas outside of the City of Corona – specifically the previously discussed Coronita area (Pocket P8), and portions of El Cerrito (Pocket P9). Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City maintains a Five-Year Capital Improvement Plan, designed to sufficiently address infrastructure needs over the next five (5) years. The City aims to review and revise the Plan annually to meet the needs of the community. The City's major planned and in progress capital improvement projects include water delivery, storage, and reclamation infrastructure, street rehabilitation, grade separation and I-15 interchange improvements, and ADA improvements. According to City staff, most or all of the projects in the CIP are funded and moving forward. In addition, City staff indicated that the Ontario Street Widening and Ontario Street Interchange, which is a 3-lane road that will be expanded to 4 to 6 lanes, has been funded in the amount of \$10 to 15 million.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on December 10, 2013; it was reviewed and designated in compliance with Housing Element Law by HCD on December 12, 2013.<sup>35</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports consistently between 2013 and 2019.<sup>36</sup> The City made significant progress towards meeting its 5<sup>th</sup> Cycle RHNA allocation of 770 total units, although it fell short of targets in lower-income categories. Figure 17 illustrates Corona's 5<sup>th</sup> Cycle housing needs and progress by income category.

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<sup>35</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>36</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 17: 5th Cycle Housing Element Summary - Corona

Corona 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	192	128	142	308
Permitted Units	64	91	67	2,341
Allocation Surplus/(Shortage)	(128)	(37)	(75)	2,033

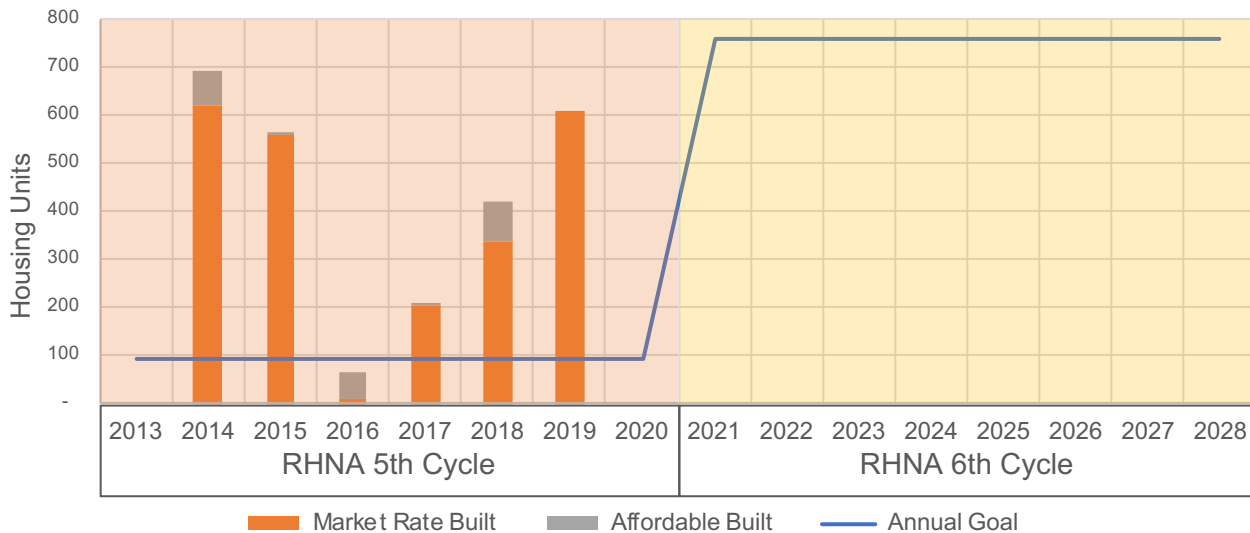
Source: HCD Annual Progress Report Permit Summary, October 6, 2020

Over the course of the 5<sup>th</sup> Cycle, the City of Corona produced an estimated 2,563 housing units, exceeding the 5<sup>th</sup> Cycle RHNA allocation by 1,792 units, making Corona one of the more prolific housing producers in Riverside County over the last decade. However, more than 90 percent of the units were for households earning above moderate income and so the City fell short of meeting demand for moderate, low, and very low-income categories.

The City's RHNA allocation of 770 housing units in the 5<sup>th</sup> Cycle (2013-2020) increased by almost 800 percent to 6,075 housing units for the 6<sup>th</sup> Cycle (2021-2028). This is almost three (3) times larger than the City's actual unit production during the 5<sup>th</sup> Cycle. City staff indicated that the City's final RHNA allocation would be 6,088 housing units. Interestingly, the 6<sup>th</sup> Cycle RHNA allocation exceeds the City's General Plan population growth projections. City staff acknowledged that although this large allocation may be physically possible to accomplish, the community is not supportive of forced development. To meet the RHNA requirements, the City is evaluating infill development sites, and considering the implementation of various programs designed to better support affordable housing development, such as inclusionary housing, and removing single-family development as an allowed use in the City's multifamily residential zoning districts.

Figure 18 presents the change from the City of Corona's 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA allocations. The annual goal is presented as one-eighth of the full-cycle RHNA allocation. Market rate (above moderate-income) and affordable unit production during the 5<sup>th</sup> Cycle is also identified in the bar charts.

Figure 18: 5th and 6th Cycle RHNA Allocation and Production - Corona



Corona is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at least 10 percent affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>37</sup>

## FISCAL HEALTH

The sections that follow evaluate the City of Corona's fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. Figure 19 presents the City's net position as annual revenues less expenditures, for fiscal years 2016-17 through 2018-19. The City recorded surpluses each year between 2016-17 and 2018-19.

<sup>37</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

Figure 19: Net Position - Corona

Corona	2016-17	2017-18	2018-19
Total General Tax Revenues	\$91,184,147	\$91,882,695	\$100,304,276
Other Tax Revenues	7,336,266	4,369,744	8,797,132
Other Revenues	80,776,775	101,384,854	118,152,704
<b>Total Revenues</b>	<b>179,297,188</b>	<b>197,637,293</b>	<b>227,254,112</b>
Total Operating Expenditures	140,091,712	150,867,761	148,630,793
Debt Service	4,255,926	4,857,949	4,259,382
Capital Outlay	30,579,173	35,320,776	38,969,422
<b>Total Expenditures</b>	<b>174,926,811</b>	<b>191,046,486</b>	<b>191,859,597</b>
<b>Net Position</b>	<b>\$4,370,377</b>	<b>\$6,590,807</b>	<b>\$35,394,515</b>

Source: California State Controller's Office

## Operating Revenues

As illustrated in Figure 20, according to the State Controller's data catalog, the City of Corona had total operating revenues of more than \$227 million in fiscal year 2018-19.

Figure 20: Operating Revenue History - Corona

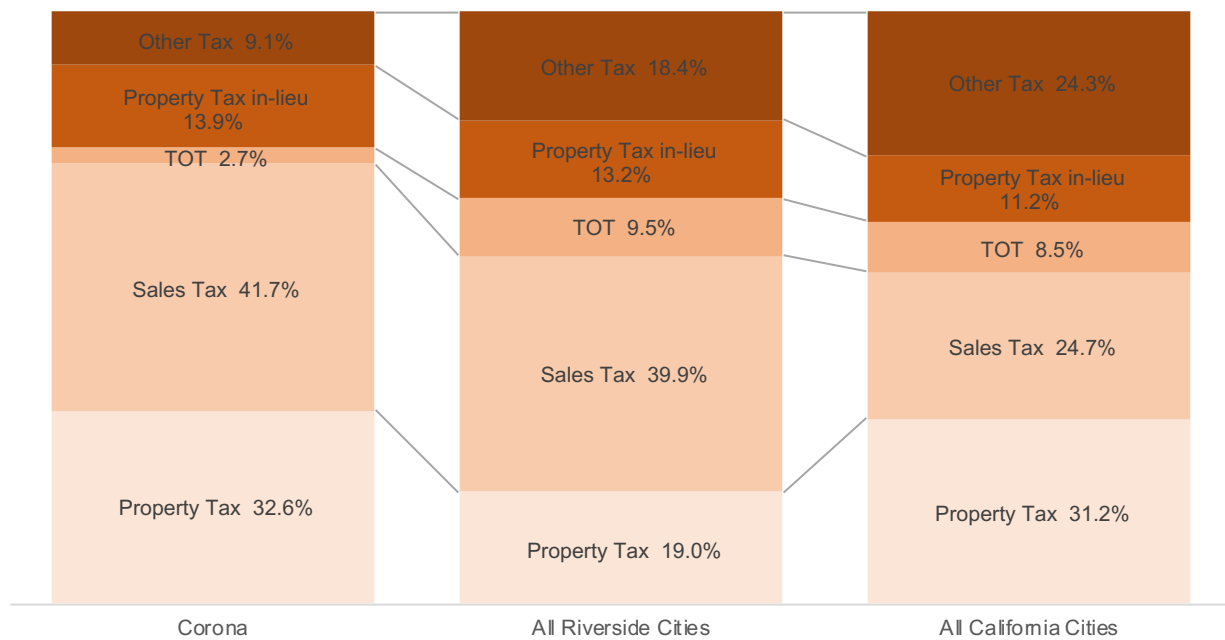
Corona	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$29,595,944	\$31,362,137	\$32,711,340
Sales Tax	39,092,226	35,963,972	41,801,711
Transient Occupancy Tax	2,300,764	2,633,927	2,725,406
Property Tax in-lieu of VLF	12,458,950	13,212,740	13,926,406
Franchise Tax	4,685,914	5,496,342	5,830,823
Business License Tax	2,234,262	2,313,554	2,250,488
Property Transfer Tax	816,087	900,023	1,058,102
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>91,184,147</b>	<b>91,882,695</b>	<b>100,304,276</b>
Transportation Tax	3,898,329	4,134,306	8,600,681
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	3,437,937	235,438	196,451
<b>Total Tax Revenues</b>	<b>98,520,413</b>	<b>96,252,439</b>	<b>109,101,408</b>
Charges for Services	18,906,183	31,101,972	28,125,615
Special Benefit Assessments	8,281,089	8,518,569	8,606,063
Use of Money	9,761,613	9,528,531	17,417,560
Fines and Forfeitures	1,467,593	1,243,873	1,222,898
Licenses and Permits	2,932,292	3,801,740	4,112,173
Intergovernmental	11,582,598	16,357,348	15,056,560
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	27,845,407	30,832,821	43,611,835
<b>Total Revenues</b>	<b>\$179,297,188</b>	<b>\$197,637,293</b>	<b>\$227,254,112</b>

Source: California State Controller's Office

The City has a diverse base of general tax revenues, which represented just 44.1 percent of the City's total annual revenues in 2018-19. The City's three (3) largest general tax revenues represent 88.2 percent of all general tax revenues, including sales tax (41.7 percent), property tax (32.6 percent), and property tax in-lieu of VLF (13.9 percent).

Figure 21 presents the City's general tax revenues compared to all Riverside County and California cities.

Figure 21: General Tax Revenue Comparison - Corona



The City's proportion of sales tax revenues is moderately above average for all Riverside cities (39.9 percent). The City's proportion of property tax revenues is slightly more than the average for all California cities (31.2 percent). The only other common revenue source that is disproportionately lower for Corona is transient occupancy tax, which represents 2.7 percent of general tax revenues compared to 8.5 and 9.5 percent for all California and Riverside cities, respectively. The City also earns significant revenues from miscellaneous revenues (\$43.6 million), charges for services (\$28.1 million), use of money (\$17.4 million), and intergovernmental revenues (\$15.1 million). The City's major revenue sources are discussed further below.

City staff acknowledged that the effects of the COVID-19 pandemic most significantly impacted sales tax and transient occupancy tax revenues. Staff noted that the City's operating costs also decreased, as recreation and other program services were cancelled or temporarily paused. The City is planning to utilize existing reserve funds to balance any shortfalls in the 2020-21 fiscal year.



## **Sales Tax and Measure X**

Sales tax is Corona's largest general tax revenue, accounting for 41.7 percent of general tax revenues, or \$41.8 million in 2018-19. The City receives one percent of gross receipts from the sale of tangible personal property sold in Corona.

The voters of Corona approved a 1 percent sales tax increase in November 2020, which will be effective in July 2021. Measure X was approved by 51.4 percent of voters as a general tax revenue, and is expected to generate about \$30 million in additional sales tax revenue annually. Measure X funds would be used for paramedic services, local fire protection, police services, regional first responder coordination, fire protection equipment upgrades, public facility maintenance, wildfire preparation and response, small business assistance, and homelessness prevention.<sup>38</sup>

## **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Property tax and property tax in-lieu of VLF represent the City's second and third largest general tax revenue sources, accounting for a combined 46.5 percent of all general tax revenues. Property tax is assessed on Corona's land, improvements, and personal property, which combines for a secured assessed valuation of \$20.8 billion (2018-19), which includes almost \$5.6 billion in land value and shy of \$15 billion in improvement value. The City's \$32.7 million collected in 2018-19 represents almost 15.7 percent of all property tax revenues collected in Corona, which is higher than most other cities in Riverside County.<sup>39</sup>

Property tax in-lieu of VLF are is the City's third largest revenue source, accounting for 13.9 percent of general tax revenues, or \$13.9 million in 2018-19. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increases based on assessed valuation growth in the jurisdiction.

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<sup>38</sup> Source: City of Corona, Information about Measures X and Y, accessed April 13, 2021

<sup>39</sup> Source: California City Finance, "Assessed Valuation of Property by City"

The City of Corona and the County of Riverside passed resolutions in 1981, mutually adopting a Master Property Tax Exchange Agreement.<sup>40</sup>

### **Miscellaneous Revenues**

The City's single largest non-tax revenue source is miscellaneous revenues, which accounted for \$43.6 million or 19.2 percent of all revenues in 2018-19. The City's source of miscellaneous revenues includes other functional miscellaneous revenues (\$28.1 million, unspecified source), development impact fees (\$11.2 million), and contributions from nongovernmental sources (\$882,000) in 2018-19.

### **Charges for Services**

Charges for services represent one of the City's larger revenue sources, accounting for \$28.1 million, or 12.4 percent of total revenues, in 2018-19. All charges for services are functional revenues, including zoning fees, special police department fees, special fire department services, plan check fees, animal shelter fees, engineering fees, solid waste revenues, first aid and ambulance charges, library fines and fees, parks and recreation fees, and other charges for current services. The largest charges for services are solid waste revenues (\$9.0 million), plan check fees (\$2.8 million), parks and recreation fees (\$2.7 million), first aid and ambulance fees (\$2.2 million), and other noncategorized charges for services (\$7.0 million).

### **Use of Money**

Use of money is an income category for cities that accounts for income generated from cash investments or real estate assets. The City's use of money generated \$17.4 million in 2018-19, largely from investment earnings (\$9.0 million) and rents and concessions (\$8.3 million).

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<sup>40</sup> Source: Riverside LAFCO

## Intergovernmental Revenues

The City collects intergovernmental revenues from County, State and Federal sources and amounted to \$15.1 million in 2018-19. The largest intergovernmental revenues include gasoline tax (\$6.5 million), other State grants (\$2.6 million), public safety Proposition 172 revenues (\$2.3 million), and other Federal grants (\$1.8 million). Intergovernmental revenues represented 6.6 percent of total revenues in 2018-19 and have ranged from \$11.6 million in 2016-17 to \$16.4 million in 2017-18.

## Operating Expenditures

The City's operating expenditures ranged from \$175 to \$191.9 million between 2016-17 and 2018-19, as illustrated in Figure 22.

Figure 22: Operating Expenditures - Corona

Corona	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$56,628,019	\$56,096,699	\$52,600,005
Employee Benefits	17,266,942	52,370,648	47,304,875
Materials and Supplies	4,296,660	2,569,736	4,036,823
Contract Services	61,900,091	33,027,917	39,330,778
Other Operating Expenditures	-	6,802,761	5,358,312
<b>Total Operating Expenditures</b>	<b>140,091,712</b>	<b>150,867,761</b>	<b>148,630,793</b>
Debt Service	4,255,926	4,857,949	4,259,382
Capital Outlay	30,579,173	35,320,776	38,969,422
<b>Total Expenditures</b>	<b>\$174,926,811</b>	<b>\$191,046,486</b>	<b>\$191,859,597</b>

Source: California State Controller's Office

The City of Corona, when compared to all Riverside County and California cities, has higher expenditures on employee benefits (24.7 percent of total expenses) and capital outlay (20.3 percent of total expenses). By comparison, all Riverside County cities expend an average of 13.2 percent on employee benefits and 15.3 percent on capital outlay, and the average California city expends 18.8 percent on employee benefits and 10.9 percent on capital outlay. The increased capital outlay costs are likely a result of the types of services that the City of Corona provides. The City's employee benefit programs, including pension and OPEB, are discussed below.

The City's current expenditures are presented according to the department or function in Figure 23.

Figure 23: Current Expenditures - Corona

Corona	2016-17	2017-18	2018-19
General Government	\$25,233,552	\$33,655,587	\$32,612,219
Public Safety	72,740,280	74,295,814	71,307,395
Transportation	27,172,763	23,417,511	23,864,484
Community Development	9,747,194	5,191,153	6,349,513
Health	-	9,129,816	9,313,324
Culture and Leisure	5,197,923	5,177,880	5,183,858
Public Utilities	-	-	-
Debt Service	4,255,926	4,857,949	4,259,382
Capital Outlay	30,579,173	35,320,776	38,969,422
<b>Total Current Expenditures</b>	<b>\$174,926,811</b>	<b>\$191,046,486</b>	<b>\$191,859,597</b>

Source: California State Controller's Office

Consistent with expenditures by all Riverside County and California cities, the City of Corona expends more on public safety than any other department or function. Public safety expenditures amount to \$71.3 million, or 37.2 percent of total current expenditures. Furthermore, as a percent of total current expenditures net of debt service and capital outlay, the City expends 48.0 percent of expenditures on public safety.

### Reserve Fund Balance

The City Council originally established a reserve policy in 2010, setting reserves at three (3) months of regular General Fund operating costs. As of June 30, 2019, the emergency contingency reserve held \$32.6 million. The City also maintains a budget balancing reserve that consisted of \$34.4 million in 2019, which is utilized to maintain critical services during that may be impacted by economic or legislative changes. In 2019, the City also established a pension obligation reserve, which had a balance of \$2.5 million, and would be contributed towards unfunded pension liabilities in 2021.

When the City adopted the 2020-21 budget on June 17, 2020, it was estimated that the City would need to utilize \$9.7 million from reserves, including \$2.5 million from the pension obligation reserve, and an estimated \$7.2 million from the budget balancing reserve.<sup>41</sup>

## Pension and OPEB Obligations

The City of Corona's pension and OPEB obligations are detailed in Figure 24.

Figure 24: Pension and OPEB Obligations - Corona

Corona	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$260,144,549	\$249,608,482	\$253,547,405
Total OPEB Liability/(Surplus)	115,253,693	123,232,646	95,379,152
Total Benefit Liability/(Surplus)	\$375,398,242	\$372,841,128	\$348,926,557

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City offers three (3) defined benefit pension plans to qualifying employees, including the Miscellaneous Plan, Safety Police Plan, and Safety Fire Plan. As of 2007, the City of Corona began offering an OPEB plan, and in 2008, the City Council authorized the City to prefund its OPEB obligations through a California Employers Retiree Benefit Trust Program dedicated to prefunding OPEB for all eligible California public agencies. As illustrated in Figure 24, the City had a total pension and OPEB liability of almost \$349.0 million in 2019-20. The City has decreased its combined pension and OPEB liability from about \$375.4 million in 2017-18, a 7 percent decrease over two (2) fiscal years.

The City's pension indicators provide insight into the City's pension plan health. The City's employer contribution rate compared to the actuarially determined contribution, total covered payroll, and employer contribution rate are outlined in Figure 25.

<sup>41</sup> Source: City of Corona

Figure 25: Pension Indicators - Corona

Corona	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$32,460,632	\$31,376,012	\$28,546,000
Employer Contribution	22,360,632	25,376,012	34,546,000
Covered Payroll	\$51,117,434	\$50,510,187	\$51,757,033
Employer Contribution Rate	43.7%	50.2%	66.7%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City failed to make its actuarially determined contribution in 2017-18 and 2018-19 when the employer contributions were \$22.4 and 25.3 million, respectively. Its actual contributions were \$10.1 and 6 million less, respectively, than the actuarially determined contribution per fiscal year, or about 31.1 and 19.1 percent short in each year. In both instances, the City's employer contributions shortfalls were associated with the Miscellaneous Plan. The City rectified the 2017-18 shortfall in 2019-20 by making an employer contribution that was \$6 million more than the 2019-20 actuarially determined contribution. However, the \$6 million excess contribution was made to the Safety Police plan.

Interestingly, the above-mentioned employer contribution shortfalls were not identified in the Annual Audits for 2017-18 and 2018-19. In other words, the Annual Audit for 2019-20 presented employer contributions that were different than in the previous two (2) fiscal years, 2017-18 and 2018-19. The 2017-18 and 2018-19 Annual Audits did not present employer contribution shortfalls in the same fiscal year. The 2019-20 Annual Audit presented employer contribution shortfalls in 2017-18 and 2018-19. The Independent Auditors Reports, the letters included with the Annual Audits, for 2018-19 and 2019-20 did not give any indication as to why the employer contributions would have changed from one Annual Audit to the next.

The City's employer contribution rate has increased over the last three (3) audited fiscal years and has consistently been higher than the County-wide average employer contribution rates, which ranged from 26 to 32 percent between 2017-18 and 2019-20.

### Annual Audit Findings

The Annual Audits from FY 2017-18 through 2019-20 did not present any findings.

## California State Auditor Fiscal Health Evaluation

The City of Corona ranked 292 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 179 peer cities in California, or about 38 percent of cities. The City received low risk ratings on three (3) indicators, including liquidity, general fund reserves, and OPEB obligations. Three (3) indicators were given moderate risk ratings, including debt burden, pension obligations, and pension costs. Four (4) indicators scored high risk ratings, including revenue trends, pension funding, future pension costs, and OPEB funding.<sup>42</sup>

## MSR DETERMINATIONS

Requisite CKH determinations for Corona are presented by topic below:

### 1. Population, Growth, and Housing

Corona has grown steadily over the last decade, albeit slower than the County average. Future population projections anticipate slower growth over the next 15 to 25 years.

The City made significant progress against the 5<sup>th</sup> Cycle RHNA allocation, even though most of the surplus production was in the above-moderate income category. The City's 6<sup>th</sup> Cycle RHNA allocation is much higher than the 5<sup>th</sup> Cycle and may not be achievable by the City.

### 2. Disadvantaged Unincorporated Communities in SOI

The Corona SOI does not contain any DUCs.

The City's SOI contains four (4) LAFCO-identified unincorporated islands or pockets. The City did not indicate that they provide any services to the islands or pockets. LAFCO-identified pocket P8 (Coronita) has been considered for annexation, but the residents of this area opposed annexation when it was proposed.

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<sup>42</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20



### **3. Present and Planned Capacity of Facilities**

The City's present and planned facilities are generally sufficient to meet community needs.

### **4. Financial Ability to Provide Services**

The recently approved Measure X sales tax increase will put the City in a better financial position to provide services. Presently, the City is struggling with growing pension and OPEB liabilities. With that said, the City has also accumulated substantial reserve funds.

### **5. Opportunities for Shared Facilities**

The nearby Home Gardens Water District currently relies on Corona for wholesale water purchases. As such, there may be opportunities for shared facilities between the two (2) water districts.

### **6. Accountability for Community Service Needs**

The City Council is elected on a district basis, which is considered best practice for electoral accountability. The City puts special effort into engaging the community when capital improvements are planned for residential areas. The City's website is easily translated to a variety of languages and the City is active on at least two (2) social media networks.

### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG does not recommend any changes to the Corona SOI. RSG's determinations related to the Corona SOI are presented by topic below:

## **1. Present and Planned Land Uses**

The Corona SOI is less developed and less dense than within the City boundary, and includes open space such as in the Eagle Valley East area.

## **2. Present and Probable Need for Public Facility and Services**

City staff indicated that fire service to the LAFCO-identified pocket P8, known as Coronita, is insufficient. The Coronita SOI area is almost entirely surrounded by the City of Corona. According to staff, the City's contract to provide fire service to Coronita specifies that Corona fire responses shall take priority over Coronita fire response.

## **3. Present Capacity of Public Facilities**

The present capacity of facilities in LAFCO-identified pockets P8 (Coronita), and P9 (El Cerrito) are lacking. Both of these areas rely on septic systems for wastewater treatment. As both of these areas are almost entirely surrounded by the City of Corona, it would make sense for the City to annex and provide sewer services to these communities, although the capital improvements would likely present a significant fiscal burden.

## **4. Social or Economic Communities of Interest**

The City does not provide services to the Home Gardens area, which is located in the Corona SOI and previously qualified as a LAFCO-identified DUC. The Home Gardens area is still recognized as a lower income area. The Home Gardens area is largely developed and serviced by the Home Gardens Water District and Home Gardens Sanitary District, which are considered functional service providers by City staff.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Corona SOI does not contain any DUCs.

## CITY OF EASTVALE

The City of Eastvale is one of the County's newest cities, having originally incorporated in 2010<sup>43</sup> as a general law city. Eastvale is the most northwestern city in the Western Region of the County, sharing its northern and western border with San Bernardino County. Its eastern boundary is the City of Jurupa Valley, and the City of Norco is its southern border. The City's incorporated area covers 13.1 square miles<sup>44</sup> and it does not currently have a SOI greater than the city limits. Eastvale is entirely surrounded by land that is either within another city's corporate boundary or SOI.

The City's current and projected demographic profile is presented in Figure 26.

Figure 26: Demographic Profile - Eastvale

Eastvale	City	County
Population as of 2020	66,413	2,442,304
Population as of 2010	53,670	2,189,641
Annual Pop. Growth Since 2010	2.15%	1.10%
Housing Units	17,067	867,637
Persons / Housing Unit	3.89	2.81
Land Area (sq mi)	13.1	7,206.0
Persons / Square Mile	5,070	339
Median Household Income	\$120,721	\$67,369
Projected Population in 2035	72,410	2,995,509
Annual Proj. Growth 2020-2035	0.58%	1.37%
Projected Population in 2045	72,678	3,251,705
Annual Proj. Growth 2020-2045	0.60%	1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>43</sup> Source: City of Eastvale

<sup>44</sup> Source: Riverside LAFCO

The City's population growth (2.15 percent annually) outpaced the population growth County-wide (1.10 percent annually) between 2010 and 2020, as the City's total population grew to 66,413 in 2020. Housing density and population density are both above the County average, with 3.89 persons per household, and 5,070 persons per square mile in Eastvale, respectively. Population projections through 2035 and 2045 anticipate slower growth as the City matures to population of 72,678 by 2045. City staff indicated that SCAG's population projections may be overly conservative, and that the City's General Plan expects the population of Eastvale to approach 90,000 by 2045.

The median household income in Eastvale, at over \$120,000 per year, is 79 percent higher than the County median household income, which is \$67,369.

Eastvale contains a variety of land uses, but the City's housing units are heavily concentrated in single-family units, and the City's commercial space is largely industrial. City staff noted that in recent years three (3) large retail centers have recently opened or were under construction. The City has disproportionately fewer multifamily and mobile home housing units, and less retail and office square footage when compared to the County.<sup>45</sup>

The City's growth over the last 10 years has primarily been associated with the development of industrial space, which more than doubled, adding 5,339,114 square feet. Because the City is essentially surrounded by incorporated urban areas, the potential for development and growth is limited to the City's remaining vacant and underutilized land.

The City's land uses are presented in Figure 27.

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<sup>45</sup> Source: Costar and California Department of Finance

Figure 27: Land Use Summary - Eastvale

Eastvale		County	
Residential Units	Units	%	%
Single Family	15,123	88.6%	54.8%
Multifamily	1,396	8.2%	43.6%
Mobile Home	548	3.2%	1.6%
Total Units	17,067	100.0%	100.0%
New Units Since 2010	2,573		
Commercial	Gross SF		
Retail	1,548,543	12.9%	26.6%
Industrial	10,390,565	86.4%	61.8%
Office	87,765	0.7%	9.6%
Other	-	0.0%	2.0%
Total	12,026,873	100.0%	100.0%
New Commercial Since 2010	5,839,598		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

## CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS

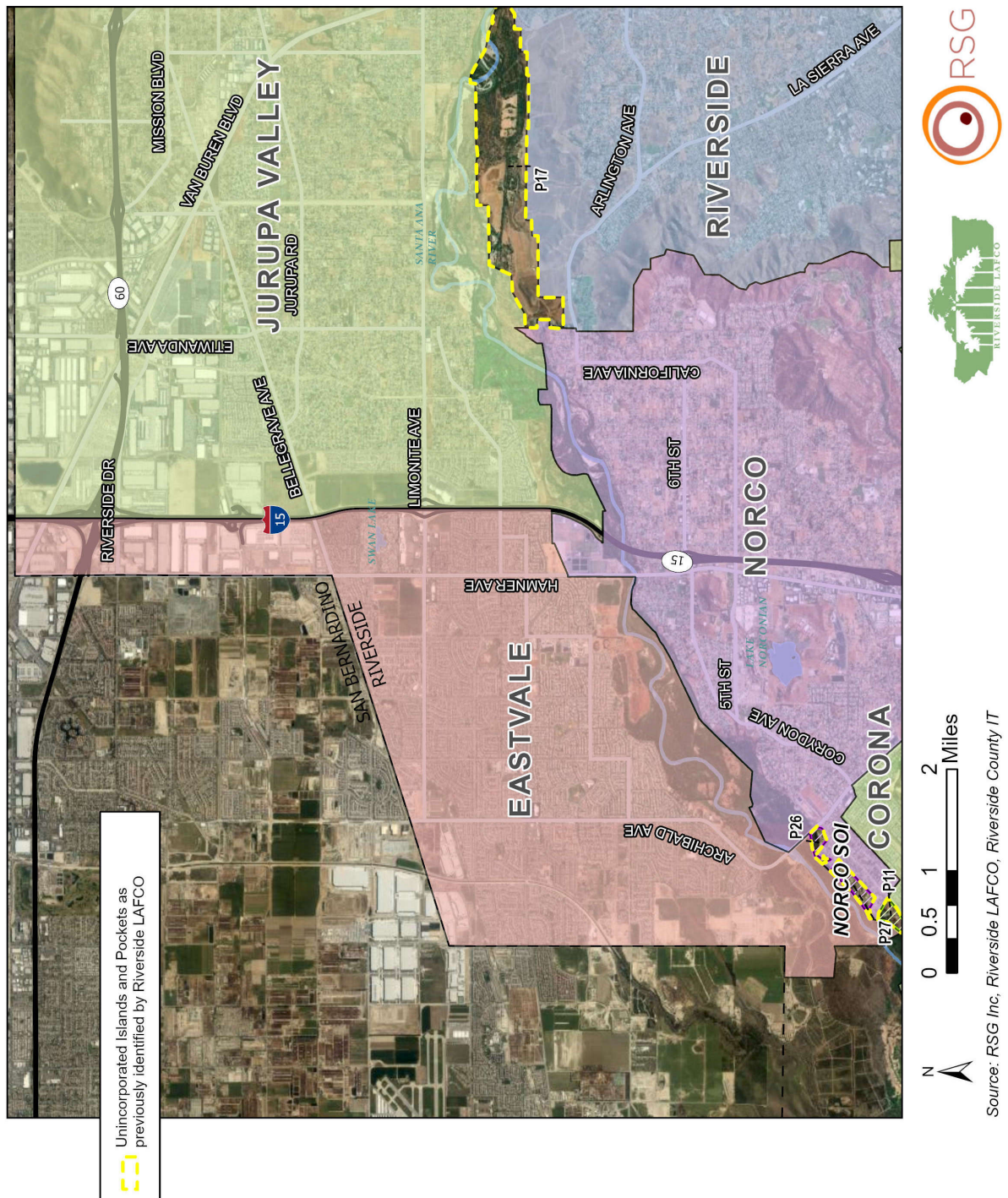
The City of Eastvale's SOI is coterminous with its corporate City boundary. Exhibit 7 illustrates the City and SOI boundaries. Three (3) areas immediately adjacent to the southern boundary of Eastvale were identified by LAFCO as pockets or islands, known as P11, P26, and P27. Pocket P11 is in Corona's SOI and pockets P26 and P27 are in Norco's SOI.

Eastvale's municipal boundary was established upon incorporation in 2010 and was last studied as part of LAFCO's 2012 City of Eastvale MSR ("2012 MSR"). The 2012 MSR concluded that the Eastvale SOI would remain coterminous with the City's corporate boundaries.



Exhibit 7: Current City and SOI Boundaries - Eastvale

## City of Eastvale



## FORM OF GOVERNMENT AND STAFFING

The City of Eastvale has a "Council – Manager" form of government in which five (5) Councilmembers are elected at large to four (4) year terms on staggered elections. The Mayor is appointed by the City Council and serves a one year term. The City Council also appoints the City Manager.<sup>46</sup>

The City Council also serves as the Financing Authority, Successor Agency, and Housing Authority. The Planning Commission, Public Safety Commission, and Finance Committee carry out assignments at the request of the City Council.

The City Manager oversees the daily operations of the City, which includes oversight of a \$42.3 million annual operating budget (2018-19)<sup>47</sup> and 30.75 full time equivalent personnel (2019-20)<sup>48</sup>. City staff indicated that its 2021-22 operating budget has grown to \$51.5 million and full time equivalent personnel has grown to 46.75.

## SERVICES PROVIDED

City staff provide the community with building and planning, landscape maintenance, streets/roads maintenance, streetlights, stormwater drainage, and innovation and technology services. Many other municipal services are contracted out. Figure 28 illustrates the municipal services provided within Eastvale by the City or by other service providers.

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<sup>46</sup> Source: City of Eastvale

<sup>47</sup> Source: California State Controller's Office, "Cities Financial Data"

<sup>48</sup> Source: City of Eastvale, , 2019-20 Comprehensive Annual Financial Report



Figure 28: Service Provider Matrix - Eastvale

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	N/A										
Code Enforcement	Community Development										
Animal Control	Animal Services										
Parks and Recreation	Jurupa CSD, Jurupa Area RPD, Regional Parks										
Library	Library System										
Museum	N/A										
Landscape Maintenance	Jurupa CSD, LLMD										
Streets/Road Maintenance	Community Development, Road and Bridge Benefit District, CSA										
Streetlights	Community Development, Jurupa CSD, LLMD										
Lighting	Jurupa CSD, LLMD										
Utilities	Edison, So Cal Gas, Western Community Energy										
Solid Waste	Waste Management, Burrtec										
Stormwater Drainage	Community Development, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, AT&T, Time Warner, and Charter										
Airport	N/A										
Cemetery *	N/A										
Healthcare *	N/A										
Water *	Jurupa CSD										
Wastewater *	Jurupa CSD										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council, and the appointed staff, including the City Manager and the City Clerk. The City Manager is responsible for the daily administration of the City. The City Manager appoints and supervises all department directors, and provide coordination and direction of City activities, including finances and personnel. The City Clerk manages the City's official records, creates Council agendas, conducts all public meetings, organizes regular and special municipal elections, and administers boards and commissions. According to City staff, Eastvale has no standalone City Hall, with general City government services being provided out of leased facilities in the Eastvale Gateway shopping center. City staff indicated that the City has executed a design contract for construction of a new Civic Center, which will include a City Hall, Public Library/Learning and Innovation Center, Police Station, and Fire Station. City staff noted that the Civic Center is expected to be completed by 2025.

## **Law Enforcement**

Law enforcement services are contracted with the Riverside County Sheriff's Department. The Sheriff's Department services include investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and administration of the volunteer program and explorer youth program. The Department also provides municipal police services to 12 other cities in Riverside County. It is the fourth largest law enforcement agency in California. According to City staff, there is a need for a sheriff substation within the City, specifically located near the City's commercial core at the intersection of Hamner Avenue and Limonite Avenue. City staff indicated that the City anticipates creation of a Community Enhancement Volunteer program in 2022, within the City's Community Safety Department.

## **Fire Protection**

Fire protection services are provided by Riverside County Fire Department/CalFire. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection. City staff also indicated that the City executed a Wildland Protection Agreement with CalFire in 2021-22, which provides automatic response and protection to the Santa Ana River wildland area along the City's southern border.

There are two (2) fire stations in Eastvale, both owned by the City but staffed by Riverside County Fire/CalFire. Station 27 is located at 7067 Hamner Avenue, while Station 31 is located across town at 14491 Chandler Street. City staff indicated that a third fire station is expected to be constructed by 2025, and will be located near the intersection of 58<sup>th</sup> Street and Scholar Way.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

The 2012 MSR presented the following determinations:

- The City of Eastvale was providing fire services to Jurupa Valley, east of Interstate 15, without offsetting compensation.

City staff indicated that the City of Eastvale has automatic closest fire service agreements in place with the City of Jurupa Valley, that allow the City of Eastvale to utilize Truck 17 in exchange for providing automatic aid.

### **Emergency Medical**

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more information on the department.

### **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the City of Eastvale Community Development Department's Planning Division and Community Safety Department's Building & Safety Division. The Planning Division is responsible for implementation of the General Plan and Zoning Code, provides support to the Planning Commission and City Council, coordinates environmental analysis of proposed projects, and works with other departments on new development projects. The Building & Safety Division is responsible for processing building permit applications, assisting in plan reviews, and performing building inspections.

### **Code Enforcement**

Code enforcement is provided by the City of Eastvale Community Safety Department's Community Enhancement & Safety Division. The Division provides code enforcement for

unpermitted structures, abandoned vehicles, illegal signage, graffiti, property maintenance, Airbnb violations, business and rental registration, and educates the public on land use ordinances and related code provisions. City staff indicated that the Division receives reports and concerns from residents and businesses via a mobile phone application, and provides proactive compliance seven (7) days a week to enhance the quality of life and safety in the City.

### **Animal Control**

Animal control services are provided by the Riverside County Department of Animal Services. The City contracts with the County, with the nearest shelter located in Jurupa Valley. The County Department provides pick-up of stray or confined animals, dead animal removal, humane, dangerous, nuisance, or permit investigations, leash law enforcement, wild animal trapping and removal, patrol of parks and other areas of concern, and other animal related issues.

### **Parks and Recreation**

Parks and recreation services are provided by two (2) separate districts, the Jurupa Community Services District (“JCSD”) and the Jurupa Area Recreation and Park District (“JARPD”).

The JCSD was formed in 1956 to provide wastewater services to the Jurupa Valley area of western Riverside County. It expanded and contracted over the years to include parks and recreation services within the City of Eastvale. JCSD has an elected Board of Directors, which includes two (2) residents of Eastvale and three (3) residents of Jurupa Valley. JCSD is governed by a five (5) member Board of Directors, elected to serve staggered four (4) year terms, and representing one (1) of JCSD’s five (5) Divisions. Board members are required to be a registered voter in the Division they represent, however, the registered voters within the entire district vote for all Board members. Registered voters within the City of Eastvale vote for all five (5) members of JCSD’s Board of Directors, and the five (5) Directors represent all voters and all residents within the District.

JARPD formed in 1984 as a new entity responsible for parks and recreation duties, subsequently growing to manage 37 different parks and recreation facilities in the Jurupa area, including nearly

500 acres of park and open space land and five (5) community centers. JARPD's five (5) community centers include Eddie Dee Smith Senior Center, the newly opened Skyview Event Center, and the Rancho Jurupa Regional Sports Park. All of JARPD's community centers are open to residents within the JARPD district boundaries. JARPD is governed by five (5) elected Board members, representing five (5) Divisions of the District that were formed in 1984. The portion of the City of Eastvale served by JARPD is included within JARPD Division 3. All residents of JARPD receive equal representation and any resident of JARPD who meets the eligibility requirements for public office are eligible to run for a position on the JARPD Board of Directors. JARPD manages approximately 2.5 acres of parks within Eastvale between Hamner Avenue and Interstate 15.

JCSD's parks and recreation department was formed as a separate department within the District in 1996, to help establish parks and recreation services in the area, which was unincorporated at the time and experiencing rapid growth. JCSD manages 15 parks within the City of Eastvale, and the Eastvale Community Center, which is located near the intersection of Schleisman Road and Harrison Road. JCSD also operates the Desi House, which was originally relocated from the City of Corona by a resident, and later purchased by JCSD. The Desi House is expected to re-open to the public for events in 2022. Meanwhile, the JARPD continues to provide parks and recreation services to the communities around the Jurupa area including the eastern edge of Eastvale along Interstate 15.

The 2012 MSR presented the following determinations:

- The detachment of the JARPD from the City of Eastvale and the assumption of park and recreation services by the City of Eastvale. At the time, two (2) alternatives were presented for the detachment and transfer of services to the City:
  1. Detachment could be initiated by any affected agency or by a petition of voters or landowners.

2. JARPD could apply for the divestiture of the recreation and/or park services within the affected territory. By statute, the divestiture of the power to provide functions or services may only be initiated by JARPD.

Further review by LAFCO staff into provision of recreation and parks services into the City of Eastvale is warranted and should be conducted. City staff indicated that the City now possesses the leadership and financial means to absorb parks and recreation services. In 2021, the City established the Community Services Division, to begin the transition of parks and recreation operations from JCSD to the City. The Division has already operated several events and has plans to expand recreation services in 2022.

### **Library**

Library services provided by the Riverside County Library System include reading materials, literacy programs, computers, and broadband access to residents. Eastvale's branch of the County system is located at and shared with Eleanor Roosevelt High School. City staff indicated that the City anticipates completion of construction of the Library/Center for Learning and Innovation by 2025 as part of the Leal Master Plan in the City's downtown core near the intersection of Hamner Avenue and Limonite Avenue.

### **Museum**

There is no museum in the City of Eastvale.

### **Landscape Maintenance**

Landscape maintenance is performed and provided by the City of Eastvale or the JCSD. The District manages four (4) landscape and lighting maintenance districts 89-1, 2014-1, 2014-3, and 2014-4, that coordinate public property, and park landscaping services around the City. JCSD maintains over 4 million square feet of public frontage landscaping withing the City of Eastvale,

## **Streets/Road Maintenance**

Streets and road maintenance is provided by the City of Eastvale Community Development Department Public Works/Engineering Division through the assistance of the Road and Bridge Assessment District. The Assessment District collects district fees assessed on new development projects to provide funding for road and bridge improvements. The Division also receives assistance from the Western Riverside Council of Governments Transportation Uniform Mitigation Fee (“TUMF”) program and Riverside County’s Measure A sales tax measure for capital and maintenance transportation projects. The City utilizes TUMF program apportionments and Development Impact Fees for streets and road maintenance. City staff noted that streets, sidewalks, traffic signals, street lights, and trails are widened, improved and implemented through new development or a capital improvement project with the City.

## **Streetlights**

Streetlight services are provided by the City of Eastvale through landscape and lighting maintenance districts. Please refer to the Landscape Maintenance section for more on the districts. According to the City’s work program, the City recently acquired all streetlights in the City’s boundaries from Southern California Edison via the Western Riverside Council of Governments Streetlight LED Retrofit Program, and converted them to LED lights.

## **Utilities (Gas, Electric)**

The City has a franchise agreement with SoCal Gas for natural gas services. Eastvale also joined the regional Community Choice Aggregate called Western Community Energy (“WCE”) for electricity generation. WCE began operations in May of 2020 and serves six (6) cities in Riverside County.

## **Solid Waste**

The City has a franchise agreement in place with Waste Management and Burrtec for solid waste collection services. Waste Management is a private solid waste disposal company that provides solid waste disposal and recycling services to residences. Waste Management is one of the



largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers. Burrtec is also a private solid waste disposal company that provides similar services to Waste Management. Burrtec along with its sister company EDCO, comprise the largest private solid waste company in California.

According to City staff, on July 1, 2022 Waste Management will replace Burrtec and become the sole provider of solid waste collection services.

### **Storm Drainage**

The City of Eastvale Community Development Department Public Works Team is responsible for storm drainage services in Eastvale. The Public Works Team is responsible for improving the City's infrastructure under the Capital Improvement Program.

### **Innovation and Technology**

The City's Information Technology Department provides innovation and technology services to the City's other departments.

### **Airport**

There are no airports in Eastvale. The nearest airports are the Corona Municipal Airport, Chino Airport, and the Ontario International Airport.

### **Extraterritorial Services Provided**

As previously discussed, the 2012 MSR indicated that the City of Eastvale was providing fire service to parts of Jurupa Valley without compensation. City staff indicated that this fire service is provided in exchange for use of Riverside County and Jurupa Valley's Truck 17. With the planned third fire station in Eastvale, there may be opportunities for shared facilities and services until the City of Jurupa Valley constructs a fire station on the west side of Jurupa Valley.

Other than mutual aid agreements with each surrounding jurisdiction, this was not identified as an issue during conversations with City staff. Government Code Section 56133 requires LAFCO

approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

No other extraterritorial services were identified.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City maintains a Capital Improvement Plan that provides details on major proposed capital projects in the City that are likely to be funded over a two (2) year planning period. The City's capital improvement projects include street and road maintenance, bicycle network improvement, and general plan updates. Most of the projects are fully funded; staff noted that less than half of the funding had been identified for a project to widen the Sliceman roadway. Staff also indicated that there are additional capital needs not reflected in the CIP, including a new City Hall and library, a police substation and a third fire station in the northern area of the City.<sup>49</sup>

City staff noted several additional capital improvement projects that are either planned or underway, including the Limonite Avenue and Interstate 15 interchange, the expansion of the Hamner Avenue Bridge over the Santa Ana River, the Limonite extension and bridge across the Cucamonga Creek, and trails along both Scholar Way and Harrison Avenue.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

The City's RHNA allocation for the 5<sup>th</sup> Housing Element Cycle (2013-2020) was 1,463 units. According to the 2012 MSR, the City of Eastvale and the County reached an agreement that would allocate 1,549 units from the County's RHNA allocation to the City for the planning period between October 2011 and 2014. Building permits issued as of October 2010, the City's incorporated date, were credited towards the City's RHNA allocation.

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<sup>49</sup> Source: City of Eastvale, "Capital Improvement Plan"

During the 5<sup>th</sup> Cycle, the housing developers in the city produced 1,600 market rate housing units, which exceeded the City’s RHNA allocation of 565 housing units for above-moderate income housing. However, the development community failed to produce any moderate, low, and very low-income housing units during the 5<sup>th</sup> Cycle, and the City is not expected to meet its RHNA allocation before the 5<sup>th</sup> Cycle concludes.

The City of Eastvale submitted its 5<sup>th</sup> Cycle Housing Element to HCD on June 24, 2013 and the Housing Element was reviewed and designated in compliance with Housing Element Law by HCD on June 25, 2013.<sup>50</sup> As required by law, the City submitted Housing Element Annual Progress Reports from 2014 through 2019, but failed to submit an Annual Progress Report in 2013.<sup>51</sup>

The City’s 5<sup>th</sup> Cycle RHNA allocation and progress is presented in Figure 29.

Figure 29: 5th Cycle Housing Element Summary - Eastvale

Eastvale 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	374	250	274	565
Permitted Units	0	0	0	1,600
Allocation Surplus/(Shortage)	(374)	(250)	(274)	1,035

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

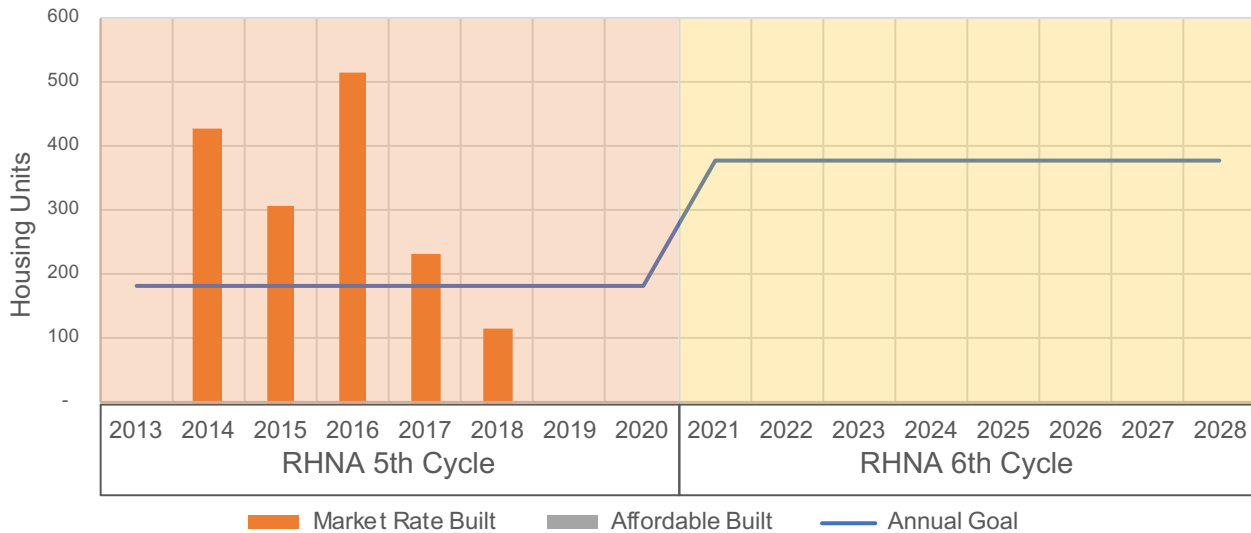
The 6<sup>th</sup> Cycle covers the RHNA planning period between October 2021 and October 2029. The 6<sup>th</sup> Cycle RHNA allocation for the City of Eastvale was escalated from the 5<sup>th</sup> Cycle allocation to 3,022 units, which is 107 percent more units than the 5<sup>th</sup> Cycle. According to City staff, the City Council authorized the submittal of the City’s 6<sup>th</sup> Cycle Housing Element to HCD on November 1, 2021, which included recommendations to concentrate higher density housing development sites to accommodate the RHNA allocation at the Leal, Vernola, and Eastvale Gateway sites, generally located along the Limonite Avenue Corridor and the Interstate 15 interchange.

<sup>50</sup> Source: California Department of Housing and Community Development, “Housing Element Implementation Status Tracker” updated June 28, 2019

<sup>51</sup> Source: California Department of Housing and Community Development, “Annual Progress Report Permit Summary,” dated October 6, 2020

The City’s annual production goal for the 5<sup>th</sup> and 6<sup>th</sup> Cycles, and units built during the 5<sup>th</sup> Cycle are presented in Figure 30. The annual goal is presented as one-eighth of the full-cycle RHNA allocation.

Figure 30: 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA Allocation and Production - Eastvale



The City is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at least 10 percent affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>52</sup>

## FISCAL HEALTH

The sections that follow evaluate the City of Eastvale’s fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well

<sup>52</sup> Source: California Department of Housing and Community Development, “SB 35 Statewide Determination Summary”

as State Auditor assessments. Figure 31 illustrates the City's net position, presented as annual revenues less expenditures, for fiscal years 2016-17 through 2018-19. The City recorded surpluses in 2016-17 and 2018-19 and a \$4.2 million deficit in 2018-19, which represents a deficit that is 11.1 percent of total revenues. City staff indicated that the \$4.2 million deficit in 2018-19 was the result of a City Council decision to acquire land at the intersection of Citrus Street and Scholar Way. The City utilized unassigned reserve for the land acquisition. City staff also noted that the City's 2020-21 draft financial statements indicate that the City had a \$24.5 million surplus, which would represent a significant increase compared to 2016-17 through 2018-19.

Figure 31: Net Position - Eastvale

Eastvale	2016-17	2017-18	2018-19
Total General Tax Revenues	\$17,771,345	\$23,946,305	\$25,295,673
Other Tax Revenues	1,237,636	1,314,044	1,491,268
Other Revenues	7,714,406	10,582,624	11,276,834
<b>Total Revenues</b>	<b>26,723,387</b>	<b>35,842,973</b>	<b>38,063,775</b>
Total Operating Expenditures	18,456,169	20,910,190	26,826,380
Debt Service	-	-	683,324
Capital Outlay	4,123,369	4,290,642	14,776,620
<b>Total Expenditures</b>	<b>22,579,538</b>	<b>25,200,832</b>	<b>42,286,324</b>
<b>Net Position</b>	<b>\$4,143,849</b>	<b>\$10,642,141</b>	<b>(\$4,222,549)</b>

Source: California State Controller's Office

City staff indicated that in March 2021, about 80 percent of Eastvale voters approved Measure A Appropriations Limit Adjustment (an increase of the City's Gann Limit). With the approval of Measure A, the City may continue to budget for the expenditure of all tax proceeds. Measure A does not impose new taxes, nor does it increase existing taxes. The Gann Limit increase to \$33 million allows for annual inflation going forward and will last for four (4) years unless extended by voters.

## Operating Revenues

The City of Eastvale's total revenues in fiscal year 2018-19 were almost \$38.1 million. Figure 32 outlines the City's revenues sources between 2016-17 and 2018-19.

Figure 32: Operating Revenue History - Eastvale

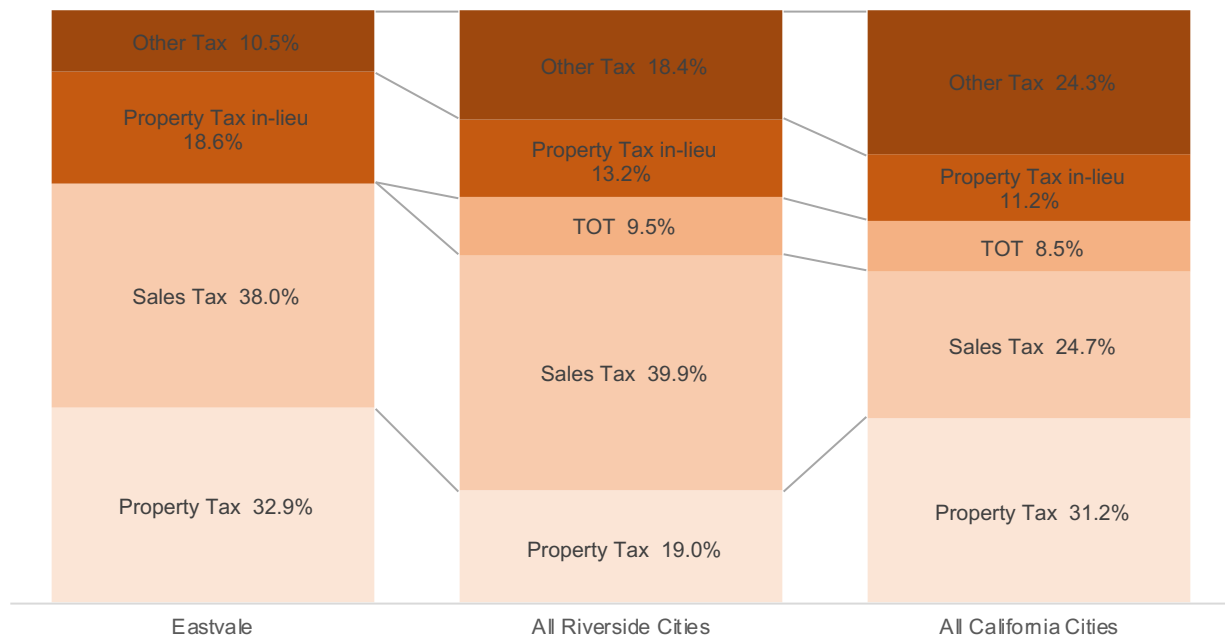
Eastvale	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$8,083,798	\$8,481,114	\$8,324,305
Sales Tax	7,692,927	9,077,639	9,609,575
Transient Occupancy Tax	-	-	-
Property Tax in-lieu of VLF	-	4,320,926	4,700,259
Franchise Tax	1,420,502	1,552,260	1,544,629
Business License Tax	123,189	152,651	119,840
Property Transfer Tax	450,929	361,715	997,065
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>17,771,345</b>	<b>23,946,305</b>	<b>25,295,673</b>
Transportation Tax	1,237,636	1,314,044	1,491,268
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	-	-
<b>Total Tax Revenues</b>	<b>19,008,981</b>	<b>25,260,349</b>	<b>26,786,941</b>
Charges for Services	404,810	209,848	232,134
Special Benefit Assessments	228,890	229,316	977,932
Use of Money	324,083	580,351	801,842
Fines and Forfeitures	678,243	747,935	846,697
Licenses and Permits	3,274,210	3,437,477	3,114,566
Intergovernmental	2,013,209	2,219,204	4,816,973
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	790,961	3,158,493	486,690
<b>Total Revenues</b>	<b>\$26,723,387</b>	<b>\$35,842,973</b>	<b>\$38,063,775</b>

Source: California State Controller's Office

The City's primary revenue sources are general tax revenues that represented 66.5 percent of the City's total revenues in 2018-19. The largest revenue sources for the City include sales tax (38.0 percent of general tax revenues), property tax (32.9 percent of general tax revenues), and property tax in-lieu of VLF (18.6 percent of general tax revenues). Aside from tax revenues, the City received over \$4.8 million in intergovernmental revenues and over \$3.1 million in license and permit fees in 2018-19. The City did not receive any transient occupancy taxes in 2018-19, but expects to see transient occupancy taxes as early as 2022 following the completion of the City's first hotel. The City's transient occupancy tax rate is ten (10) percent.

Compared to all other Riverside County and California cities, the proportion of the City's revenue sources as a percent of total general tax revenues are relatively similar, aside from the lack of transient occupancy taxes. The City's proportional share of each significant tax revenues is presented in Figure 33.

Figure 33: General Tax Revenue Comparison - Eastvale



According to City staff, the City's efforts to promote local retail establishments in the City were one of the most effective campaigns during the COVID-19 pandemic, contributing to the City finishing the 2019-20 fiscal year with a \$3.6 million surplus.

## Sales Tax

The City receives one percent of gross receipts from the sale of tangible personal property sold within the municipal boundaries. Sales tax represented about 38.0 percent of general tax revenues, or \$9.6 million in 2018-19.

City staff indicated that several new retail and restaurant businesses are expected to open in 2022, including Sprouts, 99 Ranch, Craving Food Hall, and Wal-Mart. The build out of the Leal



Master Plan, a 160-acre mixed use project in downtown will feature additional retail, restaurants, entertainment, office, civic buildings, and residential.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's second and third largest general tax revenue sources are property tax and property tax in-lieu of VLF. The City did not receive property tax in-lieu of VLF revenues until 2017-18 – at the time it represented an annual increase of more than \$4.3 million. In 2018-19, property tax represented 32.9 percent of general tax revenues while property tax in-lieu of VLF amounted to about 18.6 percent of general tax revenues.

Eastvale's land, improvements, and personal property combined for a secured and unsecured assessed valuation of more than \$9.7 billion in 2018-19, inclusive of about \$2.6 billion in land value and shy of \$7.0 billion in improvement value. The City's \$8.3 million in property tax collections in 2018-19 represented about 8.5 percent of property tax revenues collected within Eastvale.<sup>53</sup>

The City of Eastvale and County of Riverside do not have a Master Property Tax Exchange Agreement in place.<sup>54</sup> City staff indicated that this matter would be discussed internally.

### **Intergovernmental Revenues**

Intergovernmental revenues were the single-largest non-tax revenue source for the City in 2018-19. The City received more than \$2.5 million in gasoline tax revenues, over \$2 million from other State grants, and almost \$276,000 in community development block grant funds from the Federal government in 2018-19.

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<sup>53</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>54</sup> Source: Riverside LAFCO

## Licenses and Permit Fees

The City collects animal license fees, construction permit fees, and street and curb permit fees. Collectively, licenses and permit fees amounted to more than \$3.1 million in 2018-19, with construction permit fees representing the bulk of license and permit fees at almost \$2.8 million. With predicted slower growth over the next two (2) decades, the City should expect lower construction permit fee revenue.

## Operating Expenditures

The City's total operating expenditures ranged from \$22.6 million in 2016-17 to \$42.3 million in 2018-19. The City's annual operating expenditures are categorized by use and presented in Figure 34.

Figure 34: Operating Expenditures - Eastvale

Eastvale	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$636,795	\$935,124	\$1,597,897
Employee Benefits	304,601	390,667	620,048
Materials and Supplies	7,077	74,656	1,534,072
Contract Services	17,507,696	19,509,743	23,074,363
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>18,456,169</b>	<b>20,910,190</b>	<b>26,826,380</b>
Debt Service	-	-	683,324
Capital Outlay	4,123,369	4,290,642	14,776,620
<b>Total Expenditures</b>	<b>\$22,579,538</b>	<b>\$25,200,832</b>	<b>\$42,286,324</b>

Source: California State Controller's Office

The City's largest expenditure categories in 2018-19 included contract services (\$23.1 million) and capital outlay (\$14.8 million). With law enforcement and fire services provided on a contract basis, it is not surprising that the City's contract service expenditures would be the largest expense category. The City's capital outlay expenditures included \$11.3 million on buildings and improvements, \$2.9 million on land, and about \$509,000 on equipment expenditures. As of 2020-21 fiscal year budget, City staff indicated that the City had 45.75 authorized full time equivalent personnel, which is a significant increase from 15 full time equivalent personnel in 2017-18.

The City expends more than \$13 million on public safety expenditures, or about 30.9 percent of all current expenditures. Approximately \$4.3 million was expended on fire services and about \$8.6 million was expended on police services. In 2018-19, the City's general government expenditures reached more than \$7.3 million – slightly more than \$7.0 million was attributed to management and support services. The City also had more than \$5.0 million in current expenditures associated with community development services. The City's main community development service expenditures are associated with construction and engineering regulations (\$3.8 million) and planning services (\$1.2 million). The City's current expenditures according to function for the fiscal years 2016-17, 2017-18, and 2018-19 are presented in Figure 35

Figure 35: Current Expenditures - Eastvale

Eastvale	2016-17	2017-18	2018-19
General Government	\$2,471,542	\$3,001,006	\$7,311,706
Public Safety	11,635,167	13,167,227	13,060,895
Transportation	889,267	874,817	1,432,385
Community Development	3,460,193	3,867,140	5,021,394
Health	-	-	-
Culture and Leisure	-	-	-
Public Utilities	-	-	-
Debt Service	-	-	683,324
Capital Outlay	4,123,369	4,290,642	14,776,620
<b>Total Current Expenditures</b>	<b>\$22,579,538</b>	<b>\$25,200,832</b>	<b>\$42,286,324</b>

Source: California State Controller's Office

Capital outlay amounted to almost \$14.8 million in 2018-19, which was above average compared to previous fiscal years, which ranged from \$4.1 to 4.3 million. In 2018-19, about \$10.8 million in capital outlay was associated with transportation services and \$3.4 million was associated with government service expenditures.

If capital outlay and debt service is removed from expenditures, public safety costs represent about 48.7 percent of expenditures. This aligns with public safety expenditures by all Riverside County and California cities, which ranged from 47.3 to 52.2 percent of expenditures net of debt service and capital outlay in 2018-19. Over the three (3) years presented in Figure 35, public safety expenditures increased 12 percent overall.

## Reserve Fund Balance

The City maintains a target reserve amount equivalent to 50 percent of annual regular General Fund expenditures, or 6 months of operating expenditures. In 2020-21, the City's total reserves were \$29 million, including an emergency contingency reserve of \$11.8 million, and unassigned reserves of \$6.7 million. City staff indicated that reserves are projected to be about \$93 million in 2021-22. The City's reserve amounts were in compliance with the City's reserve policy. The City has reserve amounts committed to Civic Center and Public Library/Learning and Innovation Center construction, Police Station construction, Hamner Place Land Acquisition final payment, pension liabilities, public safety rate increase stabilization, Fire Station construction, and Replacement Fire Equipment.<sup>55</sup>

## Pension and OPEB Obligations

The City's pension and OPEB obligations are outlined in Figure 36.

Figure 36: Pension and OPEB Obligations - Eastvale

Eastvale	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$35,121	\$29,187	\$51,218
Total OPEB Liability/(Surplus)	(1,413)	10,026	(27,342)
Total Benefit Liability/(Surplus)	\$33,708	\$39,213	\$23,876

Source: 2017-18, 2018-19 and 2019-20 ACFR

Qualifying City personnel are eligible to participate in the City's Miscellaneous Pension Plan. The City's OPEB plan is a defined benefit postemployment healthcare plan that provides medical benefits to eligible retired City employees and qualified dependents.

Over the last (3) fiscal years, the City has maintained a very low total benefit liability with OPEB surpluses in two (2) fiscal years (2017-18 and 2019-20). Because the City formed after CalPERS member cities began experiencing large liabilities for legacy employees, the City has relatively

<sup>55</sup> Source: City of Eastvale

low obligations. The City has been bringing more contract services in-house over the last couple years, however, which is reducing operating expenses but increasing pension costs.

The City's pension indicators are presented in Figure 37, including the City's employer contribution compared against the actuarially determined contribution, the total covered payroll, and the City's contribution rate as a percent of covered payroll. Together, these indicators give insight into the fiscal health of the City's pension plan.

Figure 37: Pension Indicators - Eastvale

Eastvale	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$56,387	\$121,361	\$167,959
Employer Contribution	56,387	121,361	167,959
Covered Payroll	\$809,185	\$1,479,268	\$2,154,841
Employer Contribution Rate	7.0%	8.2%	7.8%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City has historically made employer contributions equivalent to the actuarially determined contribution and the employer contribution rate has kept pace with the increases to covered payroll over the years, with the City's employer contribution rate ranging from 7.0 to 8.2 percent between 2017-18 and 2019-20. The City's employer contribution rates have historically been below average, when compared to the County-wide employer contribution rates, which ranged from 26 to 32 percent between 2017-18 and 2019-20.

## Annual Audit Findings

The Annual Audits from FY 2017-18 through 2019-20 did not present any findings. The City received Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association between 2017-18 and 2019-20.<sup>56</sup>

<sup>56</sup> Source: City of Eastvale

## California State Auditor Fiscal Health Evaluation

The City of Eastvale ranked 422 out of 471 California cities and is considered a low risk overall, with less risk than 90 percent of California's cities. Nine (9) indicators were given low risk ratings, including liquidity, debt burden, general fund reserves, pension obligations, pension funding, pension costs, future pension costs, OPEB obligations, and OPEB funding. Revenue trends were ranked as moderately risky. The SCO did not give any indicators a high-risk ranking.<sup>57</sup>

City staff noted that the most recent update to the Auditor's Fiscal Health Evaluation rated the City of Eastvale as the second-lowest risk in California.

## MSR DETERMINATIONS

Requisite CKH determinations for Eastvale are presented by topic below:

### 1. Population, Growth, and Housing

Eastvale experienced significant population and development growth over the last decade, leaving very few opportunities for future development. The City's SOI is coterminous with its boundary and expansion in virtually every direction is bound by either other incorporated areas or the County's boundary. Future growth projections indicate much slower growth as the City relies on redevelopment of underutilized sites and infill development for growth over the next 15 to 25 years. The City's largest development opportunity is centered around a 160-acre master planned downtown.

The City does not have diversity in housing choices, with the majority of housing units in the form of single-family housing, but the new master planned downtown will have higher densities, up to 30 dwelling units per acre. The City appealed its 6<sup>th</sup> Cycle RHNA allocation and considers the targets to be physically and financially infeasible.

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<sup>57</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

## **2. Disadvantaged Unincorporated Communities in SOI**

Eastvale's corporate boundary is coterminous with its SOI. There are also no DUCs on Eastvale's periphery.

## **3. Present and Planned Capacity of Facilities**

Two (2) separate districts own and operate parks and recreation facilities within the City of Eastvale. JCSD provides parks and recreation services on the west side of Hamner Road, and JARPD provides parks and recreation services on the east side of Hamner Road. Future capacity of facilities is the responsibility of the two (2) districts.

## **4. Financial Ability to Provide Services**

The City is fiscally healthy and considered low risk, has substantial reserve funds, and has managed to limit pension and OPEB liabilities. With that said, the City relies heavily on construction permit fees, and with future growth prospects becoming increasingly limited, the City will likely need to rebalance its revenues and expenditures.

## **5. Opportunities for Shared Facilities**

The City's northern extents, between Hamner Avenue and Interstate 15, is a commercial and industrial area, which City staff indicated is underserved with fire protection. Because it is geographically separated and has an unusual shape, it may not be feasible to build a new fire station in this area. There may be an opportunity for shared fire services with the City of Jurupa Valley for this area.

## **6. Accountability for Community Service Needs**

The City seeks to maintain a very high level of accountability, with direct communications with residents through at least five (5) social media platforms, Council meetings and guest speakers broadcasted over digital video live feeds, educational video production, and a very diverse management team. The City has award winning annual audits and budgets.



## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG does not recommend any SOI changes for Eastvale. Presently the City's SOI is coterminous with its corporate boundary.

### **1. Present and Planned Land Uses**

Most of the Eastvale SOI is fully developed. City staff indicated that changes to existing land uses will be as a result of future redevelopment, infill development, or improvements to underutilized sites.

### **2. Present and Probable Need for Public Facilities and Services**

City staff did not identify any present or probable need for public facilities or services.

### **3. Present Capacity of Public Facilities**

City staff did not identify any deficiencies related to present capacity of public facilities in the Eastvale SOI.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest in the Eastvale SOI.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Public Facilities**

Eastvale's coterminous SOI does not contain any DUCs

## CITY OF HEMET

The City of Hemet was incorporated in 1910<sup>58</sup> as a general law city. It is located in the Western Region of the County and shares a northern border with the City of San Jacinto and is bound on all other sides by unincorporated County territory. The incorporated City boundary contains 27.9 square miles and the SOI extends to cover an additional 35.4 square miles.<sup>59</sup> The population in the City was about 85,175 in 2020.<sup>60</sup>

Hemet's demographic profile and population projections for 2035 and 2045 are presented in Figure 38.

Figure 38: Demographic Profile - Hemet

Hemet	City	SOI	County
Population as of 2020	85,175	35,704	2,442,304
Population as of 2010	78,710	33,555	2,189,641
Annual Pop. Growth Since 2010	0.79%	0.62%	1.10%
Housing Units	36,067	13,021	867,637
Persons / Housing Unit	2.36	2.74	2.81
Land Area (sq mi)	27.9	35.4	7,206.0
Persons / Square Mile	3,058	1,008	339
Median Household Income	\$38,671	\$46,727	\$67,369
Projected Population in 2035	109,490		2,995,509
Annual Proj. Growth 2020-2035	1.69%		1.37%
Projected Population in 2045	123,992		3,251,705
Annual Proj. Growth 2020-2045	2.53%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>58</sup> Source: City of Hemet

<sup>59</sup> Source: Riverside LAFCO

<sup>60</sup> Source: California Department of Finance City/County Population Estimates with Annual Percent Change, dated May 1, 2020

Hemet's growth over the last decade has been modest, at 0.79 percent annual population growth, compared to the County average of 1.10 percent annually. Many of the other cities in the Western Region outpaced the County's growth rate during this period. Hemet's population density is 3,058 persons per square mile with a below-average population per housing unit of 2.36. The median household income in Hemet is just \$38,671, which is about 43 percent lower than the County-wide median household income. The median household income in the Hemet SOI is about 21 percent higher than the median household income in the City.

SCAG's population projections for Hemet envision significant growth between now and 2035 and 2045, with the population projected to grow by 1.69 and 2.53 percent annually, respectively. With the significantly low median household income and the expected growth rates over the next 15 to 25 years, there may be significant need for below market rate housing development.

Figure 39 presents the land use distribution in Hemet.

Figure 39: Land Use Summary - Hemet

Hemet		County	
Residential Units	Units	%	%
Single Family	17,586	48.8%	54.8%
Multifamily	8,645	24.0%	43.6%
Mobile Home	9,836	27.3%	1.6%
Total Units	36,067	100.0%	100.0%
New Units Since 2010	762		
Commercial	Gross SF		
Retail	5,877,991	65.0%	26.6%
Industrial	1,666,895	18.4%	61.8%
Office	1,396,702	15.4%	9.6%
Other	99,348	1.1%	2.0%
Total	9,040,936	100.0%	100.0%
New Commercial Since 2010	221,059		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Hemet contains a variety of land uses, but development has been largely concentrated in single-family and mobile home housing units and retail oriented commercial space. Hemet has below-average proportions of multi-family housing units and industrial commercial square footage compared to Riverside County.<sup>61</sup>

The estimated 2,081 active businesses in Hemet have 20,214 employees. By far, the largest employer in Hemet is the Hemet Unified School District with 4,046 employees. Other major employers include Physicians for Healthy Hospitals (987 employees), County of Riverside (692 employees), Gosch Ford Toyota Hyundai and Inland Chevrolet (614 employees), Walmart Supercenter (372 employees), Horizon Solar (302 employees), City of Hemet (288 employees), Manorcare Health Services (250 employees), Forest River Inc (241 employees), and TE Connectivity (240 employees). Commerce is not heavily concentrated in any specific area, as two (2) of the largest employers are engaged in healthcare services, two (2) provide government services, two (2) are manufacturers, and two (2) are retailers, with the single-largest employer engaged in educational services.<sup>62</sup>

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

The Hemet SOI consists of four (4) noncontiguous unincorporated areas that combine for 35.4 square miles. The City's northwestern SOI extends to the San Jacinto City limits and into the foothills. The City's western SOI is located on the southern side of State Route. The southwestern SOI includes open space and the northerly portion of Diamond Valley Lake. The largest portion of the SOI extends east along State Route 74. The SOI collectively contains about 35,704 residents and 13,021 housing units.

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<sup>61</sup> Source: Costar and California Department of Finance

<sup>62</sup> Source: City of Hemet, 2019-20 Comprehensive Annual Financial Report

According to City staff, the City of Hemet does not extend services into the SOI or to the DUCs, except for mutual aid agreements. Seven (7) DUCs are within the Hemet SOI or immediately beyond the City's SOI. The DUCs are described below and illustrated in Exhibit 8:

- DUC1 is commonly known as Green Acres and is immediately west of the City outside of the Hemet SOI along State Route 74.
- DUC2 is commonly referred to as Diamond Valley and is south of the City beyond the Hemet SOI and southeast of the intersection of State Street and Newport Road.
- DUC3 is commonly known as East Hemet and is entirely within the Hemet SOI and southeast of the intersection of State Route 74 and South San Jacinto Street. DUC3 overlaps four (4) areas previously classified as DUCs in 2010 (Hemet 2010 DUCs 3, 4, 5, and 6)
- DUC3a is also commonly known as East Hemet and is a small unincorporated area within Hemet's SOI east of the intersection of Chambers Street and South Buena Vista Street.
- DUC4 is an area referred to as Valle Vista (West) and is located in the Hemet SOI near the intersection of State Route 74 and New Chicago Avenue. DUC4 Valle Vista South largely overlaps an area formerly classified as DUC8 in 2010.
- DUC5 is commonly known as Valle Vista (Central) and is located in the Hemet SOI at the intersection of State Route 74 and Fairview Avenue. DUC5 Valle Vista Central overlaps the southwestern portion of an area previously classified as DUC10 in 2010.
- DUC6, known as Valle Vista (North) and located at the intersection of Ramona Expressway and Cedar Avenue in the Hemet SOI, is the same area that was classified as DUC9 in 2010.

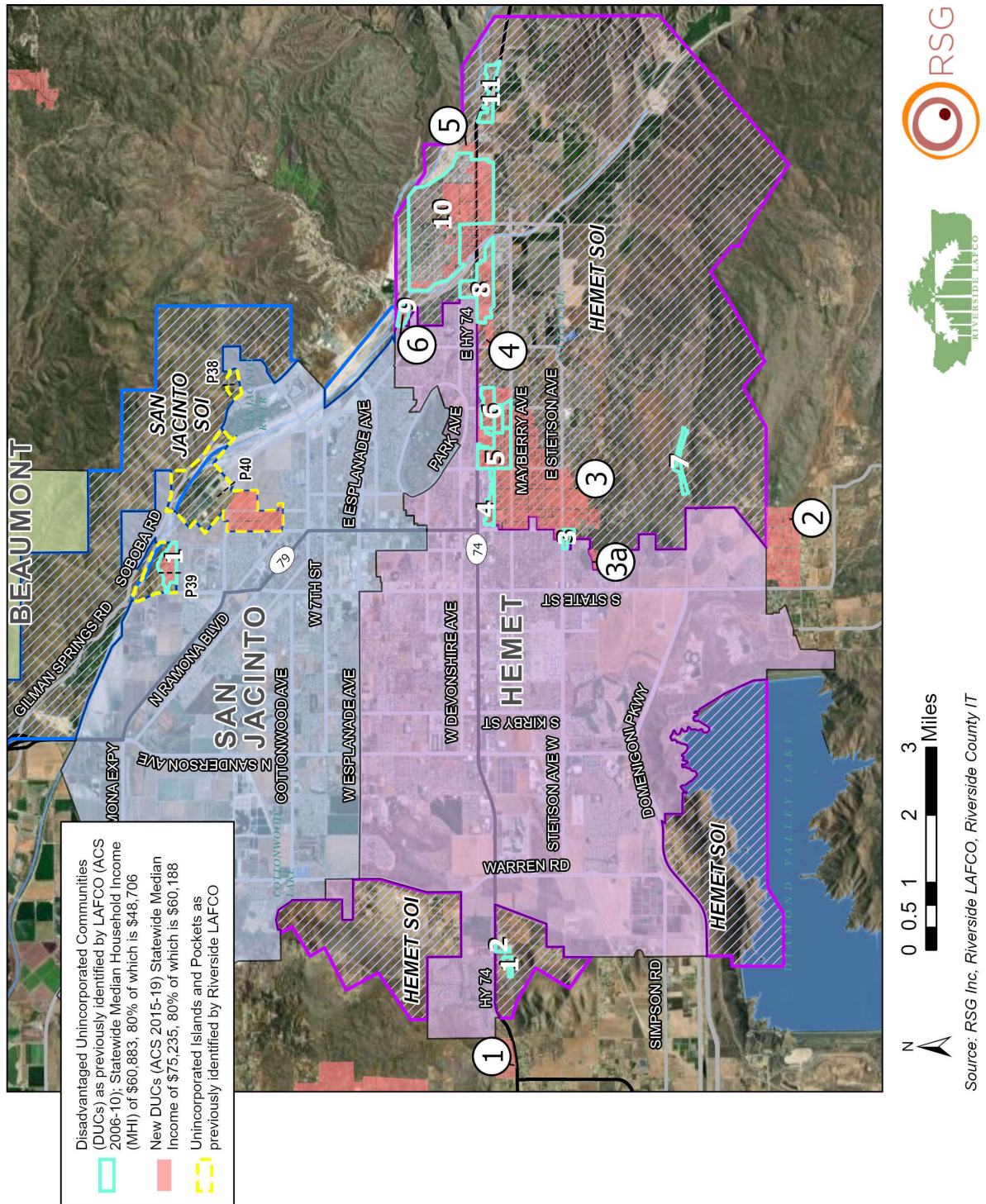
According to City staff, there have not been any attempts made to annex these areas in particular. However, LAFCO has advised that a Notice of Intent to Circulate Petition for SOI Amendments and Concurrent Annexation to the City of Hemet and Detachment from County Service Areas and County Waste Resources District was filed on July 20, 2020. The proposed SOI amendment and annexation would include a total of 34,000 acres, covering most of the present SOI and additional area to the south and southeast of the current SOI. According to City staff, they do not yet have complete details and no analysis or assessment has been made. They intend to work with the potential applicants, the County, and LAFCO to prepare a Plan for Services and any documentation necessary to address the concerns and services needed to annex the potential parcels.

The City of Hemet SOI and municipal services were last studied as part of LAFCO's 2006 Municipal Service Review for Central Valleys, Pass Area, and Southwestern Riverside County ("2006 MSR").



Exhibit 8: Current City and SOI Boundaries - Hemet

## City of Hemet and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City of Hemet operates as a "Council – Manager" form of government with a City Council of five (5) elected councilmembers that are elected according to districts on staggered four (4) year terms. The Mayor is appointed by the Council and serves a one year term. The City's Treasurer is elected at large. The City Council also appoints the City Manager, who serves as the head of the administrative branch of local government.<sup>63</sup>

The City Council also serves as the Successor Agency and Housing Authority. The Hemet Public Library Board of Trustees, Hemet ROCS, Infrastructure Commission, Measure U Citizen Oversight Committee, Mobile Home Rent Review Commission, and Planning Commission carry out assignments at the direction of the City Council.

The City Manager oversees a staff of 279 full time equivalent personnel<sup>64</sup> and annual operating expenditures that ranged from \$53.2 million to \$61.5 million between 2016-17 and 2018-19 fiscal years<sup>65</sup>.

## SERVICES PROVIDED

City staff provide the community with law enforcement, fire protection, emergency medical, building and planning, housing, code enforcement, parks and recreation, library, streets and road maintenance, stormwater drainage, and innovation and technology services. Figure 40 illustrates the municipal services provided within Hemet by the City or by other service providers:

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<sup>63</sup> Source: City of Hemet

<sup>64</sup> Source: City of Hemet, 2019-20 Comprehensive Annual Financial Report

<sup>65</sup> Source: California State Controller's Office, "Cities Financial Data"



Figure 40: Service Provider Matrix - Hemet

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire Department										
Emergency Medical	Fire Department										
Building/Planning	Community Development										
Housing	Finance										
Code Enforcement	Community Development										
Animal Control	Ramona Humane Society										
Parks and Recreation	Public Works, Valley Wide Recreation and Park, Regional Parks										
Library	Public Library, Library System										
Museum	Hemet Museum and Western Science Center										
Landscape Maintenance	LLMD										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	LLMD, CSA										
Lighting	LLMD, CSA										
Utilities	Edison, So Cal Gas, Western Community Energy										
Solid Waste	Waste Resources, CR&R, Waste Management										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, DirecTV, Frontier, FiOS, Spectrum										
Airport	Hemet-Ryan Airport										
Cemetery *	San Jacinto Valley Cemetery District										
Healthcare *	Valley Health System Hospital District										
Water *	Water Dept., Eastern Muni., Lake Hemet Muni.										
Wastewater *	Sewer Maintenance Department, Eastern Muni.										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council and appointed staff, including the City Manager and City Clerk. The City Manager serves as the administrative head of the City, and is responsible for implementation of Council policies, ensuring all laws and ordinances of the City are enforced, appointment and removal of all City employees, and ensuring the City provides quality government services. The City Clerk administers elections, controls access to City records, prepares council agendas, and verifies legal actions have been posted according to statute. The Clerk also oversees the protection of public records, and maintains all City minutes, codes, resolutions, and ordinances

## Law Enforcement

Law enforcement services are provided by the Hemet Police Department. The Department has multiple divisions including the patrol division, traffic bureau, crime suppression unit, detective division, community services bureau, and dispatch. Goals of the department include

strengthening community-based policing, completing an efficiency assessment of the Department, replacing body cameras, and expanding flock safety technology to solve and reduce crime. The Department has one police station in the City located at 450 East Latham Avenue.

The 2006 MSR identified the following:

- Hemet provided law enforcement services that had personnel ratios below the agency's adopted standards of 1.3 sworn officers per 1,000 residents. Additionally, the Hemet police facility was overcrowded at the time, but the City was preparing plans for a new police facility.

According to City staff, the City has implemented different strategies to address the shortfall of sworn officers, including (1) increasing non-sworn civilian employee positions throughout the City, which has diverted some tasks away from sworn officers, and (2) by supervising multi-agency task forces, which focus on specific crime trends, and City staff identify as a "resource multiplier" that adds numerous sworn officers to the community. The Department has also deployed cutting-edge technology and equipment to increase efficiency, including on-line reporting, automatic license plate readers, and social media platforms, which increase efficiency, improve solvability rates, and give sworn officers more time to focus on proactive enforcement. According to City staff, law enforcement response times are among the fastest in the region.

City staff reported that the Hemet Police Department facilities underwent a significant remodel and expansion. Additionally, the Department occupies three off-site facilities, and the Department no longer has overcrowding issues.

## **Fire Protection**

The Hemet Fire Department has served the City since 1908. By 1932, the Department had extended its services to include emergency medical care. Originally only operating out of one station, the department expanded to four (4) more stations in 1968, 1994, 2001, and 2005, as well as a training center and administration building. The Department provides fire suppression,

basic and advanced life support services, rescue calls, hazardous materials management, and fire prevention education.

### **Emergency Medical**

Emergency medical services are provided by the Hemet Fire Department. Please refer to the previous section for more on the Fire Department.

### **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the Community Development Department. The Department is split into three (3) divisions, Building and Safety, Planning, and Code Compliance. Building and Safety is responsible for building plan checks, inspection services, and the administration of certificates of occupancy. Planning is responsible for current and future planning, review and processing of proposed development projects, plan checks, environmental assessments, issuing permits. According to City staff, the City has been using contract services for California Environmental Quality Act (“CEQA”) reviews of building projects.

### **Code Enforcement**

Code enforcement is provided by the Code Compliance Division of the Community Development Department. The Division is responsible for the inspection of code violations, monitoring compliance, combatting neighborhood blight, and administering the crime free inspection program. They also work with the Police and Fire Department to observe and inspect neglected neighborhoods and business districts, shut down illegal marijuana operations, and assist with the abandoned vehicle abatement program.

### **Animal Control**

The City contracts out animal control services to the Ramona Humane Society. The Society provides a full-service animal care center that provides animal control, pet adoptions, animal lost and found, pet licensing, spay/neutering services, vaccines, microchipping, and humane

euthanasia services. Ramona serves the cities of San Jacinto and Hemet. It is located at 438 South State Street in San Jacinto.

## **Parks and Recreation**

The City receives parks and recreation services from two (2) entities, the Public Works Department's Parks Division and the Valley Wide Recreation and Park District ("VWRPD"). The Parks Division provides maintenance of all City parks, weekly landscaping services, and park patrol services. The VWRPD maintains several parks and landscapes throughout the cities of Hemet, Menifee, and San Jacinto, as well as unincorporated areas of Winchester, Murrieta, French Valley, Homeland, Romoland, Valle Vista, Sage, and Aguanga. The VWRPD runs recreational programs like youth and adult basketball, baseball, softball, flag football, indoor soccer, and volleyball leagues. It was established in 1972 by a general election vote of the residents of Hemet and San Jacinto. It is an independent special district governed by five (5) elected board members with four (4) year terms. Voters in portions of the City of Hemet vote for Directors in each of the VWRPD Director Divisions.

## **Library**

The Hemet Public Library provides the community with materials and services necessary for self-education, literacy and reading programs, a 24/7 library kiosk, internet and wireless access, and a relationship with Hemet Unified School District to maximize sharing of available materials for the community.

## **Museum**

The Hemet Museum provides the City with historical context and resources covering the San Jacinto Valley area and its rich history. The Hemet Heritage Foundation runs and operates the Museum. There is also the Western Science Center which is a museum focused on the region's natural science and geological history. The Center is managed by the Western Center Community Foundation.

## **Landscape Maintenance**

Landscape maintenance services are provided through third party contracts with the City's Public Works Department and are funded by Hemet's pre-Prop 218 Lighting and Landscape Maintenance District and its post-Prop 218 Landscape Maintenance District. The Districts are responsible for providing funding for the maintaining of streetscapes including landscape maintenance, tree trimming, replacement tree planting, removal of dead trees, and weed abatement.

## **Streets/Road Maintenance**

Street and road maintenance is provided by the Public Works Department through their Streets Division. The Division is responsible for the daily maintenance and repair of the City's streets including paint striping, asphalt repair, spot removal and pothole repairs, and crack sealing. The Division is also responsible for maintenance to City's sidewalks, gutters, and shoulder grading.

## **Streetlights**

Streetlight related maintenance is provided through third party contracts with the City's Public Works Department and are funded by Hemet's pre-Prop 218 Lighting and Landscape Maintenance District and its post-Prop 218 Landscape Maintenance District.

## **Utilities (Gas, Electric)**

The City has a franchise agreement with Southern California Gas Company for natural gas services. Hemet also joined the regional Community Choice Aggregate called Western Community Energy ("WCE") for electricity generation. WCE began operations in May of 2020 and serves 6 cities in Riverside County. For residents who opt out of the WCE, Southern California Edison provides electricity services.

## **Solid Waste**

The City has a franchise agreement with CR&R Inc. to provide various trash, solid waste, and recycling services to the City. In business since 1963, CR&R's mission has been to provide customers with consistent, safe, worry-free, and sustainable waste and recycling services. CR&R provides these services to ten cities in Riverside County. They also provide trash services in Orange, Los Angeles, Imperial, San Bernardino, and San Diego counties, as well as various places in Arizona and Colorado.

## **Storm Drainage**

Storm drainage services are provided by the Public Works Department through their Storm Drains Division. The Division is responsible for repairs, maintenance, and cleaning of approximately 50 miles of storm drains and 30 retention basins. It also oversees the City's National Pollutant Discharge Elimination System ("NPDES") permit. According to City staff, the division is collaborating with the City of San Jacinto, and Riverside County on a multi-agency storm drain project.

The 2006 MSR identified the following determination:

- Hemet had storm water drainage deficiencies and, at the time, the City was planning infrastructure projects to enhance or expand existing storm drainage systems.

According to City staff, the City Council recently approved a multi-year Capital Improvement Program, which included \$73.5 million in infrastructure improvements, but does not include storm drain system improvements. The region is relatively flat, which does not aid in solving drainage issues. The City partners with Riverside County to identify solutions to the regional drainage issues and the County is undertaking various program investments related to storm water drainage.

## **Innovation and Technology**

The City's Information Technology Division is responsible for the installation and maintenance of computers, phones, network systems and software, implementation of citywide enterprise application systems, and IT support.

## **Airport**

The City does not run any airport facilities. The Hemet-Ryan Airport is located within the City and is run by the County of Riverside.

## **Extraterritorial Services Provided**

The City does not provide any services to areas outside of the City of Hemet. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City prepared a Five-Year Capital Improvement Plan that covers the period between fiscal years 2017-18 and 2022-23. The Capital Improvement Plan was not updated based on funding over the five-year period. The City's Engineering and Public Works departments worked together to prepare a one-year Updated Capital Improvement Plan to cover the 2021-22 fiscal year. At the time this report was prepared, the Updated Capital Improvement Plan had not been adopted by City Council. Hemet's capital improvement projects include street and road maintenance, bridge enhancements, LED streetlight conversion, sewer rehabilitation, storm drain replacement, water system enhancements, and civic center improvements.<sup>66</sup> City staff noted that an updated Capital Improvement Plan covering fiscal years 2021-22 and 2022-23 was adopted in August 2021.

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<sup>66</sup> City of Hemet, Capital Improvement Plan



## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD in January, 2014, and HCD designated it in compliance with Housing Element Law.<sup>67</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports every year between 2013 and 2019. The City's 5<sup>th</sup> Cycle housing needs and production are presented in Figure 41.<sup>68</sup>

Figure 41: 5th Cycle Housing Element Summary - Hemet

Hemet 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	134	96	112	262
Permitted Units	0	50	348	73
Allocation Surplus/(Shortage)	(134)	(46)	236	(189)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

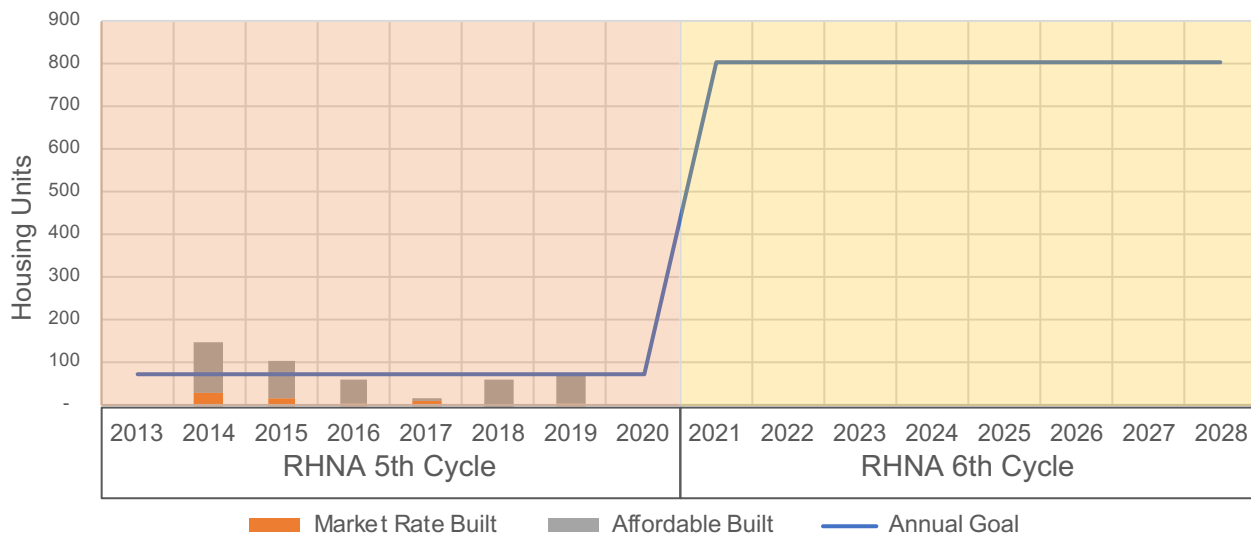
The City permitted a combined 471 housing units during the 5<sup>th</sup> Cycle and fell short of meeting its RHNA allocation in the very low-, low-, and above-moderate income categories. The City had surplus progress in moderate-income housing production, producing 236 surplus units above the RHNA requirement of 112 units. With the 5<sup>th</sup> Cycle concluding soon, the City is not expected to produce enough units in the very low-, low-, and above moderate-income categories to meet its RHNA allocation.

The 6<sup>th</sup> Cycle RHNA allocation increases to 6,450 total housing units, which is more than ten (10) times larger than the 5<sup>th</sup> Cycle RHNA allocation. During the 6<sup>th</sup> Cycle, the City's RHNA allocation annual goal, one-eighth of its 6<sup>th</sup> Cycle total, is 806 units, which is more than the total 8-year RHNA allocation for the City during the 5<sup>th</sup> Cycle. The City's 5<sup>th</sup> and 6<sup>th</sup> cycle RHNA allocations, and the 5<sup>th</sup> Cycle historical unit production is presented in Figure 42.

<sup>67</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>68</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 42: 5th and 6th Cycle RHNA Allocation and Production - Hemet



Hemet is one of 289 California jurisdictions that have either not made sufficient progress toward RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>69</sup>

## FISCAL HEALTH

The City of Hemet's fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor assessment is presented in the sections that follow. The City's net position is presented in Figure 43, illustrated as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded surpluses in each year between 2016-17 and 2018-19.

<sup>69</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

Figure 43: Net Position - Hemet

Hemet	2016-17	2017-18	2018-19
Total General Tax Revenues	\$32,499,198	\$42,825,223	\$45,283,909
Other Tax Revenues	1,636,832	1,762,566	1,927,145
Other Revenues	19,335,588	21,410,441	24,364,293
<b>Total Revenues</b>	<b>53,471,618</b>	<b>65,998,230</b>	<b>71,575,347</b>
Total Operating Expenditures	51,659,243	58,931,261	56,931,638
Debt Service	-	-	-
Capital Outlay	1,534,914	2,606,196	4,002,436
<b>Total Expenditures</b>	<b>53,194,157</b>	<b>61,537,457</b>	<b>60,934,074</b>
<b>Net Position</b>	<b>\$277,461</b>	<b>\$4,460,773</b>	<b>\$10,641,273</b>

Source: California State Controller's Office

## Operating Revenues

Figure 44 presents City revenues, inclusive of tax revenues and non-tax revenues for fiscal years 2016-17 through 2018-19. In 2018-19, the City had total revenues of almost \$71.6 million.

Figure 44: Operating Revenue History - Hemet

Hemet	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$6,135,513	\$6,804,433	\$7,391,637
Sales Tax	13,554,755	22,795,312	24,284,052
Transient Occupancy Tax	963,033	1,025,994	974,570
Property Tax in-lieu of VLF	6,191,315	6,495,541	6,893,937
Franchise Tax	4,963,582	5,048,432	5,116,875
Business License Tax	402,915	397,093	356,486
Property Transfer Tax	288,085	258,418	266,352
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>32,499,198</b>	<b>42,825,223</b>	<b>45,283,909</b>
Transportation Tax	1,636,832	1,762,566	1,927,145
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	-	-
<b>Total Tax Revenues</b>	<b>34,136,030</b>	<b>44,587,789</b>	<b>47,211,054</b>
Charges for Services	5,734,932	6,047,390	6,734,390
Special Benefit Assessments	4,385,445	4,425,374	4,564,467
Use of Money	1,664,295	1,903,455	3,970,127
Fines and Forfeitures	252,166	307,401	293,707
Licenses and Permits	884,183	892,568	954,690
Intergovernmental	4,672,216	5,402,113	6,200,191
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	1,742,351	2,432,140	1,646,721
<b>Total Revenues</b>	<b>\$53,471,618</b>	<b>\$65,998,230</b>	<b>\$71,575,347</b>

Source: California State Controller's Office

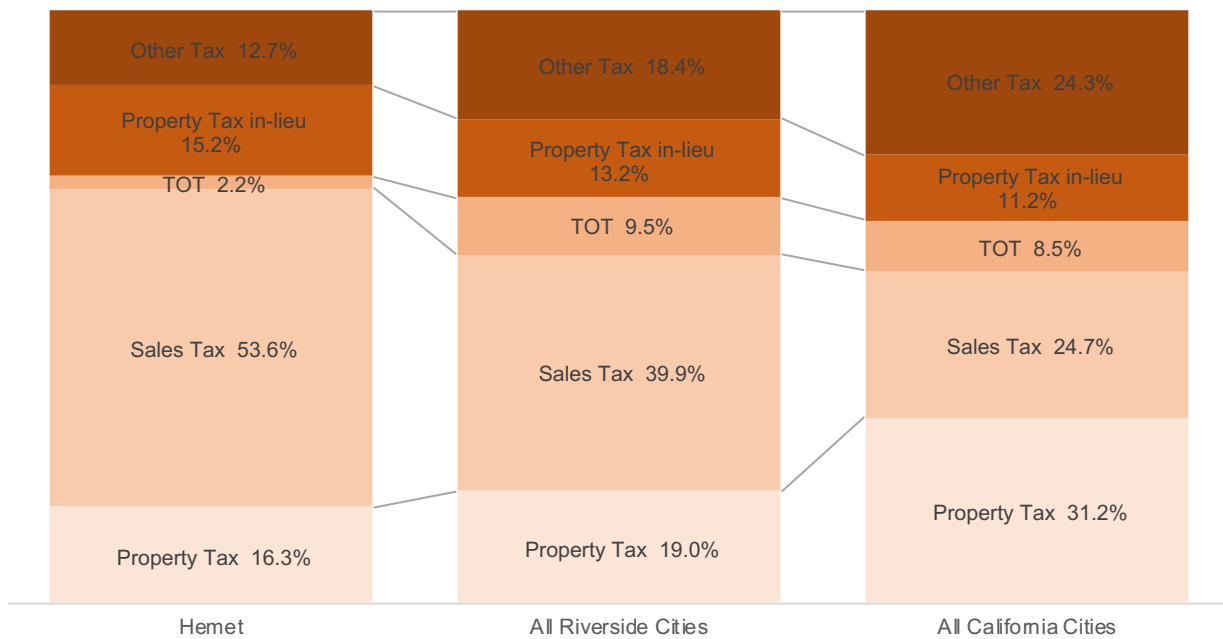
The City has a diverse general tax revenue base, reaching almost \$45.3 million in 2018-19, which accounted for about 63.3 percent of total revenues. The City's four (4) largest general tax revenues represented about 96.5 percent of general tax revenues, including sales tax (53.6 percent of general tax revenues), property tax (16.3 percent), property tax in-lieu of VLF (15.2 percent), and franchise taxes (11.3 percent). The City's two (2) largest non-tax revenue sources added up to about 30 percent of total revenues and included charges for services (\$6.7 million in 2018-19), and intergovernmental revenues (\$6.2 million).

The City's diversity of revenue sources are skewed towards sales tax revenue, which alone accounted for 53.6 percent of general tax revenues. When compared to all Riverside County

(39.9 percent) and California (24.7 percent) cities, the City's sales tax revenues are disproportionately higher. As a result, the City's other tax revenue sources represent smaller portions of the City's general tax base.

The City of Hemet's general tax revenues, compared to all Riverside County and California cities, is presented in Figure 45.

Figure 45: General Tax Revenue Comparison - Hemet



## Sales Tax, Measure U

Sales tax is the City's single largest general tax revenue, accounting for 53.6 percent of general tax revenues, or almost \$24.3 million in 2018-19. Sales tax is derived from one percent of gross receipts from the sale of tangible personal property sold within Hemet.

The City's sales tax revenues increased from \$13.6 million in 2016-17 to almost \$22.8 million in 2017-18. The increase in sales tax revenues between fiscal years 2016-17 and 2017-18 is attributed to more than 61 percent of the City's voters passing Measure U, which added an additional one percent tax to the sale of tangible personal property sold within the City's

boundaries.<sup>70</sup> According to City staff, the City Council has elected to reserve these funds for fire and police services.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's second- and third-largest revenue sources are property tax and property tax in-lieu of VLF, accounting for a combined 31.5 percent of general tax revenues, or \$14.3 million in 2018-19. Property tax is assessed on Hemet's land, improvements, and personal property, which combined for a total assessed valuation of over \$5.8 billion in 2018-19. The City's land assessed value amounted to slightly more than \$1.6 billion and improvement value added up to \$4.3 billion (2018-19).<sup>71</sup> The City's \$7.4 million in property tax revenue represents about 12.7 percent of property tax revenues collected in Hemet, which an above-average rate for cities in Riverside County.

Property tax in-lieu of VLF accounted for \$6.9 million in 2018-19. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increases based on assessed valuation growth in the jurisdiction.

The City of Hemet and the County of Riverside approved a Master Property Tax Exchange Agreement in 1981.<sup>72</sup>

### **Franchise Tax**

The City's fourth-largest general tax revenue is derived from franchise tax fees. Franchise tax fees are derived from franchise agreements with Integrated Waste Management, Time Warner Cable, Southern California Edison, Verizon Wireless, and Southern California Gas Company. The franchise agreement with Integrated Waste Management alone accounted for almost \$3.8 million

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<sup>70</sup> City of Hemet, Measure U <https://www.hemetca.gov/955/Measure-U>

<sup>71</sup> California City Finance, "Assessed Valuation of Property by City"

<sup>72</sup> Source: Riverside LAFCO

in the City's 2020-21 annual budget. The next largest franchise tax fee is assessed on time warner, which the City budgeted at \$650,000 for 2020-21.

### **Charges for Services**

Charges for services amounted to over \$6.7 million in 2018-19, representing about 9.4 percent of the City's total revenues. In 2018-19, the City's charges for services included zoning and subdivision fees, special police department services, special fire department services, plan check fees, engineering fees, weed and lot clearing charges, sewer service charges, sewer connection fees, first aid and ambulance charges, library fines and fees, and quasi-external transactions. The largest charge for services is sewer service fees, which amounted to almost \$4.0 million in 2018-19. Plan check fees (\$385,000), zoning and subdivision fees (\$335,000), engineering fees (\$284,000), special police department services (\$228,000), and special fire departments services (\$165,000) were other charges for services that had lesser fiscal impacts on the City.

### **Intergovernmental Revenues**

Intergovernmental revenues are derived from County, State and Federal sources, and represented about \$6.2 million in revenues for the City in 2018-19. Key intergovernmental revenues for the City included gasoline tax (\$3.2 million), community development block grants (\$779,000), Proposition 172 public safety funds (\$702,000), other Federal grants (\$669,000), and other County grants (\$664,000) in 2018-19.

### **Operating Expenditures**

The City's operating expenditures ranged from \$53.2 to 61.5 million between 2016-17 and 2018-19. The City's annual operating expenditures are categorized by function and presented in Figure 46



Figure 46: Operating Expenditures - Hemet

Hemet	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$20,358,430	\$22,646,321	\$22,921,746
Employee Benefits	15,700,275	18,619,214	16,126,798
Materials and Supplies	13,645,806	15,682,754	12,393,247
Contract Services	1,954,732	1,982,972	5,489,847
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>51,659,243</b>	<b>58,931,261</b>	<b>56,931,638</b>
Debt Service	-	-	-
Capital Outlay	1,534,914	2,606,196	4,002,436
<b>Total Expenditures</b>	<b>\$53,194,157</b>	<b>\$61,537,457</b>	<b>\$60,934,074</b>

Source: California State Controller's Office

As illustrated in Figure 46, the City's operating expenditure categories in 2018-19 were salaries and wages (\$22.9 million), employee benefits (\$16.1 million), and materials and supplies (\$12.4 million). With the City providing law enforcement and fire protection services in Hemet, the City has minimal contract services expenditures and substantial salaries and employee benefit costs. The City's salaries and wages represent 34.6 percent of total expenditures, which is above average compared to Riverside County (22.1 percent) and California (34.0 percent) cities. Furthermore, employee benefits represent 26.5 percent of total expenditures, compared to all Riverside County (13.2 percent) and California (18.8 percent) cities. The City has managed to keep debt service and capital outlay expenditures low.

The City reported 279 full time equivalent personnel in 2020-21, which was a decline from more than 340 full time equivalent personnel in 2019-20.

About 64.2 percent, or more than \$39.1 million, of the City's current expenditures were allocated to public safety programs in 2018-19. No other department exceeded \$5 million in current expenditures. The City's largest public safety expenditures included fire services (\$12.7 million) and law enforcement (\$20.5 million). The City also had \$2.5 million in current expenditures associated with street lighting for public safety. The City's current expenditures according to function are presented in Figure 47.

Figure 47: Current Expenditures - Hemet

Hemet	2016-17	2017-18	2018-19
General Government	\$2,909,683	\$3,045,723	\$4,992,775
Public Safety	34,427,298	40,566,912	39,141,626
Transportation	4,380,992	5,503,504	3,495,861
Community Development	4,694,344	4,662,527	4,542,015
Health	2,285,154	2,247,339	2,128,187
Culture and Leisure	2,961,772	2,905,256	2,631,174
Public Utilities	-	-	-
Debt Service	-	-	-
Capital Outlay	1,534,914	2,606,196	4,002,436
<b>Total Current Expenditures</b>	<b>\$53,194,157</b>	<b>\$61,537,457</b>	<b>\$60,934,074</b>

Source: California State Controller's Office

Public safety costs increased by about 13.7 percent from 2016-17 to 2018-19. Public safety represented 68.8 percent of all current expenditures net of capital outlay. When compared to public safety costs for other Riverside County (52.2 percent) and California (47.3 percent) cities, Hemet's 68.8 percent is disproportionately higher.

### Reserve Fund Balance

The City seeks to maintain a reserve fund of more than 20 percent of current year General Fund operating expenditures. In 2020-21, the City's reserve fund held \$8.4 million and was in compliance with the City's reserve policy.<sup>73</sup>

### Pension and OPEB Obligations

The City's pension and OPEB obligations are outlined in Figure 48.

Figure 48: Pension and OPEB Obligations - Hemet

Hemet	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$97,003,344	\$95,714,718	\$101,654,350
Total OPEB Liability/(Surplus)	47,207,899	49,021,134	48,021,462
<b>Total Benefit Liability/(Surplus)</b>	<b>\$144,211,243</b>	<b>\$144,735,852</b>	<b>\$149,675,812</b>

Source: 2017-18, 2018-19 and 2019-20 ACFR

<sup>73</sup> Source: City of Hemet

Qualifying employees of the City of Hemet are eligible to participate in the City’s Miscellaneous or Safety pension plans. Additionally, the City’s OPEB policy provides employees with retiree healthcare via a single employer defined benefit plan that includes medical insurance benefits to eligible retirees and their spouses. The City’s OPEB policy also provides dental and vision benefits to City retirees.

The City’s total benefit liability grew to \$149.7 million in 2019-20, which is among the highest pension and OPEB liabilities in the County of Riverside. According to City staff, the City is actively examining alternative options for pension and OPEB coverage that is more cost effective for the City and its retirees. Rising pension costs were identified by City staff as a significant financial constraint.

The City’s pension indicators are presented in Figure 49, including the City’s employer contribution compared to the actuarially determined contribution, the City’s total covered payroll, and the contribution rate as a percent of covered payroll. These indicators give insight into the health of the City’s pension plan.

Figure 49: Pension Indicators - Hemet

Hemet	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$8,631,470	\$10,394,562	\$10,736,542
Employer Contribution	8,631,470	10,394,562	10,736,318
Covered Payroll	\$20,264,739	\$21,679,520	\$22,275,707
Employer Contribution Rate	42.6%	47.9%	48.2%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City has historically made employer contributions equivalent to the actuarially determined contribution. The employer contribution rate increased to 48.2 percent in 2019-20 as a result of an increase in the actuarially determined contribution. The average employer contribution rates in Riverside County, based on RSG’s analysis, ranged from 26 to 32 percent between 2017-18 and 2019-20, meaning that the City of Hemet’s employer contribution is growing to higher levels and is among the highest required contribution rates in the County.

## Annual Audit Findings

The City's Annual Audits from 2017-18 through 2019-20 did not present any findings. The City's Annual Audits for 2017-18 and 2018-19 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

## California State Auditor Fiscal Health Evaluation

The City of Hemet ranked 143 out of 471 California cities, and is considered a moderate risk overall, with higher risk than 70 percent of California's cities. The five (5) indicators that were given high risk ratings include pension obligations, pension funding, pension costs, future pension costs, and OPEB funding. Revenue trends and OPEB obligations were rated moderate risk, and the City's liquidity, debt burden, and general fund reserves are rated low risk.<sup>74</sup>

For reference, the 2006 MSR identified the following findings:

- In 2006, the City of Hemet had expenditures that exceeded revenues which caused financing constraints and may have affected services, facilities and maintenance.
- The City of Hemet had adopted reserve policies and an expenditure control policy that would reduce the rate of growth in appropriations to the General Fund.

According to City staff, the City of Hemet was severely impacted by the Great Recession, experiencing impacts to City staffing levels between 2006 and 2012. Since 2012, the City has franchised waste collection services (2011-12), implemented a 20 percent reserve requirement (2013-14), the City's voters approved a one percent transaction tax (2016), and the City Council approved balanced budgets each year since 2018-19. More recently, the City's audits have identified budget surpluses in 2018-19 and 2019-20. Additionally, fiscal year 2020-21 is expected to be the third straight year with a budget surplus. The City has met the 20 percent reserve requirement every year since it was implemented in 2013-14. As the City's fiscal health has

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<sup>74</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

improved, the City Council has approved incremental improvements to municipal services and public safety staffing levels. City staff added that the California State Auditor removed the City of Hemet from the high risk designation in 2021.

## **MSR DETERMINATIONS**

Requisite CKH determinations for Hemet are presented by topic below:

### **1. Population, Growth, and Housing**

Hemet's population grew modestly between 2010 and 2020, adding about 0.79 percent annually. Hemet is expected to grow at a much higher pace over the next 15 to 25 years (1.69 percent to 2.53 percent annually), with both rates eclipsing County-wide population projection growth rates. The City permitted 471 housing units during the 5<sup>th</sup> Cycle, primarily making significant progress towards its above-moderate income production needs and exceeding its moderate-income housing allocation. The City had unit shortfalls in very low and low-income housing production. The City's 6<sup>th</sup> Cycle RHNA allocation is a significant increase over the 5<sup>th</sup> Cycle, with combined allocation jumping more than ten (10) times to 6,450 units.

### **2. Disadvantaged Unincorporated Communities in SOI**

The City's SOI contains five (5) LAFCO-identified DUCs, all of which are located in the southeastern portion of the Hemet SOI. Two (2) additional DUCs are located immediately outside the City's corporate boundary – west along State Route 74, and south along State Street.

### **3. Present and Planned Capacity of Facilities**

The City did not identify any issues related to the capacity of facilities. According to City staff, new developments are required to provide specified improvements as Conditions of Approval, including roads and streets, curbs, gutters, sidewalks, streetlights, bicycle lanes, and public transportation facilities, thereby mitigating the fiscal impacts to extend or improve services by the City.

#### **4. Financial Ability to Provide Services**

The City is weighted down with significant pension and OPEB liabilities, which will have to be reconciled if the City is to continue providing services at its current levels. The approval of Measure U by the voters of Hemet provided some financial flexibility for the City. Other than pension and OPEB liabilities, the City has managed to meet its emergency reserve policies and is not saddled with other debt.

#### **5. Opportunities for Shared Facilities**

City staff did not identify any opportunities for shared facilities.

#### **6. Accountability for Community Service Needs**

The voters of Hemet elect City Councilmembers according to a district map, which increases representation among the varying areas of the community. The City shares information and communicates with the public through at least four (4) different social networks and broadcasts council meetings on the internet using video technology.

Many of the public documents that were formerly only available at City Hall were digitized and added to the City website during the COVID-19 pandemic. Annual audits are available online in portable document format (“PDF”), but saved as a Scanned Image PDF file and therefore not easily searchable. Saving Annual Audits as Accessible PDF (or with Optical Character Recognition, or “OCR”) would make the Annual Audits easily searchable and increase the City’s financial transparency.

#### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is not recommending any changes to the Hemet SOI. RSG's recommendations related to the Hemet SOI are presented by topic below.

### **1. Present and Planned Land Uses**

Significant portions of the City's SOI are already developed and, because it is somewhat secluded in relation to other incorporated cities (besides San Jacinto to the north), the City of Hemet is likely already providing some services and benefiting from sales tax and other fees paid by residents of the SOI. Large areas of the City's SOI are being utilized for agricultural purposes.

### **2. Present and Probable Need for Public Facility and Services**

With Hemet's future projected population growth, the need for public facilities and services will grow dramatically over the next 15 to 25 years. However, the City's fiscal position, primarily a result of a growing pension and OPEB liability, may not be suited to handle the projected growth. Some of the projected population growth may occur as the City annexes portions of its SOI, as more than 35,000 people reside in the SOI.

### **3. Present Capacity of Public Facilities**

The City of Hemet does not provide services in the SOI and staff did not share any information on the capacity of facilities there.

### **4. Social or Economic Communities of Interest**

The Winchester/Homeland and Nuview/Romoland Municipal Advisory Council areas are located to the west of the City's corporate boundary.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The City of Hemet does not provide services in the SOI and staff did not share any information on the capacity of facilities there.



## CITY OF JURUPA VALLEY

The City of Jurupa Valley is Riverside County’s youngest, having formed as a general law city in 2011.<sup>75</sup> It is located in the Western Region of the County, bordering the County of San Bernardino on the north, the incorporated City of Riverside on the east and south, the City of Norco on the southwest and the City of Eastvale to the west. The City’s incorporated boundary spans an area of 43.5 square miles.<sup>76</sup> Jurupa Valley does not have a SOI beyond City boundaries.

The City’s current and projected demographic profile is presented in Figure 50.

Figure 50: Demographic Profile - Jurupa Valley

Jurupa Valley	City	County
Population as of 2020	107,083	2,442,304
Population as of 2010	95,004	2,189,641
Annual Pop. Growth Since 2010	1.20%	1.10%
Housing Units	28,735	867,637
Persons / Housing Unit	3.73	2.81
Land Area (sq mi)	43.5	7,206.0
Persons / Square Mile	2,462	339
Median Household Income	\$67,878	\$67,369
Projected Population in 2035	111,485	2,995,509
Annual Proj. Growth 2020-2035	0.27%	1.37%
Projected Population in 2045	117,799	3,251,705
Annual Proj. Growth 2020-2045	0.64%	1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

The City of Jurupa Valley grew at a rate of 1.20 percent annually between 2010 and 2020, which is roughly aligned with the population growth County-wide (1.10 percent). The City’s housing

<sup>75</sup> Source: City of Jurupa Valley

<sup>76</sup> Source: Riverside LAFCO

density (3.73 persons per housing unit) and population density (2,462 persons per square mile) are both above average for the County of Riverside. The City's median household income is almost identical to the County-wide median. SCAG's population projections predict slower population growth over the next 15 and 25 years.

Jurupa Valley has a heavy concentration of industrial development, with almost 31.5 million square feet of industrial space, or 92.2 percent of the City's commercial square footage. Similarly, the City also has disproportionately more single-family and mobile home housing units, when compared to the County as a whole. The City's development over the last decade included about 2.9 million square feet of commercial space and 2,091 housing units.<sup>77</sup>

The City of Jurupa Valley land use summary is presented in Figure 51.

Figure 51: Land Use Summary - Jurupa Valley

Jurupa Valley		County	
Residential Units	Units	%	%
Single Family	22,464	78.2%	54.8%
Multifamily	4,302	15.0%	43.6%
Mobile Home	1,969	6.9%	1.6%
Total Units	28,735	100.0%	100.0%
New Units Since 2011	2,091		
Commercial	Gross SF		
Retail	2,167,150	6.4%	26.6%
Industrial	31,455,712	92.2%	61.8%
Office	312,463	0.9%	9.6%
Other	166,780	0.5%	2.0%
Total	34,102,105	100.0%	100.0%
New Commercial Since 2010	2,946,691		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

<sup>77</sup> Sources: Costar and California Department of Finance

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

Jurupa Valley does not currently have a SOI beyond its current incorporated boundary. The City and SOI boundary are illustrated in Exhibit 9. On the City's south and east border are five (5) LAFCO-identified pockets or islands, including P17, P18, P19, P20, and P21. According to City staff, these pockets are within the Santa Ana Riverbed, which runs east-west along the City's southern border, generally separating Jurupa Valley from the City of Riverside. These unincorporated pockets present service challenges to the City, as it is not uncommon for illegal off-road vehicles, homelessness, illegal dumping, public intoxication, physical altercations, and other nefarious activities to occur in these areas.

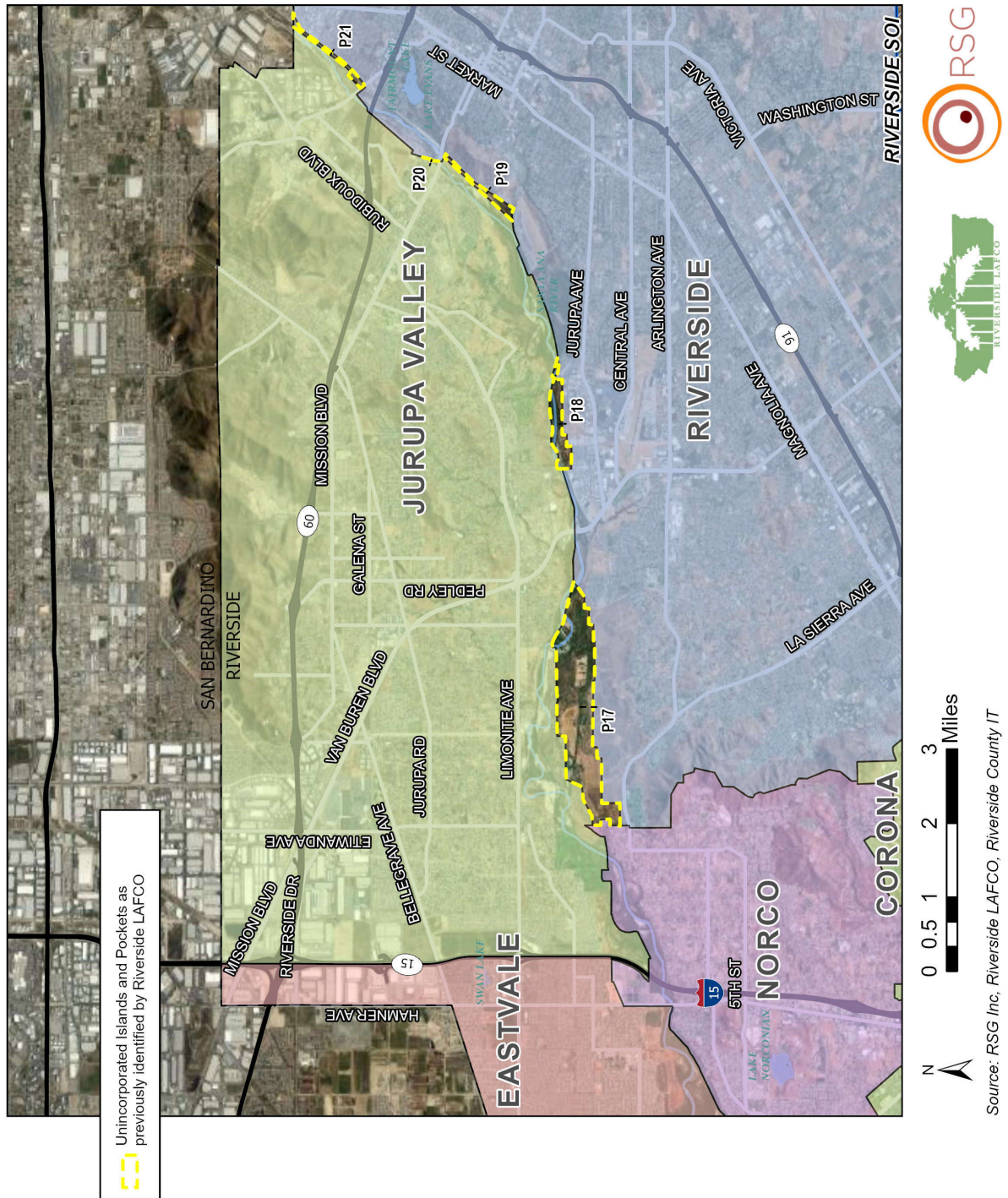
Jurupa Valley's municipal boundary was established upon incorporation in 2011 and last studied under LAFCO's 2014 City of Jurupa Valley MSR ("2014 MSR"). The 2014 MSR made the following determination about the Santa Ana Riverbed area:

- At the time, the City of Riverside had expressed interest in annexing the unincorporated Santa Ana Riverbed territory, because it was performing trail maintenance in some of those areas. These areas should be studied more closely, and vehicle accessibility should be considered for maintenance or law enforcement access before these areas are allocated to either Jurupa Valley or Riverside.

Based on conversations with staff from the City of Jurupa Valley, and City of Riverside, RSG recommends expanding the Riverside SOI to include the unincorporated pockets (P17, P18, P19, P20, and P21) in the Riverside SOI. Jurupa Valley City staff indicated that the expansion of the Riverside SOI is a logical step towards addressing maintenance and law enforcement issues in the unincorporated portions of the Santa Ana Riverbed.

Exhibit 9: Current City and SOI Boundaries - Jurupa Valley

## City of Jurupa Valley



## FORM OF GOVERNMENT AND STAFFING

The City of Jurupa Valley operates under a Council – Manager form of government, where the elected City Council appoints the City Manager. The Council is elected from five (5) districts and serve staggered four (4) year terms. The City's Mayor is appointed by the City Council and serves a one year term.<sup>78</sup> The City Manager serves as the head of the administrative branch of the City government, overseeing 20.4 full time equivalent personnel<sup>79</sup> and annual operating expenditures of \$47.0 million (2018-19)<sup>80</sup>. The Community Development Advisory Committee, Planning Commission, and Traffic Safety Committee carry out assignments at the direction of the City Council.

## SERVICES PROVIDED

City of Jurupa Valley staff provide the community with building and planning, housing, code enforcement, streets and road maintenance, and innovation and technology services. The following sections describes municipal services provided within Jurupa Valley. Figure 52 presents a matrix summarizing the services provided by the City and other service providers:

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<sup>78</sup> Source: City of Jurupa Valley

<sup>79</sup> Source: City of Jurupa Valley 2019-20 Comprehensive Annual Financial Report

<sup>80</sup> Source: California State Controller's Office, "Cities Financial Data"



Figure 52: Service Provider Matrix - Jurupa Valley

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire, Rubidoux CSD										
Emergency Medical	Fire/CalFire										
Building/Planning	Planning and Building & Safety, Civic Solutions, HR Green										
Housing	Planning, GRC Associates										
Code Enforcement	Development Services, VPS										
Animal Control	Animal Services										
Parks and Recreation	Jurupa Area RPD										
Library	Library System										
Museum	N/A										
Landscape Maintenance	Jurupa CSD, LLMD & CFD										
Streets/Road Maintenance	Public Works , CSA, HR Green										
Streetlights	Jurupa CSD, LLMD & CFD										
Lighting	Jurupa CSD, LLMD & CFD										
Utilities	Edison, So Cal Gas										
Solid Waste	Rubidoux CSD, Burrtec, Waste Management										
Stormwater Drainage	Flood Control & Water Conservation, HR Green										
Innovation and Technology	AT&T and Charter										
Airport	N/A										
Cemetery *	N/A										
Healthcare *	N/A										
Water *	Rubidoux CSD, Santa Ana River Water Company, Jurupa CSD										
Wastewater *	Rubidoux CSD, Jurupa CSD										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council and appointed staff, including the City Manager and City Clerk. The City Manager serves as the administrative head of the City, and is responsible for implementation of Council policies, ensuring all laws and ordinances of the City are enforced, appointment and removal of all City employees, and ensuring the City provides quality government services. The City Clerk administers elections, controls access to City records, prepares Council agendas, and verifies legal actions have been posted according to statute. The Clerk also oversees the protection of public records, and maintains all City minutes, codes, resolutions, and ordinances.

## Law Enforcement

Law enforcement services are contracted out to the Riverside County Sheriff's Department, which provides municipal police services including investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and

administration of the volunteer program and explorer youth program. The Department also provides municipal police services to 12 other cities in Riverside County. It is the fourth largest law enforcement agency in California.

## **Fire Protection**

Fire Protection services are provided by Riverside County Fire Department/CalFire. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

The Rubidoux Community Services District also provides fire protection services to the Rubidoux area within Jurupa Valley. The district owns one fire station facility that is operated by the Riverside County Fire Department/CalFire.

Three (3) fire stations are located within Jurupa Valley. Station 16 is located at 9270 Limonite Avenue, Station 17 at 10500 San Sevaine Way, and Station 18 is at 7545 Mission Boulevard.

## **Emergency Medical**

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more on the Department.

## **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the Development Services Department's Building and Safety Division and Planning Division. The Building and Safety Division performs plan checks and inspections. The Planning Division processes development applications, checks building permit plans, and advises the planning commission.

### **Code Enforcement**

Code enforcement services are provided by the Development Services Department's Code Enforcement Division. The Division helps maintain and improve the quality of life in Jurupa Valley by administering an enforcement program to correct municipal code and land use violations. They are also responsible for record-keeping of all community complaints and inspections when necessary.

### **Animal Control**

Animal control services are provided by the Riverside County Department of Animal Services. The Department provides pick-up of stray or confined animals, dead animal removal, humane, dangerous, nuisance, or permit investigations, leash law enforcement, wild animal trapping and removal, patrol of parks and other areas of concern, and other animal related services.

### **Parks and Recreation**

Parks and recreation services in Jurupa Valley are provided by Jurupa Area Recreation and Park District ("JARPD"). In 1984, the JARPD formed and has grown to serve 37 different park, recreation, and open space facilities in the Jurupa area, totaling nearly 500 acres. JARPD opened the first phase of the Skyview Event Center in the western portion of Jurupa Valley in 2021. This state-of-the-art facility serves as a focal point of the community and has hosted many recreation classes and activities, as well as numerous City of Jurupa Valley meetings and events. In July 2020, the City and JARPD entered into an operational agreement for the Eddie Dee Smith Senior Center, where JARPD operates the facility on behalf of the City. Additionally, as of July 2021, JARPD entered into an operational agreement with Riverside County for the Rancho Jurupa



Regional Sports Park. This agreement kept the facility open to the public and filled a void in the community of Rubidoux.

The City and JARPD continue to work closely on development projects to ensure the needs of the residents are being met. Since 2014, JARPD has opened 17 new park facilities within the City. Currently JARPD has an additional ten (10) parks in various stages of construction, design, or planning within Jurupa Valley.

### **Library**

Library services are provided by the Riverside County Library System, which provides reading materials, literacy programs, computers, and broadband access to residents. There are two (2) libraries in the City: Glen Avon Library at 9244 Galena Street, and Lois Rubidoux Library at 5840 Mission Boulevard.

### **Museum**

Museum services are provided by the Jurupa Mountains Discovery Center. The Center is an independent museum that provides exhibits of the history of the Jurupa Valley area, exhibits featuring dinosaur bones, and a plant nursery. The Center is located at 7621 Granite Hill Drive.

### **Landscape Maintenance**

Landscape maintenance services are provided by the Development Services Department's Public Works and Engineering Division. The Division oversees the administration of the City's multiple Landscape and Lighting Maintenance Districts which fund various landscape maintenance activities in the City.

### **Streets/Road Maintenance**

Streets and roads maintenance is provided by the Public Works and Engineering Division of the Development Services Department. The Division provides maintenance of City streets, roads, sidewalks, and traffic systems. The City also contracts with HR Green to provide various

engineering services for traffic management and streets. HR Green is one of the nation's longest operating private engineering firms. The firm has multiple locations nationwide but is locally based out of Corona.

### **Streetlights**

Streetlight related services are provided by the Public Works and Engineering Division of the Development Services Department. For more information on the division please refer to the previous section.

### **Utilities (Gas, Electric)**

Utility services are provided by the Southern California Gas Company and Southern California Edison. SoCal Gas provides natural gas energy services to residents for various activities most notable among them being heating. SoCal Edison provides all other general electricity services for the powering of the City's electric grid.

### **Solid Waste**

The City has a franchise agreement in place with Waste Management and Burrtec for solid waste collection services. Waste Management is a private solid waste disposal company that provides solid waste disposal and recycling services to residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers. Burrtec is also a private solid waste disposal company that provides similar services to Waste Management. Burrtec along with its sister company EDCO, comprise the largest private solid waste company in California. The Rubidoux Community Services District provides solid waste pickup services to the Rubidoux neighborhood in Jurupa Valley through a contract with Burrtec as well. According to City staff, Waste Management will be phased out of the City by June 2022. At that time, Burrtec will take over all trash services in the City.

## **Storm Drainage**

Storm drainage services are provided by the Public Works and Engineering Division of the Development Services Department. The Division manages City drainage systems through a contract with HR Green. For more information on HR Green please refer to the Streets and Roads Maintenance section above.

## **Innovation and Technology**

Innovation and Technology services are provided to the City by a third-party contract with Brea IT Solutions, which is an entity formed by the City of Brea's IT Division to contract its services out to other cities. The Division was established in 1987 and is comprised of the following programs: administration, internal support, software development, website design and development (including intranets), external support and GIS support.

## **Airport**

There is no City or government operated airport in Jurupa Valley. There is a privately run airport called Flabob Airport, located in the Rubidoux neighborhood, available for public use and providing a variety of community education services in addition to flight training.

## **Extraterritorial Services Provided**

The City currently provides law enforcement and fire protection services to the LAFCO-identified pockets, on an as-needed mutual aid agreement basis. As previously stated, the City of Riverside had expressed interest in annexing these areas along the Santa Ana River. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City prepares a Capital Improvement Program that addresses capital improvement needs over a five-year planning period, from 2020-21 through 2024-25. The City has capital

improvement projects for street and road maintenance, freeway interchange improvements, and bridge construction. According to City staff, the only capital projects without identified funding are related to highway interchanges and bridges. The funding sources for major highway overpasses are oversubscribed and communities around the State of California are expressing similar challenges with funding highway related infrastructure.<sup>81</sup>

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 6<sup>th</sup> Cycle Housing Element to HCD in April, 2019, and HCD designated the it in compliance with Housing Element Law in June, 2019.<sup>82</sup> During the 5<sup>th</sup> Cycle, the City submitted Housing Element Progress Reports in 2018 and 2019, and failed to submit Progress Reports from 2013 through 2017.<sup>83</sup> The City's 5<sup>th</sup> Cycle housing needs and production are outlined in in Figure 53.

Figure 53: 5th Cycle Housing Element Summary - Jurupa Valley

Jurupa Valley 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	409	275	307	721
Permitted Units	0	0	0	340
Allocation Surplus/(Shortage)	(409)	(275)	(307)	(381)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City's RHNA allocation for the 5<sup>th</sup> Housing Element Cycle (2013-2020) was 1,712 housing units. During the 5<sup>th</sup> Cycle, the City produced just 340 market rate housing units and none for very low-, low-, and moderate-income households. As the City is currently 1,372 units short of meeting its RHNA allocation for the 5<sup>th</sup> Cycle, the City is not expected to fulfill its RHNA allocation.

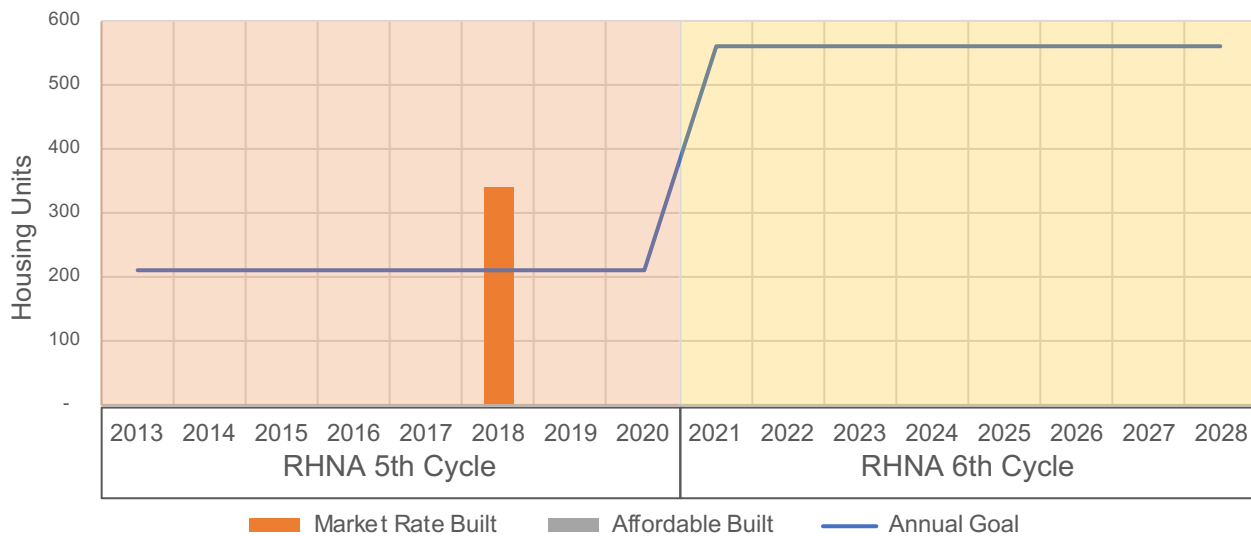
<sup>81</sup> Source: City of Jurupa Valley "Capital Improvement Program"

<sup>82</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>83</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020.

The upcoming 6<sup>th</sup> Cycle RHNA allocation increases to 4,485 total housing units, which is 2,773 units more than the City’s 5<sup>th</sup> Cycle RHNA allocation, or a 162 percent increase over the 5<sup>th</sup> Cycle allocation. The City’s 5<sup>th</sup> and 6<sup>th</sup> Cycle production goals and unit production is presented in Figure 54.

Figure 54: 5th and 6th Cycle RHNA Allocation and Production - Jurupa Valley



Jurupa Valley is one of 289 California jurisdictions that have either not made sufficient progress toward RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>84</sup>

## FISCAL HEALTH

The City of Jurupa Valley’s fiscal health evaluation, including revenue sources, expenditure categories, long-term obligations, reserves, COVID-19 pandemic response, audit findings, and California State Auditor assessment is presented in the sections that follow. Figure 55 presents the City’s net position as annual revenues less expenditures for fiscal years 2016-17 through

<sup>84</sup> Source: California Department of Housing and Community Development, “SB 35 Statewide Determination Summary”

2018-19. The City had a \$10.4 million deficit in 2016-17, which represented about 26.3 percent of revenues. In 2017-18 and 2018-19 the City had surpluses.

Figure 55: Net Position - Jurupa Valley

Jurupa Valley	2016-17	2017-18	2018-19
Total General Tax Revenues	\$21,335,134	\$26,842,002	\$31,549,757
Other Tax Revenues	3,445,981	3,833,373	1,813,010
Other Revenues	14,686,275	15,937,381	20,629,442
<b>Total Revenues</b>	<b>39,467,390</b>	<b>46,612,756</b>	<b>53,992,209</b>
Total Operating Expenditures	35,123,677	38,017,993	40,568,260
Debt Service	816,487	467,265	1,059,458
Capital Outlay	13,909,000	8,056,130	5,396,788
<b>Total Expenditures</b>	<b>49,849,164</b>	<b>46,541,388</b>	<b>47,024,506</b>
<b>Net Position</b>	<b>(\$10,381,774)</b>	<b>\$71,368</b>	<b>\$6,967,703</b>

Source: California State Controller's Office

## Operating Revenues

Figure 56 presents the City's revenues, inclusive of tax revenues and non-tax revenues, for the three (3) fiscal years 2016-17 through 2018-19. In 2018-19:

Figure 56: Operating Revenue History - Jurupa Valley

Jurupa Valley	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$6,146,272	\$5,156,546	\$5,338,322
Sales Tax	10,211,266	11,273,083	14,922,569
Transient Occupancy Tax	273,051	283,529	280,364
Property Tax in-lieu of VLF	-	6,775,334	7,293,452
Franchise Tax	4,183,539	2,790,268	3,176,299
Business License Tax	75,060	79,050	82,158
Property Transfer Tax	445,946	484,192	456,593
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>21,335,134</b>	<b>26,842,002</b>	<b>31,549,757</b>
Transportation Tax	200,000	2,517,367	-
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	3,245,981	1,316,006	1,813,010
<b>Total Tax Revenues</b>	<b>24,781,115</b>	<b>30,675,375</b>	<b>33,362,767</b>
Charges for Services	4,477,494	3,746,445	3,470,075
Special Benefit Assessments	1,520,456	1,616,831	1,830,707
Use of Money	145,779	157,447	234,776
Fines and Forfeitures	475,228	594,031	605,190
Licenses and Permits	1,623,822	1,694,599	1,509,380
Intergovernmental	2,576,266	3,476,770	7,703,668
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	3,867,230	4,651,258	5,275,646
<b>Total Revenues</b>	<b>\$39,467,390</b>	<b>\$46,612,756</b>	<b>\$53,992,209</b>

Source: California State Controller's Office

The City had total revenues of almost \$54 million in FY 2018-19. General tax revenues represent about 58.4 percent of all revenues, meaning that the City has a diverse revenue base. The City's three (3) largest general tax revenues include sales tax, property tax in-lieu of VLF and property tax revenues, which combine for 87.3 percent of all general tax revenues for the City. Sales tax represents 47.3 percent of general tax revenues, while property tax in-lieu of VLF and property tax combine for an additional 40.0 percent of general tax revenues.

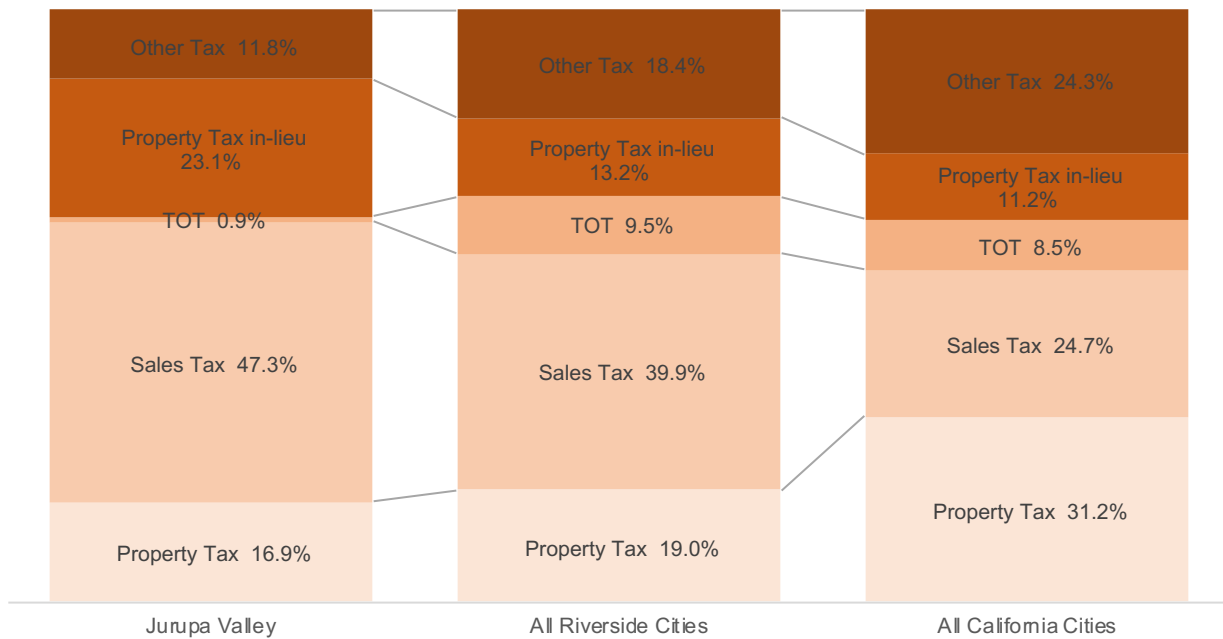
When compared to all Riverside County and California cities, the City has a greater proportion of tax revenues derived from sales tax and property tax in-lieu of VLF. The average Riverside County city counts 39.9 percent of general tax revenues as sales tax and 13.2 percent of general tax

revenues as property tax in-lieu of VLF revenues. Sales tax and property tax in-lieu of VLF revenues represent smaller proportions of State-wide city revenues, accounting for 24.7 and 11.2 percent of general tax revenues on average. Meanwhile, the City's sales tax represented 47.3 percent of general tax revenues and property tax in-lieu represented 23.1 percent of general tax revenues. The City's transient occupancy tax revenues are disproportionately lower than other jurisdictions in Riverside County and California.

The City's largest non-tax revenue sources in 2018-19 were intergovernmental revenues (\$7.7 million), miscellaneous revenues (\$5.3 million), and charges for services (\$3.5 million).

The City's general tax revenues are compared to Riverside County and California cities in Figure 57.

Figure 57: General Tax Revenue Comparison - Jurupa Valley



For reference, the 2014 MSR made the following determinations about the City's revenue trends:

- With the loss of property tax in-lieu of VLF revenues, the City relied heavily on the County's support during the early years after incorporation. At the time, the State's failure to restore these revenues were a threat to the City's ability to increase or maintain service levels.



According to City staff, the restoration of property tax in-lieu of VLF revenues for Jurupa Valley by the State of California Legislature in 2017 resulted in a significant improvement to the City's fiscal position. Since property tax in-lieu of VLF was restored, the City has experienced multi-million dollar annual operating surpluses, maintained healthy reserves, and achieved a Standard and Poor's credit rating of AA-.

## **Sales Tax**

Sales tax revenues are the single largest revenue for the City, accounting for 47.3 percent of the City's general tax revenues and amounting to over \$14.9 million in 2018-19. Sales tax is derived from one percent of gross receipts from the sale of tangible personal property sold within Jurupa Valley.

According to City staff, the City Council will consider a sales tax rate increase of one percent in the second half of 2021. The City estimates that this would generate an additional \$15 to 17 million annually. The increased sales tax revenues would largely be directed towards street and road infrastructure maintenance and improvements, and other aspects of the City's capital improvement program. The sales tax rate increase would need to be approved by the voters of Jurupa Valley as well.

## **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The second and third largest general tax revenue sources for the City are property tax in-lieu of VLF and property tax, respectively. Property tax represents 16.9 percent of the City's general tax revenues, although this figure is below average compared to all Riverside County and California cities. In contrast, property tax in-lieu represents 23.1 percent of the City's general tax revenues, a share that is above average when compared to all Riverside County and California cities.

Property tax is assessed land, improvements, and personal property, which combined for almost \$9.7 billion in 2018-19. Approximately \$3 billion in value is attributed to land, and about \$6.6 billion in improvements. The City's \$5.3 million in property tax collected in 2018-19 represents

about 5.5 percent of the base property tax collected in Jurupa Valley.<sup>85</sup> The City's property tax collection rate is much lower than other Riverside cities, which is a common characteristic among newer cities.

Property tax in-lieu of VLF accounted for almost \$7.3 million in revenues in 2018-19. The State reversed its position on property tax in-lieu of VLF and in 2017-18, new cities, such as Jurupa Valley, saw substantial increases in revenues. Prior to the decision, many of the new cities were facing uncertain fiscal futures. Now, according to City staff, the City can focus less on short term budget balancing, and more on long term planning. Property tax in-lieu of VLF increases based on assessed valuation growth.

The City of Jurupa Valley and County of Riverside do not have a Master Property Tax Exchange Agreement adopted.<sup>86</sup> City staff indicated that this matter would be discussed internally.

### **Intergovernmental Revenues**

The City's single-largest non-tax revenue source is derived from intergovernmental revenues, which includes homeowner's property tax relief, gasoline tax, other sources from the State, and community development block grants from Federal sources. The two (2) largest intergovernmental revenues in 2018-19 were gasoline tax (\$4.1 million) and community development block grants (\$508,000).

### **Miscellaneous Revenues**

The City received almost \$5.3 million in uncategorized miscellaneous revenues in 2018-19. The Miscellaneous revenues category captures development impact fees, contributions from nongovernmental sources, and other miscellaneous revenues. Development impact fees represented about \$2.4 million while contributions from nongovernmental sources accounted for

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<sup>85</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>86</sup> Source: Riverside LAFCO

\$1.4 million in revenues in 2018-19. The balance of \$1.5 million was attributed to other miscellaneous revenue sources.

### Charges for Services

The City's third largest non-tax revenue source is charges for services, which amounted to almost \$3.5 million in 2018-19. The City's charges for services revenues are made up of plan check fees (\$1.6 million), engineering and inspection fees (\$1.7 million), and other fees (\$170,000). Between 2016-17 and 2018-19, this revenue source declined from almost \$4.5 million to \$3.5 million. City staff acknowledged that they experienced substantial development over the last decade, which may be slowing down based on the reducing in plan check and engineering fee revenues.

### Operating Expenditures

The City's total operating expenditures ranged from \$47 million in 2018-19 to \$49.8 million in 2016-17. The reduction in operating expenditures during this time frame can be entirely attributed to capital outlay expenditures. The City's operating expenditures between 2016-17 and 2018-19 are outlined in Figure 58.

Figure 58: Operating Expenditures - Jurupa Valley

Jurupa Valley	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$954,558	\$1,232,419	\$1,283,538
Employee Benefits	365,149	458,936	477,414
Materials and Supplies	890,380	975,338	1,007,429
Contract Services	28,366,294	29,659,101	30,659,375
Other Operating Expenditures	4,547,296	5,692,199	7,140,504
<b>Total Operating Expenditures</b>	<b>35,123,677</b>	<b>38,017,993</b>	<b>40,568,260</b>
Debt Service	816,487	467,265	1,059,458
Capital Outlay	13,909,000	8,056,130	5,396,788
<b>Total Expenditures</b>	<b>\$49,849,164</b>	<b>\$46,541,388</b>	<b>\$47,024,506</b>

Source: California State Controller's Office

Most expenditure categories moderately increased between 2016-17 and 2018-19. Capital outlay expenditures peaked in 2016-17 at \$13.9 million and declined to \$5.4 million in 2018-19.

The most notable expenditure category is associated with contract services, which added up to \$30.7 million in 2018-19, as the City continues to rely on contract services for public safety, animal control, engineering, planning, and building and safety. Contract services represented 65.2 percent of all operating expenditures in 2018-19.

The City's current expenditures by function between 2016-17 and 2018-19 are presented in Figure 59. The City's largest current expenditures category is on public safety, which includes the \$17.5 million expenditure on law enforcement services.

Figure 59: Current Expenditures - Jurupa Valley

Jurupa Valley	2016-17	2017-18	2018-19
General Government	\$6,835,148	\$8,239,362	\$9,955,013
Public Safety	18,368,469	19,484,599	19,801,162
Transportation	3,187,345	3,426,328	3,426,017
Community Development	6,732,715	6,867,704	7,377,319
Health	-	-	8,749
Culture and Leisure	-	-	-
Public Utilities	-	-	-
Debt Service	816,487	467,265	1,059,458
Capital Outlay	13,909,000	8,056,130	5,396,788
<b>Total Current Expenditures</b>	<b>\$49,849,164</b>	<b>\$46,541,388</b>	<b>\$47,024,506</b>

Source: California State Controller's Office

If debt service and capital outlay are removed from the total expenditures, public safety represented about 48.8 percent of the City's total recurring expenditures, which is in line with the average for cities in Riverside County (52.2 percent) and California (47.3 percent).

### Reserve Fund Balance

With the addition of the property tax in-lieu of VLF revenue source in 2017-18, the City finally found stable financial ground and was able to begin building up a reserve balance. According to City staff, the unrestricted General Fund reserve balance is at \$7.9 million, or 35 percent of

annual expenditures. In April 2020, the City introduced its first reserve policy, which would require a minimum of 25 percent of general fund revenues as a reserve.<sup>87</sup>

### **Pension and OPEB Obligations**

The City does not offer a pension or OPEB plan to eligible staff, and it is not part of CalPERS. Instead, the City pays 7 percent of every employee's salary into a 401K retirement account. Staff may contribute up to 20 percent of annual salary to the 401K. While this may be beneficial to the City in the long term, the City's ability to attract and retain staff may pose a problem as individuals seek better retirement and benefit packages in other communities.

### **Annual Audit Findings**

RSG reviewed the City's recent Annual Audits for fiscal years 2017-18, 2018-19, and 2019-20, and did not identify any audit findings. The auditors stated that the financial statements presented fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **California State Auditor Fiscal Health Evaluation**

The City of Jurupa Valley ranked 289 out of 471 California jurisdictions and is considered low risk overall by the State Auditor. The City was deemed at higher risk than 182 other California cities, or about 53 percent of California's cities. No indicators were rated high risk. The City received low risk ratings on debt burden, revenue trends, pension obligations, pension funding, pension costs, future pension costs, OPEB obligations, and OPEB funding. Two (2) indicators rated moderate risk, including liquidity and general fund reserves. As the City has become more fiscally

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<sup>87</sup> City of Jurupa Valley

sound in recent years, the issues associated with the City's moderate-risk ratings on liquidity and general fund reserves may be reduced upon further review by the State Auditor.<sup>88</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Jurupa Valley are presented by topic below:

### **1. Population, Growth, and Housing**

Jurupa Valley's population grew moderately during the last decade, roughly in line with the County growth rate. The City made progress on above-moderate income housing unit production, but did not permit any very low-, low-, or moderate-income housing units. Furthermore, the City's 6<sup>th</sup> Cycle RHNA allocation increased by 162 percent over the 5<sup>th</sup> Cycle RHNA allocation.

### **2. Disadvantaged Unincorporated Communities in SOI**

Jurupa Valley does not have a SOI greater than its city limits, nor are there any adjacent DUCs.

### **3. Present and Planned Capacity of Facilities**

The City identified street and bridge infrastructure as a weak point for the City. Street improvements are expected to take place in the coming years, as the City's fiscal health improves, while bridge improvements are dependent on oversubscribed State and Federal grants.

### **4. Financial Ability to Provide Services**

With the State's reversal on the property tax in-lieu of VLF funds, the City's fiscal health is improving. The City does not offer pension or OPEB plans for qualified or eligible personnel,

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<sup>88</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

instead opting to offer a 401K plan. While this benefits the City's long term fiscal outlook, City staff turnover may increase as personnel seek opportunities with better benefit packages in other communities.

## **5. Opportunities for Shared Facilities**

The City is seeking to acquire a corporate yard and vehicle maintenance facility, which it would look to share with other districts that provide services in Jurupa Valley.

## **6. Accountability for Community Service Needs**

The current City Council has made accountability and transparency a priority by increasing social media and website engagement.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

The City's SOI is coterminous with its incorporated boundary. RSG does not recommend any changes to the Jurupa Valley SOI.

The Jurupa Valley corporate boundary and SOI are adjacent to several LAFCO-identified unincorporated pockets that are not within any city's SOI, including P17, P18, P19, P20, and P21, each representing a different noncontiguous portion of the Santa Ana Riverbed. Pockets P17, P18, P19, P20, and P21 are illustrated in Exhibit 9. Given the context of these unincorporated pockets, the challenges associated with providing services, maintaining law and order, and the past-expressed interest from the City of Riverside, RSG recommends that LAFCO designate these pockets to be added to the City of Riverside SOI for potential future annexation, as they are geographically more accessible to Riverside as further described below:

- Pocket P17: This pocket is south of the Santa Ana Riverbed, meaning it is adjacent to and most readily accessible from the City of Riverside. Unless either community is providing services to this area, such as trail maintenance, law enforcement, or fire protection, we recommend that this area be added to the City of Riverside SOI.
- Pocket P18: This pocket is south of the Santa Ana Riverbed, and appears to be adjacent to and most readily accessible from the City of Riverside. The Santa Ana River Trail traverses this pocket on the south side, adjacent to the City of Riverside, of the Santa Ana Riverbed. As such, we recommend it be added to the City of Riverside SOI.
- Pockets P19 and P20: Pockets P19 and P20 are located on the south and north side of Mission Inn Avenue, respectively. Both pockets appear to be separated from Jurupa Valley by the Santa Ana Riverbed and most readily accessible from the City of Riverside. We recommend they be added to the City of Riverside SOI.
- Pocket P21: This pocket appears to be immediately north of Market Street and south of the Santa Ana Riverbed. The City of Riverside's portion of the Santa Ana River Trail traverses this pocket, so we recommend it be added to the City of Riverside SOI.

The recommendations outlined above will be reiterated in the section of this MSR addressing the City of Riverside SOI Recommendations.

## **1. Present and Planned Land Uses**

The Jurupa Valley SOI contains proportionally higher concentrations of single-family housing and industrial land uses.

## **2. Present and Probable Need for Public Facilities and Services**

City staff identified challenges associated with obtaining funding for bridge infrastructure.



### **3. Present Capacity of Public Facilities**

City staff did not identify any deficiencies related to the present capacity of public facilities in the Jurupa Valley SOI.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest in the Jurupa Valley SOI.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Jurupa Valley SOI does not contain any DUCs.

## CITY OF LAKE ELSINORE

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The City of Lake Elsinore is one of Riverside County's oldest cities, having incorporated in 1888 as a general law city.<sup>89</sup> Lake Elsinore is located in the Western Region of the County, with its western, southwestern, and northern boundary adjacent to unincorporated County territory. The City's northeast boundary extends to the City of Perris SOI and unincorporated areas. Lake Elsinore's eastern and southeastern boundary is coterminous with the City of Canyon Lake, City of Menifee, and City of Wildomar corporate boundaries. The City's incorporated area includes 36.2 square miles, while its SOI covers an additional 29.9 square miles for a combined area of 66.1 square miles.<sup>90</sup> The City's northwest SOI area extends along Interstate 15 to share a boundary with the Corona SOI.

The City's demographic profile is presented in Figure 60.

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<sup>89</sup> Source: City of Lake Elsinore

<sup>90</sup> Source: Riverside LAFCO

Figure 60: Demographic Profile - Lake Elsinore

Lake Elsinore	City	SOI	County
Population as of 2020	63,453	21,850	2,442,304
Population as of 2010	53,445	20,681	2,189,641
Annual Pop. Growth Since 2010	1.73%	0.55%	1.10%
Housing Units	18,946	7,181	867,637
Persons / Housing Unit	3.35	3.04	2.81
Land Area (sq mi)	36.2	29.9	7,206.0
Persons / Square Mile	1,753	732	339
Median Household Income	\$70,317	\$73,245	\$67,369
Projected Population in 2035	94,637		2,995,509
Annual Proj. Growth 2020-2035	2.70%		1.37%
Projected Population in 2045	111,621		3,251,705
Annual Proj. Growth 2020-2045	3.84%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

As shown in Figure 60, Lake Elsinore grew by 1.73 percent annually over the last decade, a higher growth rate than the County-wide average of 1.10 percent annually. Household density, 3.35 persons per housing unit in Lake Elsinore, and population density, which is 1,753 persons per square mile in Lake Elsinore, are both higher than the County averages, which are 2.81 persons per housing units, and 339 persons per square mile, respectively. When compared to other incorporated areas in Riverside County, Lake Elsinore's population density is below average – which is 2,207 persons per square mile among incorporated areas County-wide.

The population projections indicate that Lake Elsinore will continue to grow at a faster rate, a rate of 2.70 and 3.84 percent annually between 2020 and 2035 and 2045, when compared to the County-wide growth rate, which is 1.37 and 1.93 percent annually over the same time period. The City's RHNA allocations for the 5<sup>th</sup> and 6<sup>th</sup> cycles reflect the projected population growth, as the City was allocated 4,929 units for the 5<sup>th</sup> Cycle and 6,666 units for the 6<sup>th</sup> Cycle. The City's RHNA allocations and unit production are discussed in greater detail later in this MSR.

Over the last ten years, the City experienced a modest 6.5 percent increase in commercial square footage compared to a 16.6 percent increase in housing units. Comparatively, the City of Lake Elsinore has higher concentrations of single-family housing units and retail square footage than other Riverside County communities.

Lake Elsinore's land use summary is outlined in Figure 61.

Figure 61: Land Use Summary - Lake Elsinore

Lake Elsinore		County	
Residential Units	Units	%	%
Single Family	14,585	77.0%	54.8%
Multifamily	3,628	19.1%	43.6%
Mobile Home	733	3.9%	1.6%
Total Units	18,946	100.0%	100.0%
New Units Since 2010	2,693		
Commercial	Gross SF		
Retail	3,507,149	51.5%	26.6%
Industrial	2,792,705	41.0%	61.8%
Office	420,783	6.2%	9.6%
Other	88,040	1.3%	2.0%
Total	6,808,677	100.0%	100.0%
New Commercial Since 2010	417,934		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

## CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS

The City of Lake Elsinore's SOI is separated into four (4) noncontiguous areas, which are illustrated in Exhibit 10. The Lake Elsinore SOI includes six (6) LAFCO-identified DUCs and is in close proximity to one additional DUC that is located in an unincorporated area (Meadowbrook) that is not within a city SOI. The City's northeastern SOI, which has been classified as LAFCO-identified pocket P22 and includes about half of the area identified as DUC2 (Greenwald Ave.), is adjacent to the City of Canyon Lake, and is immediately south of the aforementioned unsphered

LAFCO-identified DUC1. The City's northern SOI, which is northeast of Interstate 15 and northwest of State Route 74, includes LAFCO-identified DUC3 and pocket P23. The City's largest SOI area is southwest of the City, extending into the foothills towards the Riverside-Orange county line and includes DUCs 4, 4a, 4b, and 4c. Finally, the City's fourth SOI area extends northwest beyond the City's limits along Interstate 15 to the City of Corona SOI. The Lake Elsinore DUCs are described below:

- DUC1 is commonly known as Meadowbrook (Central) and is not within the Lake Elsinore SOI. DUC1 overlaps an area that was also previously classified as a DUC in 2010. Based on conversations with Canyon Lake City staff, there may be interest in including this area in the Canyon Lake SOI. This proposal is discussed in the section of this MSR detailing Canyon Lake.
- DUC2 is commonly known as Meadowbrook (South). About half of DUC2 is within the current Lake Elsinore SOI. The remaining half of DUC2 is within the unincorporated and unsphered area north of Lake Elsinore's SOI.
- DUC3 is commonly known as Warm Springs/North Elsinore, is located entirely within the Lake Elsinore SOI, and overlaps an area previously classified as DUC1 in 2010. City staff indicated that the County would like for the City of Lake Elsinore to annex this area into the City because it is a challenging area for the County to provide services. According to City staff, the area is very under improved with significant road improvements and code enforcement issues that would create a fiscal burden for the City. Therefore, annexation of this area would not make sense from a fiscal perspective. Given the isolation of this community, the City is likely already benefiting from tax revenues as a result of expenditures by residents of this area, although staff does not believe it is sufficient enough to cover the costs to improve the area.
- DUCs 4, 4a, 4b, and 4c overlap an area commonly known as Lakeland Village, located on the southwestern shore of the Lake Elsinore body of water. According to City staff, about ten (10) years ago there were discussions with residents of this area regarding annexation.

The City believes that many residents of this area do not understand that they are outside of the City of Lake Elsinore and that this confusion may be the result of unclear or undefined boundaries. Similarly to DUC3, given the isolation of Lakeland Village from other communities, the residents of this area are likely already providing benefits in the form of tax revenues to the City. City staff indicated that the City's law enforcement, which monitors activities on the Lake Elsinore body of water is already providing informal law enforcement services to the Lakeland Village community along the shoreline of the lake.

The City's most recent annexation included an area immediately to the west of DUC3 (Warm Springs) that is developed as Temescal Canyon High School. The County, at the time, stated an opposition against annexing single properties, preferring that the City annex larger swaths of the SOI. According to City staff, the County indicated it would work with the City to develop a Comprehensive Annexation Plan for the unincorporated area within the SOI.

According to City staff, the residents of DUCs 3, 4a, 4b, and 4c (Warm Springs and Lakeland Village) may be opposed to annexation, and a vote by residents may not succeed. The City and County would need to gain a better understanding of the residents' sentiment for annexation, and what these areas desire in terms of service delivery and where there may be service or facility deficiencies.

The City of Lake Elsinore's boundary was previously reconfirmed in the May 2005 Final Draft of the Western Riverside County MSR (LAFCO 2004-60-1,2,5) ("2005 MSR"). The 2005 MSR made the following determination about the City's ability to provide services to its SOI:

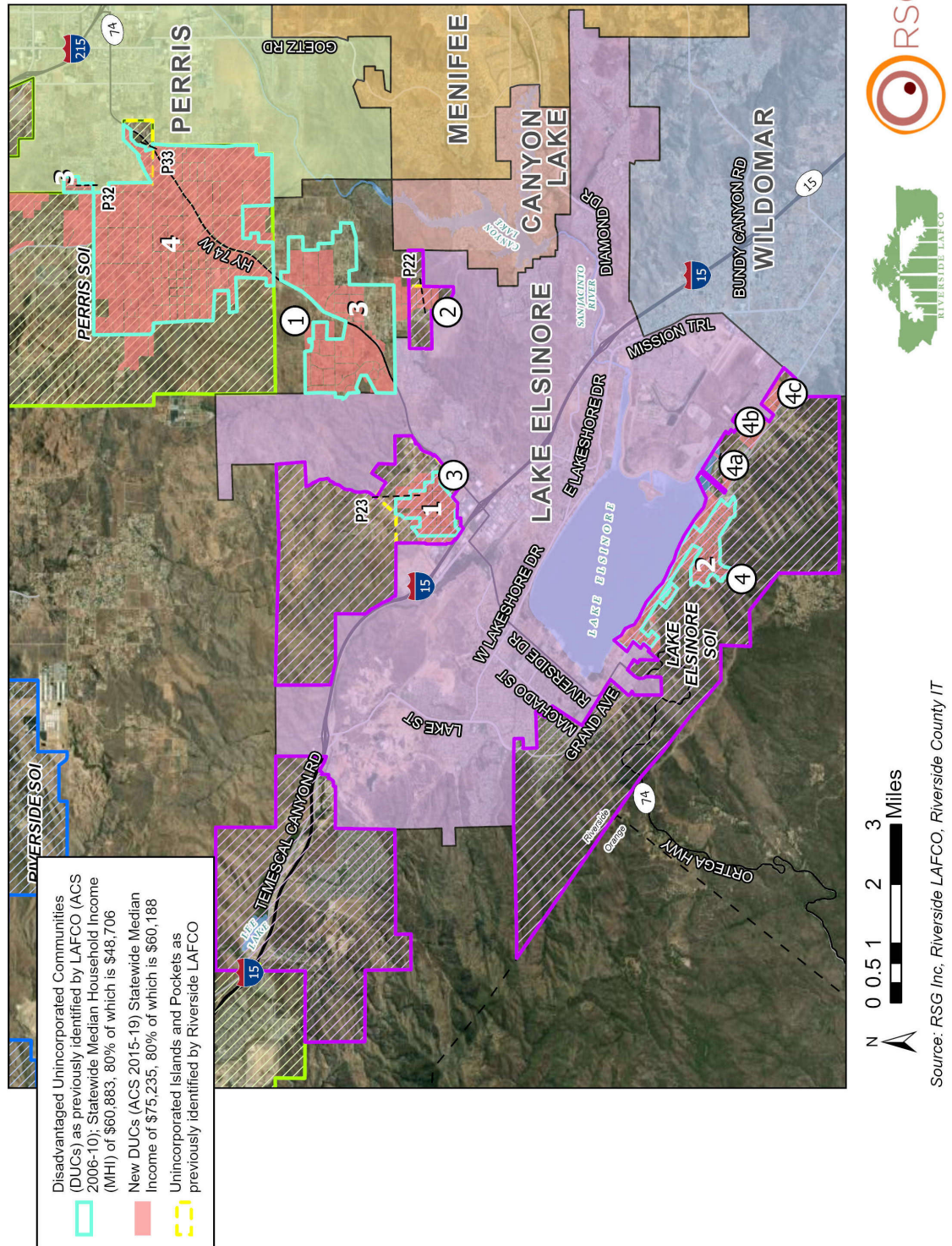
- Some of the topography surrounding the City was hindering development or the City's ability to provide services to specific areas. As part of the City's General Plan update process, the City should have determined its ability to provide future services to all of the SOI areas. In addition, it suggested for LAFCO staff and the LAFCO Commission to consider reviewing the City's ability to provide future services to specific SOI areas.

The 2005 MSR also presented findings for parks and recreation, planning, and City financing that are provided in the Services sections below.



*Exhibit 10: Current City and SOI Boundaries - Lake Elsinore*

## City of Lake Elsinore and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City of Lake Elsinore is organized as a "Council – Manager" form of government with an elected City Council consisting of five (5) Councilmembers serving four (4) year terms on staggered elections. The City Council is elected according to district boundaries. The City's Mayor is appointed by the City Council and serves a one year term. The City Council appoints the City Manager.<sup>91</sup> The City Manager serves as the administrative head of the City government, which included oversight of 105 full time equivalent personnel<sup>92</sup> and an annual operating budget that ranged from \$70.5 million in 2016-17 to \$124.5 million in 2018-19<sup>93</sup>.

The City Council also serves as the Successor Agency and Public Financing Agency. Several other boards and commissions serve at the direction of the City Council, including the Planning Commission, Public Safety Advisory Commission and Measure Z Citizen Committee. The City is also represented on the Oversight Board and the Board of Directors for the Lake Elsinore San Jacinto Watersheds Authority.

## SERVICES PROVIDED

City staff provides the community with building and planning, code enforcement, parks and recreation, landscape maintenance, streets and road maintenance, streetlight maintenance, stormwater drainage, and innovation and technology services. The following section describes municipal services provided within Lake Elsinore and identifies the service providers. Figure 62 presents a matrix summarizing the services provided by the City of Lake Elsinore and other service providers.

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<sup>91</sup> Source: City of Lake Elsinore

<sup>92</sup> Source: City of Lake Elsinore, 2019-20 Comprehensive Annual Financial Report

<sup>93</sup> Source: California State Controller's Office, "Cities Financial Data"



Figure 62: Service Provider Matrix - Lake Elsinore

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Housing Authority										
Code Enforcement	Community Development										
Animal Control	Animal Friends of the Valley										
Parks and Recreation	Public Works and Community Services, Regional Parks										
Library	Library System										
Museum	Historical Society										
Landscape Maintenance	Public Works, LLMD, CSA										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	Public Works										
Lighting	LLMD, CSA										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, CR&R										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum, Frontier										
Airport	Skylark Field Airport										
Cemetery *	Elsinore Valley Cemetery District										
Healthcare *	N/A										
Water *	Elsinore Valley Municipal Water District										
Wastewater *	Elsinore Valley Municipal Water District										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council and appointed staff, including the City Manager and City Clerk. The City Manager serves as the Chief Administrative Officer of the City and coordinates implementation of policies set by Council, provides overall direction to the administration of City programs and services, coordinates economic development and marketing activities, and oversees interdepartmental programs for strategic planning, emergency preparedness, and animal control. The City Clerk is responsible for the maintenance of City records and making them accessible to the public, conducting fair and impartial municipal elections, preparing, certifying, and/or adhering to public notice requirements with regards to legal documents, ordinances, resolutions. The Clerk also oversees public hearings, helps codify and disseminate the City's Municipal Code, and provides meeting, administrative, and legislative support to the City Council and its Commissions and Committees.

## **Law Enforcement**

Law enforcement services are provided by the Riverside County Sheriff's Department. The Sheriff's Department contracts with the City to provide investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, a volunteer program, and Explorer youth program. According to City staff, a study was commissioned to look at the cost savings for switching to contracting with a neighboring city instead of the Sheriff's Department. The findings showed that there would be no savings to the City. Nonetheless, community residents may prefer to see a shift to a local police force in the future.

## **Fire Protection**

Fire Protection is provided by Riverside County Fire Department/CalFire in Lake Elsinore. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection. Fire Stations 10, 85, 94, and 97 are located within Lake Elsinore. Fire Station 11 is within the Lake Elsinore SOI.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

## **Emergency Medical**

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more information on the Department.

## **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the Community Development Department, Planning & Zoning and Building & Safety Divisions. Planning services include reviewing and processing planning applications, reviewing development plans, advising the planning commission, and making recommendations for resolutions related to zoning and development. Building services include building plan reviews, permit issuance, and field inspections for new construction and renovations. According to City staff, Lake Elsinore has a lot of older buildings that the City is doing lead and asbestos inspections for.

The 2005 MSR made the following determination about the City's future planning:

- The City should utilize growth projections and local development plans to forecast for future service needs within the City. This will assist the City in planning for adequate facilities and services to meet future demand.

City staff did not provide an update for this determination.

## **Code Enforcement**

Code enforcement services are provided by the Community Development Department's Code Enforcement Division. The Division provides enforcement for nuisance abatement, parking violations, abandoned vehicle abatement, graffiti removal, and other public service requests.

## **Animal Control**

Animal control services are provided through a third-party contract with Animal Friends of the Valleys ("AFV"). AFV is a nonprofit organization that runs animal shelter services for Lake Elsinore, in addition to other cities in southwestern Riverside County. AFV provides services such

as animal care and control, humane education and euthanasia, animal licensing, lost animal services, spay/neuter services, microchipping, vaccinations, and wildlife services.

## **Parks and Recreation**

Parks and recreation services are provided by the City's Public Works Department's Park Services Division, the Community Services Department, and the Riverside County Regional Parks and Open Space District. The Park Services Division provides maintenance services to all City owned parks and recreation sites. The Community Services Department provides a variety of recreational programs that educate, entertain, and enrich the Lake Elsinore Community. The department also delivers exceptional special events and arranges services and programs that are needed for those with special needs, teens, and seniors. The Riverside County Regional Parks and Open Space District serves and operates 16 parks and recreation facilities throughout the County. In the Lake Elsinore area, the District will soon operate the Stofer Property which consists of 135 acres in the Cleveland National Forest that was formerly a part of the 19<sup>th</sup> century Butterfield Overland Mail Route/Trail. According to City staff, Lake Elsinore operates more parks than most other cities do, with 20 community parks as of 2021.

The 2005 MSR made the following determination about the City's parklands:

- Lake Elsinore's standard for parkland is 5 acres per 1,000 population. However, the City's parkland per resident ratio at the time of the 2005 MSR was 2.95 acres per 1,000 people and is deficient in parkland.

City staff did not provide a response or update to this determination.

## **Library**

Library services are provided by the Riverside County Library System. The County Library provides reading materials, literacy programs, computers, and broadband access to residents. There are two (2) County operated libraries in the City; Altha Merrifield Memorial Library at 600 West Graham Avenue, and Vick Knight Community Library at 32593 Riverside Drive.

## **Museum**

Museum and historical services are provided by the Lake Elsinore Museum and Research Library. The Museum is operated by the Lake Elsinore Historical Society and provides a center for learning that collects, exhibits, and interprets cultural and natural history. The museum also provides visitors with an understanding and appreciation for the region's legacy. According to City staff, the Museum facility itself is owned by the City.

## **Landscape Maintenance**

Landscape maintenance services are provided by the Public Works Department through the City's multiple Lighting, Landscape, and Maintenance districts. The Districts provide funding for various landscape alterations and maintenance throughout the array of City owned properties.

## **Streets/Road Maintenance**

Streets and roads maintenance is provided by the Public Works Department's Street Maintenance Division. The Division is responsible for the maintenance of all City streets including asphalt repairs, concrete repairs, and oversight of all public and private improvement projects.

## **Streetlights**

Streetlight services and maintenance are provided by the Public Works Department through regional contractor Siemens. The Department is responsible for the operation and maintenance of City streetlights. In 2019 the City purchased 3,611 streetlights from Southern California Edison ("SCE"). According to the City, one of the benefits of owning the lights is that the City can place extra equipment on them, such as cameras for traffic safety or policing.

## **Utilities (Gas, Electric)**

Utility services are provided by Southern California Edison ("SCE") and Southern California Gas ("SoCal Gas"). SCE provides general electricity generation, and grid operations, as well

maintenance of the few remaining streetlights not purchased by the City. SoCal Gas provides natural gas energy services to the City for things such as heating.

### **Solid Waste**

The City has a franchise agreement with CR&R Inc. to provide various trash, solid waste, and recycling services to the City. In business since 1963, CR&R's mission has been to provide customers with consistent, safe, worry-free, and sustainable waste and recycling services. CR&R provides these services to 10 cities in Riverside County. They also provide trash services in Orange, Los Angeles, Imperial, San Bernardino, and San Diego counties, as well as various places in Arizona and Colorado.

### **Storm Drainage**

Storm drainage services are provided by the Engineering and Public Works Department. The Departments are responsible for repairs, maintenance, and cleaning of a plethora of storms drains, pipes, concrete channels, and dirt drainage ditches. It also oversees the City's National Pollutant Discharge Elimination System ("NPDES") permit. According to City staff, there is a lack of drainage in most of the County unincorporated areas along Highway 74 and in Lakeland Village.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

### **Innovation and Technology**

Innovation and technology services are provided by the Information and Technology Department. The Department provides high quality IT services to ensure effective provision of City services through maintaining technology infrastructure, including all hardware and software, IT support, electronic security, and operation of the City website and cloud platforms.

## **Airport**

There are no publicly operated airports in Lake Elsinore. There is a private airport facility called Skylark Airport that is run by the Lake Elsinore Airport Partnership. Skylark is a small airport located just southeast of the physical lake of Lake Elsinore towards the edge of the City boundary. It has no more than 25 aircraft based on it.

## **Extraterritorial Services Provided**

The City owns and operates the 3,000-acre body of water known as Lake Elsinore, that is within the City's corporate boundary. The Lake's southern shoreline represents a portion of the City's southwestern boundary. As a result of the unique geographic circumstances of this City boundary, the City's lake patrol provides indirect monitoring of activities on the lakeshore in DUCs 4 and 4a (Lakeland Village).

City staff also acknowledged that the City is engaged in homelessness outreach in unincorporated areas, specifically within areas where homeless encampments have developed in recent years.

The City provides mutual aid to surrounding unincorporated areas and to other adjacent cities. This is not an uncommon practice and most, if not all, cities in Riverside County have mutual aid agreements with adjacent jurisdictions. The mutual aid agreements outline reimbursement for mutual aid. According to City staff, the City of Canyon Lake has had trouble making reimbursement payments according to the mutual aid agreement.

Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City maintains a Five-Year Capital Improvement Plan that covers the fiscal years between 2020-21 and 2025-26. The City updates the CIP annually and covers improvements made to infrastructure, bridges, and City facilities. City staff indicated that many of the projects outlined in the CIP are proceeding forward, including interchange and bridge projects. The major projects

included in the CIP include street and road maintenance, drainage improvements, lake water quality projects, bridge and interchange improvements, Citywide park expansion, and improvements to City facilities.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on September 4, 2013, and HCD designated the Housing Element in compliance with Housing Element Law on September 16, 2013. The City consistently submitted Housing Element Annual Progress Reports between 2013 and 2021.<sup>94</sup> Figure 63 outlines the City of Lake Elsinore's 5<sup>th</sup> Cycle housing needs and production by income category.

Figure 63: 5th Cycle Housing Element Summary - Lake Elsinore

Lake Elsinore 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	1,196	801	897	2,035
Permitted Units	30	108	863	1,118
Allocation Surplus/(Shortage)	(1,166)	(693)	(34)	(917)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City produced housing units across all income categories but failed to meet its RHNA allocation in any income category. The City's 5<sup>th</sup> Cycle RHNA allocation is 4,929 units and the City managed to produce 1,118 market rate (above-moderate income) units and 1,001 affordable units, spread across the very low-, low-, and moderate-income categories. This means that the City fell short of meeting its RHNA allocation by 2,810 units for the 5<sup>th</sup> Cycle, and is not expected to produce enough units prior to the conclusion of the 5<sup>th</sup> Cycle to meet its RHNA allocation.

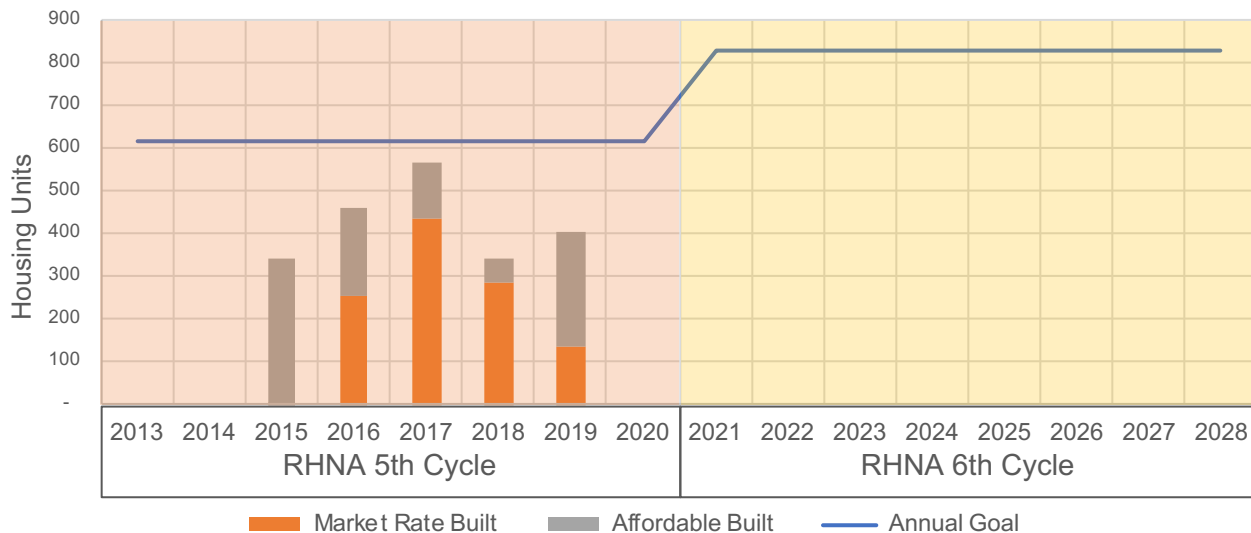
The City's 6<sup>th</sup> Cycle RHNA allocation increases to a total of 6,681 units across all income categories, a 35 percent increase over the 5<sup>th</sup> Cycle RHNA allocation. As a result, the City's

<sup>94</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019



annual production goal is 835 units, which is more than the City permitted during any calendar year of the 5<sup>th</sup> Cycle. The City's 5<sup>th</sup> and 6<sup>th</sup> cycle RHNA allocations and 5<sup>th</sup> Cycle unit production is presented in Figure 64.

Figure 64: 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA Allocation and Production - Lake Elsinore



Lake Elsinore is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>95</sup>

## FISCAL HEALTH

The City's fiscal health evaluation, which is inclusive of a review of audit findings, revenue and expenditure categorization, long-term obligations, reserves, and California State Auditor

<sup>95</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

assessment is presented in the sections that follow. The 2005 MSR also made the following determinations regarding the City's financing constraints:

- The City's financing constraints had caused difficulties in funding necessary road widening projects and boat launch repairs.
- The City should have pursued grant funding where possible to reduce costs of capital projects.

City staff did not provide updates to these determinations.

The City's net position is presented in Figure 65 as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded deficits in each year between 2016-18 and 2018-19. In 2018-19, the deficit was more than \$41.7 million, which represented about 50.5 percent of revenues.

Figure 65: Net Position - Lake Elsinore

Lake Elsinore	2016-17	2017-18	2018-19
Total General Tax Revenues	\$20,075,015	\$21,798,126	\$22,777,607
Other Tax Revenues	5,544,708	4,697,357	5,177,469
Other Revenues	34,535,861	64,797,292	54,730,134
<b>Total Revenues</b>	<b>60,155,584</b>	<b>91,292,775</b>	<b>82,685,210</b>
Total Operating Expenditures	48,903,731	67,626,917	46,877,553
Debt Service	499,538	20,817,322	45,861,303
Capital Outlay	21,078,842	13,364,601	31,718,979
<b>Total Expenditures</b>	<b>70,482,111</b>	<b>101,808,840</b>	<b>124,457,835</b>
<b>Net Position</b>	<b>(\$10,326,527)</b>	<b>(\$10,516,065)</b>	<b>(\$41,772,625)</b>

Source: California State Controller's Office

## Operating Revenues

The City had total revenues of almost \$82.7 million in 2018-19. The City's revenue history, including tax and non-tax revenues for fiscal years 2016-17 through 2018-19 is presented in Figure 66.

Figure 66: Operating Revenue History - Lake Elsinore

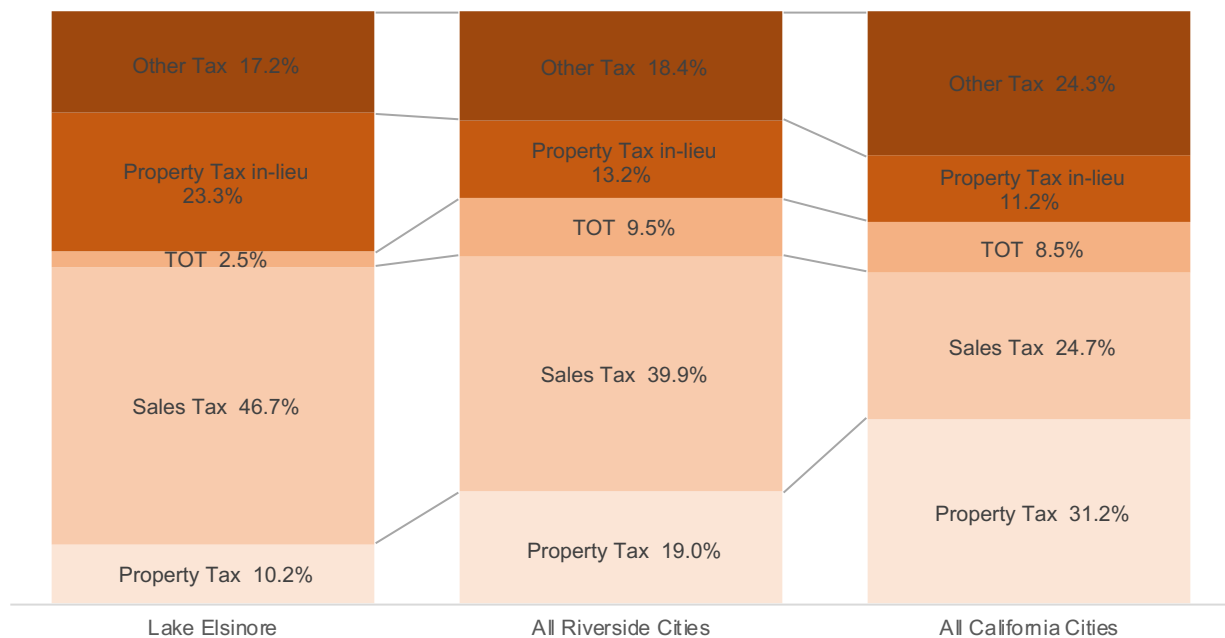
Lake Elsinore	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$2,543,280	\$2,752,158	\$2,324,393
Sales Tax	9,383,193	9,691,050	10,647,192
Transient Occupancy Tax	565,961	560,150	577,805
Property Tax in-lieu of VLF	4,507,300	4,843,450	5,311,731
Franchise Tax	2,344,398	2,482,093	2,537,975
Business License Tax	355,621	380,385	376,961
Property Transfer Tax	375,262	425,855	352,782
Utility User Tax	-	-	-
Other Tax Revenues	-	662,985	648,768
<b>Total General Tax Revenues</b>	<b>20,075,015</b>	<b>21,798,126</b>	<b>22,777,607</b>
Transportation Tax	1,262,042	1,351,409	1,356,510
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	4,282,666	3,345,948	3,820,959
<b>Total Tax Revenues</b>	<b>25,619,723</b>	<b>26,495,483</b>	<b>27,955,076</b>
Charges for Services	3,773,884	5,402,235	5,009,954
Special Benefit Assessments	3,520,065	4,222,337	4,140,542
Use of Money	381,241	676,349	2,132,971
Fines and Forfeitures	1,027,315	870,131	1,051,042
Licenses and Permits	4,369,462	4,582,238	3,582,357
Intergovernmental	6,017,624	5,328,196	8,789,159
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	15,446,270	43,715,806	30,024,109
<b>Total Revenues</b>	<b>\$60,155,584</b>	<b>\$91,292,775</b>	<b>\$82,685,210</b>

Source: California State Controller's Office

The City's general tax revenues totaled about \$22.8 million in 2018-19 and represented about 27.5 percent of all revenues. Compared to other cities in Riverside County, this is a small fraction of revenues derived from general taxes. The largest reason why general tax revenues represent such a small portion of overall revenues can be attributed to an unusual \$30 million in miscellaneous revenues, which accounts for about 36.3 percent of all revenues.

The City's largest general tax revenue sources are sales tax (\$10.6 million), property tax in-lieu of VLF (\$5.3 million), and property tax revenues (\$2.3 million). These three (3) revenue sources collectively represented 80.3 percent of general tax revenues. The City's general tax revenues, compared to all cities in Riverside County and State-wide are presented in Figure 67.

Figure 67: General Tax Revenue Comparison - Lake Elsinore



Compared to other jurisdictions in Riverside County and California, the City of Lake Elsinore receives less property tax and transient occupancy tax, and greater proportions of sales tax and property tax in-lieu of VLF. Given the City's disposition towards retail development (as discussed in context of the City's land use distribution), it is not surprising that Lake Elsinore's sales tax revenues are much higher than comparable cities.

The City also received \$3.8 million from functional tax revenues in 2018-19. The City's largest non-tax revenue sources included miscellaneous revenues (\$30.0 million), intergovernmental revenues (\$8.8 million), and charges for services (\$5.0 million) in 2018-19.

### Sales Tax, Measure Z

Sales tax revenues are the largest general tax revenue source for the City, representing about 46.7 percent of all general tax revenues, or \$10.6 million in 2018-19. The City receives one percent of gross receipts from the sales of tangible personal property sold within City limits.

In November 2020, almost 64 percent of Lake Elsinore voters approved Measure Z, which established an additional one percent transactions and use tax on retail sales and other taxable

uses in Lake Elsinore. At the time, the City estimated that it would add an additional \$10 million in annual local funding. Measure Z funds are used for City programs, improvements, or general municipal services, including maintaining and improving police, fire, and 911 medical response times, improving local streets, parks, and other facilities, addressing homelessness, and other City programs and services. Measure Z also created a Citizens Committee that provides independent review of annual spending related to Measure Z funds. Measure Z was effective as of April 2021 and the City will began seeing revenues in July 2021.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Property tax in-lieu of VLF is the City's second largest general tax revenue source. Property tax in-lieu of VLF was established in 2004 to balance the State's general fund shortfall. Property tax in-lieu of VLF grows annually based on changes to gross assessed valuation in the City. In 2018-19, the City received over \$5.3 million in property tax in-lieu of VLF revenues, accounting for about 23.3 percent of general tax revenues.

The City's third largest general tax revenue source is property tax, which is assessed on land, improvements, and personal property in Lake Elsinore. The total assessed valuation of land, improvements and personal property is more than \$6.1 billion in 2018-19, including about \$1.9 billion in land value and \$4.2 billion in improvement value.<sup>96</sup> The City's property tax revenues amounted to more than \$2.3 million in 2018-19, accounting for about 10.2 percent of general tax revenues. The City's share of property tax revenues was just 3.78 percent, which is one of the lowest rates in Riverside County.

The City does not have a Master Property Tax Exchange Resolution with the County.<sup>97</sup> City staff indicated that this matter would be discussed internally.

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<sup>96</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>97</sup> Source: Riverside LAFCO

## **Miscellaneous Revenues**

The City's miscellaneous revenues ranged from \$15.4 to 43.7 million between 2016-17 and 2018-19, with the most recent figure exceeding \$30 million. In 2018-19, the City's miscellaneous revenues includes \$1.2 million from development impact fees and slightly more than \$1 million derived from contributions from nongovernmental sources. The remaining \$27.8 million in miscellaneous revenues were not attributed to any source. Based on a review of the City's 2018-19 annual audit, these revenues appear to be related to grants for capital improvement projects.

## **Intergovernmental Revenues**

The City received intergovernmental revenues of almost \$8.8 million in 2018-19, which represents about 10.6 percent of total revenues. The City's intergovernmental revenues include gasoline tax (\$1.2 million), other undefined State Grants (\$6.8 million), and community development block grants (about \$200,000).

## **Charges for Services**

The City's third-largest non-tax revenue source is charges for services, which represented slightly more than \$5 million in 2018-19, or about 6.1 percent of total revenues. The City's primary charges for services include plan check fees (\$1.2 million), parks and recreation fees (\$551,000), and other uncategorized charges for services (\$3.2 million).

## **Operating Expenditures**

Total operating expenditures were \$46.9 million in 2018-19, which was a decrease of \$20.7 million from the prior fiscal year 2017-18. Over this two (2) year period, the City reported decreases in salaries and wages, employee benefits, contract services, and other operating expenditures. Additionally, the City had debt service and capital outlay expenditures of \$45.9 and 31.7 million respectively in 2018-19, which brings the City's total expenditures to \$124.5 million. The City's operating expenditures between 2016-17 and 2018-19 are presented in Figure 68.

Figure 68: Operating Expenditures - Lake Elsinore

Lake Elsinore	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$6,129,103	\$11,022,643	\$6,935,181
Employee Benefits	3,421,548	6,153,347	3,871,537
Materials and Supplies	383,180	689,115	433,574
Contract Services	28,703,382	31,298,397	24,020,526
Other Operating Expenditures	10,266,518	18,463,415	11,616,735
<b>Total Operating Expenditures</b>	<b>48,903,731</b>	<b>67,626,917</b>	<b>46,877,553</b>
Debt Service	499,538	20,817,322	45,861,303
Capital Outlay	21,078,842	13,364,601	31,718,979
<b>Total Expenditures</b>	<b>\$70,482,111</b>	<b>\$101,808,840</b>	<b>\$124,457,835</b>

Source: California State Controller's Office

Operating expenditures moderately decreased over the three (3) year period between 2016-17 and 2018-19, but total expenditures, which includes debt service and capital outlay increased significantly, adding almost \$54 million over the three (3) year period.

The increase in debt service between 2016-17 and 2018-19 is notable, increasing from about \$500,000 to nearly \$45.9 million. Capital outlay expenditures were also significant between fiscal years 2016-17 and 2018-19, ranging from \$13.4 million in 2017-18 to \$31.7 million in 2018-19. The average Riverside County city expends 15.3 and 8.7 percent on capital outlay and debt service, respectively. The average California city spends even less on capital outlay (10.9 percent) and debt service (5.5 percent). Compared to all Riverside County and California cities, the debt service and capital outlay expenditures are disproportionately larger in the City of Lake Elsinore representing 25.5 and 36.8 percent of total expenditures in 2018-19.

The City's current expenditures by function between 2016-17 and 2018-19 are presented in Figure 69.

Figure 69: Current Expenditures - Lake Elsinore

Lake Elsinore	2016-17	2017-18	2018-19
General Government	\$6,450,351	\$5,604,558	\$5,463,656
Public Safety	21,518,448	21,126,177	21,280,423
Transportation	359,451	619,833	534,444
Community Development	13,269,706	14,447,996	12,351,594
Health	-	-	-
Culture and Leisure	7,305,775	7,767,895	7,240,035
Public Utilities	-	18,060,458	7,401
Debt Service	499,538	20,817,322	45,861,303
Capital Outlay	21,078,842	13,364,601	31,718,979
<b>Total Current Expenditures</b>	<b>\$70,482,111</b>	<b>\$101,808,840</b>	<b>\$124,457,835</b>

Source: California State Controller's Office

Aside from debt service and capital outlay, public safety expenditures are the single largest expenditure for the City. Law enforcement expenditures amounted to \$12.6 million and fire protection expenditures were almost \$7.4 million in 2018-19. Other public safety-related expenditures included animal control and street lighting. Public safety expenditures amounted to about 45.4 percent of current expenditures net of public utilities (the increase in public utilities expenditures in 2017-18 reflects increased road improvements, capital project improvements, and capital improvement reimbursements, however the City's Annual Audit does not classify these expenditures as capital outlay expenditures<sup>98</sup>), debt service and capital outlay, which is comparatively lower than the proportion across all Riverside County (52.2 percent) and California (47.3 percent) cities.

## Reserve Fund Balance

The City Council adopted an economic uncertainty reserve policy that sets the City's reserves at 17.5 percent of General Fund operating expenditures, which is slightly below average based on RSG's experience. In 2020-21, the City's budget indicated that reserves had grown to \$8.3

<sup>98</sup> Source: City of Lake Elsinore, 2017-18 Annual Audit. "Expenses in public services increased significantly resulting from increased road improvement, capital project improvements, and capital improvement reimbursements." From 2016-17 to 2017-18, public service expenditures increased 190 percent to \$43.2 million. Figure 69 reclassifies these amounts as Public Utility expenditures because these expenditures are not reflected as proportional increases to the City's Capital Assets.



million. City staff indicated that the City did not utilize reserve funds during the COVID-19 pandemic.<sup>99</sup>

## Pension and OPEB Obligations

The City's pension and OPEB obligations are outlined in Figure 70.

Figure 70: Pension and OPEB Obligations - Lake Elsinore

Lake Elsinore	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$12,189,277	\$11,684,999	\$12,380,535
Total OPEB Liability/(Surplus)	21,896,884	22,237,850	22,922,250
Total Benefit Liability/(Surplus)	\$34,086,161	\$33,922,849	\$35,302,785

Source: 2017-18, 2018-19 and 2019-20 ACFR

Eligible employees of the City qualify to participate in either the City's Miscellaneous or Safety Pension Plans. The City's OPEB plan covers health insurance medical premium costs for qualifying retired employees and authorized dependents.

Over the last three (3) fiscal years, the City's combined pension and OPEB liability increased from \$34.1 to \$35.3 million. According to City staff, the City has started prefunding some pension and OPEB costs.

The City's pension indicators, including the employer contribution compared to the actuarially determined contribution, the total covered payroll, and the City's contribution rate as a percent of covered payroll, are presented in Figure 71.

Figure 71: Pension Indicators - Lake Elsinore

Lake Elsinore	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$1,397,703	\$1,340,596	\$1,529,732
Employer Contribution	1,397,703	1,585,939	1,762,389
Covered Payroll	\$5,975,932	\$6,052,501	\$6,349,041
Employer Contribution Rate	23.4%	26.2%	27.8%

Source: 2017-18, 2018-19 and 2019-20 ACFR

<sup>99</sup> Source: City of Lake Elsinore

Between fiscal years 2017-18 and 2019-20, the City made employer contributions in excess of actuarially determined contributions. During the same time frame, as the covered payroll increased, the City's employer contribution rate increased from 23.4 to 27.8 percent. The City's employer contribution rates were below average compared to County-wide average employer contribution rates, which ranged from 26 to 32 percent during the same time period.

### **Annual Audit Findings**

Lake Elsinore is required to undergo an annual financial audit with the results published in an Annual Comprehensive Financial Report ("ACFR") where the auditors are required to issue a report of whether the financial statements of the City accurately present the financial position of the City. The ACFRs from FY 2017-18 through FY 2019-20 did not present any findings and stated that Lake Elsinore's financial statements accurately presented the financial position of the City.<sup>100</sup>

### **California State Auditor Fiscal Health Evaluation**

The City of Lake Elsinore ranked 60 out of 471 jurisdictions and received an overall risk rating of moderate. The City is considered higher risk than 411 peer cities in California, or about 87 percent of cities. The City received low risk ratings on five (5) indicators, including liquidity, pension obligations, pension costs, future pension costs, and OPEB obligations. Three (3) indicators were given moderate risk ratings, including general fund reserves, revenue trends, and pension funding. Two (2) indicators scored high risk ratings, including debt burden and OPEB funding.<sup>101</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Lake Elsinore are presented by topic below:

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<sup>100</sup> Source: City of Lake Elsinore

<sup>101</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

## **8. Population, Growth, and Housing**

Lake Elsinore's population grew faster than the County-wide average over the last decade, and is expected to continue to grow at a faster rate over the next 15 to 25 years. The City added 2,693 housing units between 2010 and 2020, but fell short of permitting its 5<sup>th</sup> Cycle RHNA allocation of 4,929 units – producing 1,118 market rate units and 1,001 affordable units. With the anticipated increase in population growth over the next 15 to 25 years, the City's RHNA allocation increased to 6,681 units for the 6<sup>th</sup> Cycle.

## **9. Disadvantaged Unincorporated Communities in SOI**

The City's SOI contains six (6) DUCs and there is one additional DUC located immediately north of the City boundary in the unincorporated Meadowbrook area, which is not in any city's SOI. Any annexations in the City's northern SOI, north of Interstate 15 and State Route 74, should include annexation of DUC3 and pocket P23, commonly known as Warm Springs. The City acknowledged that the County would like this area to be annexed into the City and that service delivery is challenging for the County. Given the isolation of this community, the City is likely already the beneficiary of sales tax revenues from the community's expenditures in the City.

Any annexations of the City's southwestern SOI should include the annexation of DUCs 4, 4a, 4b, and 4c, commonly known as Lakeland Village. The City is already providing informal monitoring of this area as part of its normal lake patrol service. Given the isolation of this community, the City is likely already the beneficiary of sales tax revenues from the community's expenditures in the City.

The unincorporated area that includes DUC1 and a portion of DUC2, known as Meadowbrook, should be considered for addition to the City's SOI as well as for annexation. The City of Canyon Lake expressed interest in expanding its SOI to this area as well.

## **10. Present and Planned Capacity of Facilities**

As the owner and operator of the Lake Elsinore body of water, the City is facing infrastructure challenges associated with aging buildings and facilities supporting the operations of the lake. The City is making modern improvements to infrastructure and City owned buildings to accommodate accessibility standards and remediate lead and asbestos issues.

## **11. Financial Ability to Provide Services**

The City's debt burden and pension and OPEB liabilities may limit the City's financial ability to deliver services. Measure Z, the City's recently approved transactions and use tax measure, may alleviate some of these issues.

## **12. Opportunities for Shared Facilities**

The City owns Lake Elsinore (the body of water), a neighborhood center, senior center, three (3) fire stations, the sheriff station, and the Lake Elsinore Diamond, a minor league baseball stadium.

For reference, the 2005 MSR made the determination that the City should explore potential efficiencies that could be achieved through shared personnel, facilities, and other cost-sharing arrangements with other agencies in the area, such as shared studies, equipment, and office space.

There may be additional opportunities for contract services with neighboring communities.

### **13. Accountability for Community Service Needs**

The City actively communicates with its residents using its website, the media, and social media, using at least three (3) different platforms. The City Council is elected according to districts and the City's Treasurer is elected at-large.

### **14. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is recommending no change to the Lake Elsinore SOI.

### **1. Present and Planned Land Uses**

Much of the City's SOI extends into hillside areas, where City staff expects future development to be more costly.

### **2. Present and Probable Need for Public Facility and Services**

As the SOI is largely undeveloped, any future growth in the SOI will require additional public facilities and extensions of municipal services accordingly.

### **3. Present Capacity of Public Facilities**

City staff indicated that existing public facilities will accommodate growth in the SOI.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The facilities and services provided to the DUCs in the Lake Elsinore SOI and immediately outside the SOI currently meet the community's needs. As previously mentioned, the City is already informally providing some law enforcement support services to the Lakeland Village DUCs (DUCs 4, 4a, and 4b).

## CITY OF MENIFEE

The City of Menifee is one of Riverside County's newest cities, having incorporated in 2008 as a general law city.<sup>102</sup> Menifee is located in the County's Western Region. The City's northern boundary extends to the City of Perris and unincorporated Riverside County territory; its eastern boundary is unincorporated area, its southern boundary is the City of Murrieta, Murrieta SOI, unincorporated County territory, and the City of Wildomar. The City's western boundary is coterminous with the boundaries for the cities of Wildomar, Lake Elsinore, Canyon Lake and Perris. The City's incorporated area is 46.5 square miles and its SOI is coterminous with the City boundary.<sup>103</sup>

The City's demographic profile is presented in Figure 72.

Figure 72: Demographic Profile - Menifee

Menifee	City	County
Population as of 2020	97,093	2,442,304
Population as of 2010	77,519	2,189,641
Annual Pop. Growth Since 2010	2.28%	1.10%
Housing Units	35,675	867,637
Persons / Housing Unit	2.72	2.81
Land Area (sq mi)	46.5	7,206.0
Persons / Square Mile	2,088	339
Median Household Income	\$66,867	\$67,369
Projected Population in 2035	115,690	2,995,509
Annual Proj. Growth 2020-2035	1.18%	1.37%
Projected Population in 2045	129,750	3,251,705
Annual Proj. Growth 2020-2045	1.95%	1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>102</sup> Source: City of Menifee

<sup>103</sup> Source: Riverside LAFCO

Menifee's population increased by an annual rate of 2.28 percent between 2010 and 2020, which is more than double the County-wide growth rate. The City's housing population, presented as persons per housing unit, is similar to the County-wide average while the City's population density, measured as persons per square mile, is significantly higher than the County-wide average. The population density (persons per square mile) is about average for incorporated cities in Riverside County. And the median household income for the City is similar to the County-wide average. Future growth projections indicate slower growth over the next 15 to 25 years, with annualized growth rates more in line with the County-wide average.

City staff noted that the 2020 Census indicated that the City's population is now 102,527, which is about 5.6 percent higher than the Department of Finance population estimate for 2020. City staff indicated that this results in an increase in population density to about 2,083 persons per square mile. Finally, according to City staff, the median income in Menifee increased to \$70,224.

The City's RHNA allocation for the 5<sup>th</sup> Housing Element Cycle (2013-2020) was 6,245 housing units. The City permitted 2,671 market rate and 1,291 affordable housing units during the 5<sup>th</sup> Cycle but the development community did not produce sufficient housing units to meet the 5<sup>th</sup> Cycle RHNA allocation. The City's RHNA allocations are discussed in greater detail later in this MSR.

Menifee has substantially more retail development, representing 58.1 percent of all commercial square footage in the City, when compared to the County average. Additionally, the City's single-family housing units (85.6 percent) represent a disproportionately larger share of all housing units in the City, when compared to the County average (54.8 percent).

Menifee has an estimated 1,637 businesses and 13,350 employed persons.<sup>104</sup> The City's largest employers include three (3) school districts, including Mt San Jacinto College District (1,068 employees), Menifee Union School District (1,040 employees) and Romoland School District (595 employees), four (4) retail operators, including Target (364 employees), Stater Brothers (270

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<sup>104</sup> Source: ESRI Business Analyst Online



employees), Texas Roadhouse (167 employees), and Lowes (154 employees), two (2) medical providers, including Menifee Valley Medical Center (356 employees) and Life Care Center of Menifee (161 employees), and one utility – Southern California Edison (202 employees).<sup>105</sup> While the City has a large concentration of retail square footage, in proportion to other Riverside County communities, the City has a diverse array of business operations.

Menifee's land use summary is presented in Figure 73

Figure 73: Land Use Summary - Menifee

Menifee		County	
Residential Units	Units	%	%
Single Family	30,552	85.6%	54.8%
Multifamily	2,534	7.1%	43.6%
Mobile Home	2,589	7.3%	1.6%
Total Units	35,675	100.0%	100.0%
New Units Since 2010	5,406		
Commercial	Gross SF		
Retail	2,272,600	58.1%	26.6%
Industrial	1,194,229	30.5%	61.8%
Office	442,633	11.3%	9.6%
Other	2,400	0.1%	2.0%
Total	3,911,862	100.0%	100.0%
New Commercial Since 2010	613,566		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

According to City staff, development proposals are being required to provide infrastructure to meet the needs of the new development. The City is utilizing Community Financing Districts ("CFD") to address infrastructure and service needs for all new developments. CFDs are a method of financing public improvements and services that were established under the Mello-Roos Community Facilities Act of 1982. The CFD is a special tax on property that must be approved by

<sup>105</sup> Source: City of Menifee, 2018-19 Comprehensive Annual Financial Report

two-thirds of the registered voters or landowners within the CFD. The City is requiring CFD approval prior to approving new development permits.

## **CURRENT SPHERE OF INFLUENCE**

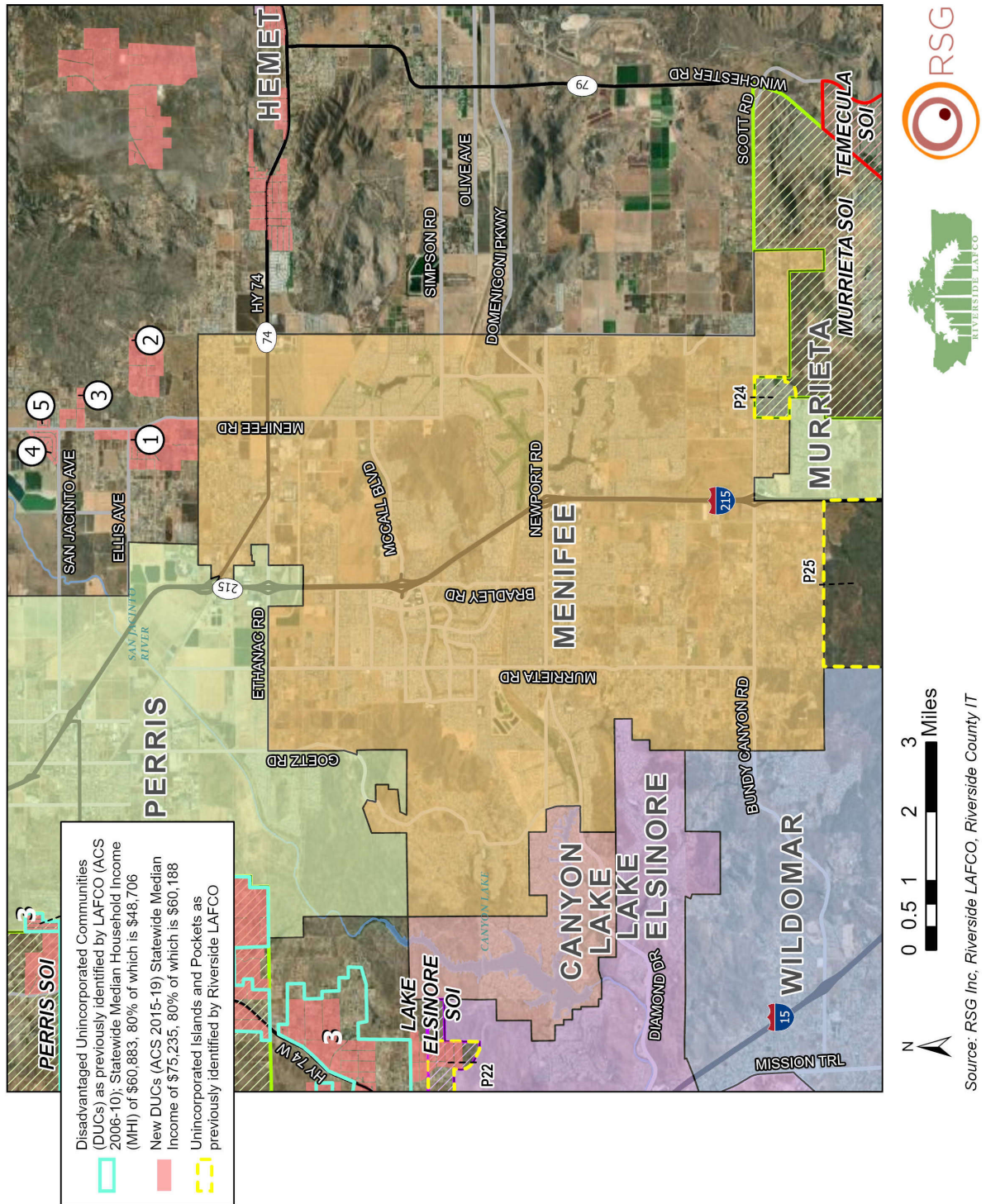
The City of Menifee's SOI is coterminous with its corporate City boundary. Menifee's City and SOI boundary are illustrated in Exhibit 11. Because Menifee's SOI is coterminous with the City's corporate boundary, the SOI does not contain any DUCs. However, there are five (5) DUCs near the City that are described below:

- DUCs 1, 2, and 3 are commonly known as Romoland, and are located north of the City's corporate boundary along Menifee Road and south of San Jacinto Avenue.
- DUCs 4 and 5 are commonly known as Nuevo, and are located north of San Jacinto Avenue on opposite sides of Menifee Road.

The City of Menifee's boundary was previously reconfirmed in the September 2014 City of Menifee MSR (LAFCO 2014-02-5) (the "2014 MSR").

Exhibit 11: Current City and SOI Boundaries - Menifee

## City of Menifee and DUCs North of Menifee



## FORM OF GOVERNMENT AND STAFFING

The City of Menifee operates under a "Council – Manager" form of government, with the City Council elected according to districts to staggered four (4) year terms. The City's Mayor is directly elected at-large to a four (4) year term. The City Council also appoints a City Manager, who serves as the head of the administrative branch of the City government.

The City of Menifee has several commissions and committees that carry out assignments at the direction of the City Council, including the Planning Commission, Parks Recreation and Trails Commission, Senior Advisory Committee, Quality of Life Measure DD Oversight Committee, and Menifee Citizens Advisory Committee.

The City Manager, as head of the administrative branch of the City's government, reports directly to the City Council. The City Manager oversees a staff of 199 full time personnel and 9.89 part time full time equivalent personnel, and an annual operating budget that ranged from \$55.3 million to \$64.7 million between 2016-17 and 2018-19. City staff indicated that the 2021-22 adopted Capital Improvement Plan appropriated \$28 million.

According to City staff, the City's rapid development pace has stretched the capacity of the City's staff – the City will require increases to staffing across the board as the City continues to grow, including increases to information technology, street maintenance, community development, public works, and policing staff. The City is able to temporarily address these challenges with contract staff.

## SERVICES PROVIDED

City staff provide the community with law enforcement, building and planning, housing, code enforcement, streets and road maintenance, stormwater drainage, and innovation and technology services. City staff provide parks and recreation services within Council Districts #1 and #2, and some services in Council Districts #3 and #4. The following section describes municipal services provided within Menifee and identifies the service provider. Figure 74 presents a matrix summarizing the services provided by the City of Menifee and other service providers.

Figure 74: Service Provider Matrix - Menifee

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development and Building and Safety										
Housing	Community Development										
Code Enforcement	Code Enforcement Department										
Animal Control	Animal Friends of the Valleys										
Parks and Recreation	Community Services, Valley-Wide RPD, CSA										
Library	Library System										
Museum	Menifee Valley Historical Association										
Landscape Maintenance	Valley-Wide RPD, LLMD & CFD, CSA										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	CSA & CFD, CSA										
Lighting	LLMD & CFD										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Management										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum, AT&T										
Airport	N/A										
Cemetery *	Perris Valley Cemetery District										
Healthcare *	Valley Health System Hospital District										
Water *	Eastern Municipal Water District										
Wastewater *	N/A										

\* Not included in this MSR

## Government Services

General government services in Menifee are provided by the elected City Council, and appointed staff, including the City Manager and City Clerk. The City Manager is responsible for the daily operation of City functions and staff, fulfillment of policy and programs established by the Council, providing direction to departments that administer programs and services, developing and implementing strategic plans, coordinating economic development, intergovernmental relations, and public information efforts. The City Clerk is responsible for the preparation and distribution of City Council agendas, maintaining accurate records and legislative history, managing the planning commission and committee actions, handling liability claims, and the storage of City records.

## Law Enforcement

Law enforcement services in the City of Menifee are provided by the Menifee Police Department. The Department provides general policing services to the City such as patrols, traffic accident



response, code enforcement, investigations, training, and community outreach. Up until July 1<sup>st</sup>, 2020 the Riverside County Sheriff Department provided policing and law enforcement services to the City. According to City staff, this was part of a coordinated effort over several years to switch from contracted work to in-house City staff.

According to City staff, the Menifee Police Department currently has 60 sworn personnel and 23 professional un-sworn civilian staff. Per City staff, a local Police Department allows the City to provide exceptional services and attract highly qualified and experienced personnel. According to City staff, the City's Police Department currently has at least 1,000 years of combined experience across all staff members.<sup>106</sup>

## **Fire Protection**

Fire Protection services are provided by Riverside County Fire Department/CalFire in Menifee. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

Fire Stations 7, 68, and 76 are located within Menifee. According to City staff, the City's Capital Improvement Plan includes funding for a new Fire Station, which is currently in the design phase. According to City staff, the new Fire Station will replace the existing Station #5 in Quail Valley.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire

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<sup>106</sup> Source: City of Menifee City staff. RSG was unable to substantiate with publicly available information.

Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

### **Emergency Medical**

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more on the Department.

### **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the City's Community Development Department. The Department is responsible for monitoring and updating development code, ensuring development is consistent with the General Plan, reviewing planning applications, and advising the Planning Commission. According to City staff, the City has over 10,000 approved housing units yet to be built, with consistent annual increases in building permits. City staff added that the City is a CDBG Entitlement City.

### **Code Enforcement**

Code enforcement services are provided by the Menifee Police Department Code Enforcement Division. The Department is responsible for enforcing City codes and health and safety regulations, providing neighborhood education programs, illegal dumping abatement, weed abatement, and vehicle abatement.

### **Animal Control**

Animal control services are provided through a third-party contract with Animal Friends of the Valley ("AFV"). AFV is a nonprofit organization that runs animal shelter services for Menifee, in addition to other cities in southwestern Riverside County. AFV provides services such as animal care and control, humane education and euthanasia, animal licensing, lost animal services, spay/neuter services, microchipping, vaccinations, and wildlife services.

## **Parks and Recreation**

Parks and recreation services are provided by two (2) entities, the City's Community Services Department and the Valley Wide Recreation and Park District ("VWRPD"). The Community Services Department is responsible for maintaining and developing parks and open spaces as well as improving the quality of life for residents through fun and safe recreational programs. The VWRPD was established in 1972 by a general election vote of the residents of Hemet and San Jacinto. In about 1987, VWRPD expanded its service area to include the Menifee Valley at the request of County of Riverside Supervisor Kay Cenicerros. VWRPD is an independent special district governed by five (5) elected board members with four-year terms, of which two (2) Director Divisions (#4 and #5) are elected by voters in the Menifee Valley portion of the City of Menifee, and represent the service area in the Menifee Valley. The District maintains several parks and landscapes throughout Hemet, Menifee, and San Jacinto, as well as unincorporated areas of Winchester, Murrieta, French Valley, Homeland, Romoland, Valle Vista, Sage, and Aguanga. The District also runs recreational programs like youth and adult basketball, baseball, softball, flag football, indoor soccer, and volleyball leagues in addition to providing landscape maintenance services.

According to staff, the City pursued detachment of the VWRPD, proposing to take over all parks and recreation services in the City. Upon review of the application for detachment, VWRPD proposed compensation in exchange for detachment. According to City staff, LAFCO approved a one-time \$500,000 payment in exchange for detachment. In December 2014, the Commission reviewed the SOI for VWRPD and recommended expanding the VWRPD SOI to encompass the remainder of the City in recognition of the contractual arrangement between the City and VWRPD in effect at the time. The City, which had started to evaluate other alternatives for future provision of parks and recreation services, opposed the SOI expansion. The Commission agreed with the City and declined to expand the VWRPD SOI. The Commission action also included a request that the District work with the City to develop a long-term plan for the orderly transition of park and recreation services. In response, the City of Menifee filed the proposal for detachment of all City territory from VWRPD in 2016.



According to staff, the City submitted an application to LAFCO for detachment from VWRPD in 2016, proposing to take over all parks and recreation services in the City, which would have left VWRPD with disconnected and noncontiguous services boundaries, and would have undermined the constitutional validity of the existing VWRPD LMD that would have been bifurcated by the City's proposal. According to City staff, following a series of public meetings in 2017, LAFCO approved the City's application for detachment subject to conditions. The City did not agree with the conditions. The City filed a law suit challenging the validity of several terms and conditions imposed by LAFCO in its approval of the detachment. Because the City lost its suit, and failed to meet the conditions of Riverside LAFCO's approval the detachment was never finalized.

City staff indicated that the City could mitigate this issue by expanding its parks and recreation district boundary to include the entire City of Menifee.

The 2014 MSR made the a determination about the City's inventory of parkland, which is summarized below:

- The City of Menifee required a minimum of five (5) acres of public open space per 1,000 residents. At the time of the 2014 MSR, Menifee had 1.68 acres of open space per 1,000 residents.

According to City staff, the city has made progress towards improving its inventory of parkland. The City notes that seven (7) new parks totaling about 37 acres have been constructed since the 2014 MSR, totaling 15 parks and 81 acres. The City currently has five (5) additional parks under construction that will add another 27 acres of parkland in 2022. City staff estimates that by the end of 2022, the City of Menifee will provide 2.34 acres of parkland per 1,000 residents. Additionally, VWRPD currently provides 4.27 acres of parkland per 1,000 residents within the Menifee Valley Service Area and is responsible for maintaining over 13.7 million square feet of landscaped sports fields, street landscaping, paseos, and other public areas, including 26 parks in addition to two (2) gymnasiums, and one (1) recreation headquarters/community center. VWRPD has three (3) additional parks under construction that will add another 23 acres of parkland totaling 177 acres within VWRPD's Menifee Valley service area.

## **Library**

Library services are provided by the Riverside County Library System. The County Library provides reading materials, literacy programs, computers, and broadband access to residents. There are two (2) County operated libraries in Menifee, known as Sun City Library located at 26982 Cherry Hills, and Menifee Library located at 28798 La Piedra Road. The Sun City Library is a 14,000 square foot facility with 28,000 items and 21 computers. The Menifee Library is 20,000 square feet and includes 35,000 materials, 16 computers, furniture with plug-in technology for personal devices, and multiple study rooms.

## **Museum**

The Menifee History Museum opened in 2016 and is located at 26301 Garbani Road in Menifee. The Museum is operated by the Menifee Valley Historical Association, a 501(c)(3) public charity.

## **Landscape Maintenance**

Landscape maintenance services are provided by the City's Community Services Department and administered with funding from various Lighting and Landscape Maintenance Districts and Community Facilities Districts. The Department provides oversight of various landscaping projects funded by the districts.

According to City staff, Valley-Wide Recreation and Park District oversees maintenance of right-of-way landscaping on the east side of the City.

## **Streets/Road Maintenance**

Streets and roads maintenance services are provided by the City's Public Works Department. The Department provides maintenance of City owned streets and roads, administers capital improvements, and assists with graffiti, weed, and illegal dumping abatement. City staff indicated that the City has adopted a Pavement Management Program, designed to extend the pavement lifecycle of City roadways.

## **Streetlights**

Streetlight related services are provided by the City's Public Works Department. The Department is responsible for the regular maintenance of streetlights in the City, as well as retrofitting them with newer LED bulbs. According to City staff, Menifee took over control of the streetlights from the utilities.

## **Utilities (Gas, Electric)**

Utility services are provided by Southern California Edison ("SCE") and Southern California Gas ("SoCal Gas"). SCE provides general electricity generation, and grid operations. SoCal Gas provides natural gas energy services to the City for various uses, such as heating and cooking.

## **Solid Waste**

The City has a franchise agreement in place with Waste Management for solid waste collection services. Waste Management is a private solid waste disposal company provides solid waste disposal and recycling services to Menifee residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers.

## **Storm Drainage**

Menifee's Public Works and Engineering Department provides storm drainage and stormwater management to the City. Public Works oversees the City's National Pollutant Discharge Elimination System ("NPDES") permit and helps provide maintenance of City storm drains. Engineering is responsible for overseeing the City's stormwater management program. According to City staff, the south side of the City has issues with underdeveloped drainage facilities and infrastructure, but this is partially by design as residents have pushed to keep the rural community feel of the area. City staff indicated that larger infrastructure, including pipes in excess of 38 inches, is managed and constructed by Riverside County Flood Control District.

## **Innovation and Technology**

The Menifee Information Technology Department handles all matters relating to innovation and technology in the City government. The Department ensures organizational effectiveness between departments, manages computer hardware and software, and provides IT support. According to City staff, the City is preparing a Smart Cities Strategic Plan to implement a City-wide broadband plan.

## **Airport**

There are no airport facilities in the City of Menifee.

## **Extraterritorial Services Provided**

The City does not provide any services to areas outside of the City of Menifee. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City of Menifee Capital Improvement Division administers the City's Five-Year Capital Improvement Plan. The Division prepares an updated CIP annually and utilizes GIS software to provide detailed geographic locations for future, design-stage, under construction, and completed capital improvement projects.

According to City staff, the City's list of capital improvements once grew to a budget of \$474 million and the City would like to accomplish twice as many projects as they have funding for. The City is actively seeking financing from State and Federal grants and Measure DD funds for infrastructure projects.

The City's Five-Year CIP includes projects to address bridge and overpass construction, street and road improvements, interchange construction, park development, and construction of City facilities including a new fire station and City Hall.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on February 25, 2014 and HCD designated the Housing Element in compliance with Housing Element Law on March 5, 2014. The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports every year between 2014 and 2019. According to City staff, the City's General Plan was adopted in December 2013 and the City was not required to submit an Annual Progress Report in 2013. The City's 5<sup>th</sup> Cycle housing needs and production are presented in Figure 75.

Figure 75: 5th Cycle Housing Element Summary - Menifee

Menifee 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	1,488	1,007	1,140	2,610
Permitted Units	11	17	1,263	2,671
Allocation Surplus/(Shortage)	(1,477)	(990)	123	61

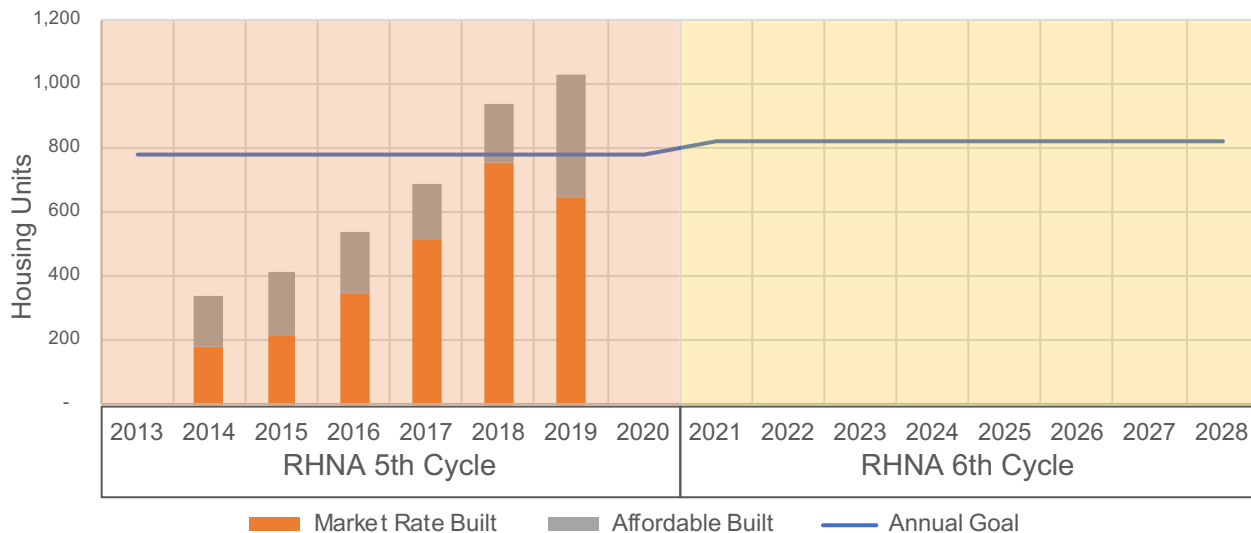
Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City's combined 5<sup>th</sup> Cycle RHNA allocation amounts to 6,245 housing units. The City permitted 3,962 housing units during the 5<sup>th</sup> Cycle and fell short of meeting its RHNA allocation in the very low- and low- income categories. The City permitted just 11 very low-income housing units and 17 low-income housing units, leaving deficits of 1,477 very low-income units and 990 low-income units. But, the City did manage to produce a surplus of 123 housing units designated for moderate income households and 61 market rate, or above-moderate income housing units. With the 5<sup>th</sup> Cycle concluding in 2020 and an outstanding shortage of 3,962 housing units, the City of Menifee is not expected to fulfill its RHNA allocation.

The City's 6<sup>th</sup> Cycle RHNA allocation increases by just 6 percent (349 additional units) to 6,594 housing units. City staff noted that the final RHNA allocation was 6,609 housing units. To accomplish this, the City would need to target production of 824 housing units annually over the eight (8) year cycle. The City's housing production trends over the 5<sup>th</sup> Cycle are notable, as the City increased total unit production year-over-year every year and in 2018 and 2019 exceeded the 5<sup>th</sup> Cycle annual goal of 781 units. Very few cities have managed to produce encouraging

housing production trends, and even fewer have exceeded annual production goals. The City of Menifee’s 5<sup>th</sup> and 6<sup>th</sup> cycle RHNA allocations and the 5<sup>th</sup> Cycle historical housing unit production is presented in Figure 76.

Figure 76: 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA Allocation and Production - Menifee



Menifee is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.

## FISCAL HEALTH

The City’s fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor assessment is presented in the sections that follow. Figure 77 presents the City’s net position as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. While the City had a \$5.6 million deficit in 2016-17, the City had \$19.8 and \$24.0 million surpluses in 2017-18 and 2018-19, respectively.

Figure 77: Net Position - Menifee

Menifee	2016-17	2017-18	2018-19
Total General Tax Revenues	\$24,807,944	\$40,877,577	\$45,426,095
Other Tax Revenues	1,619,512	1,664,930	1,918,407
Other Revenues	23,300,979	32,865,139	41,387,874
<b>Total Revenues</b>	<b>49,728,435</b>	<b>75,407,646</b>	<b>88,732,376</b>
Total Operating Expenditures	35,013,008	47,701,743	58,281,673
Debt Service	1,311,721	1,302,588	1,305,488
Capital Outlay	19,015,330	6,554,000	5,143,341
<b>Total Expenditures</b>	<b>55,340,059</b>	<b>55,558,331</b>	<b>64,730,502</b>
<b>Net Position</b>	<b>(\$5,611,624)</b>	<b>\$19,849,315</b>	<b>\$24,001,874</b>

### Operating Revenues

In 2018-19, the City's total revenues exceeded \$88.7 million. The City's revenue history, inclusive of tax revenues and non-tax revenues, for fiscal years 2016-17 through 2018-19 is presented in Figure 78.

Figure 78: Operating Revenue History - Menifee

Menifee	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$12,248,014	\$12,688,989	\$14,005,917
Sales Tax	8,661,218	18,005,117	20,384,878
Transient Occupancy Tax	225,956	232,117	238,464
Property Tax in-lieu of VLF	-	6,110,514	6,680,540
Franchise Tax	2,973,633	3,109,879	3,357,585
Business License Tax	116,186	115,628	134,910
Property Transfer Tax	582,937	615,333	623,801
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>24,807,944</b>	<b>40,877,577</b>	<b>45,426,095</b>
Transportation Tax	1,619,512	1,664,930	1,918,407
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	-	-
<b>Total Tax Revenues</b>	<b>26,427,456</b>	<b>42,542,507</b>	<b>47,344,502</b>
Charges for Services	5,024,450	8,134,151	9,419,895
Special Benefit Assessments	3,575,738	4,091,073	4,254,666
Use of Money	170,507	652,386	2,045,266
Fines and Forfeitures	584,362	623,798	881,643
Licenses and Permits	4,958,133	5,820,848	6,542,785
Intergovernmental	4,449,888	4,970,387	5,359,911
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	4,537,901	8,572,496	12,883,708
<b>Total Revenues</b>	<b>\$49,728,435</b>	<b>\$75,407,646</b>	<b>\$88,732,376</b>

Source: California State Controller's Office

The City has developed a substantial tax revenue base, reaching \$45.4 million in 2018-19. The City's total general tax revenues represented just 51.2 percent of total revenues, with non-tax revenues accounting for the remaining portion. The City's largest tax revenue sources include sales tax (\$20.4 million in 2018-19), property tax (\$14 million), and property tax in-lieu of VLF (\$6.7 million). The City receives a variety of non-tax revenues, with the largest sources being miscellaneous revenues (\$12.9 million) and charges for services (\$9.4 million).

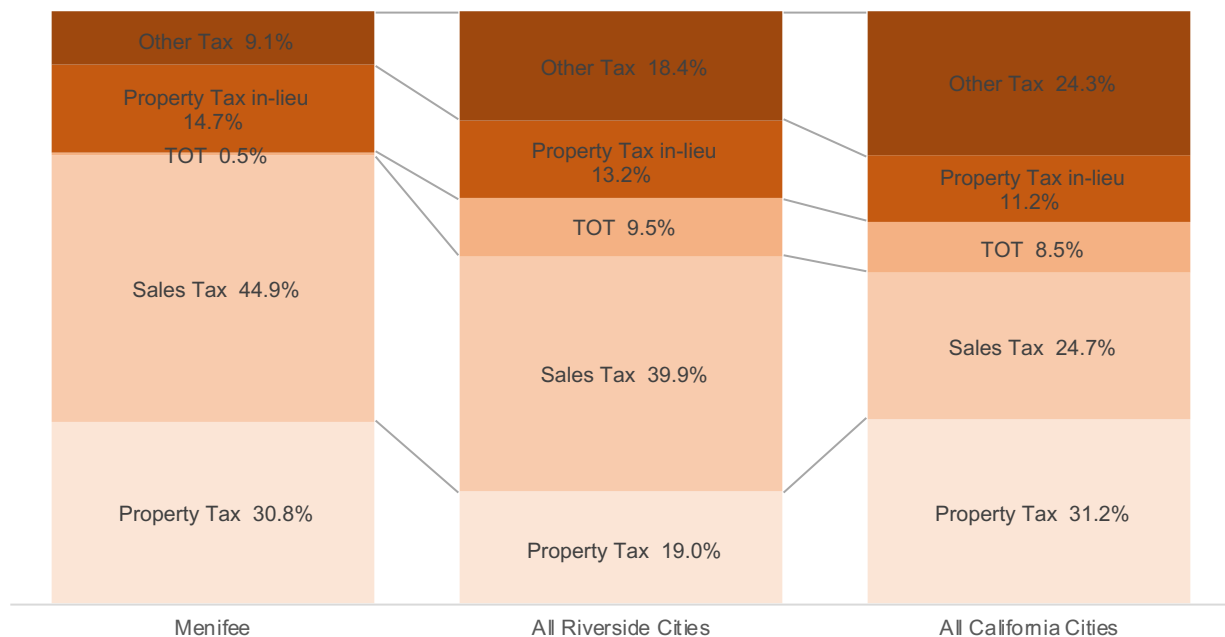
The City's tax revenue base grew from \$24.8 million in 2016-17 to more than \$45.4 million in 2018-19, a 79 percent increase). Much of this growth came in sales tax revenues, and as a result of the State of California's decision on property tax in-lieu of VLF revenues. Sales tax revenues



increased by 135 percent and now represent 44.9 percent of the City's general tax revenues, mostly as a result of the voter-approved one percent Quality of Life Measure DD increase transactions and use tax. With the restoration of property tax in-lieu in 2017-18, the City added more than \$6 million to its annual revenues. While the City has very low proportions of revenues derived from transient occupancy tax, no single category of general tax revenue is outsized when compared to the average Riverside County and California cities.

The City's general tax revenues are compared to the average for all Riverside County and California cities in Figure 79.

Figure 79: General Tax Revenues Comparison - Menifee



### Sales Tax, Quality of Life Measure DD

Cities receive one percent of gross receipts from the sale of tangible personal property sold within their jurisdiction. Additionally, with the Menifee electorate voting in favor of Measure DD in 2016, the City doubled its sales tax rate to two (2) percent of gross sales. The City's sales tax revenues increased from \$8.7 million in 2016-17, prior to the implementation of Measure DD, to \$20.4 million in 2018-19.

Measure DD was approved by more than 68 percent of Menifee voters in 2016. The City stated that the revenues generated by Measure DD would be utilized to reduce traffic congestion, improve and repair local interchanges, overpasses, streets, roads, bridges and potholes, maintain local police, fire, paramedic, and 911 emergency response times, prevent cuts to senior, disabled and youth programs, and provide other general services.

Anecdotally, City staff indicated that the COVID-19 pandemic did not result in a decrease in sales tax revenues.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's second- and third-largest general tax revenue sources are property tax and property tax in-lieu of VLF, accounting for 30.8 and 14.7 percent of general tax revenues in 2018-19. The City's property tax revenues grew by 6.9 percent annually between 2016-17 and 2018-19.

Property tax is assessed on land, improvements, and personal property, which combined for a total of \$9.6 billion in 2018-19. The City's assessed land value amounted to \$3.1 billion while the total improvement value was more than \$6.5 billion.<sup>107</sup> The City of Menifee's \$14 million property tax revenues represented 14.6 percent of property tax revenues collected in Menifee, which is an above average rate, and among the highest, compared to other cities in Riverside County.

The City of Menifee and the County of Riverside do not have a Master Property Tax Exchange Agreement in place.<sup>108</sup>

The City's property tax in-lieu of VLF revenues amounted to almost \$6.7 million in 2018-19, or about 14.7 percent of all general tax revenues. The State of California restored property tax in-lieu of VLF to new cities in 2017-18, representing a windfall of more than \$6.1 million in 2017-18.

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<sup>107</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>108</sup> Source: Riverside LAFCO

Prior to the decision, many of the new cities in California and Riverside County were facing uncertain fiscal futures.

### **Miscellaneous Revenues**

The City's miscellaneous revenues account for \$12.9 million in 2018-19, representing about 14.5 percent of the City's total revenues. Most of the City's miscellaneous revenues can be attributed to development impact fees, which reached almost \$11.2 million in 2018-19. The City also received other miscellaneous noncategorized revenues (\$1.6 million) and contributions from nongovernmental sources (\$48,000) in 2018-19. City staff indicated that the City's development pace has exceeded expectations and some development impact fees may not reflect the needs of the City at this point.

### **Charges for Services**

Charges for services represented 10.6 percent of the City of Menifee's total revenues in 2018-19, amounting to \$9.4 million. Charges for services in Menifee include engineering and inspection fees (\$5.5 million), other noncategorized charges for services (\$2.9 million), plan check fees (\$432,000), parks and recreation fees (\$326,000), zoning and subdivision fees (\$230,000), and first aid and ambulance charges (\$51,000). According to City staff, the City is preparing to perform a master fee study and cost allocation plan that will study all City fees and aim to recover costs.

### **Operating Expenditures**

The City's total operating expenditures increased from \$55.3 million in 2016-17 to more than \$64.7 million in 2018-19. The City's operating expenditures between 2016-17 and 2018-19 are presented in Figure 80.

Figure 80: Operating Expenditures - Menifee

Menifee	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$4,396,610	\$5,661,060	\$7,479,631
Employee Benefits	1,955,109	2,428,519	3,594,658
Materials and Supplies	6,973,565	9,948,833	15,327,105
Contract Services	21,687,724	29,663,331	31,880,279
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>35,013,008</b>	<b>47,701,743</b>	<b>58,281,673</b>
Debt Service	1,311,721	1,302,588	1,305,488
Capital Outlay	19,015,330	6,554,000	5,143,341
<b>Total Expenditures</b>	<b>\$55,340,059</b>	<b>\$55,558,331</b>	<b>\$64,730,502</b>

Source: California State Controller's Office

The increase in operating expenditures occurred despite a decrease in capital outlay expenditures, from \$19 million in 2016-17 to \$5.1 million in 2018-19. Expenditures in all other operating expenditure categories, including salaries and wages, employee benefits, materials and supplies, and contract services increased over the same time frame.

The City's contract services expenditures grew by 21.2 percent annually between 2016-17 and 2018-19. By 2018-19, the contract services represented about 49.3 percent of total expenditures, at almost \$31.9 million. As previously mentioned, the City took over law enforcement services in July 2020, which means that the historical contract service expenditures prior to fiscal year 2019-20 reflect the costs associated with contracting with the Riverside County Sheriff's Department for law enforcement services.

The City's largest current expenditure category in 2018-19 was public safety, which grew at a 14.7 percent annual growth rate between 2016-17 and 2018-19 to \$27.3 million. Meanwhile, all current expenditures grew by just 8.2 percent annually during the same time frame. The City's current expenditures by function between 2016-17 and 2018-19 are presented in Figure 81.

Figure 81: Current Expenditures - Menifee

Menifee	2016-17	2017-18	2018-19
General Government	\$4,241,238	\$5,427,879	\$7,115,488
Public Safety	20,757,522	25,259,132	27,295,472
Transportation	2,438,141	3,934,839	5,937,109
Community Development	6,893,311	12,499,463	17,345,430
Health	-	-	-
Culture and Leisure	682,796	580,430	588,174
Public Utilities	-	-	-
Debt Service	1,311,721	1,302,588	1,305,488
Capital Outlay	19,015,330	6,554,000	5,143,341
<b>Total Current Expenditures</b>	<b>\$55,340,059</b>	<b>\$55,558,331</b>	<b>\$64,730,502</b>

Source: California State Controller's Office

If debt service and capital outlay are removed from the total current expenditures, the City's public safety costs represent about 46.8 percent of all current expenditures, which is in line with the average of all cities in Riverside County (52.2 percent) and California (47.3 percent). It is understandable, however, with 14.7 percent annual growth rate associated with public safety, that the City would internalize public safety services.

It is also notable that the City has increased expenditures on community development from about \$6.9 million in 2016-17 to over \$17.3 million in 2018-19. Most of these expenditures can be attributed to construction and engineering regulation (\$7.7 million) and planning expenditures (\$2.2 million). This increase in community development expenditures is likely a response to the City's rapid development pace in recent years.

### Reserve Fund Balance

The City aims to retain 25 percent of annual operating expenditures as reserves. The reserves include a 10 percent natural disaster and catastrophic event reserve, 10 percent economic slowdown due to recession or other economic crisis reserve, and 5 percent reserve to offset

timing of grant reimbursements and collections of property taxes. The City's reserves amounted to \$26.5 million in 2020-21 and met the City's reserve policy.<sup>109</sup>

## Pension and OPEB Obligations

The City of Menifee's pension and OPEB obligations are outlined in Figure 82.

Figure 82: Pension and OPEB Obligations - Menifee

Menifee	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$551,431	\$499,769	\$23,598
Total OPEB Liability/(Surplus)	181,271	250,648	876,974
Total Benefit Liability/(Surplus)	\$732,702	\$750,417	\$900,572

Source: 2017-18, 2018-19 and 2019-20 ACFR

Qualifying employees are eligible to participate in the City's Miscellaneous or Safety Pension Plans. The City also offers an OPEB policy, which is a single-employer retiree healthcare plan.

In 2019-20, the City's combined benefit liability grew to almost \$901,000, which is relatively low in comparison to most other cities in Riverside County. According to staff, the City does not have "unfunded liabilities" and they are able to pay as they go.

The City's pension indicators are presented in Figure 83, including the City's employer contribution compared to the actuarially determined contribution, the City's total covered payroll, and the contribution rate as a percent of covered payroll. These indicators provide measures of the health of the City's pension plans.

Figure 83: Pension Indicators - Menifee

Menifee	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$524,088	\$1,360,520	\$1,089,277
Employer Contribution	524,088	1,360,520	1,089,277
Covered Payroll	\$5,130,794	\$6,773,265	\$10,202,569
Employer Contribution Rate	10.2%	20.1%	10.7%

Source: 2017-18, 2018-19 and 2019-20 ACFR

<sup>109</sup> Source: City of Menifee, 2019-20 Budget

As illustrated in Figure 83, the City has made employer contributions equivalent to the minimum actuarially determined contribution in each of the three (3) fiscal years between 2017-18 and 2019-20, even as the City's covered payroll doubled over this period. The City's employer contribution rate (10.2 to 20.1 percent) is below average when compared to all Riverside County cities, which ranged from 26 to 32 percent. This is indicative of a healthy pension plan.

### **Annual Audit Findings**

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### **California State Auditor Fiscal Health Evaluation**

The City of Menifee ranked 381 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 90 peer cities in California, or about 19 percent of cities. The City received low risk ratings on eight (8) indicators, including liquidity, debt burden, general fund reserves, pension obligations, pension funding, pension costs, future pension costs, and OPEB obligations. One indicator, revenue trends, was given a moderate risk rating. One indicator, OPEB funding, scored a high-risk rating.

## **MSR DETERMINATIONS**

Requisite CKH determinations for Menifee are presented by topic below:

### **1. Population, Growth, and Housing**

Menifee grew rapidly over the last decade, at an annualized growth rate of 2.28 percent, adding almost 20,000 to the City's population. Menifee is expected to continue growing, albeit

at a slower rate, over the next 15 to 25 years, roughly at the same rate as the County of Riverside. The City added 5,406 housing units between 2010 and 2020, and made significant progress towards meeting its RHNA allocation, exceeding the allocation in both moderate- and above-moderate income housing unit categories. However, the development community in Menifee did not produce sufficient very low- and low-income housing units, falling 2,467 units short in those categories, to meet the City's very low- and low-income housing RHNA allocations.

## **2. Disadvantaged Unincorporated Communities in SOI**

Menifee's SOI is coterminous with its corporate City boundary and therefore does not contain any DUC.

## **3. Present and Planned Capacity of Facilities**

Because Menifee is a rapidly growing and developing city, the present capacity of facilities may not be keeping up with demand. The City is requiring CFD approval for all new developments to ensure that service and infrastructure needs of new developments have a built-in funding mechanism.

## **4. Financial Ability to Provide Services**

The City has improved its fiscal health in recent years with the addition of property tax in-lieu of VLF revenues and the approval of Measure DD one percent transactions and use tax. The City has built up reserves of at least 25 percent of operating expenditures. The City's pension and OPEB liabilities have been suppressed and the City is able to pay off any liabilities that accumulate.

## **5. Opportunities for Shared Facilities**

No opportunities for shared facilities were identified.



## **6. Accountability for Community Service Needs**

The City connects with residents through at least four (4) different social networks. The City recently hired a public information officer to provide regular updates to residents and coordinate communications. The City's Menifee Matters magazine is distributed to every household and business on a quarterly basis to provide updates to the residents of the City. The City put three (3) new software solutions in place recently that are intended to connect and provide greater access to the community.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is recommending coordination with the City of Menifee on expansion of the Menifee SOI. Menifee's SOI is coterminous with its incorporated municipal boundary. As the City and Western Riverside County region continues to grow, much of the future development will begin to occur beyond Menifee's eastern boundaries in unincorporated areas. In an effort to manage sprawl, LAFCO may consider extending Menifee's SOI boundary eastward towards State Route 79. City staff indicated that there is interest in expanding the City's SOI and municipal boundary to the east. Per City staff, the City Council adopted a Strategic Plan that included an item aiming to expand the Menifee SOI eastward as far as State Route 79.

During the Public Review of this MSR, 112 signatures opposed to any annexation or SOI expansion in the Winchester-Homeland MAC were gathered at the Winchester-Homeland Municipal Advisory Council meeting, Valley-Wide Recreation and Park District Board Meeting, and the Highland Palm community.

## **1. Present and Planned Land Uses**

Menifee's coterminous SOI includes proportionally higher concentrations of single-family housing and retail commercial uses, when compared to the Countywide distribution of land uses.

## **2. Present and Probable Need for Public Facility and Services**

Because Menifee has grown rapidly in recent years and is projected to continue growing at an above-average rate through 2045, there may be shortfalls related to meeting demand for public facilities and services.

## **3. Present Capacity of Public Facilities**

City staff did not identify any deficiencies with present capacity of public facilities located in the SOI.

## **4. Social or Economic Communities of Interest**

The Winchester/Homeland Municipal Advisory Council area is located east of the City's corporate boundary.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

Menifee's coterminous SOI does not contain any DUCs.

## CITY OF MORENO VALLEY

The City of Moreno Valley incorporated in 1984 as a general law city in the County's Western Region.<sup>110</sup> The City's northern, eastern, and the majority of the southern boundary is shared with unincorporated Riverside County territory. Most of the City's southern boundary is adjacent to the Lake Perris State Recreation Area. The City of Perris boundary is immediately south of a portion of Moreno Valley. The City's western edge is bound by the March Air Reserve Base, City of Riverside corporate boundary, and unincorporated territory. The City's incorporated boundary covers an area of 51.3 square miles and the City's SOI extends northwest and southeast to encompass an additional 15.5 square miles, for a combined 66.8 square miles.<sup>111</sup>

The City's demographic profile is presented in Figure 84.

Figure 84: Demographic Profile - Moreno Valley

Moreno Valley	City	SOI	County
Population as of 2020	208,838	150	2,442,304
Population as of 2010	193,365	105	2,189,641
Annual Pop. Growth Since 2010	0.77%	3.63%	1.10%
Housing Units	57,523	55	867,637
Persons / Housing Unit	3.63	2.73	2.81
Land Area (sq mi)	51.3	15.5	7,206.0
Persons / Square Mile	4,071	10	339
Median Household Income	\$64,073	\$93,293	\$67,369
Projected Population in 2035	246,068		2,995,509
Annual Proj. Growth 2020-2035	1.10%		1.37%
Projected Population in 2045	266,814		3,251,705
Annual Proj. Growth 2020-2045	1.65%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>110</sup> Source: City of Moreno Valley

<sup>111</sup> Source: Riverside LAFCO

Moreno Valley's population grew slowly during the last decade, increasing at just a 0.77 percent annual growth rate to a total population of almost 209,000. Moreno Valley is the second-largest city in the County of Riverside. Moreno Valley has large households (3.63 persons per household) and a high population density (4,071 persons per square mile) when compared to the County averages (2.81 persons per household and 339 persons per square mile). The population projections over the next 15 to 25 years indicate that population growth will increase, but growth is not expected to keep pace with County-wide growth rates.

The City's SOI contains a population of just 150, spread across 55 households. The City's median household income is slightly lower than the County-wide average, while the median household income in the SOI is about 38 percent higher than the County-wide average.

The City's land use profile is disproportionately skewed towards industrial development, with almost 75 percent of the City's commercial square footage designed for industrial users. During the last decade, the City added over 9.3 million square feet of industrial space, representing about half of the City's commercial development. While this is a significant increase in square footage, a lot of the City's development can be attributed to retail projects. The City's housing inventory is concentrated in single-family housing, representing more than 80 percent of the City's units.

Aligned with the City's land use profile, several of the City's largest employers are distribution centers, including Amazon (7,500 employees), Ross Dress for Less/DD's (2,400 employees), Sketchers USA (1,200 employees), Harbor Freight Tools (788 employees), and Deckers Outdoor (700 employees). The remaining top ten employers include March Air Reserve Base (9,600

employees), Riverside University Health Systems Medical Center (3,400 employees), Moreno Valley Mall (1,500 employees), and Kaiser Permanent Community Hospital (1,457 employees).<sup>112</sup>

Moreno Valley's land use summary is presented in Figure 85.

Figure 85: Land Use Summary - Moreno Valley

Moreno Valley		County	
Residential Units	Units	%	%
Single Family	46,378	80.6%	54.8%
Multifamily	9,781	17.0%	43.6%
Mobile Home	1,364	2.4%	1.6%
Total Units	57,523	100.0%	100.0%
New Units Since 2010	1,964		
Commercial	Gross SF		
Retail	8,080,993	20.9%	26.6%
Industrial	28,896,728	74.9%	61.8%
Office	1,512,415	3.9%	9.6%
Other	103,295	0.3%	2.0%
Total	38,593,431	100.0%	100.0%
New Commercial Since 2010	20,028,947		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

## CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS

The City of Moreno Valley's SOI consists of three (3) noncontiguous areas, illustrated in Exhibit 12. The City's eastern SOI is the largest of the three (3) areas, stretching eastward into the hills along State Route 60 and southward along Gilman Springs to encompass the area known as Mystic Lake, which is a seasonal body of water. The City's northwestern SOI extends west to the City of Riverside's existing SOI in the hills north of State Route 60, in an area that is largely overlapping the Box Springs Mountain Reserve Park. The City's third and smallest SOI area

<sup>112</sup> Source: City of Moreno Valley, 2018-19 Comprehensive Annual Financial Report

extends south from the City's southern boundary adjacent to Lake Perris State Recreation Area, east of Davis Road.

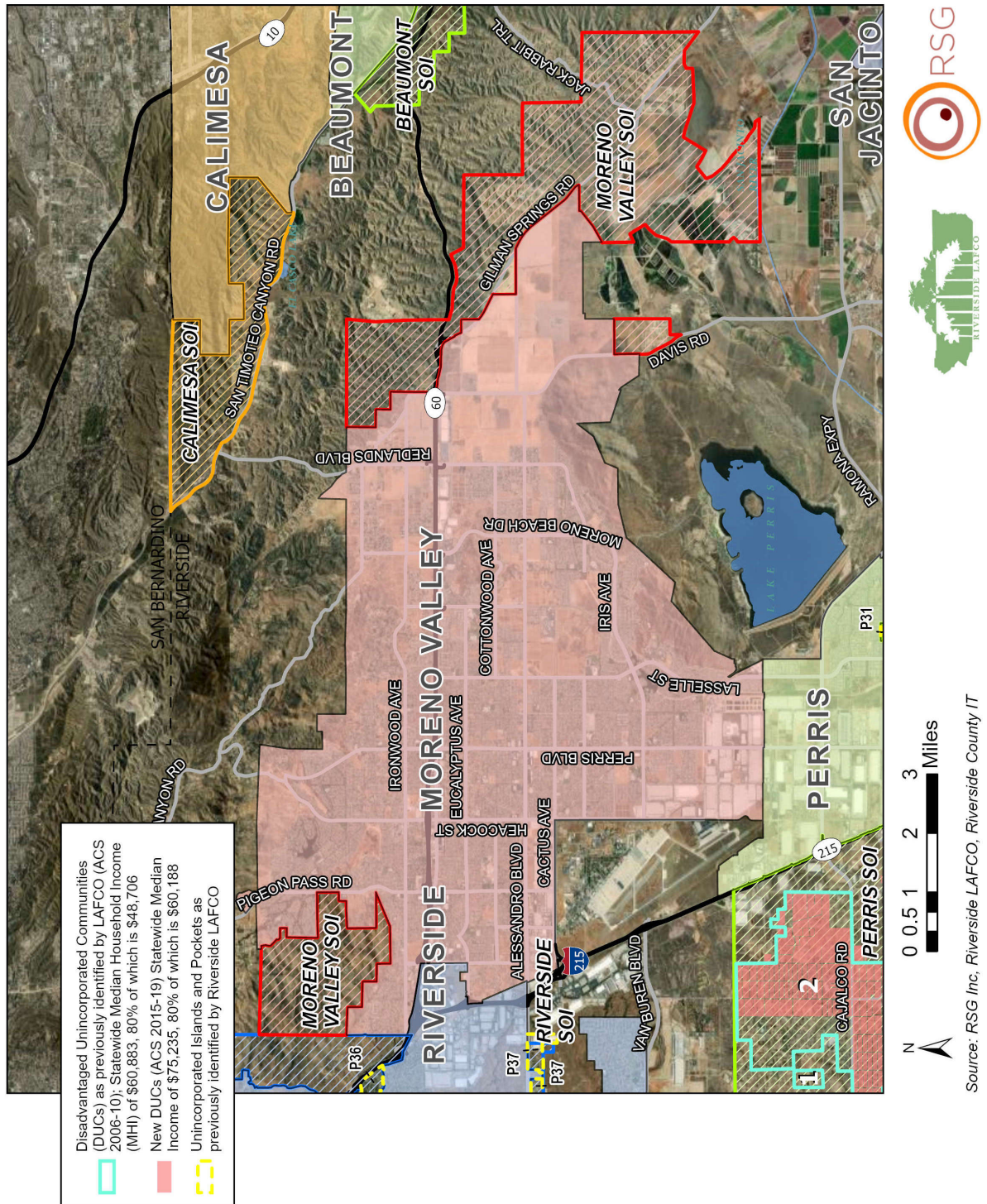
The SOI does not contain LAFCO-identified DUCs or unincorporated islands and pockets.

Moreno Valley's boundary was previously reconfirmed in the September 2006 Central Valleys, The Pass Area and Southwestern Riverside County MSR (LAFCO 2005-49-3&5; LAFCO 2005-48-5; LAFCO 2005-47-1&3) (the "2006 MSR").



Exhibit 12: Current City and SOI Boundaries - Moreno Valley

## City of Moreno Valley and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City of Moreno Valley is a "Council – Manager" form of government, with a City Council that includes five (5) members, including one Mayor elected at-large, and four (4) Councilmembers elected according to district boundaries. The Mayor serves a two (2) year term while Councilmembers serve four (4) year terms. The City Council appoints a City Manager, who serves as the head of the administrative branch of the City government.<sup>113</sup>

The City Council also serves as the Housing Authority, Successor Agency, Moreno Valley Community Services District, Public Financing Authority, and Public Facilities Financing Corporation. Several boards, commissions, committees, and councils carry out assignments as directed by the City Council, including the Accessibility Appeals Board, Environmental and Historical Preservation Board, Senior Citizens Advisory Board, Arts Commission, Library Commission, Planning Commission, Traffic Safety Commission, Utilities Commission, Moreno Valley Citizens Public Safety Committee, Parks Community Services and Trails Committee, and the Emerging Leaders Council.<sup>114</sup>

The City Manager reports directly to the City Council and oversees a staff of 375 full-time equivalent personnel.<sup>115</sup> The City's annual operating expenditures ranged from \$118 to \$150.3 million between 2016-17 2018-19.<sup>116</sup>

## SERVICES PROVIDED

City staff provide the community with building and planning, housing, code enforcement, animal control, parks and recreation, landscape maintenance, streets and road maintenance, lighting, utilities, stormwater drainage, and innovation and technology services. The following section describes municipal services provided within Moreno Valley and identifies the service provider.

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<sup>113</sup> Source: City of Moreno Valley

<sup>114</sup> Source: City of Moreno Valley

<sup>115</sup> Source: City of Moreno Valley, 2018-19 Comprehensive Annual Financial Report

<sup>116</sup> Source: California State Controller's Office, "Cities Financial Data"



Figure 86 summarizes the municipal services provided within the Moreno Valley city limits by the City or by other service providers.

Figure 86: Service Provider Matrix - Moreno Valley

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Housing Authority										
Code Enforcement	Community Development										
Animal Control	Community Development										
Parks and Recreation	Parks and Community Services, CSD, Regional Parks										
Library	Library, Library System										
Museum	Historical Society										
Landscape Maintenance	Public Works, CSD, LLMD, & CFD										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	Edgemont CSD, CSD, LLMD, & CFD										
Lighting	Public Works, CSD, LLMD, & CFD										
Utilities	Electric Utility, Edison, So Cal Gas										
Solid Waste	Waste Management										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Financial & Management Services, Spectrum, AT&T										
Airport	N/A										
Cemetery *	N/A										
Healthcare *	N/A										
Water *	Eastern Municipal Water District, Edgemont CSD										
Wastewater *	Edgemont Community Services District										

\* Not included in this MSR

## Government Services

General government services in the City of Moreno Valley are provided by the elected City Council, and appointed staff like the City Manager and City Clerk. The City Manager serves as the Chief Executive of the City and is responsible to the City Council for the efficient management of all City business including implementation of Council policies and programs, providing direction to departments that administer City programs and services, coordinating intergovernmental relations and legislative advocacy efforts, and administering the outsourcing agreements through which Public Safety services are provided. The City Clerk is responsible for the administration of all municipal elections, access to and management of City records, preparation of agendas, recording and maintenance of all Council actions, maintenance of the Municipal Code, and serves as the official custodian of the City seal.

## Law Enforcement

Moreno Valley receives law enforcement services from the Riverside County Sheriff Department. The Sheriff provides general policing services including, investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and the administration of the volunteer program and the Explorer youth program.

The 2006 MSR presented the following determination:

- Law enforcement services were being provided at a level below the City's standard of 1 sworn officer per 1,000 people.

According to City staff, the recently adopted General Plan identifies City policies for providing responsive, efficient, and effective law enforcement services that promote a high level of public safety. Furthermore, City staff noted that the City no longer has a policy specifying a number of sworn officers per 1,000 residents.

## Fire Protection

Fire Protection services are provided by Riverside County Fire Department/CalFire in Moreno Valley. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection. Fire Stations 2, 6, 48, 58, 65, 91, and 99 are in the City.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

## **Emergency Medical**

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more information on the Department.

## **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the City's Community Development Department through the Planning and Building and Safety Divisions. The Planning Division informs the planning commission, ensures new developments fulfill the City's strategic priorities, and ensures new development is in line with CEQA. The Building and Safety Division conducts plan reviews, issues permits, conducts field inspections, and coordinates permit approvals with City departments and outside agencies.

## **Code Enforcement**

Code enforcement services are provided by the Community Development Department's Code and Neighborhood Services Division. The Division responds to citizen complaints, proactively enforces the municipal code, provides parking control services, and runs the abandoned vehicle abatement program.

## **Animal Control**

Animal control is provided by the Animal Services Division of the Community Development Department. The Division provides humane animal services, sheltering, rabies control, stray animal control, licensing, and public education. A shelter operated by the Division is located in the City at 14041 Elsworth Street.

## **Parks and Recreation**

Parks and recreation services are provided by three (3) entities: The City's Parks and Community Services Department, the Community Services District- Zone A, Community Facilities District No. 1, and the Riverside County Regional Parks and Open Space District. The Department provides

maintenance and development of parks, trails and recreational facilities, maintains open space, administers an array of recreational programs, and enforces park rules and regulations. The Community Services District, known also as Zone A, services parks in the City with the Parks and Community Services Department. The District primarily provides funding to the Department for parks and recreation services. The Community Facilities District No. 1 also provides funding to the Department, but funding is reserved for maintenance of facilities. The Riverside County Regional Parks and Open Space District operates the Box Spring Mountain Reserve in the City. The Reserve is located on 3,400 acres of land that overlooks the cities of Riverside and Moreno Valley. The entrance is located at 9699 Box Springs Mountain Road in Moreno Valley.

The 2006 MSR identified the following determinations:

- The City was providing parkland at a ratio that was below the City's standard and noted financing constraints that led to an increase in fee related recreational activities and a degradation of service provision.

According to City staff, the recently adopted General Plan identifies 671 acres of existing and planned parkland which could meet the parkland ratio within a 20-year period. City staff noted that the City also plans to evaluate parkland dedication fees and in-lieu parkland dedication fees to ensure that the City is adequately addressing the community need while maintaining regional competitiveness.

## **Library**

The Moreno Valley Public Library provides library services to the City. The Library is owned and operated by the City. It has two (2) satellite locations in the Moreno Valley Mall and Iris Plaza. The Library provides users of all ages with reading materials in electronic and traditional formats, educational support for students, and literacy programs. The City's Community Services District provides funding for the operations of the Library.

The 2006 MSR presented the following determinations:

- The City's Library was too small to hold the City's entire inventory and the City had plans at the time to develop a larger facility.

**The City has expanded library facilities to address this finding, adding two satellite libraries that provide library services throughout Moreno Valley. Museum**

There is no museum in the City of Moreno Valley.

### **Landscape Maintenance**

Landscape maintenance is provided by the City's Public Works Department through funding from the Community Services District, Landscape Maintenance District 2014-2, and several other special funding districts in the City. The Department provides general landscape maintenance services to public property and oversees any landscape maintenance contracts.

### **Streets/Road Maintenance**

Streets and roads maintenance is provided by the Public Works Department. The Department's responsibilities include the coordination, maintenance, and operation of traffic facilities and roadways, sidewalk and street maintenance, and the management of City capital improvements.

The 2006 MSR identified the following determinations:

- The City's roads and intersections operating below the City's level of service standard.

City staff indicated that streets and roads were in fair to good shape.

### **Streetlights**

The Moreno Valley Community Services District, Zone C Arterial Streetlights, the Lighting Maintenance District 2014-01, the Community Facilities District 2014-01, and the Edgemont Community Services District all provide funding for streetlight maintenance in various parts of the City. The Edgemont Community Services District provides streetlight maintenance services to several neighborhoods in the western part of the City. The District was formed in 1957 to cover

the Edgemont area of Riverside County which straddles both the cities of Riverside and Moreno Valley. The other districts provide funding that is used by the Moreno Valley Public Works Department to service the rest of the City.

### **Utilities (Gas, Electric)**

Utilities are provided by the Moreno Valley Electric Utility (“MVU”), Southern California Edison (“SCE”), and the Southern California Gas Company (“SoCal Gas”). The MVU is the primary public electric utility in the City and is run by the Public Works Department. Created in 2001, the utility now serves around 6,600 residents. The traditional regional utilities SCE and SoCal Gas both still serve some residents in the City. In Fiscal Year 2018-19 the MVU entered into a financing agreement through Bank of America to acquire the City’s streetlights from SCE. According to City staff, the streetlights then underwent an LED retrofit.

### **Solid Waste**

The City has a franchise agreement in place with Waste Management for solid waste collection services. Waste Management is a private solid waste disposal company provides solid waste disposal and recycling services to Moreno Valley residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers.

The 2006 MSR presented the following determinations:

- The City was not disposing of the required amount of solid waste.

City staff indicated that the City has implemented a number of innovative source reductions, recycling, composting, and reuse programs to help meet State diversion goals. The City’s current diversion rate is 65 percent, which exceeds the current standard diversion rate of 50 percent. Furthermore, City staff noted that an amendment to the City’s municipal code will require a diversion rate of 75 percent by 2025 as required by State law.

## **Storm Drainage**

Storm drainage services are provided by the Public Works Department. The Department is responsible for engineering, designing, and overseeing the construction of capital improvements for flood and storm-water management, and the operation and maintenance of City storm drains.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

The 2006 MSR presented the following determinations:

- The City's storm water drainage is inadequate.

City staff did not indicate that storm water drainage was inadequate in the City.

## **Innovation and Technology**

Innovation and technology services are provided by the Financial and Management Services Department. The Department manages the City's technology assets, improves hardware, software, and telecommunications, and provides IT support.

## **Airport**

There is no public or private airport in the City of Moreno Valley.

## **Extraterritorial Services Provided**

The City of Moreno Valley does not provide services outside of the City's boundaries. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City prepares a Capital Improvement Plan that serves as a comprehensive planning document inclusive of revenues and expenditures for capital improvements within the City. The

City's CIP is adopted every other year and coordinates with the City's two-year budget cycle. The City plans to make improvements in regard to pavement rehabilitation, street and road improvements, interchange construction, bridge maintenance and construction, drainage improvements, lighting improvements, and community center renovation.

According to City staff, all projects identified above, except for the March Community Center Renovation, are moving forward and funded.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City of Moreno Valley submitted its 6<sup>th</sup> Cycle Draft Housing element to HCD on February 19, 2021. As of the date on this MSR, HCD had not completed the review of the City's Housing Element.<sup>117</sup> According to City staff, the City provided HCD with a second submittal and is in active discussion with HCD to have the 6<sup>th</sup> Cycle Housing Element certified. During the 5<sup>th</sup> Cycle, the City submitted Annual Progress Reports between 2014 and 2019, but failed to submit an Annual Progress Report in 2013.<sup>118</sup>

The City's 5<sup>th</sup> Cycle housing needs are presented in Figure 87.

*Figure 87: 5th Cycle Housing Element Summary - Moreno Valley*

Moreno Valley 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	1,500	993	1,112	2,564
Permitted Units	0	0	457	1,354
Allocation Surplus/(Shortage)	(1,500)	(993)	(655)	(1,210)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City permitted 457 moderate income housing units and 1,354 above-moderate income units during the 5<sup>th</sup> Cycle. The City did not permit any very low- or low-income housing units during the

<sup>117</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>118</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020.

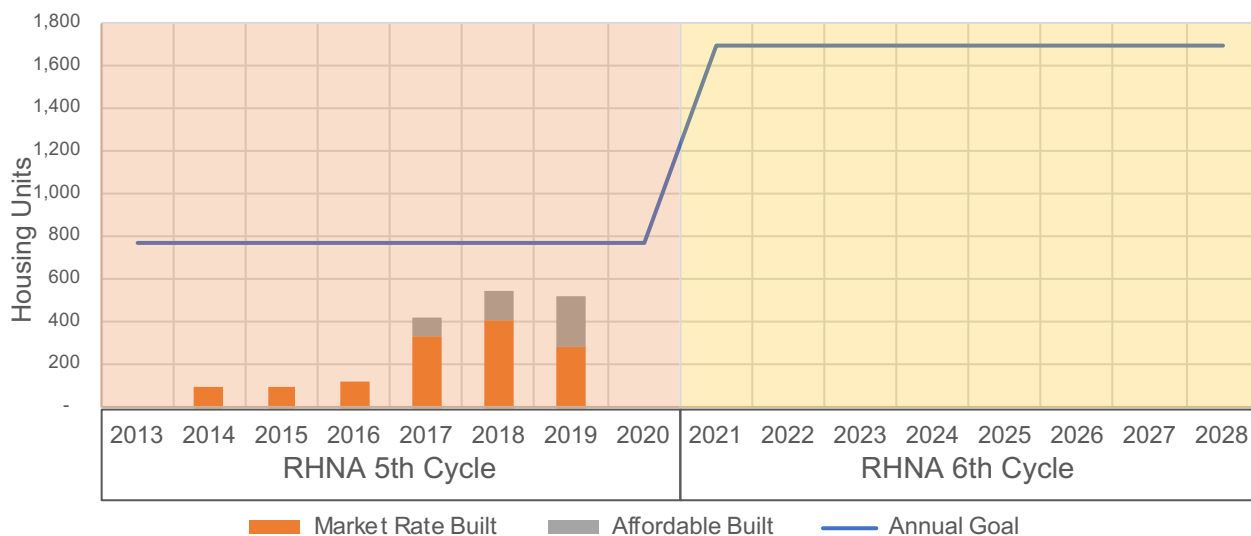


5<sup>th</sup> Cycle, and the City fell short of meeting its RHNA allocation in all income categories. With a shortage of 4,358 housing units, the City is not expected to meet its RHNA allocation in any income category.

The City's RHNA allocation increases by about 120 percent, or 7,427 units, to a total of 13,596 housing units for the 6<sup>th</sup> Cycle. In order to accomplish this, the City will need to permit 1,700 units every year during the eight (8) year cycle. City staff noted that the Courtyards at Cottonwood affordable housing project in Moreno Valley is currently under construction and will assist the City in meeting its RHNA goals for low and very low income housing.

The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle production goals and unit production is presented in Figure 88.

Figure 88: 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA Allocation and Production - Moreno Valley



Moreno Valley is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined

ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>119</sup>

City staff noted that the City adopted a new General Plan in June 2021 and has implemented all of the Zoning amendments required to implement its 6<sup>th</sup> Cycle Housing Element.

## FISCAL HEALTH

The City of Moreno Valley’s fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor assessment is presented in the sections that follow. The City’s net position is presented as annual revenues less expenditures for fiscal years 2016-17 through 2018-19 in Figure 89. The City recorded surpluses in each year between 2016-17 and 2018-19.

Figure 89: Net Position - Moreno Valley

Moreno Valley	2016-17	2017-18	2018-19
Total General Tax Revenues	\$80,283,944	\$95,664,565	\$101,563,227
Other Tax Revenues	252,636	757,763	3,562
Other Revenues	43,623,150	58,823,573	69,378,685
<b>Total Revenues</b>	<b>124,159,730</b>	<b>155,245,901</b>	<b>170,945,474</b>
Total Operating Expenditures	102,604,217	132,608,840	132,343,618
Debt Service	4,326,445	4,319,000	4,309,456
Capital Outlay	11,013,480	13,418,628	12,203,689
<b>Total Expenditures</b>	<b>117,944,142</b>	<b>150,346,468</b>	<b>148,856,763</b>
<b>Net Position</b>	<b>\$6,215,588</b>	<b>\$4,899,433</b>	<b>\$22,088,711</b>

## Operating Revenues

As illustrated in Figure 90, the City had total revenues that ranged from \$124.2 million in 2016-17 to \$170.9 million in 2018-19. Figure 90 outlines the City’s revenue sources between 2016-17 and 2018-19.

<sup>119</sup> Source: California Department of Housing and Community Development, “SB 35 Statewide Determination Summary”

Figure 90: Operating Revenue History - Moreno Valley

Moreno Valley	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$13,549,337	\$19,681,234	\$20,781,717
Sales Tax	22,613,602	22,899,957	25,928,638
Transient Occupancy Tax	1,852,584	2,344,159	2,433,358
Property Tax in-lieu of VLF	17,430,250	18,406,258	19,577,636
Franchise Tax	5,673,109	6,300,486	6,585,791
Business License Tax	2,832,064	2,956,966	3,046,854
Property Transfer Tax	719,514	767,591	833,082
Utility User Tax	15,613,484	15,629,102	15,483,806
Other Tax Revenues	-	6,678,812	6,892,345
<b>Total General Tax Revenues</b>	<b>80,283,944</b>	<b>95,664,565</b>	<b>101,563,227</b>
Transportation Tax	252,636	757,763	3,562
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	-	-
<b>Total Tax Revenues</b>	<b>80,536,580</b>	<b>96,422,328</b>	<b>101,566,789</b>
Charges for Services	6,582,057	11,502,017	10,078,587
Special Benefit Assessments	686,981	800,544	732,737
Use of Money	3,040,329	6,153,214	9,724,869
Fines and Forfeitures	195,970	727,887	800,140
Licenses and Permits	2,950,348	3,234,411	3,638,808
Intergovernmental	14,637,872	18,156,624	21,488,264
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	15,529,593	18,248,876	22,915,280
<b>Total Revenues</b>	<b>\$124,159,730</b>	<b>\$155,245,901</b>	<b>\$170,945,474</b>

Source: California State Controller's Office

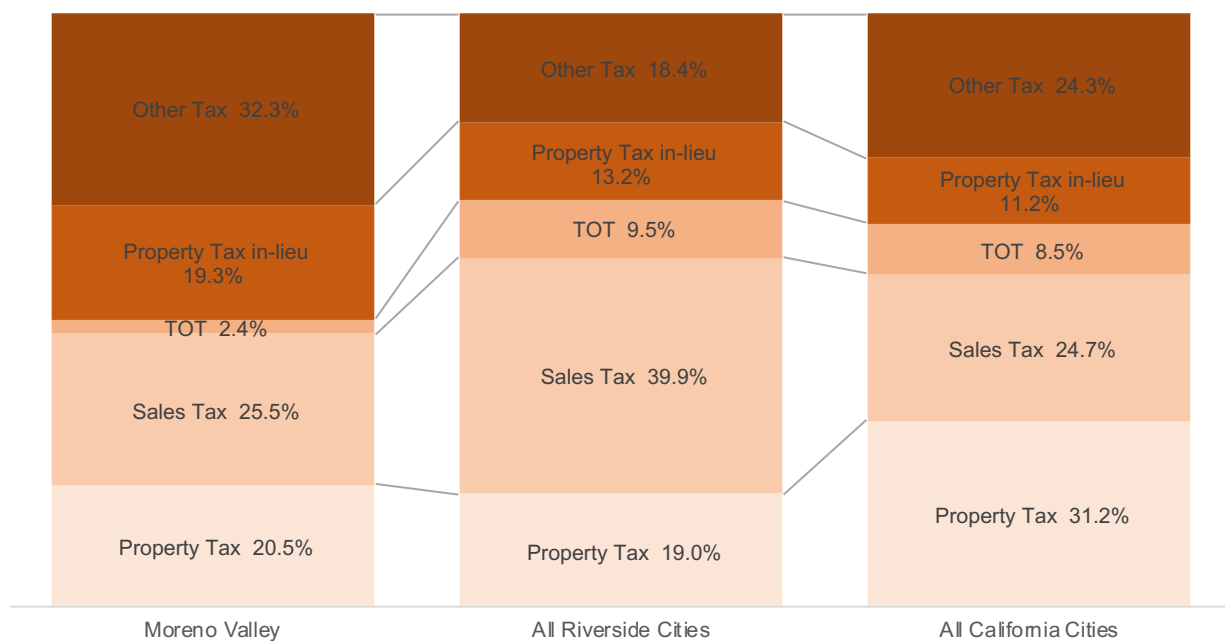
The City's general tax revenues, which were \$101.6 million in 2018-19, account for 59.4 percent of the City's total revenues. The City has a diverse revenue base, with sales tax (\$25.9 million), property tax (\$20.8 million), property tax in-lieu of VLF (19.6 million), and utility user tax (\$15.5 million) representing the largest revenue sources and collectively representing 80.5 percent of total general tax revenues.

When compared to all other Riverside County and California cities, the City's tax revenues are proportionate, except for utility user tax, which not all communities have adopted. Although sales tax is the City's largest general tax revenue source, accounting for 25.5 percent of the City's general tax revenues, it is proportionally lower than the average sales tax revenue for all

Riverside County cities (39.9 percent), and more aligned with the average sales tax revenue for all California cities (24.7 percent). Because sales tax can be susceptible to economic shifts, such as the results of the COVID-19 pandemic, it may be advantageous for the City to rely less on sales tax revenues.

The City's general tax revenues are compared to all Riverside County and California cities in Figure 91.

Figure 91: General Tax Revenue Comparison - Moreno Valley



Aside from tax revenues, City's largest non-tax revenue sources are miscellaneous revenues (\$22.9 million) and intergovernmental revenues (\$21.5 million). The City's major revenue sources are described in greater detail in the sections that follow.

## Sales Tax

Sales tax revenues are the City's single-largest tax revenue, accounting for 25.5 percent of general tax revenues or \$25.9 million in 2018-19. Sales tax revenues are derived from one percent of gross receipts from the sale of tangible personal property sold in Moreno Valley. Sales tax revenues increased by 7.1 percent annually between 2016-17 and 2018-19.

## **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Property tax and property tax in-lieu of VLF were the City's second and third largest tax revenues in 2018-19, accounting for 20.5 and 19.3 percent of general tax revenues respectively.

In 2018-19, the City collected almost \$20.8 million in property tax. Property tax is assessed on land, improvements, and personal property, which amounted to about \$15.6 billion in 2018-19. Approximately \$4.1 billion in assessed value was derived from land value and \$11.8 billion from improvements.<sup>120</sup> The City's property tax collections were approximately 15.6 percent of all property tax collected in Moreno Valley, which is one of the highest tax rates for a city in Riverside County.

The City's property tax revenues increased from about \$13.5 million in 2016-17 to \$20.8 million in 2018-19, 23.8 percent annual growth rate. While property assessed valuations can only increase by a maximum of 2 percent annually, property tax revenues can grow at a much faster pace as a result of new development adding new taxable value to the tax roll.

The City of Moreno Valley and County of Riverside have a mutually adopted Master Property Tax Exchange Agreement in place, which was adopted in 1985.<sup>121</sup>

Property tax in-lieu of VLF accounted for 19.3 percent of the City's general tax revenue in 2018-19, equivalent to \$19.6 million. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increases based on assessed valuation growth in the jurisdiction.

## **Utility User Tax**

A fourth significant revenue source for the City is utility user tax revenues. The City assesses utility user taxes on telephone use at a rate of 5.75 percent, inclusive of intrastate residential and

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<sup>120</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>121</sup> Source: Riverside LAFCO

commercial calls, interstate residential and commercial calls, international residential and commercial calls, and all wireless residential and commercial calls. Additionally, the City taxes business and residential electricity, business and residential natural gas, business and residential cable television, business and residential water, and business and residential sewer fees at a rate of 6 percent.<sup>122</sup> In 2018-19, utility user tax revenues amounted to \$15.5 million, or about 15.2 percent of general tax revenues. Over the three (3) year period from 2016-17 to 2018-19, the City's utility user tax revenues were relatively flat, decreasing by a little more than \$100,000 over that period.

### **Miscellaneous Revenues**

The City's largest non-tax revenue source is classified as miscellaneous revenues. Miscellaneous revenues amounted to \$22.9 million in 2018-19, or about 13.4 percent of all revenues. For the City, the primary sources of miscellaneous revenues includes development impact fees (\$9.6 million in 2018-19), contributions from nongovernmental sources (\$1.9 million), and other unclassified miscellaneous revenues (\$11.3 million). According to City staff, the City is expected to begin preparation of a development impact fee study in 2021.

### **Intergovernmental Revenues**

Intergovernmental revenues are collected from County, State, and Federal sources and amounted to \$21.5 million in 2018-19 for the City. The City's intergovernmental revenues are comprised of gas tax revenues (\$8.0 million), community development block grants (\$1.8 million) and several other State (\$8.0 million) and Federal (\$3.3 million) government sources. Intergovernmental revenues increased from about \$14.6 million in 2016-17 to \$21.5 million in 2018-19, a 21.2 percent annual growth rate.

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<sup>122</sup> Source: California City Finance, "Utility User Tax by City" updated in February 2021

## Operating Expenditures

The City's operating expenditures ranged from \$117.9 to \$150.3 million between 2016-17 and 2018-19. The City's annual operating expenditures, categorized by use, are presented in Figure 92.

Figure 92: Operating Expenditures - Moreno Valley

Moreno Valley	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$31,577,627	\$45,685,127	\$21,936,258
Employee Benefits	9,756,381	12,363,241	13,222,377
Materials and Supplies	4,749,004	2,974,431	3,675,063
Contract Services	56,321,004	57,844,737	83,315,931
Other Operating Expenditures	200,201	13,741,304	10,193,989
<b>Total Operating Expenditures</b>	<b>102,604,217</b>	<b>132,608,840</b>	<b>132,343,618</b>
Debt Service	4,326,445	4,319,000	4,309,456
Capital Outlay	11,013,480	13,418,628	12,203,689
<b>Total Expenditures</b>	<b>\$117,944,142</b>	<b>\$150,346,468</b>	<b>\$148,856,763</b>

Source: California State Controller's Office

Because the City contracts with the County of Riverside for law enforcement and fire protection services, it is not surprising that the City's largest expenditure category is contract services, amounting to \$83.3 million in 2018-19. Between 2016-17 and 2018-19, the City's contract services expenditures increased by 21.6 percent annually – over the same time frame all other operating expenditures increased by just 2.9 percent. In 2018-19, the City's contract service expenditures amounted to 56 percent of total expenditures.

The City's largest current expenditure category is associated with public safety, amounting to \$63.3 million in 2018-19. Public safety expenditures grew at just 3.5 percent annually between 2016-17 and 2018-19 while total current expenditures increased by 12.3 percent annually. Most of the growth occurred in transportation, community development, and culture and leisure expenditure categories. The City's current expenditures by function between 2016-17 and 2018-19 are presented in Figure 93.

Figure 93: Current Expenditures - Moreno Valley

Moreno Valley	2016-17	2017-18	2018-19
General Government	\$17,323,318	\$18,982,549	\$19,669,398
Public Safety	59,152,472	63,992,529	63,305,321
Transportation	10,976,980	18,441,708	19,286,980
Community Development	6,843,958	12,717,384	11,128,467
Health	-	-	-
Culture and Leisure	8,307,489	18,474,670	18,953,452
Public Utilities	-	-	-
Debt Service	4,326,445	4,319,000	4,309,456
Capital Outlay	11,013,480	13,418,628	12,203,689
<b>Total Current Expenditures</b>	<b>\$117,944,142</b>	<b>\$150,346,468</b>	<b>\$148,856,763</b>

Source: California State Controller's Office

In most contract cities around Riverside County, the public safety costs are rapidly increasing at unsustainable paces – that is not the case in Moreno Valley. The fastest growing expenditure categories for the City were culture and leisure (51 percent annual increase between 2016-17), transportation (32.6 percent annual growth), and community development (\$27.5 percent annual growth). These three (3) categories represented \$23.2 million in expenditure increases between 2016-17 and 2018-19.

Culture and leisure expenditures are entirely associated with parks and recreation costs (almost \$19.0 million in 2018-19) while transportation expenditures include costs for streets, highways and storm drains (\$18.1 million), and trees and landscaping (\$1.1 million). Community development expenditures are associated with planning (\$3.2 million), construction and engineering regulation (\$373,000), and other unclassified community development expenditures (\$7.5 million). Some of these costs are recovered via charges for services, and according to City staff, the City's fees are balanced and consistent with all fee studies. City staff also indicated that the City planned to prepare a new development impact fee study in 2021 because the previous fee study was prepared nine (9) years ago.

### Reserve Fund Balance

The City has several reserve fund policies. The City's cash flow reserve aims to preserve 17 to 35 percent of General Fund expenditures. The Emergency fund policy requires 12 percent of



General Fund expenditures and the Rainy Day Reserve policy requires an additional 10 percent of General Fund expenditures to be retained. The City's 2020-21 budget indicates that the City will retain \$39.9 million in reserves and is in compliance with the City's reserve policies.<sup>123</sup>

## Pension and OPEB Obligations

The City of Moreno Valley's pension and OPEB obligations are outlined in Figure 94.

Figure 94: Pension and OPEB Obligations - Moreno Valley

Moreno Valley	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$72,410,028	\$68,092,267	\$72,896,273
Total OPEB Liability/(Surplus)	7,099,335	6,453,487	8,175,011
Total Benefit Liability/(Surplus)	\$79,509,363	\$74,545,754	\$81,071,284

Source: 2017-18, 2018-19 and 2019-20 ACFR

Qualifying employees are eligible to participate in the City's Miscellaneous Pension Plan. The City does not have public safety employees and therefore does not offer a Safety Plan. The City also provides OPEB policies, which are defined benefit postemployment healthcare plans for retired persons, and benefits are extended to surviving spouses. As illustrated in Figure 94, the City has about \$81.1 million in combined pension and OPEB liabilities.

The City established an irrevocable trust fund in June 2009 to begin prefunding the City's unfunded OPEB liability.

The City's pension indicators, which include the City's employer contribution compared to the actuarially determined contribution, the City's total covered payroll, and the contribution rate as a percent of covered payroll, are presented in Figure 95.

<sup>123</sup> Source: City of Moreno Valley, 2019-20 Budget

Figure 95: Pension Indicators - Moreno Valley

Moreno Valley	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$6,385,610	\$7,094,031	\$7,972,616
Employer Contribution	6,385,610	7,094,031	7,972,616
Covered Payroll	\$20,860,026	\$21,783,847	\$24,175,227
Employer Contribution Rate	30.6%	32.6%	33.0%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City made employer contributions equivalent to the actuarially determined contribution between 2016-17 and 2019-20. During this time frame, the City's covered payroll increased at an annual rate of about 7.7 percent. The City's employer contribution rate, which ranged from 30.6 to 33.0 percent between 2016-17 and 2019-20, is about average for the County of Riverside, which ranged from 26 to 32 percent over the same period.

### Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### California State Auditor Fiscal Health Evaluation

The City of Moreno Valley ranked 281 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 190 peer cities in California, or about 40 percent of cities. The City received low risk ratings on six (6) indicators, including liquidity, general fund reserves, pension obligations, pension costs, future pension costs, and OPEB obligations. Two

(2) indicators were given moderate risk ratings, including debt burden and revenue trends. Two (2) indicators scored high risk ratings, including pension funding and OPEB funding.<sup>124</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for the City of Moreno Valley are presented by topic below:

### **1. Population, Growth, and Housing**

Moreno Valley grew at a slower rate over the last decade, when compared to the County and most other incorporated jurisdictions in the Western Riverside Region. The Moreno Valley population is expected to grow at a rate that is slightly lower than the County-wide growth rate over the next 15 to 25 years. The City did not build sufficient housing units to meet its 5<sup>th</sup> Cycle RHNA allocation of 6,169 units, falling short by 4,358 units, and the City's 6<sup>th</sup> Cycle RHNA allocation increased by 120 percent to a total of 13,596 housing units.

### **2. Disadvantaged Unincorporated Communities in SOI**

The City's SOI does not contain any DUCs.

### **3. Present and Planned Capacity of Facilities**

Many of the City's deficiencies identified in the 2006 MSR did not resurface during RSG's research, data collection, and city interview stages.

### **4. Financial Ability to Provide Services**

The City's general tax revenue sources have increased to more than \$101.6 million in 2018-19. The City has identified issues with its pension and OPEB liabilities and began to take

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<sup>124</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

corrective action as early as 2008 with the introduction of an irrevocable trust fund. The City has maintained healthy reserve funds.

## **5. Opportunities for Shared Facilities**

No opportunities for shared facilities were identified.

## **6. Accountability for Community Service Needs**

The City Council is elected according to district boundaries. The City's plethora of boards, committees, and commissions indicates that the City residents are engaged with City government. The City is active across at least five (5) social media platforms and maintains an email list. The City also operates a television channel and has a dedicated media team.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

# **SOI RECOMMENDATIONS**

RSG's recommendations related to the Moreno Valley SOI are presented by topic below. RSG is not recommending any changes to Moreno Valley's SOI.

## **1. Present and Planned Land Uses**

Large portions of Moreno Valley's SOI overlaps difficult-to-develop and protected land and are unlikely to be developed in the foreseeable future. The southern and southeastern portions of the unincorporated Moreno Valley SOI present the best opportunities for future growth and development.

## **2. Present and Probable Need for Public Facility and Services**

City staff indicated that the Moreno Valley SOI has adequate public facilities and services.

## **3. Present Capacity of Public Facilities**

City staff indicated that public facilities in the Moreno Valley SOI are sufficient to meet the community's needs.

## **4. Social or Economic Communities of Interest**

The City did not identify any social or economic communities of interest in the Moreno Valley SOI.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Moreno Valley SOI does not contain any DUCs.

## CITY OF MURRIETA

The City of Murrieta incorporated in 1991 as a general law city in the County's Western Region.<sup>125</sup> Murrieta's northern boundary extends to the cities of Wildomar and Menifee as well as unincorporated County territory that is not part of any city's SOI. The City's southern boundary meets the City of Temecula corporate boundary while the City's western edge borders unincorporated County territory. The City's eastern boundary extends east to State Route 79, sharing a border with the City of Temecula SOI. Murrieta's incorporated area covers 33.6 square miles, and the Murrieta SOI covers an additional 8.4 square miles beyond the City's corporate boundary in the northeast.<sup>126</sup>

The City of Murrieta's demographic profile is presented in Figure 96.

Figure 96: Demographic Profile - Murrieta

Murrieta	City	SOI	County
Population as of 2020	115,561	13,677	2,442,304
Population as of 2010	103,466	6,053	2,189,641
Annual Pop. Growth Since 2010	1.11%	8.49%	1.10%
Housing Units	37,363	3,696	867,637
Persons / Housing Unit	3.09	3.70	2.81
Land Area (sq mi)	33.6	8.4	7,206.0
Persons / Square Mile	3,439	1,638	339
Median Household Income	\$87,022	\$109,149	\$67,369
Projected Population in 2035	126,717		2,995,509
Annual Proj. Growth 2020-2035	0.62%		1.37%
Projected Population in 2045	127,738		3,251,705
Annual Proj. Growth 2020-2045	0.67%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>125</sup> Source: City of Murrieta

<sup>126</sup> Source: Riverside LAFCO

The Murrieta population grew at an annual rate of 1.11 percent, which is about the same rate as the County of Riverside as a whole, 1.10 percent. Murrieta's population density, 3,439 persons per square mile, is above average for incorporated cities in Riverside County (2,207 persons per square mile), and the median household income of \$87,022 is above the County-wide median household income (\$67,369). The median household income in Murrieta's SOI is even higher, at \$109,149. It is uncommon for the median household income in the SOI to be higher than in the incorporated areas.

Population projections indicate that Murrieta will grow at a slower rate over the next 15 to 25 years, compared to recent growth rates for the City, and the County's anticipated growth rate during the same time frame.

Murrieta's housing profile includes a disproportionate amount of single-family housing units, which represent almost 74 percent of all housing units. Over the last decade, the City added 2,069 housing units.

The land use profile for Murrieta is outlined in Figure 97.

Figure 97: Land Use Summary - Murrieta

Murrieta		County	
Residential Units	Units	%	%
Single Family	27,607	73.9%	54.8%
Multifamily	8,088	21.6%	43.6%
Mobile Home	1,668	4.5%	1.6%
Total Units	37,363	100.0%	100.0%
New Units Since 2010	2,069		
Commercial	Gross SF		
Retail	5,657,739	45.4%	26.6%
Industrial	4,087,559	32.8%	61.8%
Office	1,944,852	15.6%	9.6%
Other	759,411	6.1%	2.0%
Total	12,449,561	100.0%	100.0%
New Commercial Since 2010	882,697		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

The City's land use profile is skewed towards retail development, which represents 45.4 percent of all commercial square footage in the City, compared to 26.6 percent of square footage County-wide. The City's 15.6 percent office square footage is also a larger proportion of office space, compared to the normal Riverside County distribution of commercial land uses (9.6 percent office). City staff indicated that retail represents 43.9 percent of commercial square footage in the City, and office represents 15.2 percent of commercial space.

The City's largest employers include several governments, institutions, and healthcare providers – Murrieta Valley Unified School District (2,264 employees), Southwest Healthcare Systems (1,616 employees), Loma Linda University Medical Center (1,029 employees), County of Riverside (854 employees), Oak Grove Institute (346 employees), and Murrieta Health and Rehab Center (191 employees). Additionally, the City's largest retailers rank as major employers, with



Target (354 employees), Walmart (313 employees), and Sam's Club (211 employees) representing three (3) of the top employers in Murrieta.<sup>127</sup>

City staff noted the following employment figures, according to the City's 2020 Annual Audit: Murrieta Valley Unified School District (2,315 employees), Southwest Healthcare Systems (1,481 employees), Loma Linda University Medical Center (1,037 employees), County of Riverside (895 employees), Oak Grove Institute (335 employees), and Murrieta Health and Rehab Center (248 employees). City staff added that the largest retailers have not changed, but employment has changed slightly: Target has 341 employees, Walmart has 320 employees, and Sam's Club has 212 employees.

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

The City of Murrieta's SOI consists of one contiguous area extending northeast beyond the City's corporate boundary. The Murrieta SOI and City's corporate boundary are illustrated in Exhibit 13. The Murrieta SOI does not contain any DUC, however LAFCO-identified unincorporated island or pocket P24 is within the City's SOI and P25 is adjacent to Murrieta, Wildomar, and Menifee but is not within any city's SOI. Pockets P24 and P25 are described below:

- Pocket P24 is located southeast of the intersection of Scott Road and Menifee Road, and is surrounded on three (3) sides by the City of Menifee corporate boundary. One-half of the southern edge of P24 is corporate City of Murrieta territory while the pocket is within the City of Murrieta SOI. While P24 is adjacent to RCA-designated Criteria Cells and north of public or quasi-public conserved lands, P24 is almost entirely developed as single-family residential land uses.
- Pocket P25 is an unincorporated area not in any city's SOI that covers the foothills north of Murrieta, completely surrounded by the corporate cities of Menifee (north), Murrieta (east and south), and Wildomar (west), and is designated by the Riverside Conservation

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<sup>127</sup> Source: City of Murrieta, 2018-19 Comprehensive Annual Financial Report

Authority (“RCA”) as a Criteria Cell.<sup>128</sup> Most of Pocket P25 has been included in the proposed SOI amendment and concurrent annexation, which was submitted by the developer (Pulte Homes) in May 2022. Exhibit 14 illustrates Pocket P25 and the overlapping MSHCP areas.

Murrieta’s boundary was previously reconfirmed in the September 2006 Central Valleys, The Pass Area and Southwestern Riverside County MSR (LAFCO 2005-49-3&5; LAFCO 2005-48-5; LAFCO 2005-47-1&3) (the "2006 MSR"). The 2006 MSR presented findings for the City’s drainage facilities, law enforcement, and solid waste, which are noted in the Services section below.

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<sup>128</sup> Source: Regional Conservation Authority – Western Riverside County, RCA MSHCP Information Map, Accessed May 3, 2021

Exhibit 13: Current City and SOI Boundaries - Murrieta

## City of Murrieta and Sphere of Influence

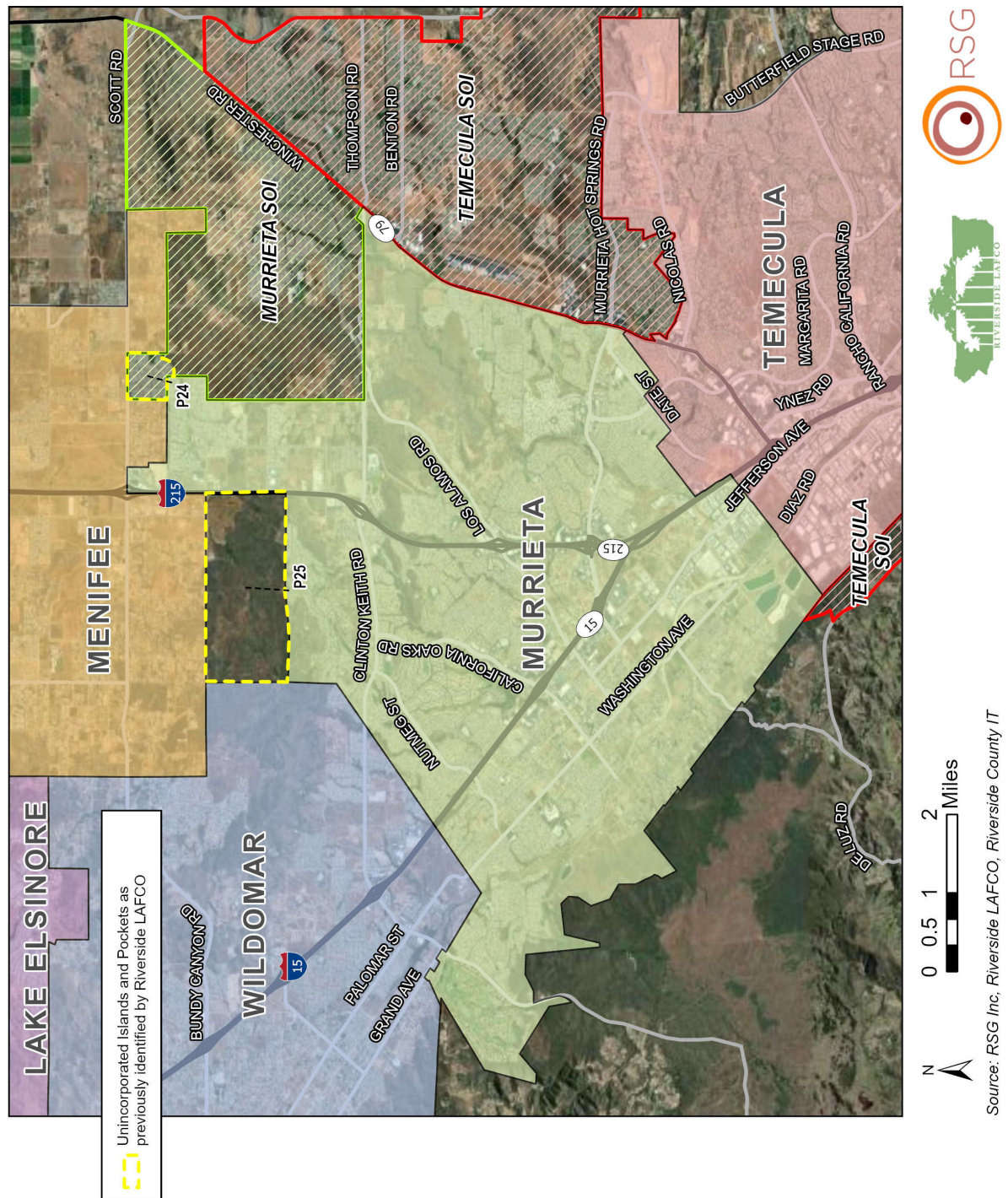
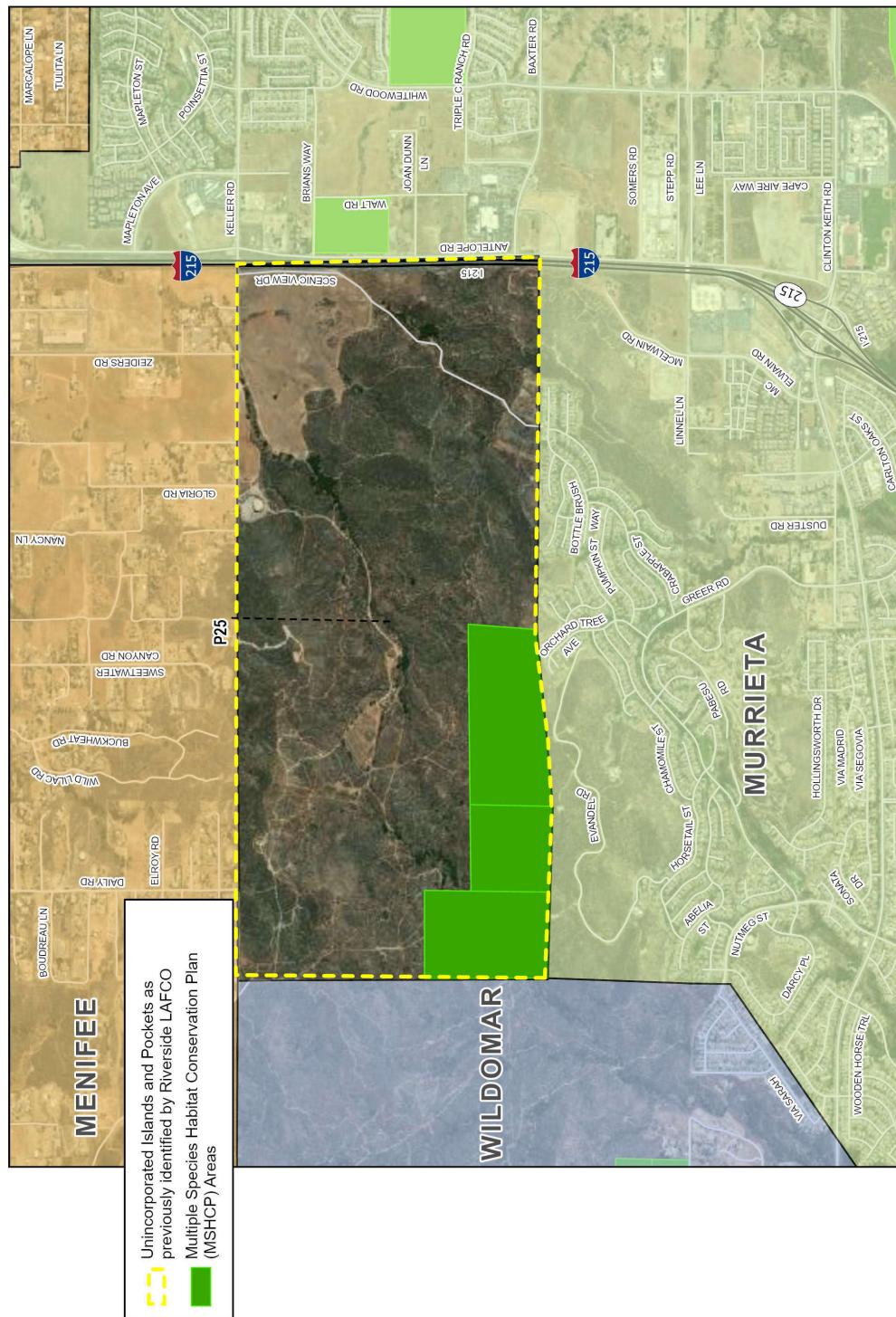




Exhibit 14: Murrieta Pocket P25 and MSHCP Areas

## City of Murrieta: P25 and MSHCP Areas



## FORM OF GOVERNMENT AND STAFFING

The City of Murrieta operates as a "Council – Manager" form of government, with an elected City Council of five (5) members elected on a district-basis to four (4) year staggered terms. The City's Mayor and Mayor Pro-Tem are appointed to one year terms based on rules of procedure for City Council Meetings and the rotation of presiding officers, which occurs at the second meeting in December each year. The City Council appoints a City Manager, who serves as the head of the administrative branch of the City government.<sup>129</sup>

The City Council also serves as voting members of the City's ancillary districts and boards, including the Community Services District, Financing Authority, Fire District, Housing Authority, Library Board, and Redevelopment Successor Agency. Additionally, the Citizens Advisory Committee, Library Advisory Commission, Parks and Recreation Commission, Planning Commission, Traffic Commission, Transaction and Use Tax Oversight Committee, and Youth Advisory Committee carry out assignments as directed by the City Council.<sup>130</sup>

The appointed City Manager oversees the City's daily operations, including a staff of 406.6 full time equivalent personnel (2020-21)<sup>131</sup> and General Fund operating expenditures that grew to over \$112.0 million in 2020-21<sup>132</sup>.

## SERVICES PROVIDED

City staff provide the community with law enforcement, building and planning, housing, code enforcement, parks and recreation, library, landscape maintenance, streets and road maintenance, streetlights, stormwater drainage, and innovation and technology services. The following sections describe municipal services provided within Murrieta and identifies the service

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<sup>129</sup> Source: City of Murrieta

<sup>130</sup> Source: City of Murrieta

<sup>131</sup> Source: City of Murrieta, 2020-21 Comprehensive Annual Financial Report

<sup>132</sup> Source: City staff

provider. Figure 98 summarizes the municipal services provided within Murrieta city limits by the City or by other service providers.

Figure 98: Service Provider Matrix - Murrieta

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire & Rescue										
Emergency Medical	Fire & Rescue, American Medical Response										
Building/Planning	Development Services										
Housing	Housing Authority/Planning										
Code Enforcement	Code Enforcement Division										
Animal Control	Animal Friends of the Valley										
Parks and Recreation	Public Works, CSD, Regional Parks										
Library	Public Library, Library System										
Museum	Murrieta Museum										
Landscape Maintenance	Public Works, LLD										
Streets/Road Maintenance	Public Works, CSD, CSA										
Streetlights	Public Works, CSD										
Lighting	Murrieta CSD & LLD, CSA										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, Waste Management										
Stormwater Drainage	Engineering, CSD, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum										
Airport	N/A										
Cemetery *	Murrieta Valley Cemetery District										
Healthcare *	Valley Health System Hospital District										
Water *	Eastern Municipal Water District, Western Municipal Water District										
Wastewater *	Western Municipal Water District										

\* Not included in this MSR

## Government Services

General government services in the City are provided by the elected City Council and appointed staff such as the City Manager and the City Clerk. The City Manager is the administrative head of the City and is responsible for implementing policies adopted by the Council, making policy recommendation to the Council, and overseeing the daily operations and services provided by various departments/divisions. The City Clerk administers municipal elections, manages the City's records, provides transparency to all stakeholders and the public, and performs administrative duties in support of the Council and committees.

## **Law Enforcement**

Law enforcement services are provided by the Murrieta Police Department. The Department provides crime prevention and patrol services, traffic management, detective services, fiscal oversight, personnel services, training, and the explorer/cadet program. According to City staff, the Department provides dispatch services to the City of Menifee.

The 2006 MSR presented the following determinations:

- The City was providing law enforcement personnel at a level that was below the City's standard of 1 sworn officer per 1,000 people.

According to City staff, the current ratio is 0.84 sworn officers per 1,000 residents, but the City has a three-year plan commencing in fiscal year 2021-22 to increase the ratio to 0.90.

## **Fire Protection**

Fire protection services are provided by the Murrieta Fire and Rescue Department. The Department was formed in 1947 as the Murrieta Fire Protection District and has grown to meet the needs of the expanding City. In 1987 the Department switched from an all-volunteer service to a career model. Services provided include emergency management, fire suppression, emergency medical services, dispatch, fire safety, training, support services, and community risk reduction. The Department currently operates 5 fire stations in the City. According to City staff, residents are pleased with having their own local fire department.

## **Emergency Medical**

Emergency medical services are provided by the Murrieta Fire and Rescue Department. For more information on the Department, please see the previous section. Emergency medical transportation is provided by American Medical Response, the defined ambulance provider for the Southwest Riverside County Exclusive Operating Area.

## **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the Building and Planning Divisions of the City's Development Services Department. The Planning Division provides services that include current planning, code and ordinance development, CEQA compliance, and management of housing and the Housing Authority. The Building Division provides plan reviews, permit issuance, and inspections. According to City staff, building and planning fees were updated 2 years ago.

### **Code Enforcement**

Code enforcement is provided by the Development Services Department. The Department provides detection and investigation, enforcement of land development regulations, and compliance through education and outreach. According to City staff, the density bonus section of the Development Code was recently updated.

### **Animal Control**

Animal control services are provided through a third-party contract with Animal Friends of the Valley ("AFV"). AFV is a nonprofit organization that runs animal shelter services for Murrieta, in addition to other cities in southwestern Riverside County. AFV provides services such as animal care and control, humane education and euthanasia, animal licensing, lost animal services, spay/neuter services, microchipping, vaccinations, and wildlife services.

### **Parks and Recreation**

The Parks Maintenance Division of the City's Public Works Department, the Murrieta Community Services District, and the Riverside County Regional Parks and Open Space District all provide parks and recreation services to the City of Murrieta. The Parks Maintenance Division maintains 52 parks in the City, deals with tree removal, and manages contracts for landscape maintenance. The Community Services District provides safe and accessible facilities, parks, and open spaces as well as diverse leisure activities for all people in the areas of recreation, education, and culture. The District formed in 1992 through a resolution with Riverside LAFCO. The District has the



authority to charge for various parks and recreation related services at all 52 City parks and other facilities.

## **Library**

The Murrieta Public Library is dedicated to providing a vibrant environment with open access to exceptional services, collections, and programs while continuing to promote the joy of reading for an empowered and successful community. The Library provides general library services to the City such as an inventory of available books, recreation and educational materials, children's services, adult and teen services, computers for public use, and resource information. The Library is operated by the City and located at 8 Town Square. The Library has a current inventory of almost 100,000 materials, and checks out approximately 452,000 items per year to 11,547 patrons.

## **Museum**

Museum related services are provided by the Murrieta Museum. Opened in 2019, the Museum aims to preserve and document the history of Murrieta for future generations. It is owned and operated by the Murrieta Valley Historical Society. Murrieta partners with the museum by providing a City-owned facility at Hunt Park.

## **Landscape Maintenance**

Landscape maintenance services are provided by the Public Works Department's Maintenance Division and funded by the City's 30 Landscape and Lighting Maintenance Districts across eight (8) zones. The Districts provide funding to the Maintenance Division for the upkeep of public landscapes throughout the City. According to City staff, maintaining a high level of quality for services like landscape maintenance have become increasingly challenging as the City has grown.

## **Streets/Road Maintenance**

Streets and road maintenance services are provided by the Roadway Maintenance Division of the Public Works Department. The Division maintains City infrastructure such as streets, sidewalks, traffic signals, drainage facilities, and bridges. According to City staff, all streets have not been completed to meet the capacity required of them.

## **Streetlights**

Streetlight related services are provided by the Facilities and Fleet Maintenance Division of the Public Works Department. The Division manages assets such as recently purchased streetlights for LED retrofit and streetlight maintenance. According to City staff, there is a small dependent special district that provides funding for streetlight maintenance.

## **Utilities (Gas, Electric)**

Utility services are provided by Southern California Edison (“SCE”) and Southern California Gas (“SoCal Gas”). SCE provides general electricity generation, and grid operations. SoCal Gas provides natural gas energy services to the City for various uses, such as heating and cooking.

## **Solid Waste**

The City has a franchise agreement in place with Waste Management for solid waste collection services. Waste Management is a private solid waste disposal company provides solid waste disposal and recycling services to Murrieta residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers.

The 2006 MSR made the following determinations:

- The City was diverting less solid waste than what is required by California Public Resources Code (PRC 41780).

According to City staff, CalRecycle last completed a review of the City's waste diversion efforts for the period covering 2012-2015, and concluded that the City was in compliance with state waste diversion goals. The City's 2016-2019 reporting period is currently under review by the State.

## **Storm Drainage**

Storm drainage services are provided by the Murrieta Community Services District, and the Public Works Department's Roadway Maintenance and Engineering Divisions. The District provides funding for the maintenance and improvement of detention basins, storm drains, landscape slopes, flood channels, parkland, and open space areas that are directly related to flood/drainage control throughout the City. The Roadway Maintenance Division helps maintain City drainage facilities and the Engineering Division handles large capital improvement projects and ensures compliance with the National Pollutant Discharge Elimination System ("NPDES") permit program.

County Service Area 152 provides a portion of the funding necessary to operate the City's NPDES permit program, which is aimed at eliminating illicit discharges and non-stormwater runoff. The remaining funding of the program is provided by the City's General Fund.

The 2006 MSR presented the following determinations:

- The City had storm drainage deficiencies in areas that were underdeveloped or undeveloped.

According to City staff, the City continues to be subject to deficiencies in storm drain capacity in certain areas that are underdeveloped/ undeveloped, especially in northeast and southwest Murrieta. The City requires new development to plan and pay for the extension of infrastructure needed to serve development, but in some areas of the City this is proving to be infeasible. Staff indicated that LAFCO is currently reviewing a request by the City to reorganize water district boundaries in southwest Murrieta where it believes overlapping water district service areas have resulted in very little development due to the high cost of extending infrastructure. The City may also consider the use of an Enhanced Infrastructure Financing District (EIFD) to finance infrastructure improvements pursuant to State law.

## **Innovation and Technology**

Innovation and Technology services are provided by the City's Information Technology Department. The Department provides the City government with user support, network administration, enterprise system management, Geographic Information System ("GIS") services, cyber security, and business intelligence.

## **Airport**

There is no airport facility in the City of Murrieta.

## **Extraterritorial Services Provided**

According to staff, the City's Police Department participates in a regional partnership with the City of Hemet Police Department and the City of Menifee Police Department, known as the Southwest Cities Special Weapons and Tactics Team.

The Police Department also participates in a Countywide Community Behavioral Health Analysis Team ("CBAT") which places a County RUHS Therapist with a Murrieta Police Officer for 40 hours per week. The purpose of the program is to more efficiently address those in the community with behavioral health problems. The Police Department has entered into an agreement with the County Sheriff (Temecula Station) to provide community behavioral health services to Temecula when the Temecula CBAT.

The City also provides dispatch services to the City of Menifee Police Department. The City of Murrieta and City of Menifee adopted the Dispatch Services Agreement in August of 2019 and the Agreement stipulates that the City of Murrieta's existing dispatch center will provide dispatch services to the Menifee Police Department between July 1, 2020 and July 1, 2030.<sup>133</sup>

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<sup>133</sup> Source: City of Menifee Police Department Press Release. "Menifee City Council Approves Dispatch Service Agreement with City of Murrieta" accessed on May 3, 2021. <https://menifeepolice.org/2019/08/22/menifee-city-council-approves-dispatch-service-agreement-with-city-of-murrieta/>

RSG did not identify any additional services that are provided outside of the Murrieta city limits. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City's Public Works and Engineering Department prepare and administer the Capital Improvement Plan, which provides a five (5) year outline of public projects that the City plans to construct, and includes current funding of \$65 million. Some of the projects rely on several funding sources including development impact fees, transportation funds, grants from State or Federal sources, and reimbursement agreements from developments. According to City staff, some projects listed in the CIP are unfunded and may not be funded in the future. The City updates the CIP annually. The City plans on carrying out improvements in areas including pavement resurfacing, bridge construction, street and road improvements, police station enhancements, fire station and fire training facility construction, park development, and additional City facility construction.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

The City of Murrieta submitted its 5<sup>th</sup> Cycle Housing Element to HCD on October 14, 2013 and HCD designated the City's Housing Element in compliance with Housing Element Law on January 9, 2014.<sup>134</sup> During the 5<sup>th</sup> Cycle, the City submitted Housing Element Annual Progress Reports consistently between 2013 and 2019.<sup>135</sup>

The City's 5<sup>th</sup> Cycle housing needs and production are presented in Figure 99.

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<sup>134</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>135</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 99: 5th Cycle Housing Element Summary - Murrieta

Murrieta 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	395	262	289	627
Permitted Units	0	0	0	1,361
Allocation Surplus/(Shortage)	(395)	(262)	(289)	734

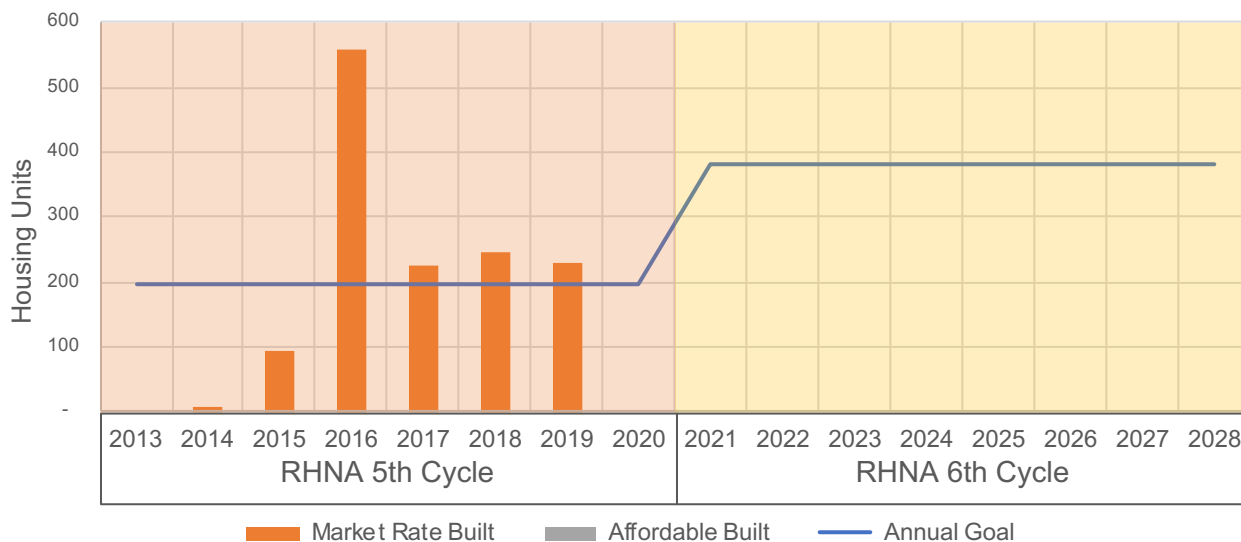
Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City permitted 1,361 market rate housing units during the 5<sup>th</sup> Cycle and did not permit any very low-, low-, or moderate-income housing units. While the City had a surplus in above moderate-income housing unit production, the City fell short of meeting its RHNA allocation in very low-, low-, and moderate-income housing unit production goals. With a combined shortage of 946 housing units affordable to households with very low-, low-, and moderate incomes, the City is not expected to meet its RHNA allocation.

For the 6<sup>th</sup> Cycle, the City's RHNA allocation will increase by 93 percent, or 1,461 housing units, to a total combined RHNA allocation of 3,034 housing units. The City will need to construct housing units at a pace of 379 units per year in order to meet its housing production goal for the 6<sup>th</sup> Cycle.

The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle production goals and unit production is presented in Figure 100.

Figure 100: 5th and 6th Cycle RHNA Allocation and Production - Murrieta



Murrieta is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at least 10 percent affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>136</sup>

## FISCAL HEALTH

The City of Murrieta's fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor assessment is presented in the sections that follow. The City's net position is presented in Figure 101 as

<sup>136</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded surpluses in each year between 2016-17 and 2018-19.

Figure 101: Net Position - Murrieta

Murrieta	2016-17	2017-18	2018-19
Total General Tax Revenues	\$37,642,442	\$41,460,425	\$50,204,922
Other Tax Revenues	5,566,977	13,665,651	14,413,058
Other Revenues	11,826,690	36,865,522	38,750,151
<b>Total Revenues</b>	<b>55,036,109</b>	<b>91,991,598</b>	<b>103,368,131</b>
Total Operating Expenditures	47,201,609	70,224,523	79,159,597
Debt Service	1,313,163	1,686,598	2,041,126
Capital Outlay	4,340,909	10,494,444	9,442,171
<b>Total Expenditures</b>	<b>52,855,681</b>	<b>82,405,565</b>	<b>90,642,894</b>
<b>Net Position</b>	<b>\$2,180,428</b>	<b>\$9,586,033</b>	<b>\$12,725,237</b>

## Operating Revenues

The City had total revenues that ranged from over \$55 million in 2016-17 to almost \$103.4 million in 2018-19. The City's revenue sources over this period are outlined in Figure 102.



Figure 102: Operating Revenue - Murrieta

Murrieta	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$9,041,075	\$9,597,658	\$10,052,278
Sales Tax	15,633,644	17,813,627	23,410,479
Transient Occupancy Tax	588,862	1,034,918	1,377,892
Property Tax in-lieu of VLF	7,353,218	7,775,034	8,242,860
Franchise Tax	3,557,828	3,648,879	5,600,785
Business License Tax	753,100	769,637	779,247
Property Transfer Tax	587,705	688,336	604,380
Utility User Tax	-	-	-
Other Tax Revenues	127,010	132,336	137,001
<b>Total General Tax Revenues</b>	<b>37,642,442</b>	<b>41,460,425</b>	<b>50,204,922</b>
Transportation Tax	2,267,650	2,425,462	2,675,677
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	3,299,327	11,240,189	11,737,381
<b>Total Tax Revenues</b>	<b>43,209,419</b>	<b>55,126,076</b>	<b>64,617,980</b>
Charges for Services	3,767,529	4,569,520	4,207,169
Special Benefit Assessments	576,497	10,586,811	10,690,668
Use of Money	40,175	927,905	3,725,701
Fines and Forfeitures	562,475	523,318	363,662
Licenses and Permits	1,023,227	1,271,079	1,620,332
Intergovernmental	5,501,514	10,631,221	8,412,251
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	355,273	8,355,668	9,730,368
<b>Total Revenues</b>	<b>\$55,036,109</b>	<b>\$91,991,598</b>	<b>\$103,368,131</b>

Source: California State Controller's Office

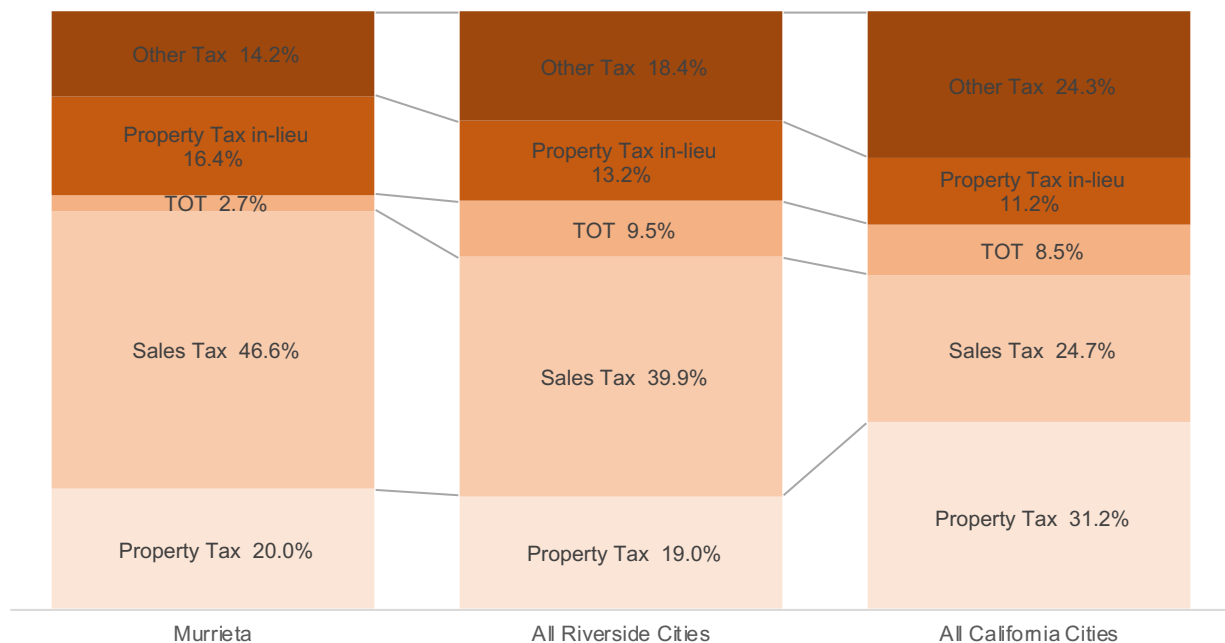
The City had general tax revenues of \$50.2 million in 2018-19, which accounted for 48.6 percent of total revenues. The City's general tax revenues are heavily concentrated in sales tax, which represented about 46.6 percent of general tax revenues, and property tax and property tax in-lieu, which combined for 36.4 percent of general tax revenues. The three (3) largest general tax revenue sources – sales tax, property tax, and property tax in-lieu, accounted for about 83.1 percent of general tax revenues.

Sales tax grew from \$15.6 to over \$23.4 million between 2016-17 and 2018-19, an annual growth rate of 22.4 percent. During the same time frame, the City's share of general tax revenues that were derived from sales tax also grew from 41.5 to 46.6 percent of general tax revenues. When

compared to other cities in Riverside County and Statewide, the City's sales tax revenues are a disproportionately higher share of the City's total general tax revenues. Sales tax revenues are considered sensitive to economic shifts, such as the COVID-19 pandemic, meaning that the City's general tax revenue profile may carry more risk than other cities in Riverside County.

The City's general tax revenues are compared to all Riverside County and California cities in Figure 103.

Figure 103: General Tax Revenue Comparison - Murrieta



The City's other major revenue sources, aside from general tax revenues are special benefit assessments (\$10.7 million in 2018-19), miscellaneous revenues (\$9.7 million), and intergovernmental revenues (\$8.4 million). The City's major revenue sources are described in greater detail in the sections that follow.

### Sales Tax, Measure T

As previously mentioned, sales tax represents the City's single-largest revenue source, accounting for over \$23.4 million, or 46.6 percent of general tax revenues, in 2018-19. Sales tax revenues are derived from one percent of gross receipts from the sale of tangible personal

property in Murrieta. According to City staff, the City is expected to experience revenue shortfalls against sales tax revenue projections in 2019-20 and 2020-21 as a result of the COVID-19 pandemic.

In November 2018, the electorate of Murrieta voted 52.2 percent in favor of Measure T, which increased the City's sales tax rate by one percent. The additional transactions and use tax is a general tax that would help the City stabilize long term finances and provide funding for general services, including improvements to 911 emergency response times, fire protection and paramedic services, increased police services, graffiti removal, and maintenance to parks, recreational facilities and streets.<sup>137</sup> Per City staff, the City expected the tax to add \$14 million to the City's revenues and implementation of the collection of Measure T funds did not begin until the last quarter of fiscal year 2018-19.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Property tax and property tax in-lieu of VLF were the City's second and third largest general tax revenue sources in 2018-19, combining for \$18.3 million, but still representing less than total sales tax revenues. Over the three (3) years from 2016-17 to 2018-19, property tax revenues grew by 5.4 percent annually while property tax in-lieu of VLF grew by 5.9 percent annually.

In 2018-19, the City collected almost \$10.1 million from property tax. Property tax is assessed on land, improvements, and personal property located in Murrieta. In 2018-19, all property accounted for over \$13.3 billion in net assessed value in Murrieta, which is inclusive of about \$3.7 billion in land value and almost \$10 billion in improvement value (values are not additive as a result of property tax exemptions).<sup>138</sup> The City's property tax collections represent about 7.56 percent of property tax collected in Murrieta, which is below average when compared to other Riverside County cities.

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<sup>137</sup> Ballotpedia, Murrieta California, Measure T, Sales Tax, November 2018

<sup>138</sup> Source: California City Finance, "Assessed Valuation of Property by City"

Property assessed valuations can increase by a maximum of 2 percent annually, but property tax revenues can grow at a faster pace as a result of new development and re-assessments of property sold or transferred.

The City of Murrieta and Riverside County have a Master Property Tax Exchange Agreement in place that was adopted by Murrieta in 1993 and the County in 1996.<sup>139</sup>

### **Special Benefit Assessments**

Special benefit assessments are generally derived from Community Facilities Districts and are functional revenues, meaning they are designated for a specific source. The City received about \$1.5 million in special benefit assessments for fire services and about \$9.2 million in unclassified special benefit assessments.

### **Miscellaneous Revenues**

The City's second-largest non-tax revenue source includes miscellaneous revenues, which represented over \$9.7 million in revenues in 2018-19, or about 9.4 percent of total revenues. The City's main revenues that are classified as miscellaneous include development impact fees (\$5.6 million in 2018-19), contributions from nongovernmental sources (\$62,000), and other unclassified miscellaneous revenues (\$4.0 million). The City also received about \$308,000 in community development block grant funds and over \$3.3 million in other Federal grants from the Federal Government in 2018-19.

### **Intergovernmental Revenues**

The City collected \$8.4 million in intergovernmental revenues in 2018-19, which represented about 8.1 percent of total revenues. Intergovernmental revenues are derived from County and State funding sources, including gasoline tax revenues (\$4.4 million in 2018-19), homeowners

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<sup>139</sup> Source: Riverside LAFCO

property tax relief (\$210,000), other State sources (\$55,000), and Peace Officers Standards and Training funds (\$39,000).

## Operating Expenditures

The City expended between \$52.8 and \$90.6 million between 2016-17 and 2018-19. The City's annual operating expenditures are presented in Figure 104.

Figure 104: Operating Expenditures - Murrieta

Murrieta	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$19,948,823	\$29,885,654	\$32,878,752
Employee Benefits	10,484,991	15,294,894	17,272,918
Materials and Supplies	10,179,332	1,336,506	1,533,953
Contract Services	6,588,463	10,019,104	10,985,654
Other Operating Expenditures	-	13,688,365	16,488,320
<b>Total Operating Expenditures</b>	<b>47,201,609</b>	<b>70,224,523</b>	<b>79,159,597</b>
Debt Service	1,313,163	1,686,598	2,041,126
Capital Outlay	4,340,909	10,494,444	9,442,171
<b>Total Expenditures</b>	<b>\$52,855,681</b>	<b>\$82,405,565</b>	<b>\$90,642,894</b>

Source: California State Controller's Office

The City's expenditures increased at an annual rate of 31.0 percent between 2016-17 and 2018-19, which appears to be temporarily sustainable because overall revenues increased at a faster rate – 37.0 percent annually, over the same period.

Characterized as a full service city, the City of Murrieta has higher expenditures on salaries and wages and employee benefits compared to other peer cities in Riverside County and California. The City's share of salaries and wages accounted for 36.3 percent, and employee benefits represented about 19.1 percent of total expenditures, compared to 22.1 and 13.2 percent for all Riverside cities. While all Riverside cities average 28.3 percent of total expenditures on contract services, the City of Murrieta expends just 12.1 percent on contract services.

The City has very low debt service expenditures, at about \$2 million in 2018-19, and capital outlay is below average compared to all Riverside County and California cities.

The fastest growing operating expenditure category over the three (3) years outlined in Figure 104 was other operating expenditures, which increased from \$0 to almost \$16.5 million in 2018-19. RSG was unable to identify the source of these expenditures.

The City's current expenditures are outlined according to department in Figure 105.

Figure 105: Current Expenditures - Murrieta

Murrieta	2016-17	2017-18	2018-19
General Government	\$8,139,221	\$6,684,094	\$6,855,760
Public Safety	25,657,928	40,607,631	44,987,538
Transportation	3,396,694	2,769,108	3,745,042
Community Development	7,034,922	7,599,219	9,274,272
Health	-	-	-
Culture and Leisure	2,972,844	12,564,471	14,296,985
Public Utilities	-	-	-
Debt Service	1,313,163	1,686,598	2,041,126
Capital Outlay	4,340,909	10,494,444	9,442,171
<b>Total Current Expenditures</b>	<b>\$52,855,681</b>	<b>\$82,405,565</b>	<b>\$90,642,894</b>

Source: California State Controller's Office

The City expends about 56.8 percent of total expenditures on public safety, which is a higher proportion than the average public safety costs for all Riverside County cities (52.2 percent) and California cities (47.3 percent). Over the three (3) year period between 2016-17 and 2018-19, the City's public safety costs increased from \$25.7 million to almost \$45 million, a 32.4 percent annual growth rate.

Culture and leisure expenditures also increased dramatically over the same time period, adding \$11.3 million and increasing at a rate of 119 percent annually. The majority of these expenditures are associated with parks maintenance and recreation services (\$12.1 million) and libraries (\$2.2 million).

The City also added about \$5.1 million in capital outlay expenditures between 2016-17 and 2018-19, an annualized increase of 31 percent. Approximately \$7.4 million capital outlay expenditures are associated with buildings and improvements while the remaining \$2.1 million was expended on equipment purchases.

## Reserve Fund Balance

The City Council adopted a reserve policy that aims to maintain an operating reserve that is not less than 25 percent of the operating budget, which is approximately 3 months of operating expenses. The City's 2021-22 and 2022-23 Proposed Operating Budget includes maintaining reserves of 30 percent for the General Fund and 33 percent for Measure T. The City has reserve funds designated for Continuing Operations (about \$3.3 million), Economic Contingency (\$6.5 million), Pension Stabilization (\$3.0 million), Fleet Replacement (\$1.9 million), Fire Fleet Replacement (\$1.8 million), Information Services (\$282,000), Fire Facility Repairs (\$1 million), Citywide Facility Repairs (\$1.1 million), and CSD Facility Repairs (\$1.5 million) according to the City's 2021-22 and 2022-23 Operating Reserves and Sustainability Reserves summary.<sup>140</sup>

## Pension and OPEB Obligations

The City's pension and OPEB obligations are detailed in Figure 106.

Figure 106: Pension and OPEB Obligations - Murrieta

Murrieta	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$44,519,908	\$43,759,671	\$47,713,384
Total OPEB Liability/(Surplus)	26,339,158	18,345,675	22,544,545
Total Benefit Liability/(Surplus)	\$70,859,066	\$62,105,346	\$70,257,929

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City offers two (2) defined benefit pension plans that are administered by CalPERS: the Miscellaneous Plan, which is available for all City employees except police and fire personnel; and Safety Plan, which is available to police and fire personnel. The City also offers an OPEB policy, which has changed several times over the years and is based on the employee's retirement date and service time. The City's total combined pension and OPEB liability increased to almost \$70.3 million in 2019-20, which is slightly lower than the total liability in 2017-18.

<sup>140</sup> Source: City of Murrieta, 2021-22 and 2022-23 Budget

The City's pension indicators, which include the City's employer contribution rate, the actuarially determined contribution, total covered payroll, and the employer contribution rate, provide insights into the City's pension plan health, and are presented in Figure 107.

Figure 107: Pension Indicators - Murrieta

Murrieta	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$6,519,078	\$6,478,385	\$8,607,730
Employer Contribution	6,519,078	6,478,385	8,607,730
Covered Payroll	\$26,037,500	\$27,686,736	\$32,857,278
Employer Contribution Rate	25.0%	23.4%	26.2%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City has made employer contributions that are equivalent to the minimum actuarially determined contribution for each year between 2017-18 and 2019-20. During this timeframe, the City's employer contribution increased roughly at the same rate as increases to covered payroll, which resulted in only a slight increase to the employer contribution rate. The City's employer contribution rate is average among Riverside County cities, which ranged from 26 to 32 percent between 2017-18 and 2019-20.

### Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### California State Auditor Fiscal Health Evaluation

The City of Murrieta ranked 365 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 106 peer cities in California, or about 23 percent of cities. The City received low risk ratings on six (6) indicators, including liquidity, debt burden, general



fund reserves, revenue trends, pension obligations, and OPEB obligations. Three (3) indicators were given moderate risk ratings, including pension funding, pension costs, and future pension costs. One indicator, OPEB funding, scored a high risk rating.<sup>141</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Murrieta are presented by topic below:

### **1. Population, Growth, and Housing**

Murrieta grew at a moderate pace over the last decade, roughly lockstep with the County-wide growth rate. The Murrieta population projections indicate that growth will be slower over the next 15 to 25 years even though the County is expected to grow at a faster rate than over the previous decade. Murrieta's housing profile is heavily skewed towards single-family housing units and while the City permitted 1,361 market rate housing units during the 5<sup>th</sup> Housing Element Cycle, the City failed to produce any very low-, low- and moderate income units.

### **2. Disadvantaged Unincorporated Communities in SOI**

The City of Murrieta's SOI does not contain any DUCs.

### **3. Present and Planned Capacity of Facilities**

The City did not identify any issues related to the present or planned capacity of facilities.

### **4. Financial Ability to Provide Services**

As Measure T was approved by voters in November 2018, the City's financial ability to provide services should improve going forward. However, sales tax revenue is known to be a revenue source that is vulnerable to economic shifts, such as the effects of the COVID-19 pandemic.

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<sup>141</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

City staff acknowledged that the City's sales tax revenues are not expected to meet initial projections for 2019-20 and 2020-21.

## **5. Opportunities for Shared Facilities**

While wastewater service is not the subject of this MSR, City staff indicated that the City is a member of the Santa Rosa Regional Resources Authority, a wastewater joint powers authority formed between the Elsinore Valley Municipal Water District, Rancho California Water District, and Western Municipal Water District to serve portions of Temecula and Murrieta. No other opportunities for shared facilities were identified.

## **6. Accountability for Community Service Needs**

The City is active on at least five (5) different social networks. The City's website has a built-in chat feature that allows the public to chat with City staff. City Council meetings are offered on two (2) different virtual video platforms, and the City hosts Coffee with the City virtually as well. The City has a public information officer dedicated to public communications and the City surveys the public for opinions on major planning projects.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG's recommendations related to the Murrieta SOI are presented by topic below. RSG recommends an expansion of the Murrieta SOI to include Pocket P25 and allow for future annexation of the Murrieta Hills project.

## **1. Present and Planned Land Uses**

The Murrieta SOI overlaps land set aside under the MSHCP. In May 2022, an application was filed for an SOI amendment and annexation of a +/- 972 acre area located west of I-215 generally located between Baxter and Keller Roads that is currently not part of the Murrieta SOI. This area is proposed for development of the Murrieta Hills Specific Plan consisting of 750 dwelling units, 18 acres of commercial uses, and 652 acres of open space.

## **2. Present and Probable Need for Public Facility and Services**

City staff indicated that a large portion of the Murrieta SOI will be developed as single-family and large-lot executive single-family housing. With more than 500 housing units slated for development in the Murrieta SOI, there is a high likelihood that Murrieta will need to expand existing facilities and service levels. Expansion of the SOI and annexation of the Murrieta Hills Specific Plan area will also require significant expansion of facilities and service levels.

## **3. Present Capacity of Public Facilities**

The Murrieta SOI is largely undeveloped and does not contain any existing public facilities.

## **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest in the Murrieta SOI.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Murrieta SOI does not contain any DUCs.

## CITY OF NORCO

The City of Norco is located in the County's Western Region and incorporated in 1964 as a charter city.<sup>142</sup> The City is bound on the north northwest by the cities of Eastvale and Jurupa Valley, on the east by a small unincorporated pocket (P17) and the City of Riverside, on the south by the City of Corona, and on the west by two (2) small pockets of unincorporated territory that are within the Norco SOI. Norco's incorporated boundary covers 14.0 square miles and its SOI covers another 0.1 square miles, for a total combined area of 14.1 square miles.<sup>143</sup>

Norco's demographic profile is presented in Figure 108.

Figure 108: Demographic Profile - Norco

Norco	City	SOI	County
Population as of 2020	27,564	88	2,442,304
Population as of 2010	27,181	85	2,189,641
Annual Pop. Growth Since 2010	0.14%	0.35%	1.10%
Housing Units	7,329	33	867,637
Persons / Housing Unit	3.76	2.67	2.81
Land Area (sq mi)	14.0	0.1	7,206.0
Persons / Square Mile	1,974	972	339
Median Household Income	\$102,970	\$59,164	\$67,369
Projected Population in 2035	27,228		2,995,509
Annual Proj. Growth 2020-2035	-0.08%		1.37%
Projected Population in 2045	27,261		3,251,705
Annual Proj. Growth 2020-2045	-0.07%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>142</sup> Source: City of Norco

<sup>143</sup> Source: Riverside LAFCO

Norco grew very slowly, at a rate of 0.14 percent annually over the last decade, when compared to the County as a whole, which grew at a rate of 1.1 percent annually over the same period. The Norco housing density (3.76 persons per housing unit) is above average for Riverside County (2.81 persons per housing unit) and Norco's population density (1,974 persons per square mile) is higher than the County-wide average (339 persons per square mile, but below average for incorporated areas in Riverside County (2,207 persons per square mile). The City has a higher median household income (\$102,970) than Riverside County (\$67,369).

Norco's population projections indicate that Norco's population will decrease over the next 15 to 25 years, which is a contrast to the County of Riverside's projected growth over the same periods.

Norco's land use profile is presented in Figure 109.

*Figure 109: Land Use Summary - Norco*

Norco		County	
Residential Units	Units	%	%
Single Family	6,974	95.2%	54.8%
Multifamily	331	4.5%	43.6%
Mobile Home	24	0.3%	1.6%
Total Units	7,329	100.0%	100.0%
New Units Since 2010	7		
Commercial	Gross SF		
Retail	1,818,747	44.0%	26.6%
Industrial	1,716,808	41.5%	61.8%
Office	553,924	13.4%	9.6%
Other	47,640	1.2%	2.0%
Total	4,137,119	100.0%	100.0%
New Commercial Since 2010	639,009		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

The City's housing inventory is heavily weighted towards single-family housing units, with over 95 percent of Norco's housing units developed as single-family units. The City's commercial land uses are disproportionately weighted towards retail (44 percent of all commercial space) and

office (13.4 percent) development, with a lower proportion of industrial (41.5 percent) square footage, when compared to the County-wide averages (26.6 percent, 9.6 percent, and 61.8 percent respectively). The City added over 639,000 square feet of commercial space over the last decade, a 1.7 percent annual increase.

The City's top employers include Corona-Norco Unified School District (5,078 employees), Naval Surface Warfare Center (1,564 employees), California Rehabilitation Center (1,176 employees), Riverside Community College (561 employees), Quick Crete Products Corp (180 employees), Western Hospitality Group (159 employees), International E-Z Up, Inc (135 employees), Hidden Villa Ranch (120 employees), Winco Foods (114 employees), and Hemborg Ford, Inc (110 employees).<sup>144</sup>

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

The City of Norco's SOI consists of two (2) relatively small noncontiguous areas that extend beyond the City's western boundary to the City of Eastvale's corporate boundary. Norco's corporate boundary and SOI boundaries are illustrated in Exhibit 15. While the SOI does not contain any DUCs, the SOI contains two (2) LAFCO-identified unincorporated islands or pockets, known as P26 and P27. The Pockets P26 and P27 are described in detail below:

- Pocket P26 is located at the western corner of the intersection of River Road and Bluff Street immediately outside of the City of Norco's corporate boundary. This area contains several single-family homes that are most-associated with the City of Norco. The northern portion of P26 extends into the Santa Ana Riverbed area, but is on the Norco-side of the Santa Ana River. Because this area contains several homes that are part of a single-family subdivision in Norco, this area would be best served by the City of Norco. City staff also indicated that the City extends services to the homes in this area, including water and sewer services.

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<sup>144</sup> Source: City of Norco, 2018-19 Comprehensive Annual Financial Report

- Pocket P27 is located on the northwestern side of Bluff Street, beginning about 400 feet south of the intersection with Vista Court and extending southwest to the intersection with Stagecoach Drive. This area may contain up to two (2) dozen single-family homes or accessory dwelling units. Similarly to P26, this pocket is on the Norco-side of the Santa Ana River and most-closely associated with a single-family home subdivision within Norco's corporate boundary. Additionally, the City of Norco is already extending water and sewer services into this area.

The Norco SOI overlaps a 12.4-acre portion of the Prado Basin Park, which is Federally owned and classified as public or quasi-public conserved land under the MSHCP.

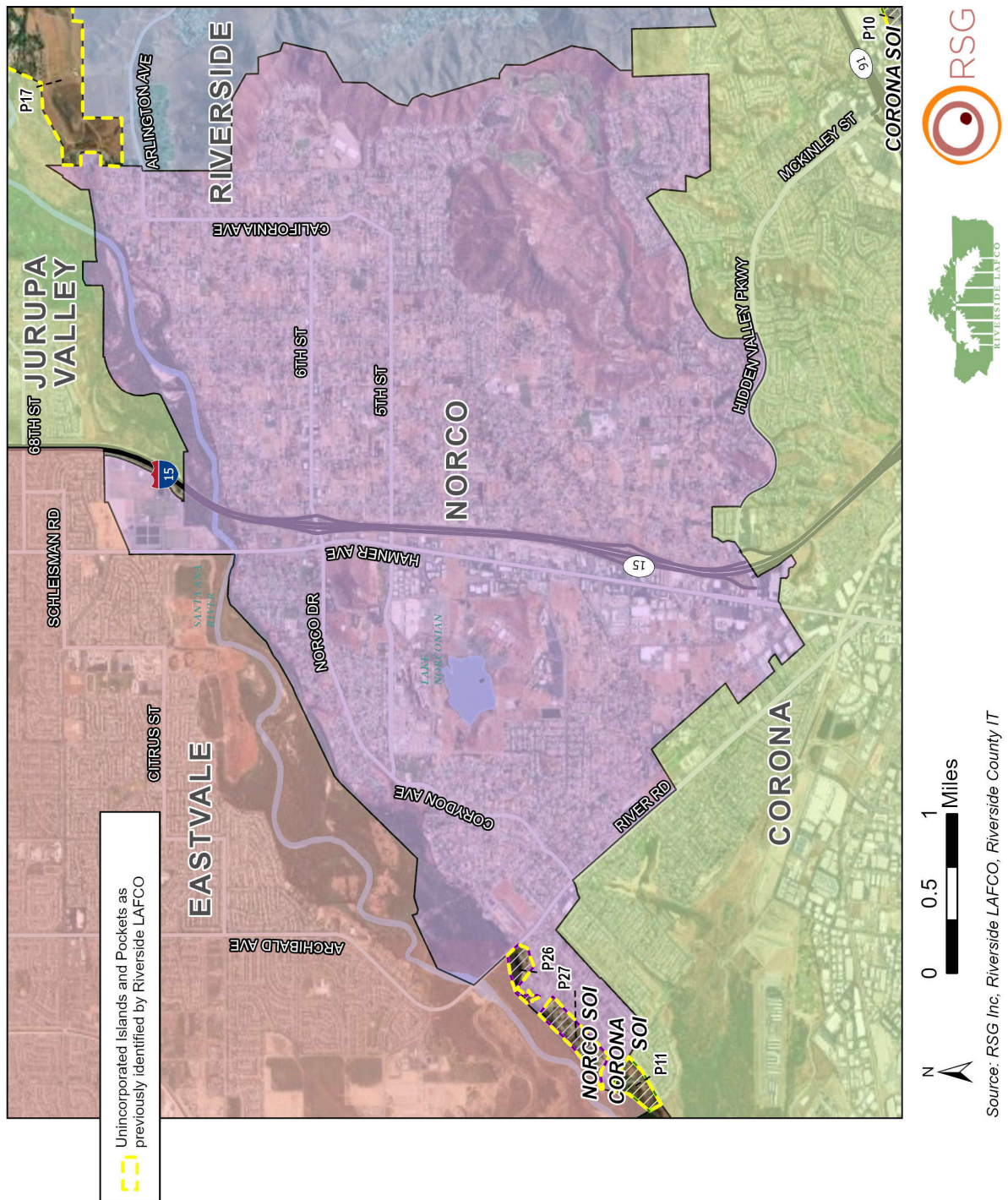
There are two (2) additional unincorporated pockets outside of the Norco SOI but adjacent to the City of Norco boundary – P11 and P17. Pocket P11 is discussed in greater detail in the context of the City of Corona and pocket P17 is discussed in greater detail in relation to the City of Jurupa Valley.

The City of Norco's boundary was previously reconfirmed in the May 2005 Final Draft of the Western Riverside County MSR (LAFCO 2004-60-1,2,5) (the "2005 MSR"). The 2005 MSR made determinations regarding street congestion, law enforcement facilities, storm drainage, and parks and recreation services, that are noted in the Services sections below.



Exhibit 15: Current City and SOI Boundaries - Norco

## City of Norco





## FORM OF GOVERNMENT AND STAFFING

The City of Norco is one of nine (9) charter cities in Riverside County, and functions as a "Council – Manager" form of government. The City Council is made up of five (5) members elected at-large by the community to serve four (4) year terms. The City Council appoints the City's Mayor and Mayor Pro-Tem annually from its membership to serve a one year term. The City Council also appoints the City Manager, who serves as the head of the administrative branch of the City government.<sup>145</sup>

The City Council also serves as the Financing Authority, Redevelopment Successor Agency, and Housing Successor Agency. The Historic Preservation Commission, Parks and Recreation Commission, Planning Commission and Streets, Trails and Utilities Commission carry out assignments at the direction of the City Council.<sup>146</sup>

The City Manager oversees the City's daily operations, which includes the management of 63 full time equivalent personnel<sup>147</sup> and a General Fund operating budget that exceeded \$28.5 million in 2018-19<sup>148</sup>.

## SERVICES PROVIDED

City staff provide the community with building and planning, housing, code enforcement, animal control, parks and recreation, landscape maintenance, streets and road maintenance, streetlights, stormwater drainage, and innovation and technology services. The following sections describe municipal services provided within Riverside and identifies the service provider. Figure 110 illustrates the municipal services provided in Riverside by the City or by other service providers.

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<sup>145</sup> Source: City of Norco

<sup>146</sup> Source: City of Norco

<sup>147</sup> Source: City of Norco, 2018-19 Comprehensive Annual Financial Report

<sup>148</sup> Source: Source: California State Controller's Office, "Cities Financial Data"

Figure 110: Service Provider Matrix - Norco

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Planning/Code Enforcement										
Housing	Economic Development										
Code Enforcement	Code Compliance Division										
Animal Control	Animal Control Division										
Parks and Recreation	Parks and Recreation, Regional Parks										
Library	Library System										
Museum	N/A										
Landscape Maintenance	Public Works, LMD										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	Public Works										
Lighting	Public Works										
Utilities	Edison, So Cal Gas, Western Community Energy										
Solid Waste	Waste Management										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum, AT&T										
Airport	N/A										
Cemetery *	N/A										
Healthcare *	N/A										
Water *	Public Works, Western Municipal Water District										
Wastewater *	Public Works Sewer Division										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council and appointed staff such as the City Manager and City Clerk. The City Manager is responsible for ensuring the effective delivery of municipal services, and overseeing the operation of all City departments, programs, and services. This includes oversight of financials, executive level leadership, public information, legislative advocacy, public safety, grants, and citizen inquiries. The City Clerk prepares and distributes Council agendas, maintains accurate records and the history of Council actions, administers elections, maintains the municipal code, and supplies departments with records and legislative research. According to City staff, the City Council Chambers are shared with the local school district for public board meetings.

## Law Enforcement

Norco receives law enforcement services from the Riverside County Sheriff Department. The Sheriff provides general policing services including, investigations, special enforcement, school

resources, traffic enforcement and patrols, community services, crime prevention, and the administration of the volunteer program and the Explorer youth program. Norco's City Hall serves as a substation to the Jurupa Valley Sheriff's Station.

The City's boundary bifurcates the neighborhood located on Bluff Street, which results in one side of the residential street being within the City, and the other side in the unincorporated City's SOI. As a result of this arrangement, the City may be indirectly providing law enforcement surveillance to the households on the northwest side of Bluff Street, located in the City's SOI.

The 2005 MSR presented the following determinations:

- The Sheriff's Department had outgrown the substation located in the City and that an increase in space or a new station should be constructed to meet demand in the City.

City staff did not provide an update to this determination.

## **Fire Protection**

Fire Protection services are provided by Riverside County Fire Department/CalFire in Norco. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

Fire Stations 47 and 57 are in the City and are located at 3902 Hillside Avenue and 3367 Corydon Avenue.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire

Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

Because of the above-mentioned oddities related to the City's corporate boundary and SOI, the City may be indirectly providing fire protection services to the homes on the northwest side of Bluff Street, which are outside of the City's corporate boundary.

### **Emergency Medical**

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more information on the Department.

### **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the Planning Department. Planning is responsible for all current and advanced planning projects and reports as well as code compliance. Services provided by the Planning Department include land use entitlement, site plan reviews, conditional use permits, tract and parcel changes, and zoning changes. The Building and Safety Division is responsible for the administration of the health and safety related codes from the California Building Code. Services provided by the Division include plan checks, issuance of permits, inspections for new construction, remodels, additions, demolition of existing residential and commercial structures in the City, and certificates of occupancy inspections.

### **Code Enforcement**

Code enforcement is provided by the Code Compliance Division of the Planning Department. The Division is responsible for enforcing land use regulations from the municipal code. Services include investigations, inspections, the abandoned vehicle abatement program, parking violations, weed abatement, and other code violation inquiries.

## **Animal Control**

Animal Control services are provided by the Animal Control Division of the City's Parks, Recreation, and Community Services Department. The Division is responsible for the development of animals in a safe and secure environment. Services include handling animal service calls, sheltering impounded animals, adoption programs, and the rehabilitation and release of injured wild animals.

## **Parks and Recreation**

Parks and recreation services are provided by the Parks, Recreation, and Community Services Department. The Department is responsible for providing safe parks and building an equitable and inclusive community through recreation services and resources. Services include park maintenance, safe recreational programs, youth and adult sports leagues, special events, and developing parks and recreation areas. According to staff, the City is having issues with COVID-19 slowing revenues, due in part to the Department's reliance on part-time workers.

The 2005 MSR suggested the following determinations:

- The City may explore partnerships to help develop the Silverlakes park and recreation center in the City.

According to City staff, the Silverlakes park and recreation center is built-out and serving over 1.5 million visitors annually.

## **Library**

The Norco Public Library provides various general library services to the City including books, research materials, and youth resources. The Library is located at 3240 Hamner Avenue, and is operated by the County of Riverside.

## **Museum**

There are no museum facilities in Norco.

## **Landscape Maintenance**

Landscape maintenance services are provided by the Parks, Recreation, and Community Services Department, through the five (5) Landscape Maintenance Districts in the City. The Department uses tax revenues from the Districts to fund landscape upkeep and other various landscape services on public property.

## **Streets/Road Maintenance**

Streets and roads maintenance services are provided by the Public Works Department. Services provided by the Department include maintenance of roadways, curbs, and sidewalks, street striping and signage, traffic signals, and street sweeping. According to City staff, streets and roads maintenance services the Department contracts out are for efficiency reasons.

The 2005 MSR presented the following determinations:

- There was significant congestion on the I-15 on- and off-ramps within the City and the City planned to do a traffic study to help address the issue.

According to City staff, the City has completed on- and off-ramp projects to help with traffic congestion.

## **Streetlights**

Streetlight related services are provided by the Public Works Department. The Department manages and maintains all streetlights within the City.

## **Utilities (Gas, Electric)**

Utility services are provided by Southern California Edison (“SCE”) and Southern California Gas (“SoCal Gas”). SCE provides general electricity generation, and grid operations. SoCal Gas provides natural gas energy services to the City for various uses, such as heating and cooking. Residents also can join Western Community Energy, a Community Choice Aggregate, as an alternative source for electricity.

## **Solid Waste**

The City has a franchise agreement in place with Waste Management for solid waste collection services. Waste Management is a private solid waste disposal company provides solid waste disposal and recycling services to Norco residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers.

## **Storm Drainage**

The Public Works Department's Storm Drain Division manages all storm drainage services in the City. The Division is responsible for maintaining certain drainage facilities within the community that are less than 36 inches in diameter. Services include complying with National Pollutant Discharge Elimination System ("NPDES") requirements, maintaining certain storm drains, and coordinating with Riverside County Flood Control & Water Conservation District for all repairs.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

The 2005 MSR identified the following determinations:

- The City had established storm drainage impact fees for new development but had not established a specific fund for the ongoing development of curbs and gutters.

The City did not provide an update to this determination.

## **Innovation and Technology**

Innovation and technology services are provided by the Information Technology Department. The Department is responsible for all computer systems and technology for City operations and helps serve the technology needs of residents as well. Services include purchasing, maintaining, and supporting all computer systems and software, IT help desk services, telephone and fiber optic systems coordination, and web site maintenance.

## **Airport**

There is no airport facility in Norco.

## **Extraterritorial Services Provided**

According to staff, the City extends utility services, such as water and wastewater services, into the unincorporated SOIs adjacent to the City. City staff did not identify any additional services that are provided outside of the Norco city limits. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City of Norco prepared a five (5) year Capital Improvement Program that outlines anticipated capital projects over the period, organized by department. According to City staff, most of the major projects are funded, however, some projects identified in the CIP may not be funded or move forward. Norco plans to make improvements to services including flood control, water service, sewer service, and street and road improvements.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

The City of Norco submitted its 5<sup>th</sup> Cycle Housing Element to HCD on November 22, 2013. On January 15, 2014, HCD designed the City's Housing Element in compliance with Housing Element Law.<sup>149</sup> During the 5<sup>th</sup> Cycle, the City submitted Housing Element Annual Reports in 2017, 2018, and 2019, but failed to submit Annual Reports in 2013, 2014, 2015, and 2016.<sup>150</sup>

The City's 5<sup>th</sup> Cycle housing needs and permit activity is presented in Figure 111.

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<sup>149</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>150</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020



Figure 111: 5th Cycle Housing Element Summary - Norco

Norco 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	205	136	151	326
Permitted Units	0	0	0	7
Allocation Surplus/(Shortage)	(205)	(136)	(151)	(319)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

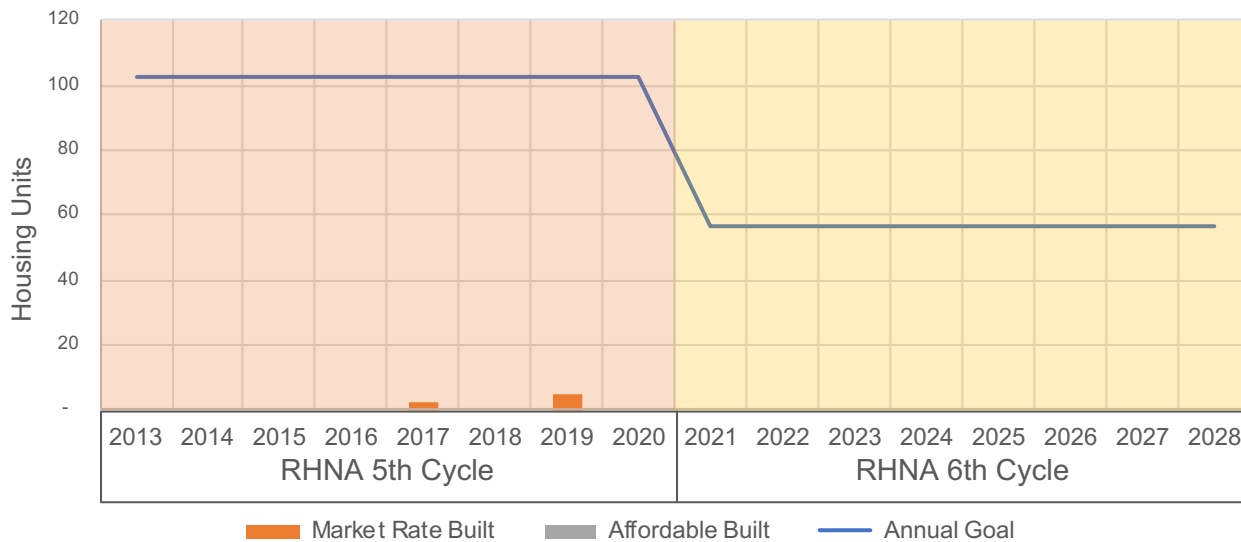
The City of Norco permitted seven (7) market rate housing units during the 5<sup>th</sup> Cycle and did not permit a single housing unit affordable to very low-, low-, or moderate-income households. The City is not expected to meet its 5<sup>th</sup> Cycle RHNA allocation in any income category with a combined shortage of 811 housing units.

According to staff, the City has taken steps in the last year to evaluate its housing programs and expenditures, especially related to its program compliance with State law and a looming excess surplus.

For the 6<sup>th</sup> Cycle, the City of Norco has a RHNA allocation of 454 housing units, which represents a 56 percent decrease in the RHNA allocation compared to the 5<sup>th</sup> Cycle. In order to keep pace, the City will need to produce about 57 housing units over the eight (8) year Cycle.

The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle production goals and unit production are presented in Figure 112.

Figure 112: 5th and 6th Cycle RHNA Allocation and Production - Norco



Norco is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>151</sup>

## FISCAL HEALTH

The sections that follow evaluate the City's fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. Figure 113 presents the City's net position as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded surpluses in 2016-17 and 2018-19, and a deficit in 2017-18. The 2017-18 deficit was \$1.2 million, or approximately 5.1 percent of annual revenues.

<sup>151</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

Figure 113: Net Position - Norco

Norco	2016-17	2017-18	2018-19
Total General Tax Revenues	\$12,977,099	\$13,852,998	\$16,471,712
Other Tax Revenues	1,485,254	857,504	2,862,092
Other Revenues	7,561,017	9,518,908	10,661,000
<b>Total Revenues</b>	<b>22,023,370</b>	<b>24,229,410</b>	<b>29,994,804</b>
Total Operating Expenditures	18,981,005	20,661,712	21,604,220
Debt Service	-	-	-
Capital Outlay	1,943,865	4,791,822	6,929,658
<b>Total Expenditures</b>	<b>20,924,870</b>	<b>25,453,534</b>	<b>28,533,878</b>
<b>Net Position</b>	<b>\$1,098,500</b>	<b>(\$1,224,124)</b>	<b>\$1,460,926</b>

### Operating Revenues

In the City's fiscal year of 2018-19 total revenues, inclusive of tax and non-tax revenues, were nearly \$6.2 million.

Figure 114 outlines the City of Norco's revenue sources.

Figure 114: Operating Revenue History - Norco

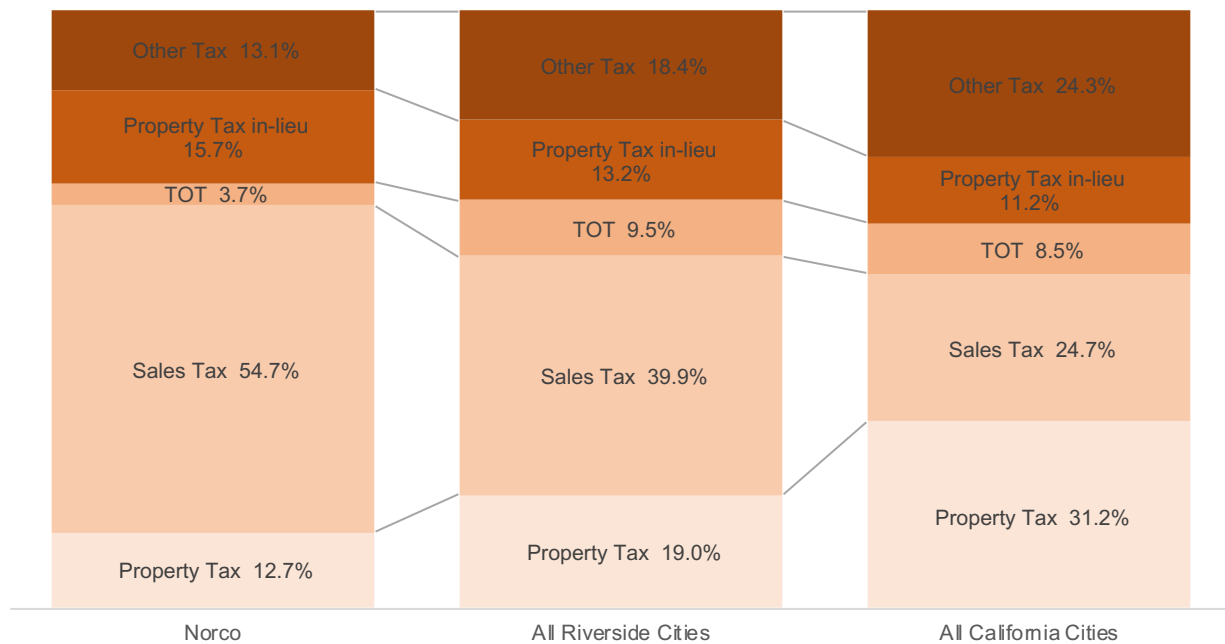
Norco	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$1,712,562	\$1,909,644	\$2,094,173
Sales Tax	6,528,108	6,864,122	9,009,174
Transient Occupancy Tax	561,766	586,369	609,036
Property Tax in-lieu of VLF	2,334,904	2,439,212	2,593,770
Franchise Tax	1,400,636	1,561,383	1,674,490
Business License Tax	328,673	365,028	363,116
Property Transfer Tax	110,450	127,240	127,953
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>12,977,099</b>	<b>13,852,998</b>	<b>16,471,712</b>
Transportation Tax	-	-	-
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	1,485,254	857,504	2,862,092
<b>Total Tax Revenues</b>	<b>14,462,353</b>	<b>14,710,502</b>	<b>19,333,804</b>
Charges for Services	2,000,795	2,013,345	2,082,470
Special Benefit Assessments	736,112	703,369	698,499
Use of Money	848,503	1,084,870	1,468,271
Fines and Forfeitures	351,817	505,694	497,069
Licenses and Permits	560,450	478,677	700,487
Intergovernmental	1,433,974	3,091,268	3,034,290
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	1,629,366	1,641,685	2,179,914
<b>Total Revenues</b>	<b>\$22,023,370</b>	<b>\$24,229,410</b>	<b>\$29,994,804</b>

Source: California State Controller's Office

The City is heavily reliant on sales tax revenues, which is considered a revenue source that is vulnerable to abrupt economic shifts, such as what occurred in the first half of 2020 because of the COVID-19 pandemic. The City generated over \$9 million in sales tax revenues in 2018-19, which represented 54.7 percent of the City's general tax revenues, and when combined with property tax (12.7 percent of general tax revenues) and property tax in-lieu of VLF (15.7 percent) represented a combined 83.2 percent of general tax revenues. The City also had revenues derived from intergovernmental grants (\$3.0 million), miscellaneous revenues (almost \$2.2 million), and charges for services (\$2.1 million).

When compared to all other Riverside County and California cities, the City's sales tax revenues are a disproportionately higher share of general tax revenues. As a result of this revenue trend, the City of Norco may be more susceptible to sharp economic shifts. The City's general tax revenues compared to all Riverside County and California cities are presented in Figure 115

Figure 115: General Tax Revenue Comparison - Norco



## Sales Tax, Measure R

The City's single-largest general tax revenue, accounting for 54.7 percent of general tax revenues or about \$9.0 million in 2018-19, is sales tax. The City receives one percent of gross receipts from the sale of tangible personal property sold within Norco. This revenue source grew between 2016-17 and 2018-19 at an annualized rate of 17.5 percent. Meanwhile, all other general tax revenue sources grew at a blended rate of 7.6 percent annually.

The City also put Measure R<sup>152</sup> before the voters of Norco in November 2018. Measure R was approved by 56.4 percent of Norco's electorate and added an additional one percent transactions

<sup>152</sup> Source: City of Norco Measure R, accessed on May 5, 2021 <http://www.norco.ca.us/government/measurer/default.asp>

and use tax on the sales of tangible personal property sold in Norco. The City's stated purpose of Measure R was to preserve the quality of life, restore deteriorating streets, trails, parks, facilities, and equestrian amenities, while preventing additional cuts to Norco's public safety services and response times, including sheriff and fire protection services. Measure R requires citizen oversight, performed by the Measure R Citizens Oversight Committee, and independent audits. The City's website publishes a list of annually approved projects, including the status of each project, every fiscal year. The City originally expected Measure R to generate \$4.5 million annually. According to City staff, Measure R is now generating about \$6 million annually.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's second and third largest general tax revenue sources are property tax and property tax in-lieu of VLF, combining for a total of \$4.7 million in 2018-19, or 28.5 percent of general tax revenues. The City's property tax in-lieu of VLF accounted for almost \$2.6 million in 2018-19, which represented 15.7 percent of general tax revenues. The City's property tax in-lieu of VLF is a greater proportion of general tax revenues when compared to all Riverside County and California cities.

While property tax in-lieu of VLF revenues grew at a rate of 5.6 percent annually between 2016-17 and 2018-19, property tax revenues grew by 10.6 percent annually. The City's property tax revenues amounted to almost \$2.1 million in 2018-19, or about 12.7 percent of the City's general tax revenues, which is a smaller proportion of general tax revenues than the average Riverside County and California cities.

Property tax is assessed on Norco's land, improvements, and personal property, which combined for a secured assessed valuation of more than \$3.3 billion. Almost \$1.1 billion is attributed to assessed land value and \$2.3 billion attributed to improvement value.<sup>153</sup> The City's \$2.1 million in

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<sup>153</sup> Source: California City Finance, "Assessed Valuation of Property by City"

property tax collections in 2018-19 represents about 6.3 percent of all secured property tax assessed in Norco, which is among the lowest rates for cities in Riverside County.

The City of Norco and County of Riverside adopted a Master Property Tax Exchange Agreement in 1990.<sup>154</sup>

### **Intergovernmental Revenues**

The City's 2018-19 revenues reflect over \$3.0 million from intergovernmental revenue sources, which represents about 10.1 percent of total revenues. The City receives intergovernmental revenues from a variety of sources, including gasoline tax (\$529,000 million), public safety Proposition 172 funds (\$350,000), community development block grants (\$272,000), mandated costs (\$21,000), homeowners property tax relief (\$15,000), and other unclassified State grants (\$210,000).

### **Miscellaneous Revenues**

The City's miscellaneous revenues amounted to almost \$2.2 million in 2018-19, which represents about 7.3 percent of total revenues. The City did not categorize miscellaneous revenues in the State Controller's Financial Transactions Report in 2018-19.

### **Charges for Services**

Charges for services represented the City's third largest non-tax revenue source in 2018-19, accounting for almost \$2.1 million and 6.9 percent of total revenues. Charges for services includes revenues derived from parks and recreation fees (\$767,000) special fire department services (\$544,000), plan check fees (\$457,000), engineering and inspection fees (\$157,000), solid waste revenues (\$86,000), animal shelter fees and charges (\$61,000), special police department services (\$3,000), and other unclassified charges for current services (\$7,000).

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<sup>154</sup> Source: Riverside LAFCO

## Operating Expenditures

The City's operating expenditures increased from about \$21.0 million in 2016-17 to over \$28.5 million in 2018-19, which is a 16.8 percent annual growth rate. The annual growth rate in expenditures (16.8 percent) is outpacing revenue growth (12.7 percent annually) during this time, although much of the growth is the result of increased capital outlay expenditures (\$6.9 million in 2018-19). Annual operating expenditures are outlined in Figure 116.

Figure 116: Operating Expenditures - Norco

Norco	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$2,897,331	\$3,065,973	\$3,174,405
Employee Benefits	2,816,016	3,018,187	3,058,385
Materials and Supplies	42,166	51,168	58,903
Contract Services	10,753,343	11,646,192	12,294,324
Other Operating Expenditures	2,472,149	2,880,192	3,018,203
<b>Total Operating Expenditures</b>	<b>18,981,005</b>	<b>20,661,712</b>	<b>21,604,220</b>
Debt Service	-	-	-
Capital Outlay	1,943,865	4,791,822	6,929,658
<b>Total Expenditures</b>	<b>\$20,924,870</b>	<b>\$25,453,534</b>	<b>\$28,533,878</b>

Source: California State Controller's Office

The City's contract services represent the largest expenditure category, accounting for \$12.3 million in 2018-19, or 43.1 percent of total expenditures. As a contract city, contract services are a disproportionate share of the City's expenditures, especially when compared to all Riverside cities (28.3 percent) and California cities (11.9 percent). It is noteworthy that contract expenditures are increasing at a slower rate than revenues – 6.9 percent annually.

The City's current expenditures, which are categorized by department or function, are presented in Figure 117.



Figure 117: Current Expenditures - Norco

Norco	2016-17	2017-18	2018-19
General Government	\$4,793,704	\$5,099,920	\$5,204,643
Public Safety	10,197,452	11,248,004	11,563,771
Transportation	994,364	1,033,514	1,371,221
Community Development	1,086,110	1,130,940	1,252,078
Health	-	-	-
Culture and Leisure	1,909,375	2,149,334	2,212,507
Public Utilities	-	-	-
Debt Service	-	-	-
Capital Outlay	1,943,865	4,791,822	6,929,658
<b>Total Current Expenditures</b>	<b>\$20,924,870</b>	<b>\$25,453,534</b>	<b>\$28,533,878</b>

Source: California State Controller's Office

Public safety expenditures, representing about 53.5 percent of total expenditures net of debt service and capital outlay, are slightly above average when compared to all Riverside County cities (52.2 percent) and all California cities (47.3 percent). Public safety expenditures have increased at a rate of 6.5 percent annually between 2016-17 and 2018-19 while the City's total expenditures increased at a rate of 16.8 percent annually. On the other hand, the City's general government expenditures are much higher as a proportion of total expenditures, representing 24.1 percent of the City's expenditures compared to 14.5 and 12.2 percent for all Riverside County and California cities, respectively.

### Reserve Fund Balance

The City Council's adopted reserve policy stipulates that the City shall maintain an emergency reserve of 25 percent of estimated annual General Fund expenditures. In the City's 2020-21 budget, reserves amounted to \$10.7 million and was in compliance with the City's adopted policy.<sup>155</sup>

### Pension and OPEB Obligations

The City of Norco's pension and OPEB obligations are outlined in Figure 118.

<sup>155</sup> Source: City of Norco, 2019-20 Budget

Figure 118: Pension and OPEB Obligations - Norco

Norco	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$19,490,441	\$19,161,645	\$20,248,873
Total OPEB Liability/(Surplus)	9,861,471	9,386,580	7,211,257
Total Benefit Liability/(Surplus)	\$29,351,912	\$28,548,225	\$27,460,130

Source: 2017-18, 2018-19 and 2019-20 ACFR

Eligible employees may participate in the City's pension and OPEB plans, which includes a Safety Plan for all qualified fire protection employees, Miscellaneous plan for all other employees, and an OPEB policy which is the City's retiree health plan, a single employer defined benefit healthcare plan. As illustrated in Figure 118, the City has a combined pension and OPEB liability of \$27.5 million, which decreased year-over-year between 2017-18 and 2019-20. According to City staff, the City has over \$10 million set aside in a pension trust fund to pay for future pension costs. City staff also indicated that the City is actively discussing an OPEB trust that would operate similarly.

The City's pension indicators, including the City's employer contribution, measured against the actuarially determined contribution, total covered payroll, and the contribution rate as a percent of covered payroll is presented in Figure 119.

Figure 119: Pension Indicators - Norco

Norco	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$1,466,344	\$1,702,778	\$2,041,307
Employer Contribution	1,596,091	1,814,012	2,015,010
Covered Payroll	\$3,448,615	\$3,568,437	\$3,747,924
Employer Contribution Rate	46.3%	50.8%	53.8%

Source: 2017-18, 2018-19 and 2019-20 ACFR

Between 2017-18 and 2019-20, the City made a combined \$5,425,113 in employer contributions compared to an actuarially determined minimum contribution of \$5,210,429, meaning that the City made employer contributions that, in aggregate over this period, exceeded the actuarially determined contributions. Also, the City's employer contribution rate increased over the period, from 46.3 percent in 2017-18 to 53.8 percent in 2019-20, which is generally indicative of either (1) decreasing covered payrolls, or (2) increasing employer contributions. In the case of the City

of Norco, the later applies as the City has increased employer contributions over the three-year period. The County-wide average employer contribution rates ranged from 26 to 32 percent over the same period.

### **Annual Audit Findings**

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### **California State Auditor Fiscal Health Evaluation**

The City of Norco ranked 348 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 123 peer cities in California, or about 26 percent of cities. The City received low risk ratings on seven (7) indicators, including liquidity, general fund reserves, revenue trends, pension obligations, pension costs, future pension costs, and OPEB obligations. One (1) indicator was given a moderate risk rating, including debt burden. Two (2) indicators scored high risk ratings, including pension funding and OPEB funding.<sup>156</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Norco are presented by topic below:

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<sup>156</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

## **1. Population, Growth, and Housing**

In contrast to the remainder of Riverside County, Norco's population grew very slowly over the last decade, at a rate of 0.14 percent annually, and is expected to decline between now and 2035 and 2045 as the County continues to grow. The City added only seven (7) housing units over the last decade, with none affordable to very low-, low-, and moderate-income households. Meanwhile, the City added over 639,000 square feet of commercial space. The City's development is not only disproportionately skewed towards retail development, but the City's fiscal health relies on sales tax revenues, and the performance of the City's brick-and-mortar retail developments.

## **2. Disadvantaged Unincorporated Communities in SOI**

The City's SOI does not contain any DUCs.

## **3. Present and Planned Capacity of Facilities**

RSG did not identify any inadequately sized facilities.

## **4. Financial Ability to Provide Services**

As previously stated, the City is heavily reliant on the performance of sales tax-producing uses in the City, even more so with the voter approval of Measure R. The City's pension and OPEB liabilities are sizeable for a City this size, but the City is already taking action to correct these issues. The City has managed to accumulate reserves in compliance with the City Council's adopted policies.

## **5. Opportunities for Shared Facilities**

The City is currently sharing its Council Chambers with the school district. There may be other opportunities to share facilities with other local institutions.

## **6. Accountability for Community Service Needs**

The City's website is difficult to navigate and oversized when compared to other city websites. The City is active on at least one social media website. According to City staff, the community is very engaged in public discourse with the City and outreach efforts generally result in a high level of response.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG's recommendations related to the Norco SOI are presented by topic below. RSG recommends that the City's SOI be annexed into the City.

### **1. Present and Planned Land Uses**

Norco's SOI is very small but is primarily built out as single-family residential and large-lot residential housing. In addition, the Norco SOI contains portions of the Santa Ana River, and areas set aside under the MSHCP.

### **2. Present and Probable Need for Public Facility and Services**

The City is already providing services to the households within the City's SOI. Not only are these homes offered water and wastewater services from the City, but the fact that residences on one side of Bluff Street are within the City's corporate boundary and residences on the other side of Bluff Street are in the City's SOI means that the City is likely already providing – at the very least informal – law enforcement and fire protection services to these areas.

### **3. Present Capacity of Public Facilities**

As previously stated, the City is already providing services to the City's SOI, meaning that public facilities are sufficient to handle the capacity of the added single-family homes in the SOI.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest in the SOI.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The City's SOI does not contain any DUCs.

## CITY OF PERRIS

The City of Perris is in Riverside County's Western Region and incorporated in 1911 as a general law city.<sup>157</sup> Perris's city boundary covers 31.4 square miles of incorporated land, and the Perris SOI extends primarily to the west of the City's boundary to include an additional 31.0 square miles.<sup>158</sup> Perris is bound on the north by the City of Moreno Valley, the March Air Reserve Base, and unincorporated areas, on the east by unincorporated land, and on the south and southeast by the City of Menifee. The City's western boundary borders unincorporated territory, but the Perris SOI extends west to the City of Lake Elsinore and the City of Riverside SOI.

The City of Perris and Perris SOI demographic profiles are presented in Figure 120.

Figure 120: Demographic Profile - Perris

Perris	City	SOI	County
Population as of 2020	80,201	28,992	2,442,304
Population as of 2010	68,444	26,652	2,189,641
Annual Pop. Growth Since 2010	1.60%	0.85%	1.10%
Housing Units	19,476	6,794	867,637
Persons / Housing Unit	4.12	4.27	2.81
Land Area (sq mi)	31.4	31.0	7,206.0
Persons / Square Mile	2,554	935	339
Median Household Income	\$57,369	\$64,633	\$67,369
Projected Population in 2035	108,931		2,995,509
Annual Proj. Growth 2020-2035	2.06%		1.37%
Projected Population in 2045	121,038		3,251,705
Annual Proj. Growth 2020-2045	2.78%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>157</sup> Source: City of Perris

<sup>158</sup> Source: Riverside LAFCO

The City's population grew at an annual rate of 1.60 percent over the last decade, which was faster than the County-wide population growth rate of 1.10 percent. The City of Perris and Perris SOI represent some of the highest household densities in the County, with 4.12 and 4.27 persons per housing unit, respectively. Most cities in Riverside County have household densities closer to the County-wide average of 2.81 persons per housing unit. The Perris population density of 2,554 persons per square mile is also higher than average for incorporated cities in Riverside County, compared to the average incorporated population density of 2,207 persons per square mile, and 339 persons per square mile County-wide.

The City's median household income (\$57,369) is about 15 percent lower than the County-wide median household income (\$67,369). The median household income for the 6,794 households in the Perris SOI (\$64,633) is higher than the City, but lower than the County.

The land use summary for Perris is presented in Figure 121.

Figure 121: Land Use Summary - Perris

Perris		County	
Residential Units	Units	%	%
Single Family	14,899	76.5%	54.8%
Multifamily	2,904	14.9%	43.6%
Mobile Home	1,673	8.6%	1.6%
Total Units	19,476	100.0%	100.0%
New Units Since 2010	1,570		
Commercial	Gross SF		
Retail	2,816,498	8.1%	26.6%
Industrial	31,525,097	90.8%	61.8%
Office	377,555	1.1%	9.6%
Other	17,000	0.0%	2.0%
Total	34,736,150	100.0%	100.0%
New Commercial Since 2010	20,906,026		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)



The City's housing profile is disproportionately skewed towards single-family and mobile home housing units, when compared to the rest of Riverside County, with about 76.5 percent of housing units developed as single-family units and 8.6 percent of housing developed as mobile home units. The City's share of mobile home units is more than five (5) times the County-wide share. As a result, the City's share of units developed as multifamily housing units is disproportionately smaller than the County-wide average. While the City added 1,570 housing units over the last decade, this represented a 0.84 percent annual growth rate, which is about half of the population growth rate.

The City's commercial square footage is heavily concentrated in industrial land uses, with industrial space representing 90.8 percent of all commercial square footage. As a result, the City has much lower ratios of retail and office space, compared to the County-wide average. Over the last ten (10) years, the City added over 20.5 million square feet of industrial space, which represents an eleven (11) percent annual growth rate. Still, City staff indicated that the City has a lot of undeveloped land.

The City of Perris top employers are reflective of the City's concentration of industrial space, with six (6) of the top ten employers being distribution centers, manufacturers, and logistics companies, including Ross Stores Inc (1,973 employees), Lowes (777 employees), NFI Industries (721 employees), Home Depot Distribution Center (550 employees), California TrusCo (378 employees), and General Mills Logistics Center (222 employees). The remaining top employers include institutions and waste haulers – Perris Elementary School District (885 employees), Perris Union High School District (664 employees), Eastern Municipal Water District (609 employees), and CR&R Waste – Perris (348 employees). According to City staff, several additional distribution centers are now open, including Wayfair, Forever 21, H&M, and Ferguson.<sup>159</sup>

The City has also seen significant increases in cannabis-related industries, including cultivation, dispensary, and manufacturing. The City accommodated the cannabis industry by adopting local

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<sup>159</sup> Source: City of Perris, 2018-19 Comprehensive Annual Financial Report

policies than enable full production and retail sales, with varying fees based on the size and type of operation.

## CURRENT SPHERE OF INFLUENCE

The Perris SOI has two (2) noncontiguous areas and contains six (6) DUCs and three (3) LAFCO-identified unincorporated islands or pockets. The Perris SOI, corporate City boundary, DUCs, and pockets are illustrated in Exhibit 16. The largest portion of the SOI is along the City's western boundary, west of Interstate 15 and extending south along State Route 74. According to City staff, the City does not extend services into any portion of the Perris SOI areas or DUCs. The Perris SOI also includes a small area on the City's eastern boundary that is described in more detail below pertaining to pocket P31. The Perris SOI DUCs and pockets are described in more detail below:

- DUC1 is commonly known as Mead Valley (North) and is generally located around the intersection of Clark Street and Cajalco Road. According to City staff, the City does not extend services into this area.
- DUC1a is commonly referred to as Mead Valley (Seaton Avenue) and is located south of Cajalco Road.
- DUC1b is commonly known as Mead Valley and is generally located southeast of the intersection of Rider Street and Vista Del Lago.
- DUC2 is commonly known as Mead Valley (Central) and is located on Old Elsinore Road. According to City staff, the City does not extend services into this area.
- DUC3 is commonly known as Mead Valley (Garza) and is located on the unimproved Garza Road immediately outside the City's western corporate boundary.
- DUC4 overlaps much of the southwestern portion of the Perris SOI and is commonly referred to as Good Hope. DUC4 includes developed areas along State Route 74 and Ellis

Avenue. DUC4 also includes all of LAFCO-identified pocket P32 and a portion of pocket P33. According to City staff, the City does not extend services into this area.

- Pocket P31 is on the City's eastern boundary and is coterminous with the eastern portion of the SOI. This area is generally south of East Rider Street, west of the northern extension of Dunlap Drive, north of Orange Avenue, and east of the Perris Valley Storm Drain<sup>160</sup>.
- Pocket P33 is located on the City's western boundary along State Route 74, north of West Ellis Avenue and west of Bellamo Lane. Pocket P33 overlaps a portion of DUC4.

One additional DUC lies in unincorporated and unsphered land south of the City of Perris SOI, which is identified in Exhibit 10 in reference to the City of Lake Elsinore. Based on conversations with Canyon Lake city staff, this DUC may be better suited to be annexed or included in the Canyon Lake SOI.

City staff indicated that there was a developer-driven attempt to annex a large portion of the Perris SOI. At the time, the developer was seeking to start a new quarry operation in the SOI and there was a belief that it would be beneficial to be within the incorporated City of Perris. The proposed quarry was ultimately a victim of the Great Recession and abandoned by the Developer.

The City requested expansion of the SOI in one (1) area is identified in Exhibit 17, and described below:

- Perris SOI between Dunlap Road and Foothill Boulevard: The City is interested in an area contiguous with the City's eastern boundary along Dunlap Road (Perris SOI Focus Area A), generally bound by Orange Avenue on the north, Foothill Boulevard on the east, Ellis Avenue on the south, and Dunlap Road on the west. The Perris SOI Focus Area A is illustrated in Exhibit 17. City staff indicated that this area was identified for SOI expansion because Saint James the Less Church, which is identified as a Perris institution and

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<sup>160</sup> Source: USGS Perris Valley Storm Drain, accessed on May 7, 2021  
[https://geonames.usgs.gov/apex/f?p=GNISPQ:3::NO::P3\\_FID:247395](https://geonames.usgs.gov/apex/f?p=GNISPQ:3::NO::P3_FID:247395)

actively provides religious services to Perris residents, recently relocated east of Dunlap Road, outside the Perris corporate boundary.

Perris' boundary was previously reconfirmed in the September 2006 Central Valleys, The Pass Area and Southwestern Riverside County MSR (LAFCO 2005-49-3&5; LAFCO 2005-48-5; LAFCO 2005-47-1&3). The 2006 MSR presented the following general determination for the City of Perris:

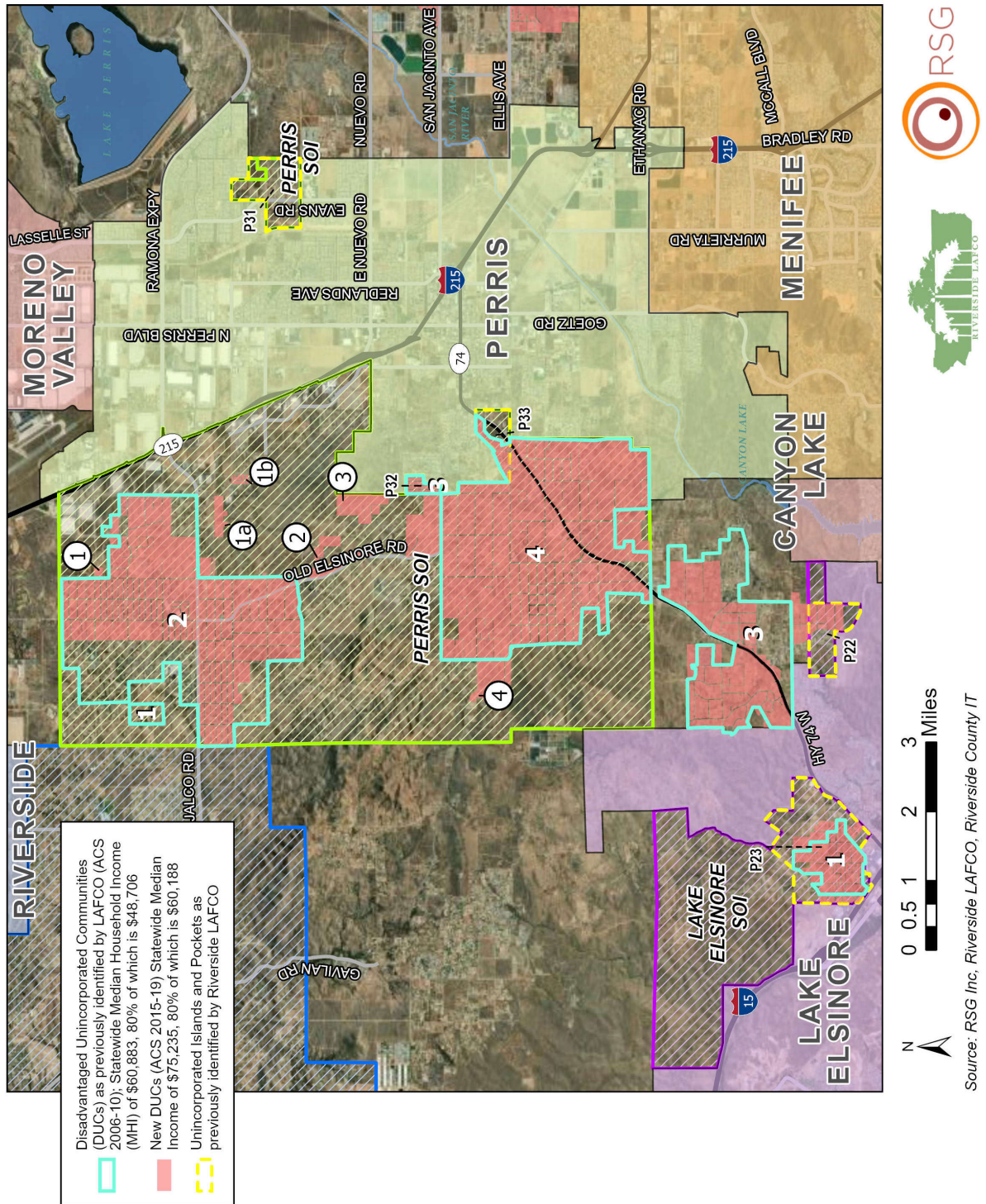
- Perris is characterized by several physical attributes that warrant improvement. These include unimproved or badly deteriorated roadways and roadways without sufficient capacity for anticipated new development; inadequate storm drain infrastructure; insufficient parkland and recreation facilities; and inadequate public safety facilities. Because of these infrastructure issues, the City requires development proposals to provide an Infrastructure Concept Plan.

City staff did not provide a response or update to this determination.



Exhibit 16: Current City and SOI Boundaries - Perris

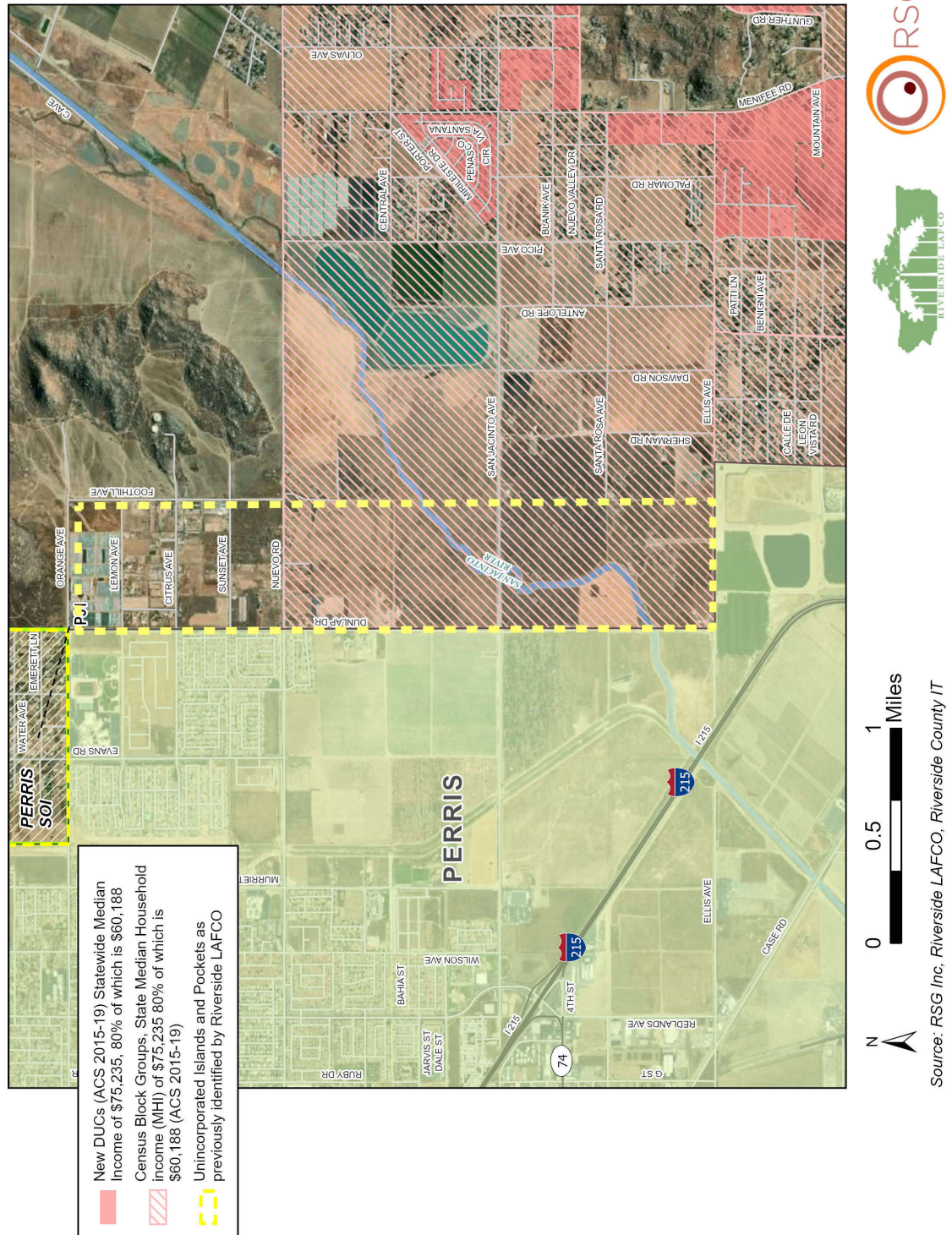
## City of Perris and Sphere of Influence





*Exhibit 17: Dunlap Road and Foothill Boulevard Focus Area A (Areas proposed for inclusion in the SOI) - Perris*

# City of Perris Proposed Sphere Expansion: Between Dunlap Road & Foothill Boulevard



## FORM OF GOVERNMENT AND STAFFING

The City of Perris operates as a Council – Manager form of government, with the Perris voters electing four (4) Councilmembers and a Mayor at-large to the City Council. The City Council appoints the City Manager, who is responsible for overseeing the administrative branch of the City’s government operations.

The City Council also serves as the Successor Agency, Public Finance Authority, Public Utility Authority, Housing Authority, Perris Joint Powers Authority, and Perris Economic Development Corporation. Several commissions and committees carry out assignments at the direction of the City Council, including the Planning Commission, Ways and Means Committee, Public Works Ad Hoc, Public Safety Ad Hoc, Economic Development Ad Hoc, Campaign Transparency Ad Hoc, Veterans Memorial Ad Hoc, Homeless Task Force Committee, CDBG Committee, and Human Resources Committee.<sup>161</sup>

The City manager oversees the daily operations of the City, which includes a nearly \$95 million annual operating budget (2018-19)<sup>162</sup> and 196 full time equivalent personnel.<sup>163</sup>

## SERVICES PROVIDED

City of Perris staff provide the community with building and planning, housing, code enforcement, animal control, parks and recreation, streets and road maintenance, stormwater drainage, and innovation and technology services. The following section describes municipal services provided within Perris and identifies the service provider. Figure 122 illustrates the municipal services provided in Perris by the City or by other service providers.

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<sup>161</sup> Source: City of Perris

<sup>162</sup> Source: California State Controller's Office, "Cities Financial Data"

<sup>163</sup> Source: City of Perris, 2018-19 Comprehensive Annual Financial Report

Figure 122: Service Provider Matrix - Perris

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Development Services										
Housing	Housing Authority										
Code Enforcement	Development Services										
Animal Control	Development Services										
Parks and Recreation	Community Services, Regional Parks										
Library	Library System										
Museum	Southern California Railway Museum										
Landscape Maintenance	LMD, CSA										
Streets/Road Maintenance	Street Maintenance, Road and Bridge Benefit District, CSA										
Streetlights	Street Lighting Maintenance District, Siemens Industry										
Lighting	Street Lighting Maintenance District, CSA										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, CR&R										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, AT&T, Spectrum, Frontier, DirecTV, Dish										
Airport	N/A										
Cemetery *	Perris Valley Cemetery District										
Healthcare *	N/A										
Water *	Water Department, Eastern Municipal Water District										
Wastewater *	Sewer Department, Eastern Municipal Water District										

\* Not included in this MSR

## Government Services

General government services in the City of Perris are provided by the elected City Council and bureaucratic staff such as the City Manager and City Clerk. The City Manager initiates and implements City Council policies, enforces municipal laws, oversees daily City services and operations, makes recommendations to Council, prepares the municipal budget, appoints and supervises all City departments heads and employees, and directly oversees the Development Services Department. The City Clerk is responsible for City record management, processing City Council ordinances, resolutions, and minutes, public records requests, organization and coordination of municipal election processes, and organization of municipal code codification and updates.

## Law Enforcement

Perris receives law enforcement services from the Riverside County Sheriff Department. The Sheriff provides general policing services including, investigations, special enforcement, school



resources, traffic enforcement and patrols, community services, crime prevention, and the administration of the volunteer program and the Explorer youth program. According to City staff, to account for the growth of the City. The City of Perris transferred law enforcement services to the Riverside County Sheriff, including the operation of the Perris Sheriff's Station in April 1996.<sup>164</sup>

## **Fire Protection**

Fire Protection services are provided by Riverside County Fire Department/CalFire in Perris. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection. Fire Stations 1, 9, 90, and 101 are in the City.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

The City of Perris began contracting with the Riverside County Fire Department/CalFire for fire protection and emergency medical services in 1983. Fourteen firefighters are assigned to the two (2) fire stations located in Perris.<sup>165</sup>

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<sup>164</sup> Source: Riverside Sheriff, Perris Station, Accessed on May 10, 2021 <https://www.riversidesheriff.org/746/Perris-Station>

<sup>165</sup> Source: City of Perris, Fire Department, Accessed on May 10, 2021 <https://www.cityofperris.org/departments/fire>

## **Emergency Medical**

Emergency medical services in the City of Perris are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more information on the Department.

## **Building/Planning and Housing (Community Development)**

Building, planning, and housing services in the City of Perris are provided by the City's Development Services Department through the Building and Safety Division and the Planning Division. The Planning Division manages day-to-day changes that shape the City, including using the General Plan and zoning code for land use entitlement, revising the zoning code, and updating the general and specific plans. The Building and Safety Division conducts plan check reviews, issues permits, and inspects buildings.

## **Code Enforcement**

The Code Enforcement Division of the Development Services Department provides code enforcement services to Perris. The Division performs field inspections to ensure compliance with applicable codes, educates the public on City codes and potential violations, issues citations for code violations, provides yard sale permits, engages in inadequate property and landscape maintenance abatement, and monitors potentially illegal construction. According to City staff, Perris shifted code enforcement out of the hands of Riverside County and into the City's control due to disagreements with their responsiveness to residents.

## **Animal Control**

Animal control in Perris is provided by the Development Services Department through the Animal Services Division. The Division protects the public against rabies, protects property from roaming animals, helps abandoned pets and lost animals, protects wildlife, provides animal sheltering services, and produces animal licenses. Beginning on July 13, 2020 the City began transporting stray or lost animals to the County's shelter in Jurupa Valley.

## **Parks and Recreation**

Parks and recreation services in the City of Perris are provided by the City's Community Services Department through their Parks and Recreation Divisions. Services provided by the Divisions include maintenance and operation of parks, administration of contracts, operating sports programs, and coordinating various teen, senior, and leisure activities for City residents. There are 22 parks and recreation facilities in the City.

The 2006 MSR made the following determinations regarding parks and recreation services:

- Perris is providing park and recreational services that has a lower parkland acreage ratio that is below the agency's adopted standards.

City staff did not provide a response or update to this determination.

## **Library**

Library services in the City of Perris are provided by the Riverside County Library System. The System provides standard library services to the City such as reading materials, literacy programs, computers, and various local and online research tools. The Perris branch of the System is located at 163 East San Jacinto Avenue.

## **Museum**

Museum related services in the City of Perris are provided by the Southern California Railway Museum. The Museum provides historical and cultural resources about the history of railways in Perris. The Museum is run by a nonprofit and receives no assistance, land or otherwise, from the City.

## **Landscape Maintenance**

Landscape maintenance services in Perris are provided by the Public Works Department through the City's Landscape Maintenance District. The District provides tax revenues to the Department for landscape maintenance services on public properties throughout Perris.

## **Streets/Road Maintenance**

Streets and road maintenance services in the City of Perris are provided by the Street Maintenance Division of the Public Works Department and the Perris Flood Control Benefit Assessment District. The Division provides street maintenance, grounds maintenance, curb, gutter, and sidewalk maintenance, and administers contracts for other maintenance services. The District provides funding for street maintenance within the corresponding Benefit Zones.

## **Streetlights**

Streetlight related services in the City of Perris are provided by the Public Works Department through the Street Lighting Maintenance District 84-1 and by Siemens Industry. The Department funds streetlight repairs and maintenance through the District. However, as of October 10, 2019, the Department now contracts out streetlight services to Siemens Industry. Siemens is a technology company focused on industry, infrastructure, mobility, and healthcare. The company was originally founded in 1847 and has since ballooned to 293,000 employees worldwide.

## **Utilities (Gas, Electric)**

Utility services in the City of Perris are provided by Southern California Edison (“SCE”) and Southern California Gas (“SoCal Gas”). SCE provides general electricity generation, and grid operations. SoCal Gas provides natural gas energy services to the City for various uses, such as heating and cooking.

## **Solid Waste**

Perris has a franchise agreement with CR&R Inc. to provide various trash, solid waste, and recycling services to the City. In business since 1963, CR&R’s mission has been to provide customers with consistent, safe, worry-free, and sustainable waste and recycling services. CR&R provides these services to 10 cities in Riverside County. They also provide trash services in Orange, Los Angeles, Imperial, San Bernardino, and San Diego counties, as well as various places in Arizona and Colorado.

The 2006 MSR made the following determinations about the City’s solid waste disposal services:

- Perris is diverting less than the solid waste that is required by the California Public Resources Code (PRC 41780).

City staff did not provide a response or update for this determination.

### **Storm Drainage**

Storm drainage services in Perris are managed by the National Pollutant Discharge Elimination System (“NPDES”) Administrative Division of the Public Works Department and the Perris Flood Control Assessment District. The NPDES Division oversees the City’s NPDES permit and maintains the City’s public drainage facilities. The District provides funding for these activities through a small property tax assessment.

The 2006 MSR made the following determinations for the City’s storm drainage facilities:

- Perris had existing storm water drainage deficiencies that were related to the inadequacy of the drainage system and/or areas that were undeveloped or underdeveloped. Improvements to the City’s drainage systems are provided by new development, and the City was planning infrastructure projects to enhance or expand the existing systems.

City did not provide a response or update for this determination.

### **Innovation and Technology**

Perris’ Information Technology Department provides innovation and technology services to the City government. The Department provides technical support, computer hardware management, and computer software management to all departments.

### **Airport**

Though no publicly run airport exists in the City, the privately run Perris Valley Airport does provide airport related services for private air travel and skydiving. The Airport hosts 57 aircraft

and sees an average daily traffic of 75 aircraft. The facility is known to the public for hosting both indoor and outdoor skydiving services provided by Skydive Perris.

### **Extraterritorial Services Provided**

The City does not provide any services to areas outside of the City of Perris. Government Code Section 56133 require LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City maintains a Five-Year Capital Improvement Program that is updated annually and includes storm drainage, facilities, community resources, streets, traffic, water and sewer capital projects. According to City staff, there are storm drainage issues in some of the City's industrial districts.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

The City of Perris submitted its 5<sup>th</sup> Cycle Housing Element to HCD on July 10, 2018. The Housing Element was determined to be in compliance with Housing Element law on September 4, 2018 by HCD.<sup>166</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports consistently between 2013 and 2019.<sup>167</sup>

The City's 5<sup>th</sup> Cycle housing RHNA allocation and permitted unit summary are presented in Figure 123.

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<sup>166</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>167</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 123: 5th Cycle Housing Element Summary - Perris

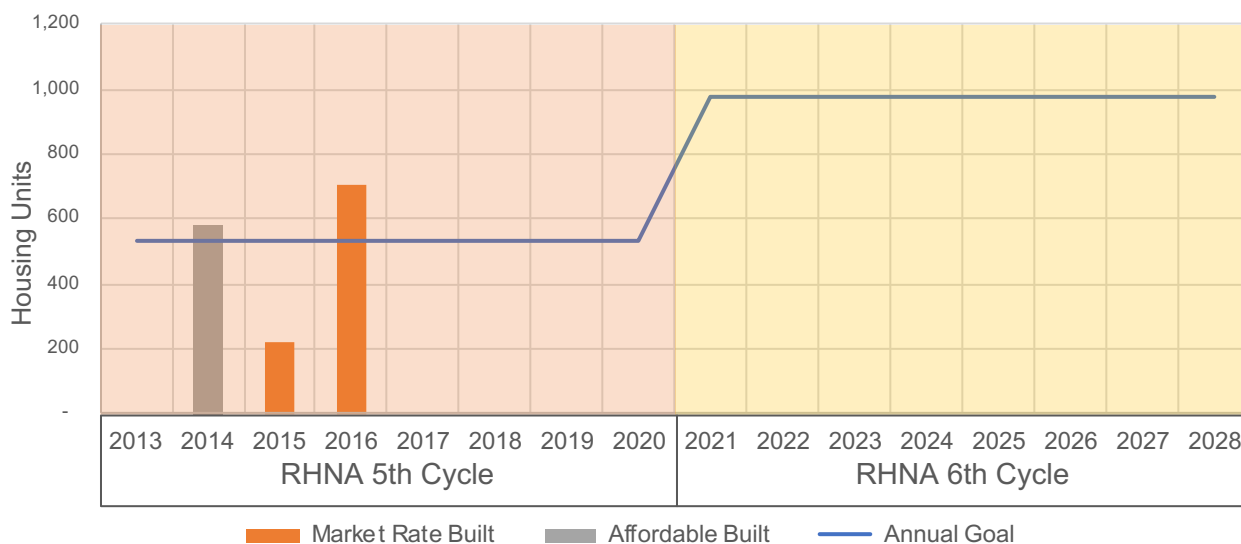
Perris 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	1,026	681	759	1,814
Permitted Units	359	0	222	923
Allocation Surplus/(Shortage)	(667)	(681)	(537)	(891)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

As previously discussed, the City permitted a combined 1,504 housing units during the 5<sup>th</sup> Cycle, including 359 units affordable to very low-income households, 222 units affordable to moderate-income households, and 923 market rate units. While this is comparatively substantial production in very low- and moderate-income housing units, the City fell 2,776 housing units short of meeting its RHNA allocation. With the 5<sup>th</sup> Cycle concluding soon, the City is not expected to produce enough units in any income category to meet its RHNA allocation.

The City's 6<sup>th</sup> Cycle RHNA allocation is 82 percent higher than the 5<sup>th</sup> Cycle RHNA allocation, for a total of 7,786 housing units. The City's annual goal, presented as one-eighth of the 5<sup>th</sup> and 6<sup>th</sup> full-cycle RHNA allocation, and market rate and affordable unit production during the 5<sup>th</sup> Cycle are presented in Figure 124.

Figure 124: 5th and 6th Cycle RHNA Allocation and Production - Perris



The City is one of 220 California jurisdictions that failed to make sufficient progress towards its affordable housing RHNA allocation and is now subject to streamlined ministerial approval processes for proposed housing developments with at least 50 percent affordable units. Because the City has made substantial progress towards its market rate RHNA allocation by permitting 1,504 units during the 5<sup>th</sup> Cycle, the City is not subject to streamlined ministerial approval for proposed housing developments with at least 10 percent affordable units.<sup>168</sup>

## FISCAL HEALTH

The sections that follow evaluate the City of Perris's fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. The City's net position is presented in Figure 125 as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City's surpluses ranged from \$9.1 million in 2018-19 to \$22.0 million in 2017-18. The City's \$14.5 million surplus in 2016-17 was 23.1 percent of annual revenues while the City's \$22.0 million surplus was 21.2 percent of annual revenues in 2017-18.

Figure 125: Net Position - Perris

Perris	2016-17	2017-18	2018-19
Total General Tax Revenues	\$25,132,944	\$37,759,566	\$40,630,571
Other Tax Revenues	16,706,993	36,089,428	28,051,316
Other Revenues	21,208,092	29,858,788	35,380,257
<b>Total Revenues</b>	<b>63,048,029</b>	<b>103,707,782</b>	<b>104,062,144</b>
Total Operating Expenditures	39,288,140	44,098,606	50,931,291
Debt Service	-	16,829,651	32,882,154
Capital Outlay	9,221,004	20,765,787	11,175,103
<b>Total Expenditures</b>	<b>48,509,144</b>	<b>81,694,044</b>	<b>94,988,548</b>
<b>Net Position</b>	<b>\$14,538,885</b>	<b>\$22,013,738</b>	<b>\$9,073,596</b>

<sup>168</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"



## **Annual Audit Findings**

RSG reviewed the City's Annual Audits for 2017-18 and 2018-19. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits for 2017-18 and 2018-19 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

## **Operating Revenues**

RSG compiled three (3) years of financial history using the California State Controller's Office Cities Financial Data, and relied on the City's 2018-19, 2019-20 and 2020-21 adopted budgets and comprehensive annual financial reports to evaluate the City's fiscal health. While categorization of revenues and expenditures varied in some cases, the SCO's dataset and City's audited financial results yielded similar results.

The City of Perris's operating revenues grew to nearly \$104.1 million in 2018-19, as presented in Figure 126.

Figure 126: Operating Revenue History - Perris

Perris	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$6,066,715	\$6,854,737	\$7,803,387
Sales Tax	10,173,103	20,941,900	21,368,226
Transient Occupancy Tax	115,400	165,911	28,460
Property Tax in-lieu of VLF	5,783,830	6,271,822	6,985,964
Franchise Tax	2,495,678	2,834,989	2,910,738
Business License Tax	212,533	222,693	223,450
Property Transfer Tax	285,685	285,835	528,963
Utility User Tax	-	-	-
Other Tax Revenues	-	181,679	781,383
<b>Total General Tax Revenues</b>	<b>25,132,944</b>	<b>37,759,566</b>	<b>40,630,571</b>
Transportation Tax	1,457,121	2,452,734	2,079,994
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	15,249,872	33,636,694	25,971,322
<b>Total Tax Revenues</b>	<b>41,839,937</b>	<b>73,848,994</b>	<b>68,681,887</b>
Charges for Services	840,595	810,374	693,563
Special Benefit Assessments	5,150,001	5,262,667	5,238,257
Use of Money	441,590	7,809,438	9,686,147
Fines and Forfeitures	1,009,019	899,059	983,110
Licenses and Permits	2,378,289	2,630,428	2,691,519
Intergovernmental	4,535,426	5,473,039	5,880,737
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	6,853,172	6,973,783	10,206,924
<b>Total Revenues</b>	<b>\$63,048,029</b>	<b>\$103,707,782</b>	<b>\$104,062,144</b>

Source: California State Controller's Office

The City of Perris's general tax revenues represented 39.0 percent of the City's total revenues in 2018-19. The City's largest general tax revenues include sales tax (52.6 percent of general tax revenues), property tax (19.2 percent), and property tax in-lieu of VLF (17.2 percent). Additionally, the City collected almost \$26 million in functional tax revenues in 2018-19. The City's largest non-tax revenues sources are classified as miscellaneous revenues (\$10.2 million) and use of money (\$9.7 million). The City's largest revenue sources are outlined in more detail later in this MSR.

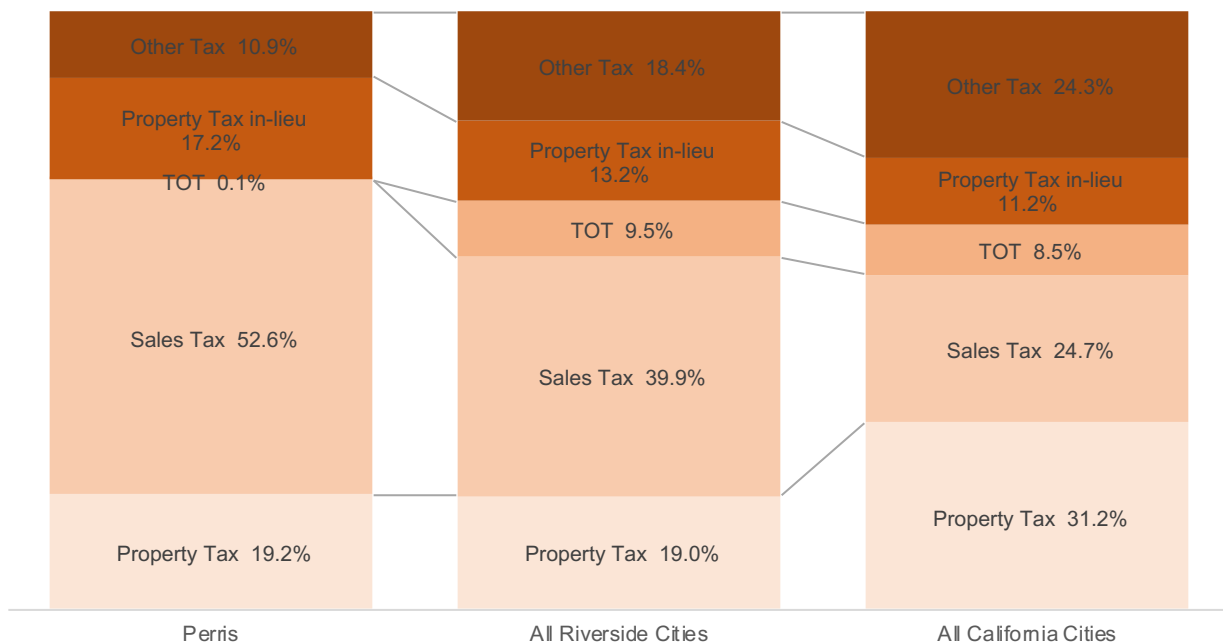
The City began collecting taxes related to the cultivation, manufacturing, and sale of marijuana in 2017-18. These revenues are included as Other Tax Revenues in Figure 126, and represent

one of the City's fastest growing revenue sources, increasing from \$182,000 in 2017-18 to \$2.9 million in 2018-19.

The City's general tax revenue base is heavily concentrated in sales tax, property tax, and property tax in-lieu, with those three (3) sources accounting for 89.0 percent of general tax revenues. The City of Perris earns substantially more sales tax, a 52.6 percent proportion of all general tax revenues, when compared to all Riverside County (39.9 percent) and California (24.7 percent) cities. The City's property tax revenues are proportional to the average for all Riverside County cities while property tax in-lieu of VLF represents a slightly larger proportion of general tax revenues when compared to Riverside County and California cities.

The City of Perris's general tax revenues, compared to all Riverside County and California cities are presented in Figure 127.

Figure 127: General Tax Revenue Comparison - Perris



## Sales Tax

The City of Perris collected almost \$21.4 million in sales tax revenues in 2018-19, which represented 52.6 percent of general tax revenues. The City receives one percent of gross receipts

from the sales of tangible personal property sold in Perris. According to City staff, much of the sales tax growth rate can be attributed to the initial operations at a few new regional distribution centers, including Wayfair, H&M, Forever 21, and Ferguson.

Because the City relies on sales tax generated by large distribution centers, it's worth noting that sales tax generated by online transactions to in-state purchasers are supposed to be allocated to the jurisdiction where the order desk is located. Meanwhile, transactions to out-of-state purchasers are based on the location where the inventory is at the time of the purchase. The City has entered into agreements with some of the distribution center operators, including Home Depot and TechStyle, Inc, to ensure that the operators are locating their order desks in the City of Perris, which enables the City to capture sales tax on all online sales to purchasers in California and out-of-state purchasers when the inventory originates from Perris.<sup>169</sup>

Between 2016-17 and 2018-19, the City's sales tax revenues increased from \$10.2 to 21.4 million, an unprecedented 44.9 percent annualized growth rate. The City's growth is even more astonishing when you look back a decade, as the City yielded less than \$4.6 million in sales tax revenues in 2010-11. According to the City's 2019-20 annual audit, the City saw another increase in sales tax revenues in 2019-20 of about \$3.9 million, to a total of more than \$25.7 million.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Property tax and property tax in-lieu of VLF represent the City's second and third-largest general tax revenue sources, representing a combined 36.4 percent of general tax revenues. Property tax is assessed on land, improvements, and personal property in Perris, which combined for a secured assessed valuation of about \$6.2 billion in 2018-19. The City's total secured assessed valuation includes \$1.8 billion in land value and over \$4.3 billion in improvement value.<sup>170</sup> The City's \$7.8 million share of property tax revenues represents about 12.6 percent of property tax

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<sup>169</sup> Source: City of Perris 2018-19 Comprehensive Annual Financial Report

<sup>170</sup> Source: California City Finance, "Assessed Valuation of Property by City"

collections. The City's share of property tax is higher than average among other Riverside County cities.

The City of Perris and County of Riverside passed resolutions in 1981, mutually adopting a Master Property Tax Exchange Agreement.<sup>171</sup>

Property tax in-lieu of VLF amounted to almost \$7.0 million in 2018-19, representing about 17.2 percent of general tax revenues. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increases based on assessed valuation growth in the jurisdiction.

### **Miscellaneous Revenues**

Miscellaneous revenues are the largest non-tax revenue source for the City, amounting to \$10.2 million in 2018-19, or about 9.8 percent of total revenues. Miscellaneous revenues includes contributions from nongovernmental revenues (\$9.8 million), and other unclassified miscellaneous revenues (\$369,000) in 2018-19.

### **Use of Money**

Use of money is an income source generated from cash investments or real estate assets. The City of Perris generated use of money revenues of \$9.7 million in 2018-19, accounting for 9.7 percent of total revenues. The City earns use of money revenues from investment earnings (\$9.6 million) and rents and concessions (\$130,000).

### **Operating Expenditures**

The City's operating expenditures ranged from \$48.5 to 95.0 million between 2016-17 and 2018-19, experiencing a 39.9 percent annual growth rate over the same three (3) year period. Annual operating expenditures are outlined in

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<sup>171</sup> Source: Riverside LAFCO

Figure 128: Operating Expenditures - Perris

Perris	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$4,962,980	\$6,069,880	\$7,233,038
Employee Benefits	2,777,683	3,061,146	4,406,403
Materials and Supplies	3,455,166	4,033,814	6,303,488
Contract Services	26,853,107	30,167,452	32,988,362
Other Operating Expenditures	1,239,204	766,314	-
<b>Total Operating Expenditures</b>	<b>39,288,140</b>	<b>44,098,606</b>	<b>50,931,291</b>
Debt Service	-	16,829,651	32,882,154
Capital Outlay	9,221,004	20,765,787	11,175,103
<b>Total Expenditures</b>	<b>\$48,509,144</b>	<b>\$81,694,044</b>	<b>\$94,988,548</b>

Source: California State Controller's Office

The City's largest expenditure categories were contract services (\$33.0 million), debt service (\$32.9 million), and capital outlay (\$11.2 million) in 2018-19. Compared to all other Riverside County cities, which expend 8.7 percent on debt service and 28.3 percent on contract services, the City of Perris expends substantially greater proportions on debt service and contract expenditures, 34.6 and 34.7 percent respectively.

The City's current expenditures are presented in Figure 129 according to department or function.

Figure 129: Current Expenditures - Perris

Perris	2016-17	2017-18	2018-19
General Government	\$5,486,020	\$7,881,601	\$7,125,028
Public Safety	20,880,619	22,443,673	23,926,931
Transportation	5,381,578	6,526,088	5,920,721
Community Development	4,181,067	3,482,135	9,803,099
Health	241,706	221,400	179,336
Culture and Leisure	3,117,150	3,543,709	3,976,176
Public Utilities	-	-	-
Debt Service	-	16,829,651	32,882,154
Capital Outlay	9,221,004	20,765,787	11,175,103
<b>Total Current Expenditures</b>	<b>\$48,509,144</b>	<b>\$81,694,044</b>	<b>\$94,988,548</b>

Source: California State Controller's Office

As with other Riverside County and California cities, the City of Perris expends more on public safety and any other department, save for non-departmental debt service expenditures. In 2018-19, public safety expenditures accounted for \$23.9 million or about 47 percent of total

expenditures net of capital outlay and debt service. Proportionally this is roughly aligned with the public safety expenditures by the average California city (47.3 percent) and lower than the average among Riverside County cities (52.2 percent). Public safety expenditures grew by 7.0 percent annually between 2016-17 and 2018-19, while general tax revenues grew at a rate of 27.1 percent annually.

### Reserve Fund Balance

The City Council adopted a reserve policy to withhold an amount equal to or greater than 35 percent of General Fund Revenues. In 2020-21, the City's reserve balance was \$39.2 million, which is in compliance with the City's reserve policy.

### Pension and OPEB Obligations

The California Public Employees' Retirement System ("CalPERS"), which provides pensions for most public employees, is earning less on investments. Because retirees are living longer, the State has moved to require cities to provide more funding in the retirement funds. The City of Perris's pension and OPEB obligations are detailed in Figure 130.

Figure 130: Pension and OPEB Obligations - Perris

Perris	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$12,958,547	\$12,971,433	\$14,273,741
Total OPEB Liability/(Surplus)	16,108,757	16,782,893	22,056,223
Total Benefit Liability/(Surplus)	\$29,067,304	\$29,754,326	\$36,329,964

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City offers two (2) defined benefit pension plans to qualified employees, including the Safety Plan, for police and fire employees, and the Miscellaneous Plan for all other employees. However, because the City transitioned to contract services for fire protection, emergency medical, and law enforcement in the 1980's and 1990's, the City does not have any current covered payroll on the Safety Plan. The City's Safety Plan remains in place as the City services pension liabilities associated with former police department and fire department employees. The City also offers employees an OPEB plan, which is a defined benefit postemployment healthcare plan to provide medical benefits to eligible retired employees and qualified dependents.

As illustrated in Figure 130, the City has over \$36.3 million in combined pension and OPEB liabilities. Pension and OPEB liabilities grew from about \$29.1 million in 2017-18 to \$36.3 million in 2019-20. According to City staff, the City is not overwhelmed by pension and OPEB costs.

The City's pension indicators provide insight into the City's pension plan health. The City's employer contribution rate compared to the actuarially determined contribution, total covered payroll, and employer contribution rate are detailed in Figure 131.

Figure 131: Pension Indicators - Perris

Perris	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$1,045,038	\$1,280,205	\$16,319,023
Employer Contribution	1,045,038	1,280,205	16,319,023
Covered Payroll	\$6,892,285	\$7,009,054	\$7,329,183
Employer Contribution Rate	15.2%	18.3%	222.7%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City has made minimum actuarially determined contributions between 2017-18 and 2019-20, even as the City's contribution increased from about \$1.3 million in 2018-19 to over \$16.3 million in 2019-20. This is one of the largest, if not the largest, year-to-year increase in actuarially determined contributions among Riverside County cities.

Of the \$16.3 million employer contribution made in 2019-20, the majority of this payment, or about \$14.3 million, can be attributed to the City's prepayment of its unfunded liability. The City contracted with a public sector actuary to study the City's unfunded pension liabilities, and the study revealed that the \$603,000 payment on the unfunded liability for fiscal year 2018-19 would grow to a payment exceeding \$2 million in fiscal year 2029-30. The Perris City Council took action over the 2019-20 and 2020-21 budget years to identify reserve funding sufficient to pay down the unfunded liability.<sup>172</sup>

<sup>172</sup> Source: California Society of Municipal Finance Officers, "Tackling Pension Fears" February 21, 2020, Accessed May 10, 2021  
<https://news.csmfo.org/2020/02/21/tackling-pension-fears/>



## California State Auditor Fiscal Health Evaluation

The City of Perris ranked 220 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 251 peer cities in California, or about 53 percent of cities. The City received low risk ratings on seven (7) indicators, including liquidity, general fund reserves, revenue trends, pension obligations, pension funding, future pension costs, and OPEB obligations. Three (3) indicators scored high risk ratings, including debt burden, pension costs, and OPEB funding.<sup>173</sup>

## MSR DETERMINATIONS

Requisite CKH determinations for Perris are presented by topic below:

### 1. Population, Growth, and Housing

Perris grew at a faster rate than the County as a whole over the last decade and is expected to grow even faster over the next 15 to 25 years.

Perris has above-average household and population densities when compared to the County.

Perris is largely comprised of single-family housing but the City managed to permit 1,504 housing units over the 5<sup>th</sup> Cycle, including 359 households affordable to very low-income households and 222 units affordable to moderate-income households, but fell short of meeting its RHNA allocation by 2,776 housing units.

### 2. Disadvantaged Unincorporated Communities in SOI

The Perris SOI contains six (6) DUCs but the City does not currently extend services into the SOI. DUC4, known as Good Hope overlaps portions of LAFCO-identified pockets P32 and P33.

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<sup>173</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

### **3. Present and Planned Capacity of Facilities**

According to City staff, the City is looking to transition sewer and water services to a different provider.

Because much of the City's growth has occurred in the last 20 years, the City's infrastructure, aside from the Downtown Perris area, is relatively new and in good condition.

### **4. Financial Ability to Provide Services**

The City of Perris is one of the few cities in Riverside County actively addressing its unfunded pension liability, allocating reserve funds to reduce unfunded liabilities.

### **5. Opportunities for Shared Facilities**

The City is looking for a local solution to animal shelters, as the current animal shelter facility is unnecessarily far away from Perris.

### **6. Accountability for Community Service Needs**

The City of Perris notifies the public of public works projects, reaches out to impacted communities directly, and offers digital video-based meetings. The City is actively engaged on at least four (4) different social media platforms and offers applications for two (2) different mobile operating systems, enabling residents and business operators to request services for graffiti removal, pothole repair, or other local issues.

### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

The City of Perris has requested expansion of the Perris SOI to include Focus Area A, which is an area along the City's eastern boundary along Dunlap Road, illustrated in Exhibit 17. RSG's recommendations related to the Perris SOI are presented by topic below.

### **1. Present and Planned Land Uses**

Development in much of the Perris SOI could be characterized as low density and large-lot rural residential, but based on development trends in and around Perris, future SOI development is likely to take the shape of planned residential communities. As such, the local governance and financing policies, such as the use of community financing districts to cover the costs of services and infrastructure for new developments may be optimal.

### **2. Present and Probable Need for Public Facility and Services**

As the Perris SOI nears a population of 30,000 and contains multiple DUCs, the City of Perris should consider annexing parts of the SOI.

### **3. Present Capacity of Public Facilities**

Residents of the Perris SOI are likely already utilizing the City's infrastructure, services, and facilities, and contributing to the local tax base and economic growth.

### **4. Social or Economic Communities of Interest**

The Nuview/Romoland Municipal Advisory Council area is located east of the City of Perris corporate boundary.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Perris SOI contains five (5) DUCs. City staff did not identify any present or planned needs for facilities or services in the unincorporated DUCs.

## CITY OF RIVERSIDE

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The City of Riverside is in the Western Region of Riverside County and is the oldest incorporated City in Riverside County, having incorporated in 1883 as a charter city.<sup>174</sup> The Riverside City boundary covers 81.1 square miles and the Riverside SOI extends over an additional 61.5 square miles for a combined area of 142.6 square miles.<sup>175</sup> The City's northern boundary is shared with the City of Jurupa Valley, unsphered unincorporated areas, and the County of San Bernardino. The City's eastern boundary extends to the City of Moreno Valley, unincorporated areas, and the March Air Reserve Base. The City of Riverside's southern boundary is largely unincorporated but the Riverside SOI extends south to the City of Perris and City of Corona. The City's western boundary is coterminous with the cites of Corona and Norco.

The demographic profiles for the City and Riverside SOI are presented in Figure 132.

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<sup>174</sup> Source: City of Riverside

<sup>175</sup> Source: Riverside LAFCO

Figure 132: Demographic Profile - Riverside

Riverside	City	SOI	County
Population as of 2020	328,155	46,202	2,442,304
Population as of 2010	303,876	39,657	2,189,641
Annual Pop. Growth Since 2010	0.77%	1.54%	1.10%
Housing Units	101,414	14,088	867,637
Persons / Housing Unit	3.24	3.28	2.81
Land Area (sq mi)	81.1	61.5	7,206.0
Persons / Square Mile	4,046	751	339
Median Household Income	\$64,863	\$83,029	\$67,369
Projected Population in 2035	373,987		2,995,509
Annual Proj. Growth 2020-2035	0.88%		1.37%
Projected Population in 2045	395,798		3,251,705
Annual Proj. Growth 2020-2045	1.26%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

Riverside grew at a modest 0.77 percent annually between 2010 and 2020 while the Riverside SOI grew at a rate of 1.54 percent annually, which is faster than the average growth rate for the County (1.10 percent annually). Population density in Riverside, which is 4,046 residents per square mile, is above average for incorporated cities in Riverside County (2,207) and among the highest densities in the County. The Riverside SOI, however, has a much lower population density at 751 persons per square mile and about twice the County-wide population density (339 persons per square mile).

Riverside's growth rate is expected to increase over the next 15 to 25 years, but the City is not expected to grow as quickly as the County during this time. Compared to other incorporated cities in Riverside County, Riverside's 0.88 and 1.26 percent annual growth rates through 2035 and 2045 are slightly below average, averages are 1.44 and 2.13 percent annually, respectively, for incorporated cities in Riverside County.

The median household income for households within the City of Riverside is slightly lower than the County-wide median household income. Meanwhile, Riverside's SOI has a higher median household income. Based on the land uses in the SOI, which generally appears to be large-lot and estate single-family residential housing, which generally requires a higher household income to acquire and maintain, it is not surprising that the SOI would have a higher median household income than the City.

Riverside's land use summary is presented in Figure 133.

Figure 133: Land Use Summary - Riverside

Riverside		County	
Residential Units	Units	%	%
Single Family	64,645	63.7%	54.8%
Multifamily	34,542	34.1%	43.6%
Mobile Home	2,227	2.2%	1.6%
Total Units	101,414	100.0%	100.0%
New Units Since 2010	2,970		
Commercial	Gross SF		
Retail	17,048,545	19.8%	26.6%
Industrial	56,662,392	65.8%	61.8%
Office	12,370,975	14.4%	9.6%
Other	70	0.0%	2.0%
Total	86,081,982	100.0%	100.0%
New Commercial Since 2010	15,418,872		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Riverside has a higher concentration of single-family housing units, representing 63.7 percent of the Riverside housing stock, when compared to the County-wide average (54.8 percent). As a result, Riverside has a lower concentration of multifamily housing units when compared to the County. While the population grew at a rate of 0.77 percent annually, the City's housing stock grew at a rate of 0.30 percent annually over the last decade.

While Riverside did not see much growth in housing inventory, Riverside experienced significant growth in commercial square footage, as Riverside added more than 17 million square feet of industrial space. The inventory of industrial square footage in Riverside grew by more than 3.6 percent annually. The growth in industrial space exceeded the net growth in commercial square footage, indicating that other commercial land uses, such as retail and office, were converted to industrial over the last decade. Riverside's land used distribution is roughly in alignment with County-wide averages, except for small differences.

Riverside contains an estimated 12,842 businesses that employ about 119,538 persons.<sup>176</sup> The largest employers in Riverside include several municipal, institutional, educational, healthcare, and government entities, including the County of Riverside (22,000 employees), University of California, Riverside (8,735 employees), March Air Force Reserve (7,000 employees), Kaiser (4,346 employees), Riverside Unified School District (4,313 employees), City of Riverside (2,485 employees), Riverside Community Hospital (2,200 employees), Riverside Community College District (2,100 employees), Alvard Unified School District (1,898 employees), and California Baptist University (1,442 employees).<sup>177</sup>

## **CURRENT SPHERE OF INFLUENCE**

The City of Riverside has four (4) noncontiguous SOI areas, which are illustrated in Exhibit 18. The City's two (2) largest SOI areas are on the City's southern boundary and the City's northeastern boundary. The northeastern Riverside SOI area includes one DUC and one LAFCO-identified unincorporated pocket. Two (2) of the Riverside SOI's smallest areas on the City's southeastern boundary each contain an additional pocket. The City's northern boundary, shared with Jurupa Valley, has five (5) additional unsphered LAFCO-identified unincorporated pockets. The City's DUCs and pockets are described in more detail later in this MSR.

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<sup>176</sup> Source: ESRI Business Analyst Online

<sup>177</sup> Source: City of Riverside, 2018-19 Comprehensive Annual Financial Report

As previously mentioned, the Riverside SOI is comprised of four (4) separate SOI areas. The largest portion of the Riverside SOI extends south beyond the City's existing boundary and is bound on the east by the City of Perris and March Air Reserve Base, and west by the City of Corona and Corona SOI. The second-largest Riverside SOI area is on the City's northeastern boundary and extends north to the County-extents and east to the City of Moreno Valley and Moreno Valley SOI and contains one DUC and one LAFCO-identified unincorporated pocket (P36). Two additional SOI areas on the City's eastern boundary are built-out, largely as single-family residential and coterminous with one bifurcated LAFCO-identified unincorporated pockets (both portions of the bifurcated pocket are identified as P37). The Riverside SOI DUCs and pockets are described in more detail below:

- DUC1 is also known as Highgrove West. According to City staff, the Public Utilities Department provides water service to the Highgrove area. This DUC is largely built-out as a single-family residential subdivision.
- Pocket P36 is located between Interstate 215 and Lochmoor Drive near the Interstate 215 on- and off-ramp for Central Avenue. This pocket is a small single-family residential subdivision neighborhood surrounded by the City's corporate boundary on three (3) sides and bound by Interstate 215 on the eastern side.
- Pocket P37 is bifurcated by incorporated Riverside City territory into two (2) non-contiguous portions of the Riverside SOI.

In addition to the pockets within the Riverside SOI, there are five (5) additional unsphered unincorporated pockets located between the corporate boundaries of the cities of Riverside and Jurupa Valley, referred to as P17, P18, P19, P20, and P21, and separately identified in the following Exhibits: Exhibit 19, Exhibit 20, Exhibit 21, and Exhibit 22. These pockets are discussed in relation to the City of Jurupa Valley earlier in this MSR and described in more detail here. Based on LAFCO's 2014 City of Jurupa Valley MSR, the City of Riverside had expressed interest in annexing these areas. City staff indicated that the City is still interested in annexing these unincorporated areas.



- P17: This pocket is south of the Santa Ana Riverbed, meaning it is adjacent to and most readily accessible from the City of Riverside. This area should be annexed into the City of Riverside unless other information is provided that suggests a more viable alternative. Pocket P17 is illustrated in Exhibit 19.
- Pocket P18: This pocket is south of the Santa Ana Riverbed, and appears to be adjacent to and most readily accessible from the City of Riverside. The Santa Ana River Trail traverses this pocket on the south side, adjacent to the City of Riverside, of the Santa Ana Riverbed. This area should be annexed into the City of Riverside unless other information is provided that suggests a more viable alternative. Pocket P18 is illustrated in Exhibit 20.
- Pockets P19 and P20: Pockets P19 and P20 are located on the south and north side of Mission Inn Avenue, respectively. Both pockets appear to be most readily accessible from the City of Riverside. This area should be annexed into the City of Riverside unless other information is provided that suggests a more viable alternative. Pockets P19 and P20 are illustrated in Exhibit 21.
- Pocket P21: This pocket appears to be immediately north of Market Street and south of the Santa Ana Riverbed. The City of Riverside's portion of the Santa Ana River Trail traverses this pocket. This area should be annexed into the City of Riverside unless other information is provided that suggests a more viable alternative. Pocket P21 is illustrated in Exhibit 22.

The City is not actively pursuing any annexations at this time. According to City staff, the City fielded an inquiry from a Councilmember regarding the annexation of an area known as Woodcrest, which is in surrounded by the City on three (3) sides, and located in the City's southern SOI, near the intersection of Washington Street and Van Buren Boulevard.

The 2005 MSR stated that the southern-most extents of the Riverside SOI are beyond the foreseeable reach of the City's municipal services. The 2005 MSR specifically indicated that areas south of Cajalco Ridge, which runs along the Riverside SOI's southernmost boundary, may be unreasonable for the City of Riverside to provide services. This area is becoming more

developed, primarily with large-lot and rural residential uses, but also with single-family subdivided neighborhoods and commercial uses. If development in these areas continues without local government oversight and fiscal planning, such as implementation of community financing districts, it may be unreasonable to expect the City of Riverside to annex areas and provide services within the Riverside SOI. City staff indicated that this is still accurate.

The City of Riverside's boundary was previously confirmed in the May 2005 Final Draft of the Western Riverside County MSR, LAFCO 2004-60-1,2,5 ("2005 MSR").

Exhibit 18: Current City and SOI Boundaries - Riverside

## City of Riverside and Sphere of Influence

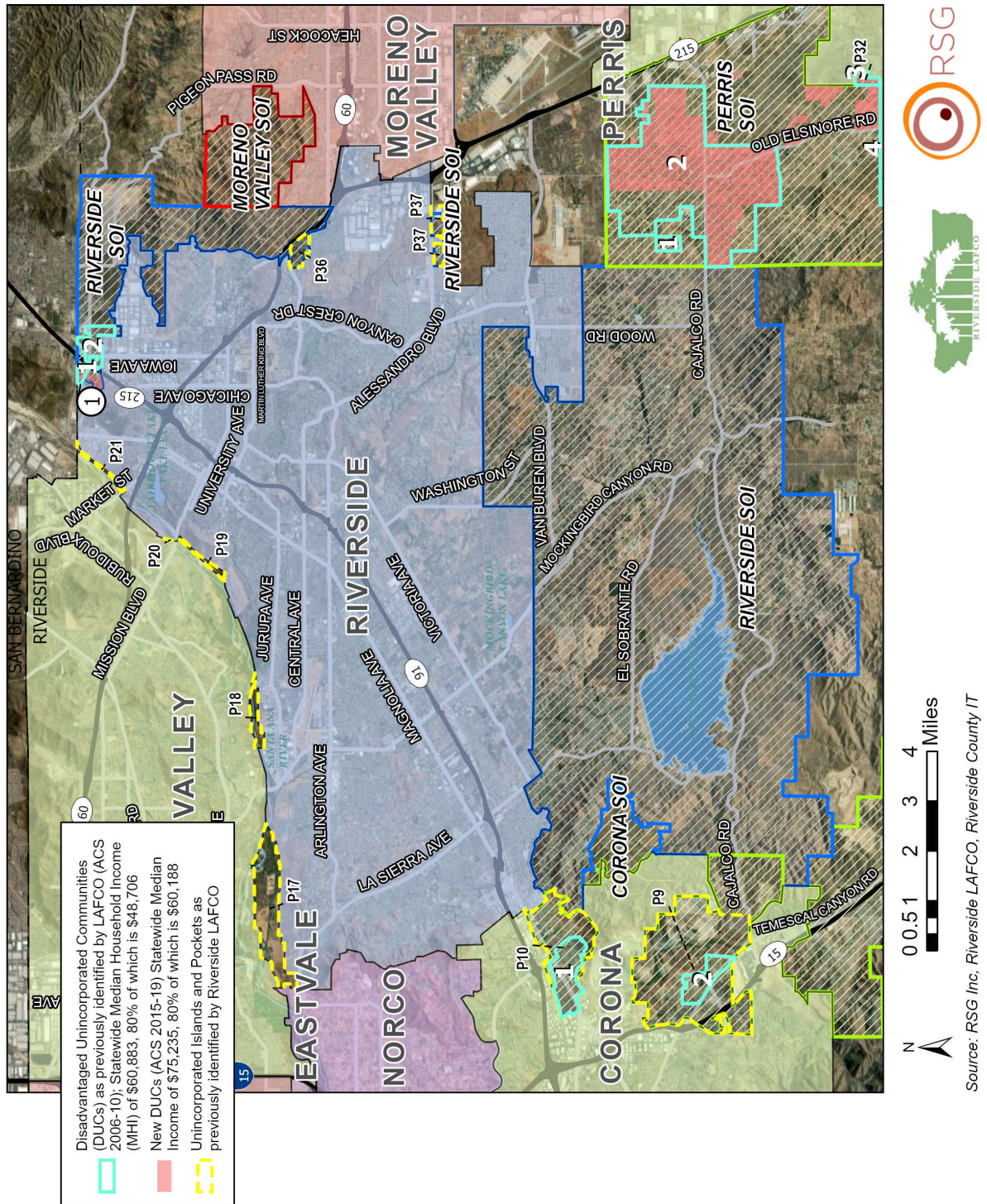
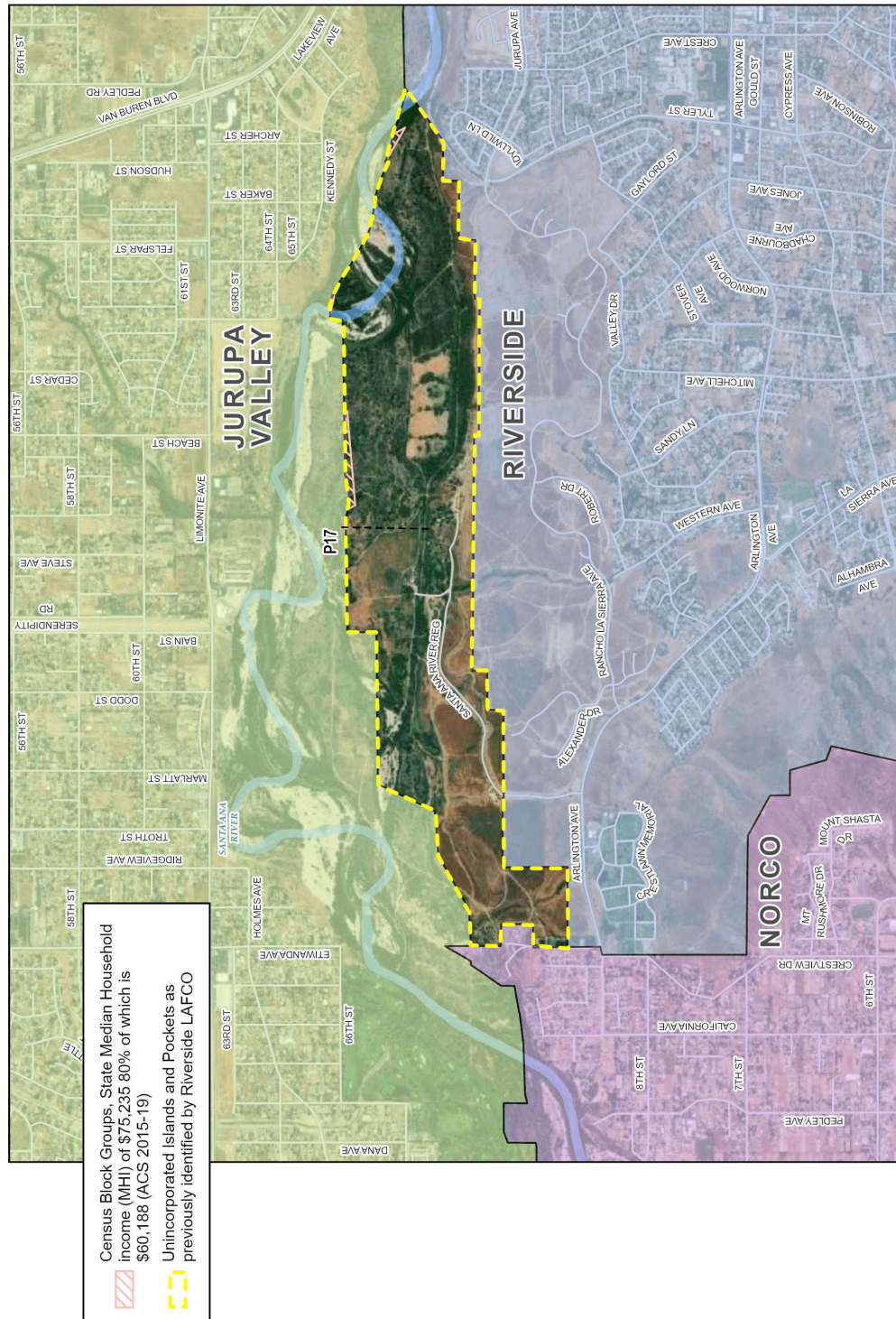




Exhibit 19: Pocket P17 (Areas proposed for inclusion in the SOI) - Riverside

## Santa Ana Riverbed: Unincorporated Island P17



Source: RSG Inc, Riverside LAFCO, Riverside County IT



Exhibit 20: Pocket P18 (Areas proposed for inclusion in the SOI) - Riverside

## **Santa Ana Riverbed: Unincorporated Island P18**



Source: RSG Inc, Riverside LAFCO, Riverside County IT



Exhibit 21: Pockets P19 and P20 (Areas proposed for inclusion in the SOI) - Riverside

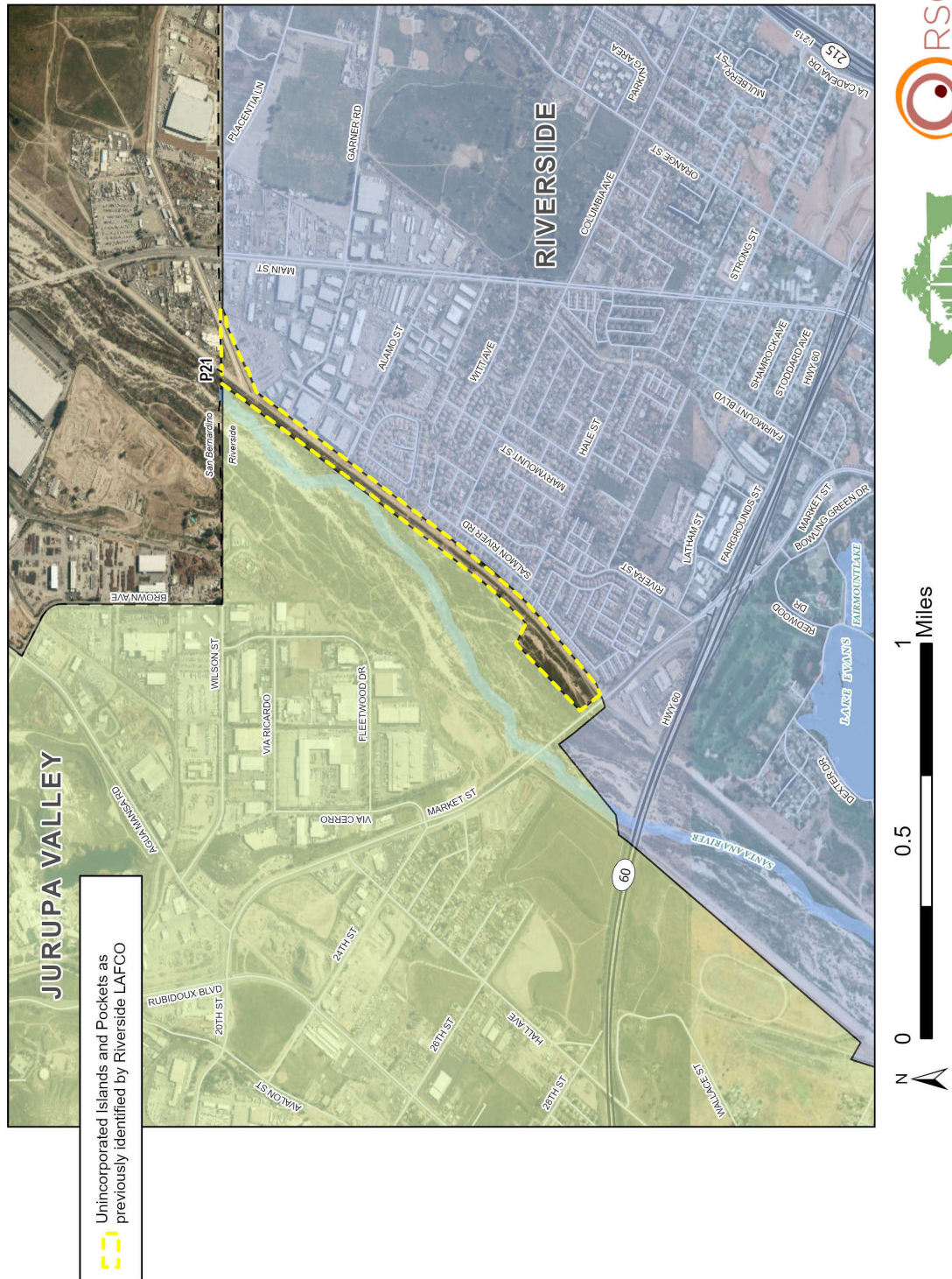
## **Santa Ana Riverbed: Unincorporated Island P19 & P20**





Exhibit 22: Pocket P21 (Areas proposed for inclusion in the SOI) - Riverside

## Santa Ana Riverbed: Unincorporated Island P21



Source: RSG Inc, Riverside LAFCO, Riverside County IT

## FORM OF GOVERNMENT AND STAFFING

The City of Riverside functions as a Council – Manager form of government with an elected City Council consisting of seven (7) Councilmembers representing seven (7) different wards (or districts) in the City, and one Mayor elected by and representing the City at-large. The City Council appoints the City Manager, City Attorney and City Clerk. The City Manager serves as the administrative head of the City government, which includes oversight of 2,485 full time equivalent personnel<sup>178</sup>, and operating expenditures of \$513.5 million in 2018-19.<sup>179</sup>

The City Council also serves as the Housing Authority, Public Financing Authority, Riverside Municipal Improvement Corporation, and Successor Agency. Several other City of Riverside Boards, Commissions and Committees serve at the direction of the City Council, including the Airport Commission, Budget Engagement Commission, Commission on Aging, Charter Review Committee, Commission on Disabilities, Community Police Review Commission, Historic Preservation Fund Committee, Human Relations Commission, Parks and Recreation Commission, Planning Commission, Riverside Neighborhood Partnership, Board of Ethics, Board of Library Trustees, Board of Public Utilities, Human Resources Board, Museum of Riverside Board, Transportation Board, Cultural Heritage Board, and Riverside Youth Council. The City of Riverside is generally considered a “full-service city” with most of the City’s services performed by City employees.<sup>180</sup>

The City is active on at least five (5) social networks, and in some cases, specific departments, such as the City Clerk, Fire Department, and Library have dedicated social media accounts to share information with the public. The City has an email list, hosts online discussion boards and has local television channel that is viewable through the City’s website. Several websites have been developed to provide information about different elements of the City’s operations, including [riversideca.gov](http://riversideca.gov), [engageriverside.com](http://engageriverside.com), [shopriversidenow.com](http://shopriversidenow.com), and [riversidepublicutilities.com](http://riversidepublicutilities.com).

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<sup>178</sup> Source: City of Riverside, 2018-19 Comprehensive Annual Financial Report

<sup>179</sup> Source: Source: California State Controller’s Office, “Cities Financial Data”

<sup>180</sup> Source: City of Riverside



The Community & Economic Development Department is actively working on a community engagement survey, which will assist staff and the City Council in development of a formal policy.

## SERVICES PROVIDED

City of Riverside staff provide the community with law enforcement, fire protection, emergency medical, building and planning, housing, code enforcement, parks and recreation, library, museum, landscape maintenance, streets and road maintenance, streetlights, utilities, solid waste, stormwater drainage, innovation and technology, and airport services. The following sections describe municipal services provided within Riverside and identifies the service provider. Figure 134 illustrates the municipal services provided within Riverside by the City or by other service providers.

Figure 134: Service Provider Matrix - Riverside

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	JPA	Other
Law Enforcement	Police Department											
Fire Protection	Fire Department											
Emergency Medical	Fire Department											
Building/Planning	Community and Economic Development											
Housing	Community and Economic Development											
Code Enforcement	Community and Economic Development											
Animal Control	Animal Services											
Parks and Recreation	Community Services, Regional Parks											
Library	Public Library											
Museum	Museum											
Landscape Maintenance	Public Works & Urban Forestry and Landscape, LMD, CSA											
Streets/Road Maintenance	Public Works, CSA											
Streetlights	Public Utilities, Edgemont CSD, LAD											
Lighting	LAD, CSA											
Utilities	Public Utilities, So Cal Gas											
Solid Waste	Public Works, Waste Resources, Burrtec											
Stormwater Drainage	Public Works, Flood Control & Water Conservation											
Innovation and Technology	Innovation and Technology, Spectrum, AT&T											
Airport	Airport Division											
Cemetery *	Perris Valley Cemetery District											
Healthcare *	N/A											
Water *	Water Dept., Western Muni., Eastern Muni., Riverside Highland, Edgemont CSD											
Wastewater *	Sewer, Eastern Muni., Western Muni., Home Gardens Sanitary											

\* Not included in this MSR

## **Government Services**

General government services in the City of Riverside are provided by the elected City Council and bureaucratic staff such as the City Manager and the City Clerk. The City Manager carries out the City Council's policies and priorities in an ethical and fiscally responsible fashion, collaborates with and oversees all City departments to efficiently provide services to residents, and provides proactive leadership of the administrative duties of the City. The City Clerk oversees fair and impartial elections, publishes, records, and maintains City Council historical legislative records, ensures transparent government processes and records, supports the City Council and City's boards and commissions, and provides passport services.

## **Law Enforcement**

The Riverside Police Department provides law enforcement services to the City of Riverside. The Department provides administrative services, patrol, aviation, investigation and crime analysis, SWAT, dispatch, community outreach, and internal support services. There are 3 main police stations in the City and 4 substations.

## **Fire Protection**

Fire protection services in the City of Riverside are provided by the Riverside Fire Department. It is a full-service fire department that provides fire suppression, emergency medical services including basic and advanced life support, fire prevention, training, fire education, search and rescue, dispatch services, and hazardous materials services. The Department was formed in April of 1882 and has served the City and expanded its services over that 139-year period. According to City staff, the Department also has mutual aid agreements with some communities in the Riverside City Sphere of Influence, but regular service is not provided.

## **Emergency Medical**

Emergency Medical services in Riverside are provided by the Riverside Fire Department. For more information on the Department please see the previous section.

## **Building/Planning and Housing (Community & Economic Development)**

Building, planning, and housing services in the City of Riverside are provided by the City's Planning and Building and Safety Divisions of the Community & Economic Development Department. The Planning Division provides services that include preparing, maintaining, and implementing the City's long-range plans and development regulations, ensuring compliance with land use, and reviewing development plans. The Building and Safety Division provides enforcement of building standards, building plan reviews, issuance of permits, and field inspections.

### **Code Enforcement**

Code enforcement services in Riverside are provided by the Code Enforcement Division of the Community and Economic Development Department. The Division inspects code violations, issues citations, addresses homelessness issues, and safeguards the health and safety of the community through the enforcement of City codes and ordinances.

### **Animal Control**

Animal control services in the City of Riverside are provided by the Riverside County Department of Animal Services. The Department provides dog licensing, animal sheltering, spay/neuter services, lost pet assistance, coyote and wildlife encounter assistance, and noisy animal complaints.

### **Parks and Recreation**

Parks and recreation services in the City of Riverside are provided by two (2) entities: the City's Parks, Recreation, and Community Services Department and the Riverside County Regional Parks and Open Space District. The Department maintains and upkeeps all City parks, trails, landscapes, and facilities, provides opportunities to encourage a healthy lifestyle, and delivers recreation programs to help build the Riverside community. It manages over 2,900 acres of parks, eight (8) community centers, five (5) service centers, three (3) senior centers, one (1) nature center, 46 playgrounds, seven (7) swimming pools, and 44 softball/baseball fields. Several

additional community rooms can be rented for special events and meetings. The District provides general parks and recreation services to several County owned and operated parks. Borne Learning Trail, Hidden Valley Wildlife Area, Rancho Jurupa Park, portions of the Santa Ana River Trail, Box Springs Mountain Reserve, Mary Tyo Staging Area, and the Jensen-Alvarado Ranch & Museum all are operated by the District within Riverside.

The 2005 MSR made the following determination related to the City's parks services:

- The City's standard for parkland was 3 developed acres per 1,000 population at the time the 2005 MSR was drafted. However, the City's 2005 parkland ratio per resident was 2.23 acres per 1,000 residents and was considered a deficiency.

According to the City's 2020 Comprehensive Parks, Recreation, and Community Services Master Plan ("Parks Master Plan"), the City now has 2.82 acres of developed parks per 1,000 residents, which indicates that the City's General Plan goal is still not met. The City's updated goals include providing 3 acres of developed parks per 1,000 residents, and 5 acres of combined developed and undeveloped parks per 1,000 residents. The City owns 63 parks covering about 2,787 acres of developed and undeveloped parkland, meaning the City currently has about 7.9 acres of developed and undeveloped parkland per 1,000 residents, which exceeds the parkland ratio outlined in the 2005 MSR and the City's recently adopted Parks Master Plan for developed and undeveloped parkland. However, City staff noted that the City's goal to provide 5 acres of developed parkland per 1,000 residents remains unmet.

Riverside County Regional Park and Open-Space District operates the Santa Ana River Trail, which traverses portions of the City's northern boundary. The River Trail is about 60 percent complete, and once completed will stretch 110 miles from the San Bernardino County National Forest to the Pacific Ocean in Huntington Beach. The portion of the River Trail traversing the City of Riverside and the previously discussed unincorporated and unsphered pockets P17, P18, P19, P20, and P21 is complete.

The Riverside County Regional Park and Open-Space District also oversees management of the Box Springs Mountain Reserve Park, which includes several hiking, equestrian, and mountain bicycling trails, traversing between the City of Riverside and the City of Moreno Valley.

### **Library**

The Riverside Public Library provides library services to the City of Riverside. The Library supports the circulation of more than 377,000 items to over 325,000 borrowers, administers youth programs with emphasis on technology and media literacy, provides tutoring services for both adult learners and their families, and runs the STREAM mobile program that brings science, technology, reading, engineering, arts and mathematics learning opportunities to children. There are 8 branches of the Library within the City.

### **Museum**

Museum and historical services in Riverside are provided by the City's Museum Department. The Department interacts with the community to collect, preserve, explore, and interpret the cultural and natural history of Riverside. It began in 1924 as the Riverside Municipal Museum and is one of the oldest City run museum systems in the area. There are 11 City museums run by the Department, the most notable being the main Riverside Museum, the Heritage House, and the Harada House.

### **Landscape Maintenance**

Landscape maintenance services in the City of Riverside are provided by the Urban Forestry and Landscape Section of the Public Works Department and funded by 2 separate Landscape Management Districts. The Department provides landscape maintenance in public rights-of-way, reverse frontages, and medians through third party contracts with various engineering and consulting firms.

## **Streets/Road Maintenance**

The Street Maintenance Division of the Public Works Department provides streets and roads maintenance services to Riverside. The Division maintains all City streets and roadways through paving, concrete repair, sign replacement, and the construction of capital projects.

## **Streetlights**

Streetlight services in the City of Riverside are provided by 3 entities: The Riverside Lighting Assessment District, the City Public Utilities Department, and the Edgemont Community Services District. The Lighting Assessment District provides funding for the Public Utilities Department to perform the operation and maintenance of streetlights not in the Edgemont Community Services District area but still in the City. The Edgemont Community Services District provides streetlight maintenance services to several neighborhoods in the eastern part of the City. The District was formed in 1957 to cover the Edgemont area of Riverside County which straddles both the cities of Riverside and Moreno Valley.

## **Utilities (Gas, Electric)**

Utility services in the City of Riverside are provided by the Public Utilities Department as well as through a franchise agreement with the Southern California Gas Company (“SoCal Gas”). The Department provides electricity to the City’s over 328,000 residents while SoCal Gas provides them with natural gas related services. According to City staff, the City’s energy delivery infrastructure will need improvements, including expansion of existing or new facilities, in order to support growth beyond fiscal year 2021-22.

## **Solid Waste**

Solid waste disposal services in the City of Riverside are provided by the Public Works Department and through a franchise agreement with Burrtec. The Department provides solid waste collection, refuse disposal, recycling, and administration of bills. Burrtec is a private solid waste disposal company that provides solid waste and recycling services to residents in Riverside

who are not covered by the Public Works Department. Burrtec along with its sister company EDCO, comprise the largest private solid waste company in California.

### **Storm Drainage**

Storm drainage services in Riverside are provided by the Public Works Department. The Department maintains the City's drainage system to facilitate a clean and healthy environment and prevent flooding. The Department also manages the National Pollutant Discharge Elimination System ("NPDES") permit for the City.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

### **Innovation and Technology**

The Innovation and Technology Department of the City of Riverside provides the City government with Innovation and Technology services. The Department specializes in cybersecurity, network services, innovation, applications, and tech support operations. It strives to improve the quality of life in the City through innovative and reliable solutions to City problems. City staff noted that the IT Department also provides and maintains public-use computers and other technology in City libraries and recreational facilities.

### **Airport**

The Riverside Municipal Airport provides aviation and airport related services to the City of Riverside. It is a public airport and is run by the City's Airport Division which administers the airport leasing program, airport capital improvement projects, flight and pilot education, and FAA policies and procedures. The Airport has 187 aircraft based in its hangars and receives daily traffic of up to 318 aircraft. It is located at 6951 Flight Road in the City.

## **Extraterritorial Services Provided**

The City of Riverside provides domestic water services and sewer services to separate areas outside of the City's corporate boundary.

The City provides water service to three (3) areas outside of the City, including (1) an area on La Sierra Avenue, within the City's southern SOI, (2) the Highgrove neighborhoods, which are also identified as DUCs 1 and 2, within the City's northeastern SOI, and (3) the Home Gardens area, which is a DUC located within the Corona SOI.

The City provides sewer services to several areas outside of the City's corporate boundary, including the Highgrove area, identified as DUC 1, Home Gardens, portions of Jurupa Valley and Rubidoux, the Edgemont Community Services District, and the March Joint Powers Authority area within the SOI.

Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City of Riverside prepared a One-Year Capital Improvement Budget for fiscal year 2020-21 and Five-Year Capital Improvement Plan, covering the fiscal years 2020-21 through 2024-25. The City updates the budget annually and is monitoring revenue trends on a quarterly basis during the COVID-19 pandemic. The City's capital improvement projects include street and road improvements, deferred maintenance on City-owned buildings, electricity delivery equipment improvements, electrical facilities, water distribution infrastructure, and wastewater collection infrastructure. According to City staff, all capital improvement projects are likely to be funded and proceed forward as planned.



## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on June 29, 2018, which was reviewed by HCD and designated in compliance with Housing Element law on July 18, 2018.<sup>181</sup> The City submitted Housing Element Annual Progress Reports in 2016, 2017, 2018 and 2019, but failed to submit Annual Progress Reports in 2013, 2014 and 2015.<sup>182</sup> City staff noted that the City submitted 2020 and 2021 Annual Progress Reports on time.

The City's 5<sup>th</sup> Cycle housing RHNA allocation and permitted units are presented in Figure 135 according to income category.

Figure 135: 5th Cycle Housing Element Summary - Riverside

Riverside 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	2,002	1,336	1,503	3,442
Permitted Units	4	0	43	1,298
Allocation Surplus/(Shortage)	(1,998)	(1,336)	(1,460)	(2,144)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

During the 5<sup>th</sup> Cycle, the City produced a total of 1,345 housing units, but failed to meet its RHNA allocation in any income category. City staff noted that 345 units were issues permits between October 15, 2021, and February 28, 2022. The City's 5<sup>th</sup> Cycle RHNA allocation included 3,442 market rate (above-moderate income) units and 4,841 units affordable to very low-, low-, and moderate-income households, for a combined total of 8,283 housing units. The City failed to produce sufficient units, permitting just four (4) units affordable to very-low income households, zero (0) units affordable to low-income households, and 43 units affordable to moderate-income households. With the 5<sup>th</sup> Cycle nearly complete, the City is not expected to produce enough housing units to meet its RHNA allocation.

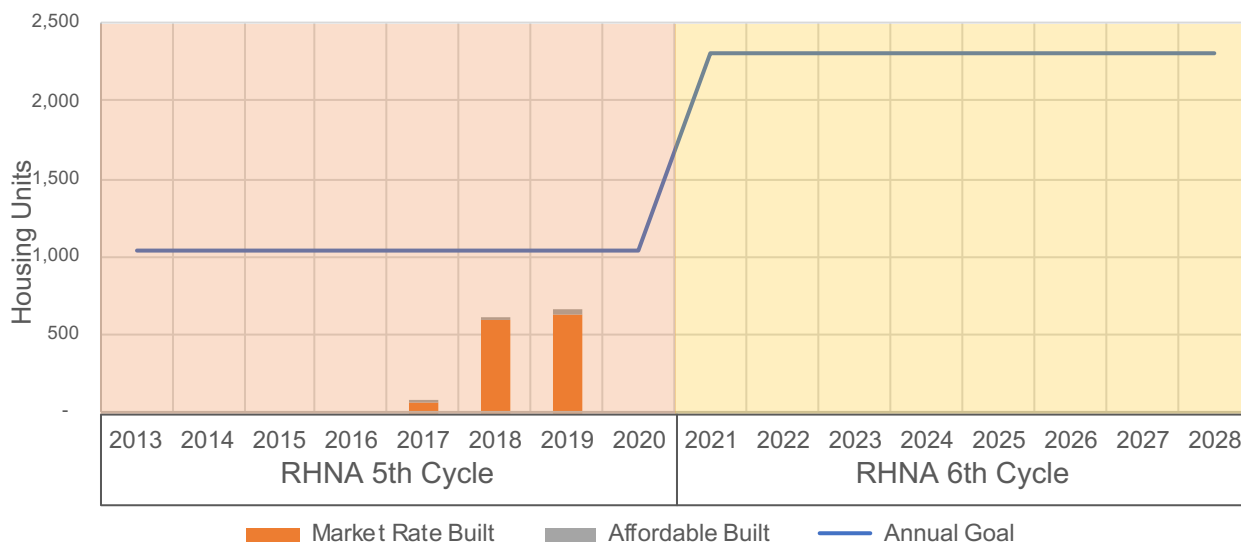
<sup>181</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>182</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

The 6<sup>th</sup> Housing Element Cycle, which spans from 2021 through 2029, includes a RHNA allocation of 18,415 units for the City. The change in RHNA allocation from the 5<sup>th</sup> to 6<sup>th</sup> Cycle represents a 122 percent increase. As a result of this RHNA allocation, the City’s annual production goal – the average unit production on an annual basis needed to fulfill the RHNA allocation during the 6<sup>th</sup> Cycle, increased to 2,302 housing units per year. According to City staff, the City Council approved the City’s 6<sup>th</sup> Cycle Housing element, as well as a new Public Safety Element and Environmental Justice Policies on October 5, 2021. The Draft Housing Element was submitted to HCD for initial review in May 2021 and comments were received in July 2021. Staff formally submitted the City’s Housing Element to HCD for certification on April 5, 2022 and is awaiting a final determination.

The City’s 5<sup>th</sup> and 6<sup>th</sup> cycle RHNA allocations and 5<sup>th</sup> Cycle unit production is presented in Figure 136.

Figure 136: 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA Allocation and Production - Riverside



The City is one of 289 California jurisdictions that have been classified for streamlined ministerial approval, which includes cities that either have either not made sufficient progress toward above-moderate income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result of this, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined

ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>183</sup>

## FISCAL HEALTH

The City of Riverside's fiscal health evaluation, which is inclusive of a review of audit findings, revenue and expenditure categorization, long-term obligations, reserves, pension and OPEB obligations, and California State Auditor assessment, is presented in the sections that follow. The City's net position is presented in Figure 137 as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City had deficits in each fiscal year from 2016-17 through 2018-19, including a \$90.8 million deficit in 2016-17, which represents a deficit that is 32.9 percent of total annual revenues.

Figure 137: Net Position - Riverside

Riverside	2016-17	2017-18	2018-19
Total General Tax Revenues	\$178,375,091	\$227,212,728	\$244,494,714
Other Tax Revenues	9,878,027	10,526,374	10,880,672
Other Revenues	87,917,318	80,699,900	83,204,113
<b>Total Revenues</b>	<b>276,170,436</b>	<b>318,439,002</b>	<b>338,579,499</b>
Total Operating Expenditures	257,681,904	277,091,874	269,605,611
Debt Service	88,486,892	35,596,366	48,361,208
Capital Outlay	20,824,675	16,130,451	41,530,181
<b>Total Expenditures</b>	<b>366,993,471</b>	<b>328,818,691</b>	<b>359,497,000</b>
<b>Net Position</b>	<b>(\$90,823,035)</b>	<b>(\$10,379,689)</b>	<b>(\$20,917,501)</b>

## Operating Revenues

RSG compiled and reviewed three (3) years of financial history using the California State Controller's Office Cities Financial Data, and the City's 2018-19, 2019-20, and 2020-21 adopted budgets and 2017-18, 2018-19, and 2019-20 annual audits to evaluate the City's fiscal health. While categorization of revenues and expenditures varied in some cases across these data sources, the SCO's dataset and City's audited financial reports yields similar results.

<sup>183</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

The City recognized a structural deficit and addressed the issue by keeping positions vacant. The City Council and City's Budget Engagement Commission are actively working with staff to produce sustainable long-term fiscal solutions, including a priority-based budgeting methodology. According to City staff, the City also avoided issues associated with the COVID-19 pandemic by managing finances prudently and reducing expenditures.

The City of Riverside had total revenues of nearly \$338.6 million in 2018-19, inclusive of almost \$245.0 million in general tax revenues, about \$10.9 million in other tax revenues, and about \$83.2 million in other operating revenues. The City's revenue history for fiscal years 2016-17 through 2018-19 is presented in Figure 138.

Figure 138: Operating Revenue History - Riverside

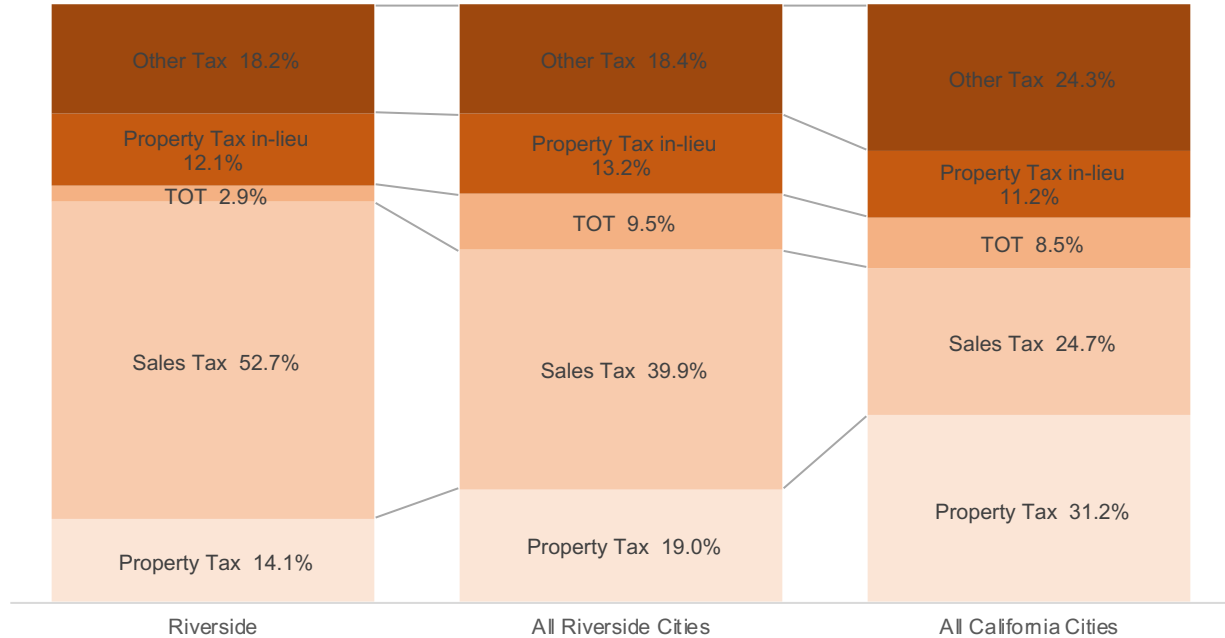
Riverside	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$27,988,658	\$30,966,555	\$34,490,529
Sales Tax	74,269,796	118,642,012	128,813,517
Transient Occupancy Tax	6,621,721	6,793,041	7,163,420
Property Tax in-lieu of VLF	26,410,376	27,706,844	29,518,800
Franchise Tax	4,813,881	4,972,155	5,256,478
Business License Tax	6,680,247	7,085,044	7,226,504
Property Transfer Tax	3,628,106	3,547,425	4,014,534
Utility User Tax	27,962,306	27,499,652	28,010,932
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>178,375,091</b>	<b>227,212,728</b>	<b>244,494,714</b>
Transportation Tax	7,305,683	8,151,530	8,241,029
Parking Tax	-	-	-
Voter-Approved Taxes	1,486,159	1,279,270	1,305,348
Functional Tax Revenues	1,086,185	1,095,574	1,334,295
<b>Total Tax Revenues</b>	<b>188,253,118</b>	<b>237,739,102</b>	<b>255,375,386</b>
Charges for Services	34,750,540	24,648,066	24,696,698
Special Benefit Assessments	4,075,021	3,937,345	4,128,201
Use of Money	4,713,711	3,446,650	6,528,315
Fines and Forfeitures	2,002,008	2,069,627	1,966,149
Licenses and Permits	3,134,487	2,927,287	3,130,992
Intergovernmental	22,046,650	26,463,733	31,296,843
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	17,194,901	17,207,192	11,456,915
<b>Total Revenues</b>	<b>\$276,170,436</b>	<b>\$318,439,002</b>	<b>\$338,579,499</b>

Source: California State Controller's Office

The City's \$245.0 million general tax revenues represented about 72.2 percent of total revenues in 2018-19. The City's sales tax revenues, totaling \$128.8 million in 2018-19, represented 52.7 percent of the City's general tax revenues, which is disproportionately higher than sales tax revenues for other Riverside County and California cities. The City's next-largest general tax revenues include property tax (\$34.5 million in 2018-19), property tax in-lieu of VLF (\$29.5 million), and utility user tax revenues (\$28.0 million). The City's largest non-tax revenue sources are intergovernmental revenues (\$31.3 million) and charges for services (\$24.7 million).

The City's four (4) largest general tax revenues, including sales tax, property tax, property tax in-lieu of VLF, and utility user tax revenues, represented a combined 90.3 percent of general tax revenues. The City's general tax revenue distribution, compared to other cities in Riverside County and California, is presented in Figure 139. For this chart, utility user tax revenues are classified as other tax revenues.

Figure 139: General Tax Revenue Comparison - Riverside



There is a clear disparity between the City of Riverside's proportion of general tax revenues derived from sales tax, which is 52.7 percent of general tax revenues, and the average among cities in Riverside County (39.9 percent) and California (24.7 percent). As a result of the City's

heightened share of sales tax revenue, most other tax revenues are below average when compared to all other cities in Riverside County and California.

As the City has substantial retail square footage and saw extraordinary growth in development of distribution centers over the last decade, it is not surprising that sales tax represents such a large proportion of City revenues. The City's key revenue sources are detailed in the sections that follow.

### **Sales Tax, Measure Z**

As previously mentioned, sales tax revenues are the City's largest revenue source by a wide margin, adding up to \$128.8 million and accounting for 38 percent of total revenues in 2018-19. The City receives one percent of gross receipts from the sales of tangible personal property sold within Riverside.

In November 2016, 59.6 percent of the Riverside electorate voted in favor of Measure Z, which added a one percent transactions and use tax with a sunset date of 2036, unless extended by voters. The Measure Z new rate went into effect on April 1, 2017. The stated purpose of Measure Z was to prevent reductions in police, fire, emergency medical, emergency response, anti-gang, and anti-drug programs, and decrease homelessness, increase youth after-school/senior/disabled services, repair local streets and infrastructure, and provide other general services.<sup>184</sup> The City estimated that Measure Z would add \$48 million to the City's budget on an annual basis.

Expenditures of Measure Z funds are determined by the City Council, and subject to review by the Budget Engagement Commission, which makes recommendations to the City Council on how Measure Z funds should be expended. While all general tax revenues grew at a rate of 17.1 percent annually between 2016-17 and 2018-19, sales tax revenues grew by 31.7 percent on an

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<sup>184</sup> Source: Ballotpedia, Riverside, California, Sales Tax, Measure Z (November 2016)

annual basis during this time, partially as a result of the newfound sales tax revenues resulting from Measure Z.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's second- and third-largest revenue sources are property tax and property tax in-lieu of VLF, accounting for \$34.5 and 29.5 million respectively in 2018-19. Property tax revenues represented 14.1 percent of general tax revenues. Property tax is assessed on land, improvements, and personal property located in Riverside. The City's total net assessed value grew to \$29.9 billion in 2018-19, which included about \$8.2 billion in land value and almost \$22.5 billion in improvement value.<sup>185</sup>

The City's share of property tax revenues was just 3.78 percent, which is one of the lowest rates in Riverside County. The property tax rate varies from city to city because initial rates were set based on the revenues in the three (3) years prior to the adoption of Proposition 13. If a city had lower revenue needs during this time frame, the city's property tax rate was set at a lower share of total property tax rate, generally known as the one percent property tax rate. The City's \$35.5 million in property tax collections received in 2018-19 represented about 11.6 percent of property tax in Riverside, which is above average when compared to shares of property tax revenues in other cities in Riverside County.

The City's property tax revenues grew at an annual rate of 11.0 percent between 2016-17 and 2018-19. While some of this growth is resulting from normal inflation in assessed values, which cannot exceed 2.0 percent per year, new development is the largest contributor to this growth.

The City's property tax in-lieu of VLF revenues were \$29.5 million in 2018-19, or about 12.1 percent of general tax revenues. Property tax in-lieu was established in 2004 to balance the State's general fund shortfall. Property tax in-lieu of VLF grows annually based on changes to

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<sup>185</sup> Source: California City Finance, "Assessed Valuation of Property by City"



gross assessed valuation in the City. Revenues associated with property tax in-lieu of VLF grew at a rate of 5.7 percent annually between 2016-17 and 2018-19.

The City does not have a Master Property Tax Exchange Resolution with the County.<sup>186</sup>

### **Utility User Tax**

The fourth-largest general tax revenue for the City is utility user tax, which eclipsed \$28.0 million in 2018-19. The city assesses utility user tax on intrastate telephone communications, electricity, natural gas, cable television, and water use at a rate of 6.5 percent.<sup>187</sup> Over the three (3) years from 2016-17 to 2018-19, the City's utility user tax revenues grew modestly at an annualized rate of 0.1 percent.

### **Intergovernmental Revenues**

The City of Riverside collects intergovernmental revenues from County, State, and Federal sources. Intergovernmental revenues represented 98.2 percent of total revenues in 2018-19, or about \$31.3 million. The City's intergovernmental revenues are derived from gasoline tax (\$12.5 million in 2018-19), unclassified Federal grants (\$9.4 million), unclassified State grants (\$3.3 million), community development block grants (\$2.6 million), public safety Proposition 172 funding (\$1.8 million), unclassified State intergovernmental revenues (\$578,000), homeowners property tax relief (\$265,000), mandated costs (\$256,000), and peace officers standards and training funds (\$112,000). Total revenues increased at an annualized rate of 10.7 percent from 2016-17 to 2018-19 while the City managed to increase intergovernmental revenues at an annual rate of 19.1 percent during the same period.

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<sup>186</sup> Source: Riverside LAFCO

<sup>187</sup> Source: California City Finance, "Utility User Tax by City" updated in February 2021

## Charges for Services

Charges for services amounted to almost \$24.7 million in 2018-19, which represented about 7.3 percent of total revenues for the City. The City's main sources of revenues from charges for services included housing revenues (\$4.7 million), parks and recreation fees (\$3.8 million), special fire department services (\$3.3 million), plan check fees (\$3.0 million), zoning and subdivision fees (\$2.7 million), special police department services (\$2.6 million), street, sidewalk, and curb repairs and charges (\$1.8 million), engineering fees (\$1.5 million), and other charges for services. Charges for services declined from about \$34.7 million in 2016-17 to almost \$24.7 million in 2018-19.

## Operating Expenditures

The City's operating expenditures were about \$359.5 million in 2018-19, which was a decrease from two (2) year prior, when operating expenditures were \$367.0 million in 2016-17. The City's operating expenditures decreased by an annual rate of -1.0 percent between 2016-17 and 2018-19, while overall total revenues increased by 10.7 percent annually during the same period. Total operating expenditures, which represent expenditures net of debt service and capital outlay, increased by a rate of 2.3 percent annually during this period.

The City's annual operating expenditures are outlined in Figure 140.

Figure 140: Operating Expenditures - Riverside

Riverside	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$133,971,439	\$140,816,903	\$150,962,907
Employee Benefits	64,875,834	69,021,437	77,291,386
Materials and Supplies	37,524,691	52,124,502	25,297,148
Contract Services	21,309,940	15,129,032	16,054,170
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>257,681,904</b>	<b>277,091,874</b>	<b>269,605,611</b>
Debt Service	88,486,892	35,596,366	48,361,208
Capital Outlay	20,824,675	16,130,451	41,530,181
<b>Total Expenditures</b>	<b>\$366,993,471</b>	<b>\$328,818,691</b>	<b>\$359,497,000</b>

Source: California State Controller's Office

As illustrated in Figure 140, salaries and wages and employee benefits account for a large proportion – 63.5 percent, of total expenditures in 2018-19. Salaries and wages represent 42 percent of total expenditures while employee benefits represent 21.5 percent. Compared to the average Riverside city, these expenditures are disproportionately higher, with salaries and wages representing 22.1 percent and employee benefits accounting for 13.2 percent. As a full-service city, however, this distribution of expenditures is reasonable.

The City's current expenditures, which are categorized by department or function, are presented in Figure 141.

Figure 141: Current Expenditures - Riverside

Riverside	2016-17	2017-18	2018-19
General Government	\$42,219,420	\$33,341,057	\$14,139,026
Public Safety	147,537,151	170,718,452	180,977,090
Transportation	15,695,588	22,054,108	19,257,342
Community Development	18,672,396	26,438,070	24,707,404
Health	452,249	479,493	475,163
Culture and Leisure	33,105,100	24,060,694	30,049,586
Public Utilities	-	-	-
Debt Service	88,486,892	35,596,366	48,361,208
Capital Outlay	20,824,675	16,130,451	41,530,181
<b>Total Current Expenditures</b>	<b>\$366,993,471</b>	<b>\$328,818,691</b>	<b>\$359,497,000</b>

Source: California State Controller's Office

Unsurprisingly, public safety expenditures accounted for 50.3 percent of total expenditures, or nearly \$181.0 million, in 2018-19. Throughout this MSR, we are examining current expenditures net of debt service and capital outlay, which are sometimes conditional expenditures and can vary greatly from year-to-year. Compared to current expenditure net of debt service and capital outlay, public safety costs amounted to 67.1 percent for the City, which is significantly higher than the County-wide average (52.2 percent) and California average (47.3 percent). As a result of the inflated public safety costs, all other expenditure categories are much smaller proportions of current expenditures than the average city in Riverside County and California.

## Reserve Fund Balance

The City’s adopted reserve policy sets the emergency reserve and economic contingency at 10 percent and 5 percent of General Fund appropriations, respectively. The City’s reserves were set at \$56 million for the budgeted fiscal year 2020-21 and were in compliance with the City’s reserve policy.<sup>188</sup>

## Pension and OPEB Obligations

The City of Riverside participates in the California Public Employees’ Retirement System (“CalPERS”), which provides pensions for most public employees and is earning less on investments. Because retirees are living longer, the State has moved to require cities to provide more funding in the retirement funds. The City of Riverside’s pension and OPEB obligations are outlined in Figure 142.

Figure 142: Pension and OPEB Obligations - Riverside

Riverside	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$627,776,000	\$564,824,000	\$599,576,000
Total OPEB Liability/(Surplus)	36,786,000	38,338,000	50,004,000
Total Benefit Liability/(Surplus)	\$664,562,000	\$603,162,000	\$649,580,000

Source: 2017-18, 2018-19 and 2019-20 ACFR

Eligible City staff participate in one of the City’s two (2) pension plans, which includes the Safety Plan for all qualified fire and law enforcement employees, and the Miscellaneous Plan for all other City employees.

The City offers a defined benefit OPEB plan, which has 274 inactive plan members or beneficiaries receiving benefits, and 2,138 active plan members. The OPEB plan does not accumulate assets or liabilities.

<sup>188</sup> Source: City of Riverside, 2019-20 Budget

The City's pension indicators, which includes the City's employer contribution compared to the actuarially determined contribution, the covered payroll, and the contribution rate as a percent of covered payroll is presented in Figure 143.

Figure 143: Pension Indicators - Riverside

Riverside	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$55,237,000	\$63,533,000	\$502,236,000
Employer Contribution	55,237,000	63,533,000	71,674,000
Covered Payroll	\$190,208,000	\$202,118,000	\$208,447,000
Employer Contribution Rate	29.0%	31.4%	34.4%

Source: 2017-18, 2018-19 and 2019-20 ACFR

In 2017-18 and 2018-19, the City's employer contribution was equivalent to actuarially determined contributions, which aligns with the City's policy. The City's employer contribution rate has increased over the last three (3) years, from 29.0 to 34.4 percent, which is slightly higher than the average contribution rate for cities in Riverside County, which ranged from 26 to 32 percent over the same period.

### Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### California State Auditor Fiscal Health Evaluation

The City of Riverside ranked 44 out of 471 jurisdictions and received an overall risk rating of moderate. The City is considered higher risk than 427 peer cities in California, or about 91 percent of cities. The City received low risk ratings on three (3) indicators, including liquidity, pension funding, and OPEB obligations. Four (4) indicators were given moderate risk ratings, including

general fund reserves, revenue trends, pension costs, and future pension costs. Three (3) indicators scored high risk ratings, including debt burden, pension obligations, and OPEB funding.

## **MSR DETERMINATIONS**

Requisite CKH determinations for Riverside are presented by topic below:

### **1. Population, Growth, and Housing**

Riverside grew at a slower rate (0.77 percent) than the County (1.10 percent) over the last decade, and is expected to continue to grow at a slower rate than the County over the next 15 to 25 years.

Riverside saw modest housing development over the last decade, with just 2,970 new housing units built.

Substantial new industrial square footage was added over the last ten (10) years, much of which is utilized as regional distribution centers for online retailers, which has resulted in significant growth in the City's sales tax revenues.

### **2. Disadvantaged Unincorporated Communities in SOI**

The Riverside SOI contains one DUC, known as Highgrove West. Any annexations involving properties in the northeastern Riverside SOI should consider annexation of these areas.

### **3. Present and Planned Capacity of Facilities**

The City indicated that the existing energy delivery infrastructure will not support growth beyond fiscal year 2021-22.

#### **4. Financial Ability to Provide Services**

Riverside has taken steps in recent years to increase tax revenues, most notably with the voter-approval of Measure Z, which added a one percent transactions and use tax on top of the City's existing sales tax rate.

The City is compliant with reserve policies and has made actuarially determined contributions on its pension and OPEB liabilities.

#### **5. Opportunities for Shared Facilities**

Most of the opportunities for shared facilities identified are associated with water infrastructure, which is outside the scope of this MSR, and will be addressed in a concurrent MSR focused on water, wastewater, healthcare, and cemetery services.

#### **6. Accountability for Community Service Needs**

The City elects the City Mayor at large and Councilmembers according to a district map, with each district representing approximately the same number of residents.

The City is active across several social media networks, with some departments having specific social media accounts to share information with the public. Several websites developed by the City also promote information about City programs and businesses.

The Community & Economic Development Department is actively working on a community engagement survey, anticipated to be completed by the end of 2021, which will assist staff and the City Council in development of a formal policy.

#### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.



## **SOI RECOMMENDATIONS**

RSG recommends adding the unsphered LAFCO-identified unincorporated islands or pockets known as P17 (Exhibit 19), P18 (Exhibit 20), P19 (Exhibit 21), P20 (Exhibit 21), and P21 (Exhibit 22), to the Riverside SOI and ultimately designated for annexation by the City. These areas are generally located within the Santa Ana Riverbed between the cities of Riverside and Jurupa Valley, on the Riverside-shore of the Santa Ana River. City staff indicated that the City maintains the Santa Ana River Trail in these areas and the City maintains interest in future annexation of these unincorporated pockets.

### **1. Present and Planned Land Uses**

The previously described pockets P17, P18, P19, P20, and P21 are within the Santa Ana Riverbed, which has publicly accessible wildlife viewing, equestrian, camping, hiking, cycling, running, and walking trails serving as an open space amenity that will ultimately connect the region, spanning from the San Bernardino National Forest to the Pacific Ocean.

Portions of the northeastern Riverside SOI overlap the Box Springs Mountain Reserve Park, which is a public open space with hiking, equestrian, and mountain bike trails. As this area is in close proximity to two (2) DUCs, known as Highgrove East and Highgrove West, the long term preservation of this natural resource should be considered along with any incorporations in this portion of the Riverside SOI.

### **2. Present and Probable Need for Public Facility and Services**

Refer to the discussion in the introduction to the Jurupa Valley section, regarding the LAFCO-identified pockets. Per the 2014 Jurupa Valley MSR, the City of Riverside had expressed interest in annexing the unincorporated Santa Ana Riverbed areas.

### **3. Present Capacity of Public Facilities**

City staff did not indicate that there are any deficiencies related to capacity of public facilities in the Riverside SOI.

#### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest in the Riverside SOI.

#### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The City provides municipal water services to three (3) areas outside of the City's corporate limits, including the Home Gardens area, which is within the Corona SOI, and the Highgrove neighborhood, which is DUC1 within the Riverside SOI.

## CITY OF TEMECULA

The City of Temecula incorporated in 1989 as a general law city<sup>189</sup> and is located in Riverside County's Western Region. Temecula shares borders with unincorporated County of Riverside on the north and east, San Diego County to the South, and unincorporated County of Riverside on the west, and the City of Murrieta on the northwest. The City's corporate boundary covers an area of 37.3 square miles and the Temecula SOI extends out over an additional 20.8 square miles for a combined area of 58.1 square miles.<sup>190</sup>

The demographic profiles for the City and Temecula SOI are presented in Figure 144.

Figure 144: Demographic Profile - Temecula

Temecula	City	SOI	County
Population as of 2020	111,970	41,086	2,442,304
Population as of 2010	100,103	31,505	2,189,641
Annual Pop. Growth Since 2010	1.13%	2.69%	1.10%
Housing Units	36,550	11,540	867,637
Persons / Housing Unit	3.06	3.56	2.81
Land Area (sq mi)	37.3	20.8	7,206.0
Persons / Square Mile	3,004	1,972	339
Median Household Income	\$97,894	\$101,728	\$67,369
Projected Population in 2035	125,979		2,995,509
Annual Proj. Growth 2020-2035	0.79%		1.37%
Projected Population in 2045	138,448		3,251,705
Annual Proj. Growth 2020-2045	1.43%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>189</sup> Source: City of Temecula

<sup>190</sup> Source: Riverside LAFCO

Temecula grew at nearly the same pace as the County over the last decade, or 1.13 percent annually compared to the County-wide growth rate of 1.10 percent annually. The Temecula growth rate is also roughly average for incorporated cities in Riverside County (1.12 percent annually). While the City's population density of 3,004 persons per square mile is almost ten (10) times more dense as the County-wide average, it is modestly above average when compared to the average population density of incorporated cities in Riverside County (2,207 persons per square mile). The Temecula SOI has a population density of 1,972, which is only slightly less than the County-wide average for incorporated areas, indicating that the unincorporated Temecula SOI area is largely built-out.

Over the next 15 to 25 years, Temecula's growth rate is anticipated to be a lower rate than the County. When compared to other incorporated cities in Riverside County, the Temecula growth rates of 0.79 percent annually through 2035 and 1.43 percent annually through 2045 are well below average for the County, which is 1.44 and 2.13 percent annually respectively.

Temecula's land use summary is outlined in Figure 145.

Figure 145: Land Use Summary - Temecula

Temecula		County	
Residential Units	Units	%	%
Single Family	28,701	78.5%	54.8%
Multifamily	7,687	21.0%	43.6%
Mobile Home	162	0.4%	1.6%
Total Units	36,550	100.0%	100.0%
New Units Since 2010	2,546		
Commercial	Gross SF		
Retail	8,430,038	36.3%	26.6%
Industrial	10,625,964	45.8%	61.8%
Office	3,429,289	14.8%	9.6%
Other	737,332	3.2%	2.0%
Total	23,222,623	100.0%	100.0%
New Commercial Since 2010	742,082		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Temecula has an estimated 28,701 housing units, the majority of which (78.5 percent) are single-family housing units. The ratio of single-family housing is above average when compared to the County-wide average, which is 54.8 percent. As a result of the high concentration of single-family housing units, Temecula has disproportionately lower ratios of multifamily (21.0 percent) and mobile home (0.4 percent) units when compared to the County (43.6 and 1.6 percent respectively).

Temecula and the Temecula SOI both have high median household incomes, which were almost \$98,000 and 102,000 respectively in 2020. The County-wide median household income is \$67,369, meaning that the Temecula and Temecula SOI median household incomes are 45 and 51 percent higher than the County-wide median. As much of Temecula and the Temecula SOI are developed as single-family housing, which are generally occupied by higher-income households, it is not surprising to see the median household incomes in Temecula and the Temecula SOI in excess of the County.

Temecula also experienced minimal growth in commercial square footage over the last decade, adding just 742,000 square feet, representing just 0.33 percent annual growth.

Temecula contains an estimated 5,977 businesses that employ about 46,649 total personnel.<sup>191</sup> The City's largest employers include educational and healthcare institutions, as well as healthcare, pharmaceutical, and medical device manufacturers, and two (2) retailers. Two (2) of the top ten (10) employers did not exist ten (10) years ago. The top employers in Temecula include Temecula Valley Unified School District (2,600 employees), Abbott Laboratories (1,500 employees), Temecula Valley Hospital (900 employees), PHS Medline (900 employees), Infineon Technologies (650 employees), Walmart (570 employees), Southwest Traders Inc (455 employees), Milgard Manufacturing (450 employees), Costco Wholesale (420 employees), and Millipore Sigma (350 employees).<sup>192</sup>

## CURRENT SPHERE OF INFLUENCE

Exhibit 23 illustrates the Temecula SOI, which is made up of five (5) noncontiguous unincorporated areas. The largest portion of the Temecula SOI is adjacent to the City's northern boundary and includes the unincorporated communities known as French Valley, including the French Valley Airport, and Dutch Village. The French Valley and Dutch Village areas extend along the eastern side of State Route 79, north of the City, and include a number of single-family residential subdivisions. A very small portion of the SOI includes the single-family residential subdivision on the southeast corner of the intersection of Butterfield Stage Road and State Route 79, east of the City's existing boundary. Another small SOI area located at the southeastern-most extension of El Chimisal Road extends to the current boundary of the Pechanga Reservation, and is partially built-out with single-family residential. The City's southern SOI extends from the City's current boundary to the County of San Diego between the Pechanga Parkway and

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<sup>191</sup> Source: ESRI Business Analyst Online

<sup>192</sup> Source: City of Temecula 2018-19 Comprehensive Annual Financial Report

Interstate 15, and includes mostly undeveloped hillsides. Finally, the City's western SOI includes areas to the east of Old Town in the hillsides, developed sparsely with large-lot residential uses.

The Temecula SOI does not contain any DUCs nor LAFCO-identified unincorporated islands or pockets.

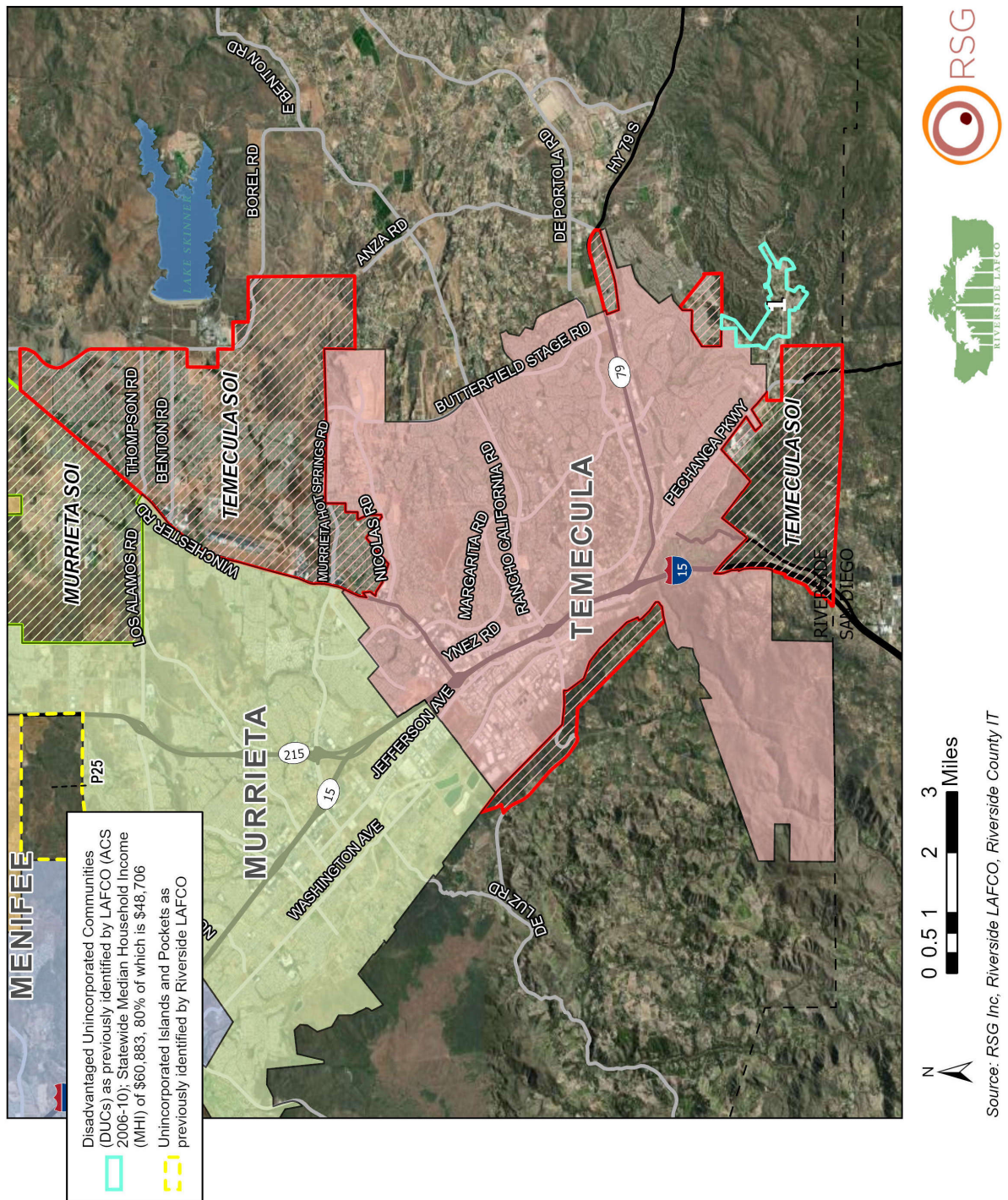
The City of Temecula's boundary was previously reconfirmed in the March 2009 City of Temecula MSR, LAFCO 2008-20-1, ("2009 MSR"). The 2009 MSR made determinations regarding law enforcement service levels, the City's park acreage, and the City's housing affordability and projected growth rates. The law enforcement and park determinations are addressed later in this MSR in relation to each service.

- The location of the Temecula Valley in relation to San Diego County along with affordability of housing makes the Temecula Valley a desirable place to live. Growth is projected to continue with annual increases in local population ranging from 2 to 3.3 percent annually. Continued population and housing growth will continue to challenge service provision, both within the City of Temecula and the surrounding unincorporated areas.



Exhibit 23: Current City and SOI Boundaries - Temecula

## City of Temecula and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City of Temecula functions as a Council – Manager form of government with an elected City Council of five (5) Councilmembers serving five (5) districts in the City. Councilmembers are elected to staggered four (4) year terms. The positions of Mayor and Mayor Pro Tempore are ceremonial in nature and not directly elected, with the City Council appointing the Mayor and Mayor Pro Tempore from its membership.<sup>193</sup> The City council also appoints a City Manager, who oversees the daily operations of 172.95 full time equivalent personnel<sup>194</sup> and operating expenditures of nearly \$126.9 million in 2018-19.<sup>195</sup>

The City Council also serves as the Public Financing Authority, Successor Agency, Housing Authority, Community Services District, and Development Authority. Several other City of Temecula boards, commissions, and committees carry out assignments at the direction of the City council, including the Old Town Local Review Board, Community Services Commission, Planning Commission, Public/Traffic Safety Commission, and Race Equity Diversity and Inclusion Commission. The City contracts with the County for fire protection and law enforcement services.<sup>196</sup>

The City communicates with the public using newsletters, email, the City's website, and at least four (4) different social media platforms. Prior to the COVID-19 pandemic, the City held workshops, community meetings, and charrettes to engage the community on different policies, projects, and assignments. The City also reports having success using public surveys to understand the community's needs.

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<sup>193</sup> Source: City of Temecula

<sup>194</sup> Source: City of Temecula, 2018-19 Comprehensive Annual Financial Report

<sup>195</sup> Source: California State Controller's Office, "Cities Financial Data"

<sup>196</sup> Source: City of Temecula

## SERVICES PROVIDED

City of Temecula staff provide the community with building and planning, housing, code enforcement, parks and recreation, library, landscape maintenance, streets and road maintenance, stormwater drainage, and innovation and technology services. The following section describes municipal services provided within Temecula and identifies the service provider. Figure 146 summarizes the municipal services provided within Temecula city limits by the City or by other service providers.

Figure 146: Service Provider Matrix - Temecula

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Community Development										
Code Enforcement	Community Development										
Animal Control	Animal Services, Animal Friends of the Valley										
Parks and Recreation	Public Works, CSD										
Library	Public Library, Library System										
Museum	CSD										
Landscape Maintenance	Public Works, CSA										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	CSD, CSA										
Lighting	CSD, CSA										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, CR&R										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Time Warner, Frontier										
Airport	N/A										
Cemetery *	Temecula Public Cemetery District										
Healthcare *	Valley Health System Hospital District										
Water *	Eastern Muni., Rancho California										
Wastewater *	Eastern Muni., Rancho California										

\* Not included in this MSR

## Government Services

General government services in the City of Temecula are provided by the elected City Council and bureaucratic staff such as the City Manager and City Clerk. The City Manager is responsible for implementing the priorities and objectives of the City Council, effectively delivering exceptional services, projects, and programs to residents, serving as the City's primary public liaison to community stakeholders, providing leadership to City staff and operations, and

overseeing the preparation and administration of a balanced annual budget. The City Clerk is responsible for conducting regular and special municipal elections, ensuring open and transparent access to City records, administering board and commission programs, managing the City Council agendas and resolutions, and administering Political Reform Act requirements.

## **Law Enforcement**

Temecula receives law enforcement services from the Riverside County Sheriff Department. The Sheriff provides general policing services including, investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and the administration of the volunteer program and the Explorer youth program. According to City staff, residents have been increasing their interest and calls for a local police force, but many studies have indicated to staff that contracting with the Sheriff is more financially feasible.

The 2009 MSR made the following determination in relation to the City's law enforcement services:

- The City revised its law enforcement service standards prior to the 2009 MSR, increasing the service standard from 1.0 to 1.2 sworn officers per 1,000 residents. In the 2009 MSR the City was providing law enforcement services slightly below the 1.2 sworn officers per 1,000 residents service standard.

City staff did not provide a response or update for this determination.

## **Fire Protection**

Fire Protection services are provided by Riverside County Fire Department/CalFire in Temecula. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on



ordinances and standards for construction, and information bulletins and standards for fire protection. Fire Stations 12, 73, 84, 92, 95, and 96 are in the City.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

### **Emergency Medical**

Emergency medical services in the City of Temecula are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more information on the Department.

### **Building/Planning and Housing (Community Development)**

Building, planning, and housing services in the City of Temecula are provided by the Planning and Building Divisions of the City's Community Development Department. The Planning Division provides current planning, permit issuance, plan processing, development review, and CEQA management. The Building Division inspects properties and new construction, reviews plans, and provides information on development to the public. According to City staff, the Building Division is one of the only divisions in the City government that recovers all its costs.

### **Code Enforcement**

Code enforcement services in the City of Temecula are provided by the Community Development Department. The Department provides code enforcement, violation investigation, and issues violations of the City's municipal codes. Other services include investigations, inspections, vehicle abatement, parking patrol and violation management, blight and nuisance monitoring, vector control, weed abatement, and illegal construction and dumping management.

## **Animal Control**

Animal control services in Temecula are provided through a third-party contract with Animal Friends of the Valley (“AFV”). AFV is a nonprofit organization that runs animal shelter services for Temecula, in addition to other cities in southwestern Riverside County. AFV provides services such as animal care and control, humane education and euthanasia, animal licensing, lost animal services, spay/neuter services, microchipping, vaccinations, and wildlife services.

## **Parks and Recreation**

Parks and recreation services in the City of Temecula are provided by two (2) entities: The Public Works Department, and the Temecula Community Services District. The Public Works Department provides park/trail maintenance, manages urban forests within City parks, and oversees landscape water use. The Community Services District plans, programs, and implements a wide variety of leisure and recreation activities for residents, reserves numerous facilities for recreational events, and provides park rangers/monitors to act as ambassadors to the public.

The 2009 MSR made the following determination in relation to the City’s parks:

- The City’s park standard was five acres per 1000 residents in 2009. In 2009, the City had 330 acres of parks and approximately 98,000 residents, resulting in a parkland to resident ratio of 3.15 acres per 1000 residents. The City’s Park Master Plan envisioned that by 2013 the City would have achieved the adopted standard of five (5) acres of parkland for every 1000 persons within the City. The 2009 MSR estimated that, based upon a projected population of 102,000 residents, the City would need to have 510 acres of parkland to meet the adopted standards in 2013.

City staff did not provide a response or update regarding the 2009 MSR determination.

Staff indicated that parks and recreation facilities are heavily impacted by non-resident users, which has forced the City to offer recreation services on different tiers, charging residents lower rates than non-residents, in an attempt to capture the impacts resulting from non-resident service

and facility use. With much of Temecula's SOI already built out, and additional development occurring on Temecula's unsphered periphery, the impacts of non-resident use of City's parks and recreation services and facilities is likely to continue.

## **Library**

The Temecula Public Library and Riverside County Library System provide library services to residents in Temecula. The Temecula Library is part of the Riverside County system but is maintained and operated by City staff. The Library also goes by the Ronald H. Roberts Temecula Public Library. The County Library System operates the Grace Mellman Community Library which opened in 1972. Both libraries provide book rentals, computers, research resources, and programs for people of all ages.

## **Museum**

Museum services in Temecula are provided by the Community Services District's Museum Program. The Program operates the Children's Museum or Pennypickle's Workshop and the Temecula Valley History Museum. Both museums provide educational and historical resources and exhibits for visitors to enjoy and learn about.

## **Landscape Maintenance**

Landscape maintenance services in the City of Temecula are provided by the Parks Maintenance Division of the Public Works Department. The Division administers the ongoing maintenance, repair, and cleaning of all City open space areas, landscaped medians, and applicable slope areas. According to City staff, the City is evaluating service levels for different landscapes where costs are exceeding assessment.

## **Streets/Road Maintenance**

Streets and roads maintenance in the City of Temecula is provided by the Maintenance Division of the Public Works Department. The Division provides asphalt and concrete maintenance, street signing and striping, tree trimming, and weed abatement.



## **Streetlights**

Streetlight upkeep and maintenance in Temecula is provided by the Community Services District Service Level “B” Fund and the Public Works Department. The Department is funded by taxes levied by the District on property assessments. The funds allow the Department to operate and maintain City owned streetlights. According to City staff, the City acquired these streetlights in 2019 and is undergoing an LED retrofit which could save the City \$17 million over 20 years. The retrofit is part of Western Riverside Council of Governments (“WRCOG”) initiative that seeks to upgrade 55,000 streetlights to LEDs.

## **Utilities (Gas, Electric)**

Utility services in the City of Temecula are provided by Southern California Edison (“SCE”) and Southern California Gas (“SoCal Gas”). SCE provides general electricity generation, and grid operations. SoCal Gas provides natural gas energy services to the City for various uses, such as heating and cooking.

## **Solid Waste**

Temecula has a franchise agreement with CR&R Inc. to provide various trash, solid waste, and recycling services to the City. In business since 1963, CR&R’s mission has been to provide customers with consistent, safe, worry-free, and sustainable waste and recycling services. CR&R provides these services to 10 cities in Riverside County. They also provide trash services in Orange, Los Angeles, Imperial, San Bernardino, and San Diego counties, as well as various places in Arizona and Colorado.

## **Storm Drainage**

The Maintenance Division of the Public Works Department provides storm drainage services to the City of Temecula. The Division oversees maintenance for City-owned storm drains, catch basins, and surface drainage facilities. The overall Public Works Department also oversees the National Pollutant Discharge Elimination System (“NPDES”) compliance program in the City.

## **Innovation and Technology**

Innovation and technology services in the City of Temecula are provided by the City's Information Technology Department. The Department provides tech support services to City departments, maintenance of IT infrastructure, Geographic Information Systems (GIS) services, media services, and enterprise application services.

## **Airport**

There are no private or public run airport facilities in Temecula.

## **Extraterritorial Services Provided**

The City does not extend services into the SOI, but residents of the SOI and other unsphered unincorporated areas around Temecula utilize the City's parks and recreation services. According to City staff, residents who live within the incorporated boundaries pay an annual assessment known as Special Tax Measure C, which was passed in 1997 and is levied at a rate of \$74.44 per parcel for each developed residential property in the City. Special Tax Measure C revenues are discussed in greater detail later in this MSR. Because of the special assessment, residents of the City are given priority on parks and recreation services offered by the City, including youth sports and aquatics programs. Residents of the City's SOI do not pay the assessment and are considered Level 2 priority on community services access. Finally, all other non-residents are classified as Level 3 priority for community services. Because of the high demand for the City's parks and recreation programs, the facilities are overly impacted by residents and Level 2 priority non-residents, meaning that some non-residents are unable to participate. While the City does assess participation fees for Level 2 and 3 priority non-residents, participation is often limited by capacity in addition to fee assessments.

Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS

The City prepares a Five-Year Capital Improvement Plan annually, which outlines projected future improvements and funding sources, including City facilities, roads, traffic signals, parks, and community centers. The capital improvements are primarily funded using General Fund revenues, State and Local grants, Gas tax revenues, Community Facility District revenues, Measure A revenues, and TUMF revenues. According to City staff, almost all major capital improvement projects are expected to be fully funded moving forward. The least likely projects to move forward are related to street improvements at French Valley Parkway and Interstate 15, which rely on General Fund, Measure S, State and Local grants, TUMF funds, and other undetermined funding sources.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on October 15, 2018, which was reviewed by HCD and designated in compliance on October 19, 2018.<sup>197</sup> The City submitted Housing Element Annual Progress Reports every year between 2013 and 2018.<sup>198</sup>

The City's 5<sup>th</sup> Cycle RHNA allocation and permitted units are presented in Figure 147 according to income classification.

Figure 147: 5th Cycle Housing Element Summary - Temecula

Temecula 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	375	251	271	596
Permitted Units	15	0	15	1,288
Allocation Surplus/(Shortage)	(360)	(251)	(256)	692

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

<sup>197</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

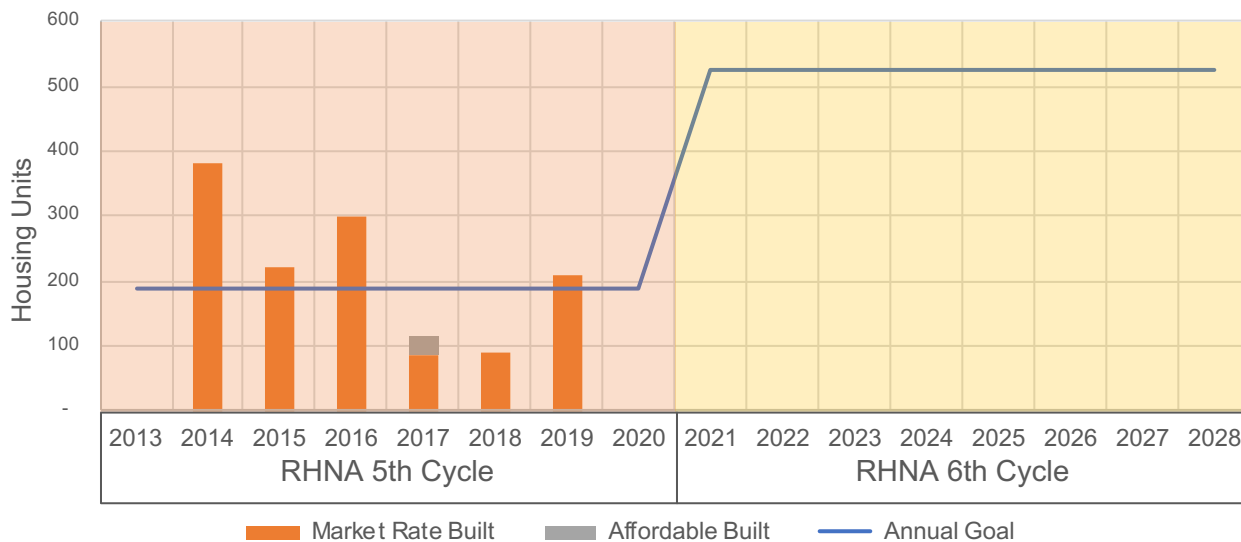
<sup>198</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

As previously stated, the City's 5<sup>th</sup> Cycle RHNA allocation was 1,493 housing units, and the City permitted 1,318 housing units during the same period. However, most – about 98 percent, or about 1,288 housing units, of the City's unit production is attributed to market rate (above-moderate income) housing unit production. The City had a 692-unit surplus in market rate housing, and failed to meet RHNA allocations in any other income category. With just 30 affordable units produced during the 5<sup>th</sup> Cycle, the City currently has a shortfall of 867 affordable housing units and is not expected to produce enough units during the remainder of the 5<sup>th</sup> Cycle to meet its RHNA allocation.

The City's RHNA allocation for the upcoming 6<sup>th</sup> Housing Element Cycle, which spans from 2021 through 2029, increases by 180 percent over the 5<sup>th</sup> Cycle RHNA allocation to a total of 4,183 housing units. In order to accomplish the 6<sup>th</sup> Cycle RHNA allocation, the City will need to permit 523 housing units annually during the 6<sup>th</sup> Cycle.

The City's 5<sup>th</sup> and 6<sup>th</sup> cycle RHNA allocations and 5<sup>th</sup> Cycle unit production is presented in Figure 148.

Figure 148: 5th and 6th Cycle RHNA Allocation and Production - Temecula



The City is one of 220 California jurisdictions that failed to make sufficient progress towards its affordable housing RHNA allocation and is now subject to streamlined ministerial approval

processes for proposed housing developments with at least 50 percent affordable units. Because the City has made substantial progress towards its market rate RHNA allocation, exceeding that allocation by 692 units during the 5<sup>th</sup> Cycle, the City is not subject to streamlined ministerial approval for proposed housing developments with at least 10 percent affordable units.<sup>199</sup>

## FISCAL HEALTH

The City's fiscal health evaluation, which includes a review of audit findings, revenue and expenditure categorization, long-term obligations, reserves, and California State Auditor assessment, is presented in the sections that follow. Figure 149 presents the City's net position as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded surpluses in each year between 2016-17 and 2018-19.

Figure 149: Net Position - Temecula

Temecula	2016-17	2017-18	2018-19
Total General Tax Revenues	\$64,141,184	\$86,736,666	\$88,762,462
Other Tax Revenues	5,512,949	16,033,765	15,561,657
Other Revenues	14,872,103	38,887,240	28,369,774
<b>Total Revenues</b>	<b>84,526,236</b>	<b>141,657,671</b>	<b>132,693,893</b>
Total Operating Expenditures	60,026,844	92,044,216	94,590,527
Debt Service	2,139,975	2,135,231	2,593,746
Capital Outlay	10,030,249	35,685,367	30,688,576
<b>Total Expenditures</b>	<b>72,197,068</b>	<b>129,864,814</b>	<b>127,872,849</b>
<b>Net Position</b>	<b>\$12,329,168</b>	<b>\$11,792,857</b>	<b>\$4,821,044</b>

## Operating Revenues

RSG compiled and reviewed three (3) years of financial history using the California State Controller's Office Cities Financial Data, and relied on the City's 2018-19, 2019-20, and 2020-21 adopted budgets and 2017-18, 2018-19, and 2019-20 annual audits to evaluate the City's fiscal health. While categorization of revenues and expenditures varied in some cases across these data sources, the SCO's dataset and City's audited financial reports yields similar results.

<sup>199</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

The City of Temecula had total revenues of \$132.7 million in 2018-19, which includes about \$88.8 million from general tax revenue sources. The City's revenue history for fiscal years 2016-17 through 2018-19 is presented in Figure 150.

Figure 150: Operating Revenue History - Temecula

Temecula	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$6,938,676	\$7,307,179	\$7,763,026
Sales Tax	42,143,580	63,873,060	64,955,401
Transient Occupancy Tax	3,321,698	3,344,984	3,409,553
Property Tax in-lieu of VLF	7,478,389	7,821,181	8,161,712
Franchise Tax	3,289,408	3,363,832	3,285,258
Business License Tax	280,028	278,747	263,684
Property Transfer Tax	689,405	747,683	923,828
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>64,141,184</b>	<b>86,736,666</b>	<b>88,762,462</b>
Transportation Tax	2,890,482	3,208,827	3,334,125
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	2,622,467	12,824,938	12,227,532
<b>Total Tax Revenues</b>	<b>69,654,133</b>	<b>102,770,431</b>	<b>104,324,119</b>
Charges for Services	4,378,934	6,438,743	8,169,820
Special Benefit Assessments	1,858,821	1,591,716	1,587,518
Use of Money	108,403	1,133,076	3,247,898
Fines and Forfeitures	820,626	915,338	980,248
Licenses and Permits	1,046,704	1,148,836	923,406
Intergovernmental	4,175,052	22,511,584	5,089,580
Other Taxes in-Lieu	-	-	493,336
Miscellaneous Revenues	2,483,563	5,147,947	7,877,968
<b>Total Revenues</b>	<b>\$84,526,236</b>	<b>\$141,657,671</b>	<b>\$132,693,893</b>

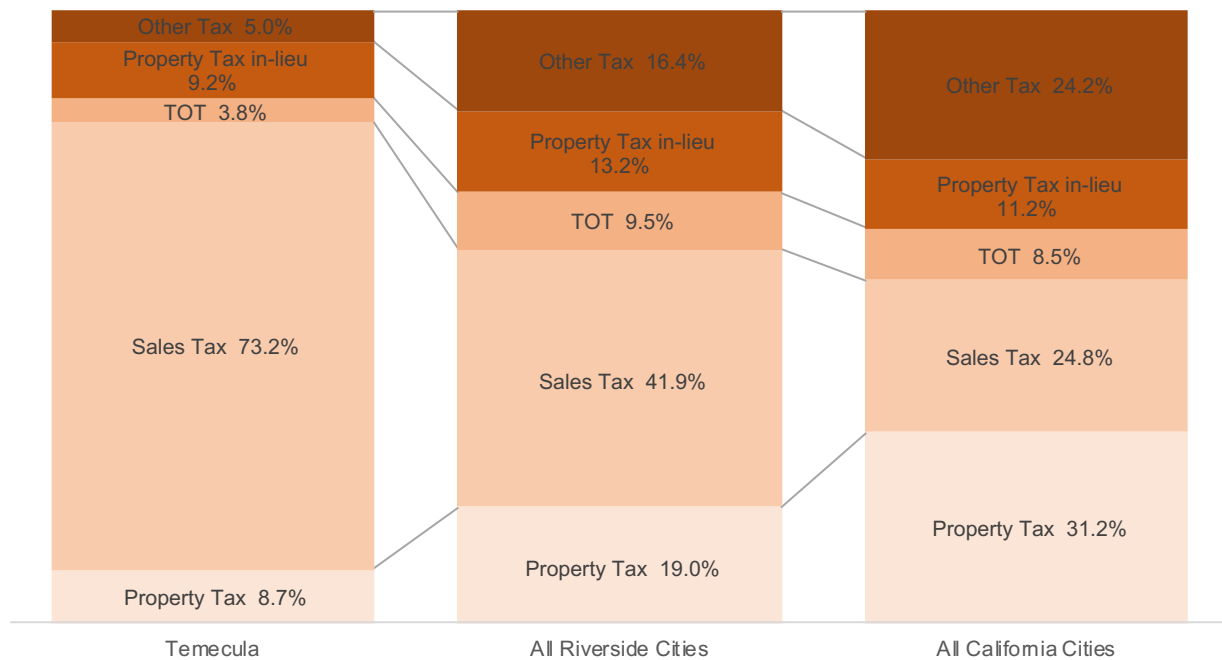
Source: California State Controller's Office

While the City's total revenues grew from \$84.5 to \$132.7 million between 2016-17 and 2018-19, a 25.3 percent annual growth rate, general tax revenues increased by a slower annual growth rate – 17.6 percent. In 2018-19, the City generated almost \$65.0 million from sales tax revenues despite sales tax revenues declining by about \$4 million between 2016-17 and 2018-19. The decline in revenues does not show up in Figure 151 because, during the same time frame, the voter-approved Measure S transactions and use tax revenues added \$26.8 million in general tax

revenues, more-than offsetting the decline in sales tax revenues. Sales tax, when combined with Measure S revenues, represents the City's largest general tax revenue source, accounting for 73.2 percent of general tax revenues in 2018-19. The City's next-largest general tax revenues are property tax in-lieu of VLF (\$8.2 million in 2018-19) which amounted to 9.2 percent of general tax revenues, and property tax (\$7.8 million) with represented 8.7 percent of general tax revenues. The City earns substantial non-tax revenues from charges for services (\$8.2 million in 2018-19) and miscellaneous revenues (\$7.9 million).

The City's sales tax revenues are an extraordinarily large portion of the City's general tax revenues, when compared to the average Riverside County and California cities. In 2018-19, the City's three (3) largest general tax revenue sources, which include sales tax, property tax, and property tax in-lieu of VLF, accounted for 91.1 percent of all general tax revenues. The City's proportional share of each general tax revenue source, compared to other cities in Riverside County and California, is presented in Figure 151.

Figure 151: General Tax Revenue Comparison - Temecula





This chart illustrates the extraordinary nature of the City's sales tax revenues in 2018-19. As a result of the City's disproportionate amount of revenues derived from sales tax, all other general tax revenue sources are below average when compared to the average cities in Riverside County and California.

### **Sales Tax, Measure S**

As previously mentioned, sales tax revenues represent the single-largest revenue source for the City, accounting for 73.2 percent of general tax revenues in 2018-19. Between 2016-17 and 2018-19, sales tax revenues increased from \$42.1 to 65.0 million, a 24.1 percent annual growth rate. Despite this significant growth, much of it is attributed to the addition of voter-approved Measure S revenues beginning in 2017-18. In fact, between 2016-17 and 2018-19, the City's general sales tax revenues only increased from \$36.1 to 38.1 million, an increase of about \$2 million or 2.8 percent annual growth rate. The introduction of Measure S transactions and use tax revenues in 2017-18 added \$27.7 million in general tax revenues, resulting in the appearance of healthy sales tax revenue growth.

In November 2016, 51 percent of the Temecula electorate voted in favor of Measure S, which added a one percent increase to the sales tax rate. The stated use of Measure S transactions and use tax revenues was to maintain emergency response times, prevent cuts to law enforcement, emergency medical, fire protection, youth and school programs, and senior services, improve traffic and freeway interchanges, and other general services provided by the City. Measure S was passed without a sunset date, expiring only by a vote by residents.<sup>200</sup> In 2016, the City estimated that Measure S would add \$23 million to the City's budget annually.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's second- and third-largest revenue sources are property tax in-lieu of VLF and property tax, representing 9.2 and 8.7 percent of general tax revenues in 2018-19. Property tax revenues

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<sup>200</sup> Source: Ballotpedia, Temecula, California, Sales Tax, Measure S (November 2016)

grew by 5.8 percent annually between 2016-17 and 2018-19, growing to almost \$7.8 million in 2018-19. Meanwhile, property tax in-lieu of VLF contributed about \$8.2 million to the City's revenue base in 2018-19.

Property tax is assessed on land, improvements, and personal property located in Temecula. In 2018-19, Temecula contained just shy of \$16 billion in net assessed value, including about \$4.1 billion in land value and \$11.9 billion in improvement value.<sup>201</sup> The City's \$7.7 million property tax revenues in 2018-19 represented a 4.9 percent share of total property tax assessments in Temecula. The City's share of property tax assessments is below average among Riverside County cities.

In June 1997, Temecula voters approved Measure C, which authorized the Temecula Community Services District to begin assessing and collecting the Parks and Lighting Special Tax. Measure C is assessed on all properties in Temecula at a rate of \$74.44 per equivalent dwelling unit. The revenues generated by the Special Tax are utilized for staffing and maintenance of parks and recreational facilities, energy costs and maintenance of street lighting and traffic signals, and all costs associated with landscape medians.<sup>202</sup>

The City of Temecula and County of Riverside passed resolutions in 1995, mutually adopting a Master Property Tax Exchange Agreement.<sup>203</sup>

### **Charges for Services**

Charges for services accounted for almost \$8.2 million, or about 6.2 percent of total revenues, in revenues in 2018-19 and represented the City's largest non-tax revenue source. Charges for services are derived from engineering fees (\$2.6 million), parks and recreation fees (\$2.0 million), plan check fees (\$1.6 million), special police department services (\$282,000), special fire

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<sup>201</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>202</sup> Source: City of Temecula, "Property Tax Assessments"

<sup>203</sup> Source: Riverside LAFCO

department services (\$264,000), weed and lot clearing charges (\$31,000), zoning and subdivision fees (\$16,000), and other unclassified charges for services amounting to \$1.4 million.

### Miscellaneous Revenues

The City's miscellaneous revenue category accounted for \$7.9 million in 2018-19, which was about 5.9 percent of total revenues. In 2018-19, miscellaneous revenues included unclassified miscellaneous revenues (\$3.9 million), development impact fees (\$3.0 million), and contributions from nongovernmental sources (\$988,000).

### Operating Expenditures

Total expenditures were \$127.9 million in 2018-19, inclusive of about \$30.7 million in capital outlay and \$2.6 million in debt service expenditures. Net of capital outlay and debt service, the City's operating expenditures were \$94.6 million in 2018-19, which was a notable increase from 2016-17 total operating expenditures, which amounted to about \$60.0 million. During this time frame, operating expenditures increased at an annual rate of 25.5 percent.

The City's annual operating expenditures are presented in Figure 152.

Figure 152: Operating Expenditures - Temecula

Temecula	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$8,205,868	\$10,887,473	\$12,950,894
Employee Benefits	7,161,561	12,939,637	11,718,058
Materials and Supplies	9,567,267	14,157,204	15,397,218
Contract Services	32,480,380	41,573,207	42,861,175
Other Operating Expenditures	2,611,768	12,486,695	11,663,182
<b>Total Operating Expenditures</b>	<b>60,026,844</b>	<b>92,044,216</b>	<b>94,590,527</b>
Debt Service	2,139,975	2,135,231	2,593,746
Capital Outlay	10,030,249	35,685,367	30,688,576
<b>Total Expenditures</b>	<b>\$72,197,068</b>	<b>\$129,864,814</b>	<b>\$127,872,849</b>

Source: California State Controller's Office

In 2018-19, the City's largest operating expenditure category was contract services, which added up to \$42.9 million and represented about 33.5 percent of total expenditures. Meanwhile, salaries

and wages accounted for 10.1 percent of total expenditures and employee benefits represented 9.2 percent of total expenditures. When compared to the average Riverside County and California cities in 2018-19, the City had disproportionately higher expenditures on capital outlay (24 percent of total expenditures) and contract expenditures while salaries and wages and employee benefits were substantially lower than average. As a contract city, the City's distribution of expenditures are not unexpected.

The City's current expenditures, which organizes expenditures according to department or function, are presented in Figure 153.

Figure 153: Current Expenditures - Temecula

Temecula	2016-17	2017-18	2018-19
General Government	\$9,042,627	\$10,846,507	\$9,333,780
Public Safety	32,432,377	39,904,226	42,331,237
Transportation	7,867,656	8,709,257	9,072,345
Community Development	7,303,152	13,392,673	15,651,825
Health	-	7,843,263	8,025,800
Culture and Leisure	3,381,032	11,348,290	10,175,540
Public Utilities	-	-	-
Debt Service	2,139,975	2,135,231	2,593,746
Capital Outlay	10,030,249	35,685,367	30,688,576
<b>Total Current Expenditures</b>	<b>\$72,197,068</b>	<b>\$129,864,814</b>	<b>\$127,872,849</b>

Source: California State Controller's Office

Between 2016-17 and 2018-19, public safety was the City's largest departmental expense category, including law enforcement and fire protection services. During this time public safety grew by about \$9.9 million and grew at an annual rate of 14.2 percent, which is below the annual growth rate for general tax revenues (17.6 percent). In 2018-19, public safety expenditures were 44.8 percent of current expenditures net of capital outlay and debt service, which is slightly lower than the average public safety expenditures among Riverside County (52.2 percent) and California (47.3 percent) cities.

### Reserve Fund Balance

The City's adopted reserve policy seeks to hold reserve balances at 25 percent of annual General Fund expenditures. In 2020-21, the City's budgeted reserves on June 30, 2021 are projected to

be \$18.4 million, which is slightly below the City’s target. The City’s economic uncertainty reserve will comply with the City’s policy of 20 percent of General Fund expenditures, amounting to \$15.5 million. Meanwhile, the City’s secondary reserve will fall below the target of 5 percent of General Fund expenditures, with a balance of about \$2.9 million.<sup>204</sup>

City staff provided updated anecdotal information in March 2021, indicating that the completed 2019-20 annual audit revealed that the City’s revenue did not decline as expected. Based on the improved revenue forecast, the City is not expecting to utilize the emergency reserves in 2020-21 and will restore reserve levels to meet the City Council’s 25 percent policy.

### Pension and OPEB Obligations

The City participates in the California Public Employees’ Retirement System (“CalPERS”), which provides pensions for most public employees and is earning less on investments. Because retirees are living longer, the CalPERS program has moved to require higher contributions from membership cities to provide more funding for retirement accounts. The City’s pension and OPEB obligations are outlined in Figure 154.

Figure 154: Pension and OPEB Obligations - Temecula

Temecula	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$39,622,446	\$37,458,762	\$39,530,271
Total OPEB Liability/(Surplus)	11,213,000	8,754,624	7,332,050
Total Benefit Liability/(Surplus)	\$50,835,446	\$46,213,386	\$46,862,321

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City offers a defined benefit Miscellaneous Plan, which is available for all eligible employees, and provides OPEB benefits via a defined benefit healthcare plan. The City does not have any law enforcement or fire protection staff and therefore does not offer a Safety Plan. Between 2017-18 and 2019-20, the City’s pension and OPEB liabilities experienced a net decrease, and in 2019-20, the City’s total combined pension and OPEB liability was \$46.9 million.

<sup>204</sup> Source: City of Temecula, 2019-20 Budget

The City's pension indicators, which includes the City's employer contribution compared to the actuarially determined contribution, the total covered payroll, and the contribution rate, expressed as the employer contribution as a percent of covered payroll, are presented in Figure 155.

Figure 155: Pension Indicators - Temecula

Temecula	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$3,405,890	\$3,755,745	\$3,472,097
Employer Contribution	3,405,890	3,755,745	3,472,097
Covered Payroll	\$12,749,753	\$13,235,257	\$14,454,443
Employer Contribution Rate	26.7%	28.4%	24.0%

Source: 2017-18, 2018-19 and 2019-20 ACFR

Between 2017-18 and 2019-20, the City made employer contributions equivalent to the minimum actuarially determined contributions. Over the same period, the City's employer contribution rate decreased to 24.0 percent, which is slightly below average for Riverside County cities, which ranged from 26 to 32 percent employer contributions.

### Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### California State Auditor Fiscal Health Evaluation

The City of Temecula ranked 305 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 166 peer cities in California, or about 35 percent of cities. The City received low risk ratings on seven (7) indicators, including liquidity, debt burden, general fund reserves, pension obligations, pension costs, future pension costs, and OPEB

obligations. One (1) indicator, revenue trends, was given a moderate risk rating. Two (2) indicators scored high risk ratings, including pension funding and OPEB funding.<sup>205</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Temecula are presented by topic below:

### **1. Population, Growth, and Housing**

Temecula's growth rate over the last decade was roughly the same as the County-wide growth rate, but Temecula is expected to experience slower growth over the next 15 to 25 years.

While Temecula added 2,546 housing units between 2010 and 2020, housing production rates were slower than population growth rates and almost all of the new units permitted during this time were market rate housing – the City had very little affordable housing production.

City staff indicated that there are issues related to non-residents relying on City services and facilities, particularly parks and recreation. Given the significant single-family housing subdivision development in Temecula's SOI, specifically much of the northeastern, eastern, and southeastern SOI areas being largely built out. With other unsphered areas on Temecula's periphery, particularly on the southeastern border also experiencing rapid housing development with no clear plans for future service delivery and facility upgrades, these conflicts are likely to persist.

### **2. Disadvantaged Unincorporated Communities in SOI**

The Temecula SOI does not contain any DUCs.

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<sup>205</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20



### **3. Present and Planned Capacity of Facilities**

City staff indicated that the City's public parks and recreation facilities are heavily impacted by non-resident users. As development and growth continues on Temecula's periphery, this will be a challenge that the City must address in order to maintain service levels.

### **4. Financial Ability to Provide Services**

Presently, the City is heavily reliant on sales tax and Measure S transactions and use tax revenues, which combine to represent 73.2 percent of general tax revenues, which is a revenue source that is susceptible to economic shifts, such as the COVID-19 pandemic.

### **5. Opportunities for Shared Facilities**

City staff did not identify any opportunities for shared facilities.

### **6. Accountability for Community Service Needs**

The City maintains transparency by a number of means, including newsletters, emails, the City website, and at least four (4) different social media accounts. The City also shares public meetings through digital video technology.

City Councilmembers are elected according to districts.

### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is recommending no SOI changes. RSG's recommendations related to the Temecula SOI are presented by topic below.

## **1. Present and Planned Land Uses**

The Temecula SOI contains significant housing developments, which is clearly impacting the City's ability to provide parks and recreation services.

## **2. Present and Probable Need for Public Facility and Services**

With population growth for Temecula expected to slow down over the upcoming decades, the City may not experience any additional issues accommodating demand for parks and recreation services and facilities, however, City staff indicated that many facilities and services are impacted by users residing either in the Temecula SOI or other unsphered areas outside Temecula. City staff indicated that the City has prepared fiscal analyses that indicated that annexation of portions of the SOI would not be fiscally responsible. City staff also indicated that annexation of areas in the Temecula SOI would not be cost neutral.

## **3. Present Capacity of Public Facilities**

The City has insufficient parks and recreation services and facilities to meet demand. However, some of the demand for facilities and services is derived from non-residents in the Temecula SOI and in unsphered areas outside the border of Temecula.

## **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

Temecula's SOI does not contain and DUCs.

## CITY OF WILDOMAR

The City of Wildomar incorporated in 2008 as a general law city<sup>206</sup> and is located in Riverside County's Western Region. Wildomar shares borders with incorporated City of Lake Elsinore to the northwest and north, the incorporated City of Menifee to the northeast, a small LAFCO-identified unincorporated island or pocket (P25) to the east, the incorporated City of Murrieta to the southeast and south, and unincorporated Riverside County territory to the southwest. Wildomar includes 23.7 square miles and does not have any unincorporated SOI area.<sup>207</sup>

The demographic profile for Wildomar is presented in Figure 156.

Figure 156: Demographic Profile - Wildomar

Wildomar	City	County
Population as of 2020	37,183	2,442,304
Population as of 2010	32,176	2,189,641
Annual Pop. Growth Since 2010	1.46%	1.10%
Housing Units	11,584	867,637
Persons / Housing Unit	3.21	2.81
Land Area (sq mi)	23.7	7,206.0
Persons / Square Mile	1,570	339
Median Household Income	\$78,520	\$67,369
Projected Population in 2035	48,726	2,995,509
Annual Proj. Growth 2020-2035	1.82%	1.37%
Projected Population in 2045	55,235	3,251,705
Annual Proj. Growth 2020-2045	2.67%	1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>206</sup> Source: City of Wildomar

<sup>207</sup> Source: Riverside LAFCO

Wildomar's population grew at an elevated rate between 2010 and 2020 (1.46 percent annually), compared to the County-wide average growth rate (1.10 percent). While the population density in Wildomar (1,570 persons per square mile) is above the County-wide average (339 persons per square mile), the Wildomar population density is below average when compared to other incorporated areas in Riverside County (Riverside County incorporated area average population density: 2,207 persons per square mile). Wildomar's median household income (78,520) is about 16 percent higher than the County-wide median household income (\$67,369)

Population growth in Wildomar is expected to exceed the County-wide growth rates over the next 15 to 25 years, with Wildomar's population growth rates increasing to 1.82 and 2.67 percent annual growth through 2035 and 2045, respectively. The Wildomar projected growth rates are above average when compared to other incorporated areas in Riverside County (1.37 and 1.93 percent annual growth rates). City staff estimates that growth rates are likely to exceed the SCAG projections based on the current development pipeline.

Wildomar's land use profile is outlined in Figure 157.

Figure 157: Land Use Summary - Wildomar

Wildomar		County	
Residential Units	Units	%	%
Single Family	8,044	69.4%	54.8%
Multifamily	624	5.4%	43.6%
Mobile Home	2,916	25.2%	1.6%
Total Units	11,584	100.0%	100.0%
New Units Since 2010	778		
Commercial	Gross SF		
Retail	651,147	51.0%	26.6%
Industrial	330,108	25.8%	61.8%
Office	296,373	23.2%	9.6%
Other	-	0.0%	2.0%
Total	1,277,628	100.0%	100.0%
New Commercial Since 2010	113,315		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Wildomar contains 11,584 housing units, of which 8,044, or 69.4 percent, are single-family housing units. Wildomar also contains 2,916 mobile home units, which represents 25.2 percent of the City's housing inventory. Wildomar's concentrations of single-family and mobile home units are remarkably different that the County-wide housing profile, in which 54.8 percent of units are single-family homes and just 1.6 percent of units are mobile homes.

Wildomar experienced moderate growth in housing units and commercial square footage over the last decade, growing at 0.70 and 0.93 percent annually during the decade.

According to City staff, much of the undeveloped land in Wildomar's coterminous SOI overlaps MSHCP habitat conservation areas. Exhibit 24 illustrates the MSHCP areas within Wildomar.

Wildomar contains an estimated 756 employers and about 4,826 employed personnel.<sup>208</sup> The largest employers in Wildomar come from a wide range of different industries, including several educational, governmental, and healthcare institutions, a utility company, a senior living community, a barn manufacturer, and retail businesses. The top ten (10) Wildomar employers are Lake Elsinore Unified School District (2,598 employees), Inland Valley Medical Center (1,400 employees), Southern California Edison (200 employees), Stater Bros Market (145 employees), Cornerstone Community Church (112 employees), Albertsons (100 employees), Wildomar Senior Leisure Community (84 employees), Animal Friends of the Valley (81 employees), Sycamore Academy-Sci-Cultural-Arts (58 employees), and FCP Custom Barns and Buildings (56 employees).<sup>209</sup>

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<sup>208</sup> Source: ESRI Business Analyst Online

<sup>209</sup> Source: City of Wildomar, 2018-19 Comprehensive Annual Financial Report

**City of Wildomar:**  
**Multiple Species Habitat Conservation Plan (MSHCP) Areas**





## CURRENT SPHERE OF INFLUENCE

The Wildomar SOI is coterminous with the City's corporate boundary. The Wildomar SOI and corporate boundary are illustrated in Exhibit 25.

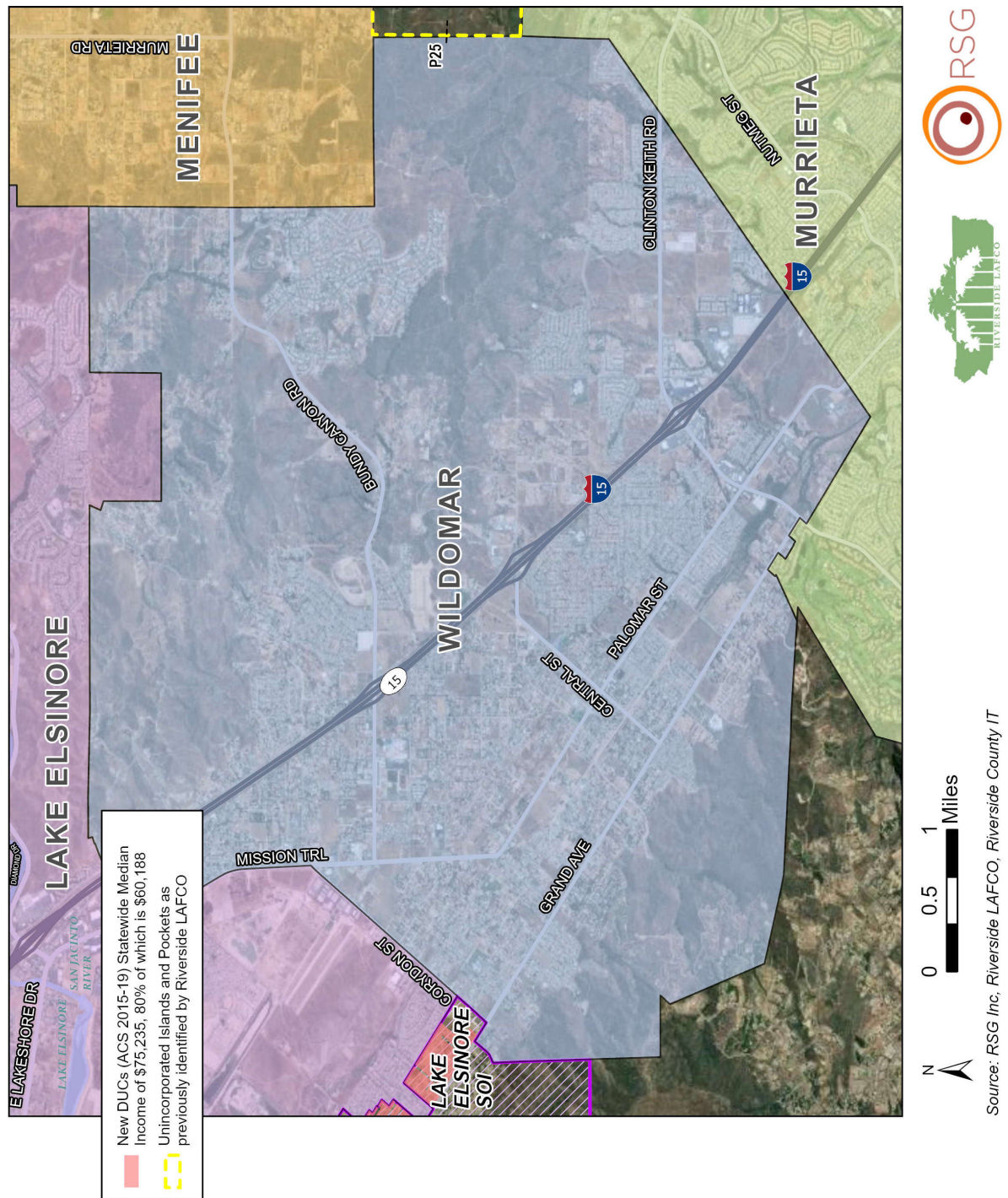
City staff indicated that an unincorporated and unsphered area to the City's southeast, known as La Cresta, had reached out to the City to discuss annexation at one point. The discussions did not materialize into anything, but the area would be a good fit to be added to the Wildomar SOI, according to City staff. Exhibit 26 identifies the La Cresta area and illustrates its proximity to Wildomar.

The City of Wildomar's boundary was established when the City incorporated in 2008 then studied in the October 2009 City of Wildomar MSR, LAFCO 2009-10-1 ("2009 MSR"). The 2009 MSR helped establish the City's eventual SOI once it was added into the City's General Plan, which was in development during the completion of the 2009 MSR. The 2009 MSR made the notable determinations about law enforcement service levels, and the City's questionable future given limited potential revenue sources. The determinations are addressed later in this MSR in relation to law enforcement service providers and the City's fiscal health.



Exhibit 25: Current City and SOI Boundaries - Wildomar

## City of Wildomar





**La Cresta:**  
**Unincorporated Community Southwest of Wildomar**



## FORM OF GOVERNMENT AND STAFFING

The City of Wildomar is structured as a Council – Manager form of government with a City Council made up of five (5) Councilmembers that are elected to four (4) year terms according to district boundaries. The City Council appoints the City Mayor and Mayor Pro Tempore every December, to serve for the ensuing calendar year. The City Council appoints a City Manager and City Attorney. The City Manager is responsible for overseeing the daily administrative operations of the City while the City Attorney functions as the legal advisor to the City.<sup>210</sup> The City Manager oversees operating expenditures that exceeded \$21.8 million in 2018-19<sup>211</sup> and three (3) full time equivalent personnel<sup>212</sup>. The City largely relies on contract service providers to provide services.

The City Council also serves as the Board of Trustees for the Wildomar Cemetery District. Three (3) committees and commissions carry out assignments at the direction of the City Council, including the Planning Commission, Measure Z Oversight Committee, and Measure AA Oversight Committee.

The City connects with the community using its website, through public noticing and email, and at least two (2) social networks. The City Council meetings are broadcast live via two (2) cable television service providers and live online. The City offered once-a-month “coffee with the City” and continued to offer this program via digital format during the COVID-19 pandemic. Still, City staff has acknowledged that younger families are not as engaged with local government affairs.<sup>213</sup>

## SERVICES PROVIDED

City of Wildomar staff provide the community with building and planning, parks and recreation, code enforcement, and stormwater drainage. The following section describes municipal

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<sup>210</sup> Source: City of Wildomar

<sup>211</sup> Source: Source: California State Controller's Office, “Cities Financial Data”

<sup>212</sup> Source: City of Wildomar

<sup>213</sup> Source: City of Wildomar

services provided within Wildomar and identifies the service provider. Figure 158 illustrates the municipal services provided in Wildomar by the City or by other service providers.

Figure 158: Service Provider Matrix - Wildomar

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Planning and Building & Safety, Private Contractor										
Housing	Private Contractor										
Code Enforcement	Code Enforcement										
Animal Control	Animal Friends of the Valley										
Parks and Recreation	Community Services, Regional Parks										
Library	Library System										
Museum	N/A										
Landscape Maintenance	LLMD, CSA, Private Contractor										
Streets/Road Maintenance	CSA, Private Contractor										
Streetlights	LLMD & Streetlights Fund, CSA, Private Contractor										
Lighting	LLMD & CFD, Private Contractor										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Management and CR&R										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Private Contractor, Spectrum, Verizon, Frontier										
Airport	N/A										
Cemetery *	Wildomar Cemetery Fund, Wildomar Cemetery										
Healthcare *	N/A										
Water *	Elsinore Valley Municipal Water District										
Wastewater *	Elsinore Valley Municipal Water District										

\* Not included in this MSR

## Government Services

General government services in the City of Wildomar are provided by the elected City Council and bureaucratic staff such as the City Manager and City Clerk. The City Manager serves as an advisor to the City Council, supports the policymaking needs of the Council and implements Council decisions, appoints department directors, ensures City services are performed to a high standard, prepares, manages, and implements the annual budget and CIP programs. The Manager also engages in other City government activities like economic development, public relations, and regional government coordination. The City Clerk is responsible for the care and custody of all City records and documents, maintaining legal and historical records, the preparation and distribution of City Council Agendas, conducting municipal elections, and updating the City's Municipal and Zoning Codes.

## **Law Enforcement**

Wildomar receives law enforcement services from the Riverside County Sheriff Department. The Sheriff provides general policing services including, investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and the administration of the volunteer program and the Explorer youth program.

The 2009 MSR made the following determination about the City's law enforcement service levels:

- The City of Wildomar was providing a lower service level for police protection services compared to services being provided by the County of Riverside prior to its incorporation. It was expected that the limited revenues will probably be a challenge for the City to increase its service levels for the next couple of years.

According to City staff, the City has recently increased its law enforcement services. In 2017, with the passage of Senate Bill 130 by the State Legislature, the City's property tax in-lieu of VLF revenues were restored. The increase in revenue was directly utilized to increase patrol hours by approximately 75 percent. Wildomar voters also approved Measure AA with 58.5 percent of the vote in 2018, which levied a one percent transactions and use tax on retail transactions in Wildomar. A portion of the revenues generated by Measure AA are utilized for traffic enforcement and other law enforcement services.

## **Fire Protection**

Fire Protection services are provided by Riverside County Fire Department/CalFire in Wildomar. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on



ordinances and standards for construction, and information bulletins and standards for fire protection. Fire Station 61 is in the City, located at 32637 Gruwell Street.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

### **Emergency Medical**

Emergency medical services in Wildomar are provided by the Riverside County Fire Department/CalFire. For more information on the Department, please see the previous section. As discussed with regard to law enforcement, the City's electorate approved Measure AA in 2018, adding a one percent transactions and use tax to retail sales in Wildomar. According to City staff, a portion of the revenues generated by Measure AA were utilized to purchase a paramedic vehicle and added six (6) additional full time paramedics.

### **Building/Planning and Housing (Community Development)**

Building, planning, and housing services in the City of Wildomar are provided by the City's Building and Safety and Planning Departments. The Building and Safety Department provides services that include permit processing, code review and analysis, inspections, and code interpretation. The Planning Department provides land use and zoning information to residents, manages the City's development process, and oversees project compliance with the California Environmental Quality Act ("CEQA"). According to City staff, the Building and Safety Department's fixed fees, that are charged for services and used to fund staff, would not be able to cover the full staff costs of the Department if development slowed.

### **Code Enforcement**

Code enforcement services in the City of Wildomar are provided by a contract with the City of Lake Elsinore's Code Enforcement Division of its Community Development Department. The Division identifies breaches of the municipal code, enforces parking regulations, regulates

abandoned properties, reduces weed abatement violations, and regulates homeless encampments. According to City staff, code enforcement will become an in-house service as a result of a Council approved plan to bring more contract services in-house.

### **Animal Control**

Animal control services in the City of Wildomar are provided by a contract with Animal Friends of the Valley (“AFV”). AFV is a nonprofit organization that runs animal shelter services for Wildomar, in addition to other cities in southwestern Riverside County. AFV provides services such as animal care and control, humane education and euthanasia, animal licensing, lost animal services, spay/neuter services, microchipping, vaccinations, and wildlife services. The main shelter for AFV is in the City at 33751 Mission Trail. According to City staff, the services AFV provides to the cities in southwestern Riverside County are part of a Joint Powers Authority (“JPA”) agreement.

### **Parks and Recreation**

Parks and recreation services in the City of Wildomar are provided by the Community Services Department and the Riverside County Regional Parks and Open Space District. The Department is responsible for the maintenance of parks and landscaped gardens, maintaining restrooms and playgrounds, and providing special events to the community. Maintenance is provided by a third-party contract while all other parks and recreation services are in-house. The Riverside County Regional Parks and Open Space District provides parks and recreation services at its lone Wildomar location, the Iodine Springs Reserve. The Reserve is open to the public from sunrise to sunset and is available for a day-use fee.

According to City staff, as a means to address the City’s fiscal limitations and funding for park maintenance and improvements, the City closed two small parks in 2011 and transferred operation of a third park to a non-profit. The City put forth Measure D in 2011, which would have added a \$28 parcel tax to fund park maintenance, but voters rejected the proposal. At the same time, the City’s property tax in-lieu of VLF funds were reallocated by the State of California. One year later, in 2012, the City put forth Measure Z, branded as the Wildomar Parcel Tax for Parks,

which was approved by 68.6 percent of voters and added a \$28 levy per parcel on all parcels in Wildomar.

## **Library**

Library services in the City of Wildomar are provided by the Riverside County Library System. The System provides standard library services to the City such as reading materials, literacy programs, computers, and various local and online research tools. The one County Library in the City is located at 34303 Mission Trail.

## **Museum**

There are no museum facilities in the City of Wildomar.

## **Landscape Maintenance**

Landscape maintenance in the City of Wildomar is provided by the City's Public Works Department and funded by the citywide Landscape and Lighting Maintenance District 89-1C. The Department maintains City landscapes and greenery with funds from the District.

## **Streets/Road Maintenance**

Streets and roads maintenance services in Wildomar are provided by a third-party contract with the Public Works Department. The contractor provides general street, sidewalk, and road maintenance and upkeep services as well as the construction of capital improvement projects. City staff indicated that the City's Pavement Management Program update report (dated January 2019) indicates that the Pavement Condition Index in Wildomar is 68, which means the average condition of streets and roads in Wildomar is "fair/at-risk". Pavement Condition Index ("PCI") is a visual measurement of pavement grade or condition. The State average PCI is 65, which means the City's streets and roads are slightly above-average PCI when compared to the State average.



## **Streetlights**

Streetlight related services in the City of Wildomar are provided by the Public Works Department and funded through the Landscape and Lighting Maintenance District 89-1C and Community Service Areas (“CSA”). The Department is responsible for maintaining, repairing, and retrofitting all City owned streetlights. The District funds staffing and services for streetlight maintenance and other related services through a small levy on local property tax assessments. According to City staff, the only debt the City currently has is for purchasing streetlights in conjunction with the Western Riverside Council of Governments’ (“WRCOG”). According to City staff, the City acquired 1,405 streetlights from Southern California Edison that are currently being retrofitted.

## **Utilities (Gas, Electric)**

Utility services in the City of Wildomar are provided by Southern California Edison (“SCE”) and Southern California Gas (“SoCal Gas”). SCE provides general electricity generation, and grid operations. SoCal Gas provides natural gas energy services to the City for various uses, such as heating and cooking. Residents also can join Western Community Energy, a Community Choice Aggregate, as an alternative source for electricity.

## **Solid Waste**

Solid waste services in the City of Wildomar are provided by two (2) franchise agreements with Waste Management and CR&R Incorporated. Waste Management is a private solid waste disposal company provides solid waste disposal and recycling services to Wildomar residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers. CR&R is also a private solid waste disposal company. In business since 1963, CR&R’s mission has been to provide customers with consistent, safe, worry-free, and sustainable waste and recycling services. CR&R provides these services to 10 cities in Riverside County. They also provide trash services in Orange, Los Angeles, Imperial, San Bernardino, and San Diego counties, as well as various places in Arizona and Colorado.

## **Storm Drainage**

Storm drainage services in Wildomar are provided by the Public Works Department. The Department oversees maintenance for City-owned storm drains, catch basins, and surface drainage facilities. The Department also oversees the National Pollutant Discharge Elimination System (“NPDES”) compliance program in the City. According to City staff, the City is coordinating drainage improvement projects with the County, who is funding said projects.

## **Innovation and Technology**

Innovation and technology services in the City of Wildomar are provided by a third-party contract with a private IT services provider. The provider supports the IT infrastructure of the City government and manages all computer hardware and software.

## **Airport**

There are no public or private airport facilities in the City of Wildomar.

## **Extraterritorial Services Provided**

Up until 2011, the City of Wildomar, acting as a subsidiary for the Wildomar Cemetery District, was providing cemetery services to areas outside of the City’s corporate boundary. According to City staff, the Cemetery District boundaries were revised in 2018 to be coterminous with the City’s corporate boundary.

No other extraterritorial services were identified. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City prepared a Five-Year Capital Improvement Program covering the period from fiscal year 2019-20 through 2023-24. The City also informally monitors additional future infrastructure needs up to ten (10) years into the future. The City’s Capital Improvement Program includes street

widening projects, interchange improvements, general pavement rehabilitation programs, and construction of parks and recreation facilities. City staff acknowledged that some projects may be difficult to complete within the time frames outlined in the Capital Improvement Program due to cash flow and other funding constraints. The City is actively seeking grants to alleviate any funding constraints, but the applicant pool for some of the larger infrastructure projects can make these grants difficult to secure.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on December 31, 2013, and HCD reviewed and designed the Housing Element in compliance with Housing Element Law on January 6, 2014.<sup>214</sup> The City submitted Housing Element Annual Progress Reports consistently between 2014 and 2019, but failed to submit an Annual Progress Report in 2013.<sup>215</sup>

The City's 5<sup>th</sup> Cycle RHNA housing allocation and permitted units are presented in Figure 159

Figure 159: 5th Cycle Housing Element Summary - Wildomar

Wildomar 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	621	415	461	1,038
Permitted Units	0	16	56	616
Allocation Surplus/(Shortage)	(621)	(399)	(405)	(422)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City produced a total of 688 housing units during the 5<sup>th</sup> Cycle, which was just 27 percent of its RHNA allocation, falling short of its 2,535 RHNA allocation by 1,847 housing units. During the 5<sup>th</sup> Cycle, 616 housing units, or 90 percent of permitted units, were market rate units, without any income limit designations. The City produced 56 units designated for moderate-income

<sup>214</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

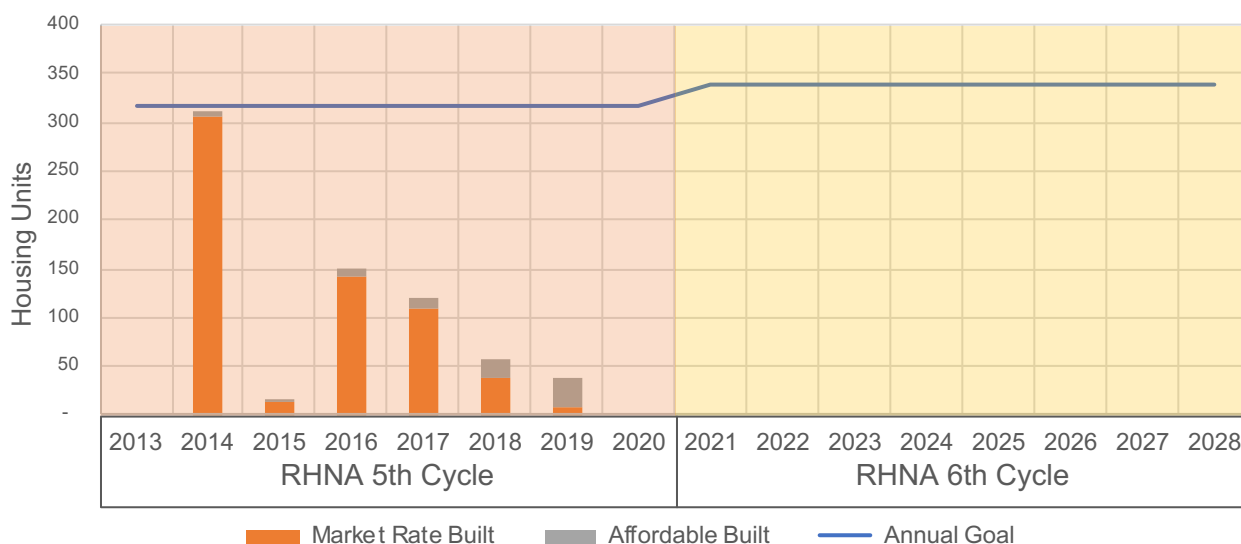
<sup>215</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

households, 16 units for low-income households, and zero (0) units for very low-income households. With limited progress made towards producing affordable housing units, the City is not expected to meet its RHNA allocation for the 5<sup>th</sup> Cycle.

The 6<sup>th</sup> Housing Element Cycle (2021-2029) introduces elevated RHNA allocations for most cities – the RHNA allocation for the City increases by 7 percent to 2,709 housing units. As a result of the increased housing allocation, the City’s annual production goal – the average unit production on an annual basis needed to fulfill the RHNA allocation during the 6<sup>th</sup> Cycle, increases to 339 housing units per year.

The City’s 5<sup>th</sup> Cycle RHNA allocation and production, and 6<sup>th</sup> Cycle RHNA allocation are presented in Figure 160.

Figure 160: 5th and 6th Cycle RHNA Allocation and Production - Wildomar



The City is one of 220 California jurisdictions that have made insufficient progress toward their very low- and low-income RHNA allocations, and as a result is now subject to streamlined ministerial approval processes outlined under Senate Bill 35 (Chapter 366, Statutes of 2017) for housing development proposals with at least 50 percent of units designated as affordable housing units. If the City makes insufficient progress on its market rate RHNA allocation or fails to submit Annual Progress Reports, it may be downgraded to the most stringent SB 35 streamlining

provisions that extends ministerial streamlined approval processes to projects with at least 10 percent of units restricted as affordable housing.<sup>216</sup>

## FISCAL HEALTH

The City’s fiscal health evaluation is presented in the sections that follow, including a review of audit findings, revenue and expenditures, long-term pension and OPEB obligations, and California State Auditor fiscal health assessment results. The City’s net position, presented as annual revenues less expenditures for fiscal years 2016-17 through 2018-19, is illustrated in Figure 161. The City had surpluses in 2016-17 and 2018-19, but recorded a deficit of \$729,000 in 2017-18, which represented about 4.2 percent of annual revenues. According to City staff, the 2017-18 deficit was the result of grant expenditures that were reimbursed in 2018-19.

Figure 161: Net Position - Wildomar

Wildomar	2016-17	2017-18	2018-19
Total General Tax Revenues	\$6,895,872	\$9,578,296	\$11,042,134
Other Tax Revenues	-	-	1,720,651
Other Revenues	8,736,940	7,668,915	10,743,980
<b>Total Revenues</b>	<b>15,632,812</b>	<b>17,247,211</b>	<b>23,506,765</b>
Total Operating Expenditures	12,214,438	14,346,171	15,679,760
Debt Service	-	218,039	205,529
Capital Outlay	2,142,040	3,411,917	5,951,941
<b>Total Expenditures</b>	<b>14,356,478</b>	<b>17,976,127</b>	<b>21,837,230</b>
<b>Net Position</b>	<b>\$1,276,334</b>	<b>(\$728,916)</b>	<b>\$1,669,535</b>

Source: California State Controller's Office

## Operating Revenues

RSG compiled and reviewed three (3) years of financial history using the California State Controller’s Office Cities Financial Data, and the City’s 2018-19, 2019-20, and 2020-21 adopted budgets and 2017-18, 2018-19, and 2019-20 annual audits to evaluate the City’s fiscal health.

<sup>216</sup> Source: California Department of Housing and Community Development, “SB 35 Statewide Determination Summary”

While categorization of revenues and expenditures varied in some cases across these data sources, the SCO's dataset and City's audited financial reports yields similar results.

The City's operating revenues were identified in the determinations presented in the 2009 MSR:

- The limited revenues for the City of Wildomar presented a challenge for the City to increase service levels in the early years after incorporation. The 2009 MSR also referenced the City's limited revenues in relation to the level of law enforcement services provided by the City, as previously discussed, which were below the standard service provided by the County prior to incorporation.

According to City staff, the studies justifying the City's original incorporation prior to 2009 presented optimistic projections for sales tax revenues, which were never realized as a result of the Great Recession. The City's fiscal uncertainty compounded in 2011 when the Legislature passed Senate Bill 89 (Chapter 35, Statutes of 2011), which redirected property tax in-lieu of VLF revenues for cities that incorporated after 2004 to close the State's budget gap.<sup>217</sup> At the time, property tax in-lieu of VLF revenues represented about 20 percent of the City budget.

The City's fiscal health has improved in recent years, as the State of California passed Senate Bill 130 in 2017 that restored property tax in-lieu of VFL funding to newly incorporated cities – all of which were in Riverside County (Wildomar, Eastvale, Menifee, and Jurupa Valley).<sup>218</sup> The City's voters also passed Measure AA, which increased the sales tax rate by one percent. The City's property tax in-lieu of VFL and sales tax revenues are discussed in greater detail later in this MSR.

The City had total revenues of \$23.5 million in 2018-19, which included about \$11 million in general tax revenues, an additional \$1.7 million in functional tax revenues, and \$10.7 million in

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<sup>217</sup> Source: Western City, "Neglecting Annexation and Incorporation Will Not Serve the State's Growth Goals," dated March 1, 2013 <https://www.westerncity.com/article/neglecting-annexation-and-incorporation-will-not-serve-states-growth-goals>

<sup>218</sup> Source: League of California Cities, "Governor Signs Legislation Restoring Funding to California's Four Most Recently Incorporated Cities," dated May 12, 2017 <https://www.cacities.org/Top/News/News-Articles/2017/May/Governor-Signs-Legislation-Restoring-Funding-to-Ca>

other non-tax revenues. The City's revenue history for fiscal years 2016-17 through 2018-19 is presented in Figure 162.

Figure 162: Operating Revenue History - Wildomar

Wildomar	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$3,958,455	\$4,169,433	\$4,390,536
Sales Tax	1,666,324	1,780,008	2,872,982
Transient Occupancy Tax	-	-	-
Property Tax in-lieu of VLF	-	2,411,719	2,580,800
Franchise Tax	1,015,225	1,052,007	1,043,768
Business License Tax	-	-	-
Property Transfer Tax	255,868	165,129	154,048
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>6,895,872</b>	<b>9,578,296</b>	<b>11,042,134</b>
Transportation Tax	-	-	1,369,114
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	-	351,537
<b>Total Tax Revenues</b>	<b>6,895,872</b>	<b>9,578,296</b>	<b>12,762,785</b>
Charges for Services	18,614	38,058	76,736
Special Benefit Assessments	653,833	695,003	910,856
Use of Money	10,659	19,431	67,543
Fines and Forfeitures	41,040	45,552	60,182
Licenses and Permits	2,345,877	2,003,201	1,865,635
Intergovernmental	4,041,367	3,990,204	7,092,594
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	1,625,550	877,466	670,434
<b>Total Revenues</b>	<b>\$15,632,812</b>	<b>\$17,247,211</b>	<b>\$23,506,765</b>

Source: California State Controller's Office

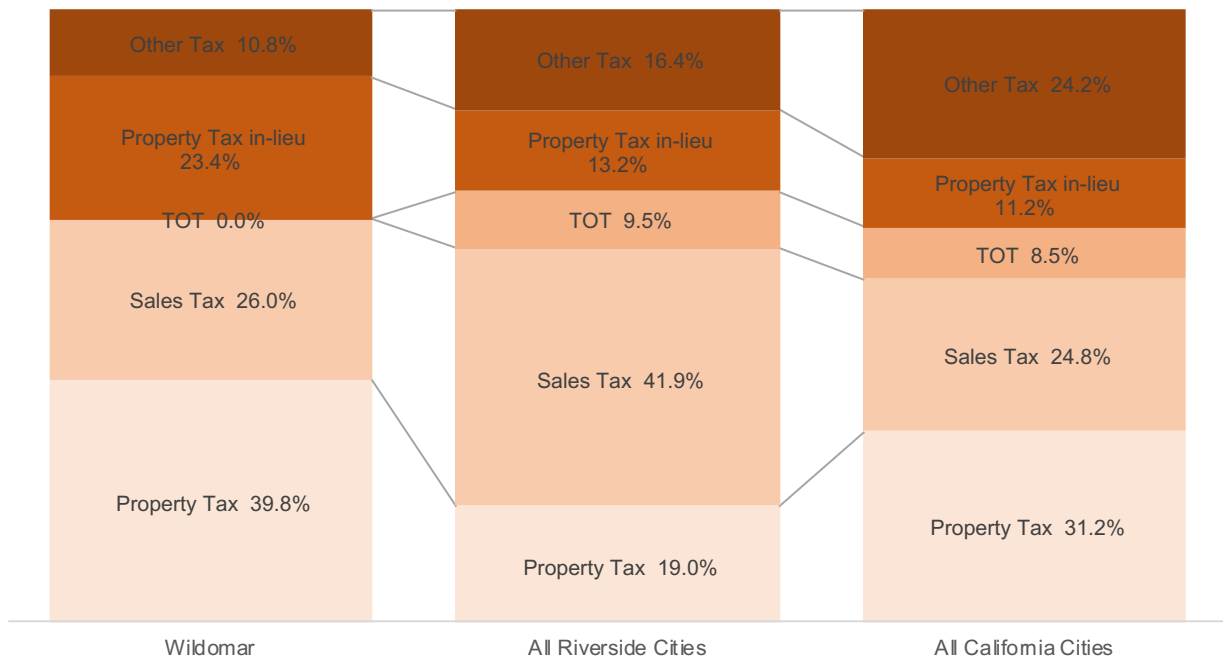
The City's general tax revenues increased to \$11.0 million in 2018-19, representing 47.0 percent of total revenues for the City. Between 2016-17 and 2018-19, the City's general tax revenues grew at an annual rate of 26.5 percent, which was largely due to the restoration of property tax in-lieu of VLF revenues, totaling \$2.4 million in 2017-18 and \$2.6 million in 2018-19. Aside from property tax in-lieu of VLF, which the City identified as a critical funding source, the City's major general tax revenue sources include property tax (\$4.4 million in 2018-19), and sales tax (\$2.6



million). The City's largest non-tax revenue sources included intergovernmental revenues (\$7.1 million in 2018-19) and licenses and permits (\$1.9 million).

The City's three (3) largest general tax revenue sources, including property tax, sales tax, and property tax in-lieu, represented 89.2 percent of general tax revenues. The City's unique general tax profile is presented in Figure 163 and compared to the average general tax revenue profile for cities in Riverside County and California.

Figure 163: General Tax Revenue Comparison - Wildomar



The City's general tax revenue profile is unique, when compared to the average profile for Riverside County and California cities, with large portions – 39.8 and 23.4 percent, derived from property tax and property tax in-lieu of VLF revenues. The proportional shares of each of the City's other revenue sources, including sales tax, transient occupancy taxes, and other taxes, are significantly below average. As a result, the City is heavily reliant on future increases to property valuation and retail sales, which may represent a fiscal risk for the City in the future.

## **Property Tax, Property Tax in-lieu of Motor Vehicle License Fees, and Measure Z**

As previously stated, the City's \$4.4 million in property tax revenues in 2018-19 represented a disproportionately higher share of the City's general tax revenues – accounting for 39.8 percent of general tax revenues. Between 2016-17 and 2018-19, property tax revenues grew steadily at a 5.3 percent annual growth rate. Property tax is assessed at a rate of one percent of the assessed value of land, improvements, and personal property located in Wildomar. In 2018-19, the total net assessed value in Wildomar was nearly \$3.4 billion, which includes about \$1.1 billion in land value and \$2.4 billion in improvement value.<sup>219</sup> The City's \$4.4 million property tax share represents 13.0 percent of property tax collections in Wildomar. The City's share is above average for Riverside County cities, which is about 10.1 percent, and among the highest rates for an incorporated City in the Riverside County.

As previously mentioned, the City's property tax in-lieu of VLF revenues were re-allocated to cure the State of California's budget deficit in 2011 when the State Legislature approved Senate Bill 89. All cities that incorporated in California after 2004, including the cities of Wildomar, Eastvale, Menifee, and Jurupa Valley, when the State originally swapped property tax for vehicle license fees, were heavily impacted by SB 89. It wasn't until 2017, when the State Legislature approved Senate Bill 130, that property tax in-lieu of VLF was restored for newly incorporated cities. This added \$2.4 million to the City's revenues. In 2018-19, the City's property tax in-lieu of VLF revenues grew to nearly \$2.6 million and represented 23.4 percent of general tax revenues. City staff stated that the restoration of property tax in-lieu of VLF, and the approval of Measure AA, which is discussed later in this MSR, were largely responsible for stabilizing the City's fiscal position.

The City closed two (2) small parks in 2011 and transferred operation of a third park, the City's only park with sports fields, to a nonprofit because it was struggling to fund park maintenance and improvements. Also in 2011, voters rejected Measure D, which would have added a \$28

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<sup>219</sup> Source: California City Finance, "Assessed Valuation of Property by City"

parcel tax to fund park maintenance, and the State reallocated property tax in-lieu of VLF revenues, resulting in what amounted to a fiscal disaster for the City. A year later, in November 2012, the City introduced Measure Z, branded as the Wildomar Parcel Tax for Parks, which was approved by 68.6 percent of voters and levied a \$28 per year parcel tax on all parcels in Wildomar.

The City does not have a Master Property Tax Exchange Resolution with the County.<sup>220</sup>

### **Sales Tax, Measure AA**

Sales tax is the City's second-largest revenue source, amounting to \$2.9 million in 2018-19, or 26.0 percent of the City's general tax revenues. Between 2016-17 and 2018-19, the City's sales tax revenues increased at an annual rate of 31.3 percent. The City receives one percent of gross receipts from the sales of tangible personal property sold within Wildomar.

Not reflected in the revenues presented in Figure 162, above, is Measure AA, which was approved by voters in November 2018 and became effective July 2019.<sup>221</sup> Measure AA was approved by 58.5 percent of voters<sup>222</sup> and effectively doubled the City's sales tax rate, adding a one percent transactions and use tax on the sales of all tangible personal property sold within Wildomar. As a result, the City's sales tax revenues increased to \$5.1 million, or a 75 percent increase, in fiscal year 2019-20.

### **Intergovernmental Revenues**

The City receives intergovernmental revenues from County, State and Federal sources. In 2018-19, intergovernmental revenues totaled almost \$7.1 million, or about 30.2 percent of total revenues for the City. In 2018-19, the City had intergovernmental revenues from a variety of funding sources, including gasoline tax (\$1.4 million), unclassified State grants (\$1.2 million),

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<sup>220</sup> Source: Riverside LAFCO

<sup>221</sup> Source: City of Wildomar, "What is Measure AA," accessed on May 18, 2021, <https://www.cityofwildomar.org/cms/One.aspx?portalId=9894827&pageId=15955335>

<sup>222</sup> Source: Ballotpedia, Wildomar California, Measure AA, Sales Tax (November 2018), accessed on May 18, 2021, [https://ballotpedia.org/Wildomar,\\_California,\\_Measure\\_AA,\\_Sales\\_Tax\\_\(November\\_2018\)](https://ballotpedia.org/Wildomar,_California,_Measure_AA,_Sales_Tax_(November_2018))

unclassified Federal grants (\$294,000), community development block grants (\$246,000), homeowners property tax relief (\$44,000), mandated costs (\$14,000). Intergovernmental revenues increased at an annual rate of 32.5 percent between 2016-17 and 2018-19.

### **Licenses and Permits**

The City collected \$1.9 million from license and permit fees in 2018-19, which was the City's second-largest non-tax revenue source. License and permit fees represented 7.9 percent of total revenues in 2018-19, and have decreased over the last three (3) fiscal years at an annual rate of 10.8 percent. The City collected license and permit revenues from unclassified licenses and permits (\$1.6 million), construction permits (\$243,000), and street and curb permits (\$12,000) in 2018-19. While this is not a major revenue source for the City, it is concerning that one of the City's larger revenue sources consistently decreased between 2016-17 and 2018-19.

According to City staff, the revenue decreases correspond with a decrease in development activity. As reported by City staff, development activity increased in 2020-21 and is expected to continue to increase for the next several years. According to City staff, the City updated development impact fees in 2015, and the City's building and safety fees were updated in 2020.

### **Operating Expenditures**

The City's total expenditures in 2018-19 were \$21.8 million, which included about \$6.0 million in capital outlay and \$206,000 in debt service payments. Net of capital outlay and debt service, the City had total operating expenditures of \$15.7 million in 2018-19. Between 2016-17 and 2018-19, total operating expenditures increased at an annualized rate of 13.3 percent.

The City's annual operating expenditures are outlined in Figure 164.

Figure 164: Operating Expenditures - Wildomar

Wildomar	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$1,153,175	\$1,060,055	\$1,116,447
Employee Benefits	506,092	559,936	555,500
Materials and Supplies	-	-	96,282
Contract Services	9,678,381	11,363,570	12,579,358
Other Operating Expenditures	876,790	1,362,610	1,332,173
<b>Total Operating Expenditures</b>	<b>12,214,438</b>	<b>14,346,171</b>	<b>15,679,760</b>
Debt Service	-	218,039	205,529
Capital Outlay	2,142,040	3,411,917	5,951,941
<b>Total Expenditures</b>	<b>\$14,356,478</b>	<b>\$17,976,127</b>	<b>\$21,837,230</b>

Source: California State Controller's Office

Because the City relies on contract services for public safety services, the City's contract service operating expenditures are the single-largest expenditure category, totaling almost \$12.6 million in 2018-19, or about 57.6 percent of total expenditures. By comparison, the average Riverside County and California cities had contract expenditures equivalent to 28.3 and 11.9 percent respectively. City staff reported that the City is currently converting many non-public safety positions from contract to City staff positions.

The City's current expenditures, which are categorized by department or function are presented in Figure 165.

Figure 165: Current Expenditures - Wildomar

Wildomar	2016-17	2017-18	2018-19
General Government	\$2,382,977	\$2,426,128	\$2,608,875
Public Safety	5,488,112	5,968,310	7,995,838
Transportation	1,953,548	3,291,702	2,266,558
Community Development	2,389,801	2,660,031	2,388,244
Health	-	-	9,080
Culture and Leisure	-	-	411,165
Public Utilities	-	-	-
Debt Service	-	218,039	205,529
Capital Outlay	2,142,040	3,411,917	5,951,941
<b>Total Current Expenditures</b>	<b>\$14,356,478</b>	<b>\$17,976,127</b>	<b>\$21,837,230</b>

Source: California State Controller's Office

The City’s public safety expenditures, which represented 51 percent of total expenditures net of debt service and capital outlay, were slightly below average when compared to other Riverside County cities (52.2 percent) and above average when compared to California cities (47.3 percent).

Even with the City’s past actions to increase funding for parks and recreation, which is captured in the SCO’s “culture and leisure” current expenditure category, the City’s 2.7 percent of operating expenditures on culture and leisure lags behind other cities in Riverside County (8.9 percent) and California (10.6 percent).

### Reserve Fund Balance

The City’s 2020-21 budget included about \$994,000 in reserve funds. According to City staff, the City aims to hold reserves equivalent to 15 percent of General Fund expenditures. The City would like to increase the reserve funds to 20 percent in the future, but right now reserves represent just eight (8) percent of General Fund expenditures. The City adopted a reserve policy in 2011.<sup>223</sup>

### Pension and OPEB Obligations

The City participates in the California Public Employees’ Retirement System (“CalPERS”), which provides pensions for most public employees and is earning less on investments. Because retirees are living longer, the State has moved to require cities to provide more funding in the retirement funds. The City’s pension and OPEB obligations are detailed in Figure 166.

Figure 166: Pension and OPEB Obligations - Wildomar

Wildomar	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$389,754	\$363,730	\$418,203
Total OPEB Liability/(Surplus)	298,717	332,542	455,007
Total Benefit Liability/(Surplus)	\$688,471	\$696,272	\$873,210

Source: 2017-18, 2018-19 and 2019-20 ACFR

<sup>223</sup> Source: City of Wildomar, Resolution 2011-20 and 2011-32

Eligible City staff participate in the City's Miscellaneous Plan, which is available for all full-time employees. The Miscellaneous Plan is a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. The City also offers an OPEB plan, which is a defined benefit postemployment healthcare plan that provides medical benefits to eligible retired employees and qualified dependents. In 2019-20, the City's combined pension and OPEB liability was \$873,210. According to City staff, the City's total pension and OPEB liabilities are low as a result of relying on contract staff for most City services.

City staff indicated that as the City converts its positions from contract staff to City staff, pension and OPEB liabilities will increase. The City is currently in the process of establishing trust funds for both pension and OPEB liabilities.

The City's pension indicators, which includes the City's employer contribution compared to the actuarially determined contribution, the covered payroll, and the contribution rate as a percent of covered payroll is presented in Figure 167.

Figure 167: Pension Indicators - Wildomar

Wildomar	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$133,068	\$144,479	\$168,389
Employer Contribution	133,068	144,479	168,389
Covered Payroll	\$1,110,538	\$1,131,704	\$1,291,013
Employer Contribution Rate	12.0%	12.8%	13.0%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City has consistently made employer contributions equivalent to the actuarially determined contributions, and the employer contribution rate consistently increased between 2017-18 and 2019-20.

## Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City.



Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### **California State Auditor Fiscal Health Evaluation**

The City of Wildomar ranked 93 out of 471 jurisdictions and received an overall risk rating of moderate. The City is considered higher risk than 378 peer cities in California, or about 80 percent of cities. The City received low risk ratings on six (6) indicators, including debt burden, pension obligations, pension funding, pension costs, future pension costs, and OPEB obligations. One (1) indicator, revenue trends, was given a moderate risk rating. Three (3) indicators scored high risk ratings, including liquidity, general fund reserves, and OPEB funding.<sup>224</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Wildomar are presented by topic below:

### **1. Population, Growth, and Housing**

Wildomar grew at a faster rate than the County-wide average between 2010 and 2020, and is expected to continue to grow faster over the next 15 to 25 years.

The City's housing production has not kept pace with population growth rates, and the City has failed to produce sufficient very low-, low-, and moderate-income housing units, to meet its RHNA allocation. The City's RHNA allocation increases slightly in the upcoming 6th Cycle.

### **2. Disadvantaged Unincorporated Communities in SOI**

The Wildomar SOI is coterminous with the City's corporate boundary and therefore does not contain any DUCs.

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<sup>224</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

### **3. Present and Planned Capacity of Facilities**

City staff did not identify any deficiencies related to present or planned facility capacity.

### **4. Financial Ability to Provide Services**

While Wildomar has a unique financial history, but with the restoration of property tax in-lieu of VLF and the voter approval of Measure AA, the City is on much firmer fiscal ground going forward.

### **5. Opportunities for Shared Facilities**

The City is considering adding a public works team and will need a new operations center and equipment. There may be opportunities to partner with the County or a neighboring city for this service.

### **6. Accountability for Community Service Needs**

The City updates its website, sends out public notices, maintains an email list, and is active on at least two (2) social networks. City Council meetings are broadcast over two (2) cable television services and are available to stream live online.

The City did not have any audit findings, and has been awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for all audits completed between 2017-18 and 2019-20.

### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is not recommending changes to the Wildomar SOI. RSG's recommendations related to the Wildomar SOI are presented by topic below.

### **1. Present and Planned Land Uses**

Much of Wildomar's coterminous SOI overlaps with MSHCP habitat conservation areas. Exhibit 24 illustrates Wildomar's coterminous SOI and the MSHCP areas.

### **2. Present and Probable Need for Public Facility and Services**

The unsphered and unincorporated area of La Cresta, located to the City's southwest, and illustrated in Exhibit 26, may be considered for addition to the Wildomar SOI. The community's nearest services and commercial business activities are in Wildomar, on Clinton Keith Road. Residents of this area access their homes via Wildomar and may already be utilizing City services, such as parks facilities, and likely also provide fiscal benefits to the City, in the form of sales tax revenues.

### **3. Present Capacity of Public Facilities**

City staff did not identify any deficiencies with present capacity of public facilities located in the SOI.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

Wildomar's coterminous SOI does not contain any DUCs.

## PASS/MOUNTAIN REGION SERVICE REVIEWS

This section of the report covers the municipal service reviews of the four (4) cities in the Pass/Mountain region of Riverside County, presented alphabetically, as follows:

- Banning
- Beaumont
- Calimesa
- San Jacinto

## CITY OF BANNING

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The City of Banning was incorporated in 1913<sup>225</sup> as a general law city. Banning is located in the Mountain Pass Region of the County, sharing a border with Beaumont to the west, the County of San Bernardino to the north, and tribal lands of the Morongo Band of Mission Indians and unincorporated County territory on the east and south. Banning's incorporated area includes 23.2 square miles<sup>226</sup> and a population of 31,125 in 2020<sup>227</sup>. Banning's SOI encompasses another 8.6 square miles<sup>228</sup>, making the combined incorporated City of Banning and SOI a total of 31.8 square miles.

Figure 168 presents a current and projected demographic profile of Banning.

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<sup>225</sup> Source: City of Banning

<sup>226</sup> Source: Riverside LAFCO

<sup>227</sup> Source: California Department of Finance City/County Population Estimates with Annual Percent Change, dated May 1, 2020

<sup>228</sup> Source: Riverside LAFCO

Figure 168: Demographic Profile - Banning

Banning	City	SOI	County
Population as of 2020	31,125	306	2,442,304
Population as of 2010	29,598	290	2,189,641
Annual Pop. Growth Since 2010	0.50%	0.54%	1.10%
Housing Units	12,156	115	867,637
Persons / Housing Unit	2.56	2.66	2.81
Land Area (sq mi)	23.2	8.6	7,206.0
Persons / Square Mile	1,339	36	339
Median Household Income	\$45,139	\$33,554	\$67,369
Projected Population in 2035	37,423		2,995,509
Annual Proj. Growth 2020-2035	1.24%		1.37%
Projected Population in 2045	41,469		3,251,705
Annual Proj. Growth 2020-2045	1.93%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

As illustrated in Figure 168, Banning has experienced moderate growth during the last decade, compared to the County. Banning has a higher population density per square mile compared to the County, and the SOI remains largely undeveloped with a population of 306 and just 13 residents per square mile. Median household incomes in Banning and the SOI are less than median household incomes in the County.

Population projections for Banning anticipate annual growth rates of 1.24 and 1.93 percent through 2035 and 2045. City staff reported that these growth rates may be conservative based on recent commercial and residential development proposals and demand and the City is anticipating growth rates of 2.5 to 3 percent. City staff noted that nearly 10,000 dwelling units are approved for construction.

As shown in Figure 169, Banning has approximately 12,156 residential units, of which more than 75 percent are single-family homes. City staff noted that the City of Banning Adopted Housing Element includes 1,943 additional dwelling units.

Figure 169: Land Use Summary - Banning

Banning		County	
Residential Units	Units	%	%
Single Family	9,177	75.5%	54.8%
Multifamily	1,832	15.1%	43.6%
Mobile Home	1,147	9.4%	1.6%
Total Units	12,156	100.0%	100.0%
New Units Since 2010	12		
Commercial	Gross SF	%	%
Retail	1,290,166	50.7%	26.6%
Industrial	976,977	38.4%	61.8%
Office	278,988	11.0%	9.6%
Other	-	0.0%	2.0%
Total	2,546,131	100.0%	100.0%
New Commercial Since 2010	(25,501)		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Banning includes a variety of land uses, including residential, retail, industrial, and office, but has experienced net negative growth in commercial square footage and has had just 12 net new housing units developed in the ten years prior to 2020. According to City staff, the City issued 879 new residential building permits since April 1, 2020, and approximately 770 of those were completed and sold through December 2021.

Compared to the County, a greater proportion of commercial square footage in Banning is designated for retail uses (over 50 percent). City staff noted that the City added 1,776,797 square feet of industrial space between 2019 and 2021, and 68,789 square feet of commercial space since 2010. There are an estimated 728 businesses in Banning with 7,102 jobs. Over 54 percent of employment (3,841 jobs) in the City is in the services sector (such as hotels and lodging, health



services, and educational institutions), and more than 21 percent of employment (1,497 jobs) is within retail.<sup>229</sup>

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

LAFCO's adopted Banning SOI encompasses an area of approximately 31.8 square miles, consisting of 23.2 square miles within city limits, and 8.6 square miles of unincorporated SOI. The Banning SOI includes eight (8) noncontiguous unincorporated areas on the North and South sides of the City, extending into the foothills below San Gorgonio Mountain (North) and Mount San Jacinto (South) in either direction. The Banning corporate boundary and SOI are illustrated in Exhibit 27.

Approximately 306 persons reside in the Banning unincorporated SOI, compared to about 31,125 within city limits. Banning's SOI is sparsely populated with just 36 persons per square mile compared to the City's density of 1,339 persons per square mile.

The Banning SOI contains one LAFCO-designated DUC, described below:

- DUC1 is commonly known as South Sunset and is located in Banning's southwestern SOI. A portion of DUC1 extends outside of the Banning SOI to the City of Beaumont corporate boundary. Exhibit 27 illustrates the location of DUC1. DUC1 is entirely within the area known as South Bobcat, which the City has expressed interest in being included in the Banning SOI.

Banning's SOI and City boundaries enclose two (2) LAFCO-identified unincorporated islands or pockets (noted as P1a and P1b on Exhibit 27). The City has proposed two (2) SOI expansions, the Morongo/Cabazon SOI amendment illustrated in Exhibit 28 and the South Bobcat SOI amendment illustrated in Exhibit 29. The proposed Morongo/Cabazon SOI amendment would

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<sup>229</sup> Source: ESRI Business Analyst Online

include a DUC. The proposed South Bobcat SOI Amendment would include most of existing DUC1.

Banning's boundaries were reconfirmed in the September 2006 MSR for the Central Valleys, The Pass Area, and Southwestern Riverside County (LAFCO 2005-49-3&5; LAFCO 2005-48-5; LAFCO 2005-47-1&3)("2006 MSR"). The 2006 MSR made determinations regarding parks and recreation, law enforcement, and solid waste diversion that are discussed later in this MSR.

## City of Banning and Sphere of Influence

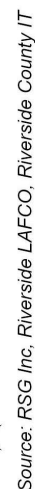
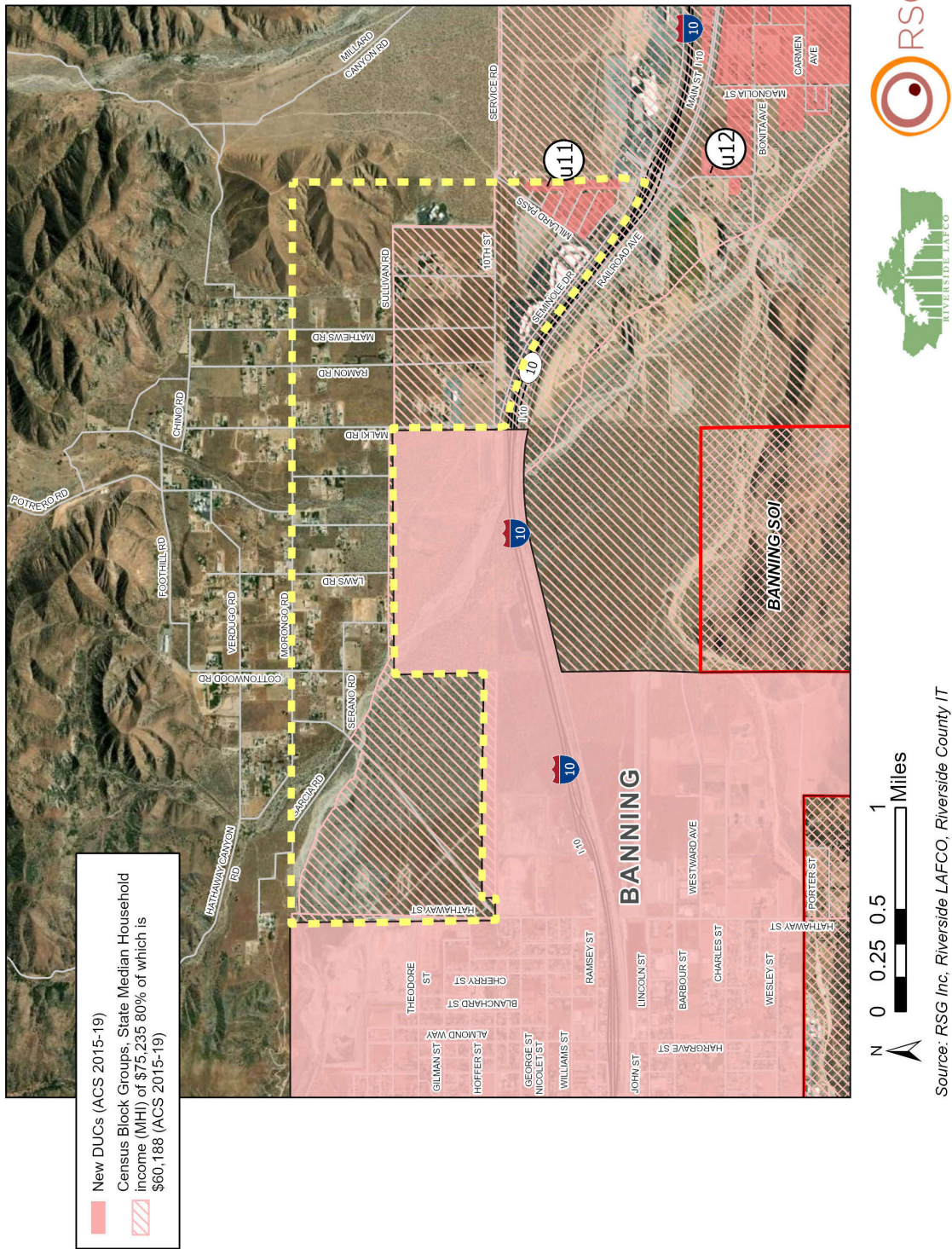




Exhibit 28: Morongo/Cabazon Area (Areas proposed for inclusion in the SOI) - Banning

**City of Banning:  
Morongo/Cabazon Sub-Area**

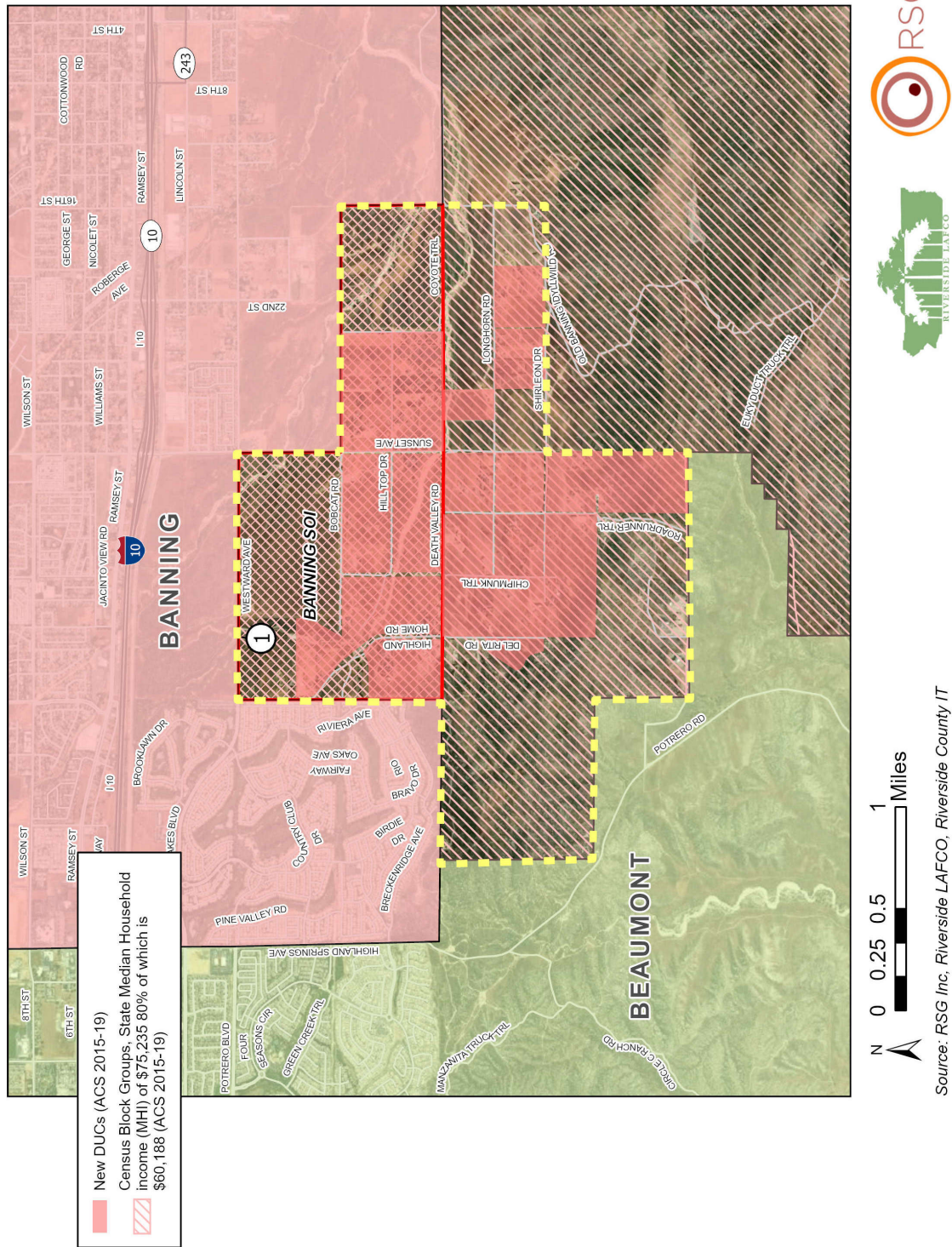


Source: RSG Inc, Riverside LAFCO, Riverside County IT



Exhibit 29: South Bobcat Area (Areas proposed for inclusion in the SOI) - Banning

**City of Banning:  
South Bobcat Sub-Area**



## FORM OF GOVERNMENT AND STAFFING

The City of Banning is organized under a municipal government structure known as a “Council – Manager” form of government. The City Council is comprised of five (5) members elected by districts to four (4) year terms. In 2020, Banning Council Districts 1, 2, and 3 were on the ballot. The City Clerk and City Treasurer are also elected on an at-large basis.

The City Council is responsible for appointing a City Manager and City Attorney. The City Manager is the head of the administrative branch of the City government and reports to the City Council. The City Council also serves as the Board of Directors for the Successor Agency, Housing Authority, and Utility Authority.

Two (2) commissions carry out assignments at the request of the City Council, including the Planning Commission and Parks and Recreation Commission.<sup>230</sup>

The City Manager oversees the day-to-day operations of the City, including a nearly \$20.4 million General Fund expenditure budget<sup>231</sup> with 171 full time positions and 11.3 part time positions<sup>232</sup>. Banning’s only major contract services are with the Riverside County Fire Department/CalFire for fire protection and emergency medical services, and with Waste Management for solid waste collection services.

The City adopts budgets every two (2) years. The City’s FY 2020-21 and 2021-22 Recommended Budget features the slogan “Endless Opportunity”. The City proudly promotes it’s core values as (1) customer service excellence, (2) integrity, (3) teamwork, and (4) yes-minded.<sup>233</sup>

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<sup>230</sup> Source: City of Banning

<sup>231</sup> California State Controller's Office FY 2018-19

<sup>232</sup> City of Banning FY 20-21 and 21-22 Recommended Budget

<sup>233</sup> City of Banning FY 20-21 and 21-22 Recommended Budget, “Budget Processes, Policies, and Fund Structures”

## SERVICES PROVIDED

City of Banning staff provide law enforcement, general government, building and planning, housing, code enforcement, parks and recreation, streets, streetlights, lighting, electric, water, and wastewater utility services, stormwater draining, and innovation and technology services. The City also provides airport services. City staff noted that the City also provides transit services, which are not covered in this MSR. This section provides detailed descriptions of municipal services provided within Banning by the City or other service providers. Figure 170 presents a matrix summarizing the services provided by the City of Banning and other service providers.

Figure 170: Service Provider Matrix - Banning

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Housing Authority										
Code Enforcement	Police Department										
Animal Control	Animal Control Services										
Parks and Recreation	Parks and Recreation, Regional Parks										
Library	Banning Library District										
Museum	Regional Parks										
Landscape Maintenance	LMD										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	Utility Fund										
Lighting	Utility Fund										
Utilities	So Cal Gas, Banning Utility Authority										
Solid Waste	Waste Management										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Administrative Services, Frontier										
Airport	Public Works										
Cemetery *	Summit Cemetery District										
Healthcare *	San Geronio Pass Memorial Hospital District										
Water *	Water Utility, San Geronio Pass Water Agency										
Wastewater *	Wastewater Department										

\* Not included in this MSR

## Government Services

General government services are provided by elected officials and City management. The City Manager's and City Clerk's offices include four (4) full time equivalent personnel. The City Manager serves as the chief administrator of the city, responsible for coordinating with various



city services, preparing proposals for City Council consideration, and implementation of City Council policies. The City Clerk is responsible for management of all official records, administration of municipal elections, preparation and distribution of Council agendas and minutes, legal public notices, and maintenance of the municipal code.

## **Law Enforcement**

The Banning Police Department provides law enforcement services within the City of Banning. The Police Department has 36 sworn officers, eight (8) dispatchers, one (1) part-time cadet, three (3) code enforcement officers, two (2) animal control officers, and six (6) civilian staff between the Police Department and Dispatch services. According to City staff, of the 36 sworn officers, three (3) are paid in part by the school system (70 percent), and are assigned to work in the schools. The Police Department provides patrol, dispatch, crime prevention, investigation, records management, crime analysis, community services, and code enforcement services. The Police Department headquarters is located at 125 East Ramsey Street in Banning.

The 2006 MSR included the following determinations:

- The City was providing law enforcement services with a law enforcement personnel ratio below the agency's adopted standards of 1.4 sworn officers per 1,000 people.

City staff did not provide an update on the current ratio, but commented that it could not cite this standard and the information was inconsistent with City records.

## **Fire Protection**

The City contracts with the Riverside County Fire Department/CalFire for fire protection and prevention services. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies,

information on ordinances and standards for construction, and information bulletins and standards for fire protection.

The City disbanded its in-house fire department in 1998.<sup>234</sup> According to City staff, there have been internal discussions about returning fire protection services in house, but staff acknowledges that the City likely could not provide the level of service that is currently being provided by the County and CalFire. In the context of the high level of service provided by the County and CalFire, the costs are considered reasonable.

Fire Stations 35 and 89 are within Banning and are owned by the City. City staff reported that Station 35 is currently not used by the County/CalFire – this facility is being used by the City for storage. Station 89 is located near City Hall and provides service to the Eastern portion of Banning. Station 20 is located in the City of Beaumont and provides service to the Western and Southern portions of the City. According to City staff, there is a strong need for a new fire station in the southern portion of the City, where the bulk of proposed and future development is likely to occur.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux Community Services District. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

### **Emergency Medical**

The Riverside County Fire Department/CalFire provides emergency medical services in Banning. Refer to the previous Fire Protection section for additional information about the Riverside County Fire Department/CalFire.

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<sup>234</sup> Source: City of Banning website

## **Building/Planning and Housing**

The City of Banning's Community Development Department provides building, planning and housing services in the City. Building services provided by the Community Development Department include development and implementation of construction standards, plan review, building permit issuance, and construction inspections. The department also provides planning services including facilitating development through review and ensuring development complies with current zoning codes, implementation of community plans, preservation of architectural or historical landmarks, and provision of zoning information to members of the community. The department includes 3.5 full time equivalent personnel for planning services and 4.5 full time equivalent personnel for building and safety services.

The City is actively transitioning towards bringing building and planning services in house. Land use planning and building safety services are currently performed by outside contractors. According to staff, plans are sent out to contractors for plan check services as well.

The City has a Housing Authority but with limited housing funds, and is not actively providing housing services.

## **Code Enforcement**

Banning's Police Department provides Code Enforcement services in the City. The division includes 3 full-time equivalent employees and is responsible for enforcement of all City and State codes, abandoned vehicle abatement, weed abatement, illegal dumping abatement, zoning violations, and any other unsafe conditions in the City.

## **Animal Control**

The City Council recently approved bringing animal control services under the City's jurisdiction. As of May 2022, City staff noted that animal control services are now provided by the City. The previous service provider was the Riverside County Department of Animal Services, under contract with the City.

## **Parks and Recreation**

The Banning Parks and Recreation Department (formerly the Community Services District) is responsible for parks and recreation services. The department includes 12.81 full time equivalent personnel and oversees the operations of the aquatic center, senior center, and six (6) city parks. The department provides recreation, aquatics, senior services, park development and maintenance, and special events services.

The Riverside County Regional Parks and Open Space District provides parks and recreation services. The district provides regional park services to more than 658 square miles and over 419 miles of planned trails. In Banning, the district manages the Bobcat Trail and Gilman Ranch and Museum.

The 2006 MSR included the following determinations:

- The City of Banning was providing parkland acreage at a ratio that is below the agency's adopted standards.
- The City does not have a Quimby Ordinance for the acquisition of parkland. Implementation of a Quimby Ordinance would be a financing opportunity for the City because it can be implemented separately from a Parkland Development fee and provide additional funding for the acquisition of parkland.

City staff did not provide an update on the 2006 MSR determinations.

## **Library**

The Banning Library District is an independent special district that collects tax assessments to fund library activities and services in Banning. The district was founded in 1916 and is governed by an independent board of governors. The district provides books and other reading materials, historical materials, computer and internet access, and children and teen reading programs.

## **Museum**

The Riverside County Regional Parks and Open Space District operates and maintains the historic Gilman Ranch and Wagon Museum. The district is a dependent special district that collects special tax assessments, and provides operation and maintenance services to all County parks and open spaces, including museums and other historical sites. The Gilman Ranch and Wagon Museum preserves, celebrates and interprets the history of the late 1800's in California.

## **Landscape Maintenance**

The City of Banning created Landscape Maintenance Assessment Districts, which are small dependent districts that receive a special property tax assessment, to provide landscape maintenance services. The district funds 0.28 full time equivalent personnel and is responsible for maintenance of landscaping installed in public right-of-way within the district boundary. The Banning Public Works department oversees the operations and an Engineer's report is prepared annually that determines the assessment on a parcel basis.

## **Streets and Road Maintenance**

The Banning Public Works department includes 6.25 full time equivalent personnel dedicated to street maintenance and funded through the Gas Tax. The division is responsible for maintenance and operation of streets, traffic controls, and related public works facilities.

## **Streetlights and Lighting**

The Banning Electric Utility Department provides electricity for all public streetlighting services in Banning. The department is a non-profit publicly-owned retail energy distribution utility, and is a member of the Southern California Public Power Joint Powers Authority. The department includes 30.63 full time equivalent personnel responsible for providing operations and maintenance of streetlights in the City.

The City's Public Works Department maintains and operates all public street lights in the City.

## **Utilities (Gas, Electric)**

Southern California Gas Company provides natural gas services in Banning.

The Banning Electric Utility Department provides electricity services in Banning, including power delivery, power line maintenance, and billing services. The department operates six (6) distribution substations and about 134 miles of electricity lines in the City. The department was previously discussed under Streetlights and Lighting.

Although not covered in this MSR, the City noted that water and wastewater services are provided through a publicly-owned and -operated utility.

## **Solid Waste**

The City has a franchise agreement in place with Waste Management for solid waste collection services. Waste Management is a private company that provides solid waste disposal and recycling services to Banning residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers.

The 2006 MSR included the following determinations:

- The City was diverting less solid waste than is required by the California Public Resources Code (PRC 41780).

City staff commented that the City's annual report indicates the City has been within the target over the last several years.

## **Storm Drainage**

The Riverside County Flood Control and Water Conservation District provides storm drainage services in Banning, including construction of flood control structures and facilities, regulation of drainage development, and maintenance and operation of completed storm drain structures. The district is a large dependent special district that was created in 1945 and is governed by the

Riverside County Board of Supervisors. The district provides storm drainage services to about 40 percent of the County of Riverside.

The Banning Public Works department is responsible for overseeing the City's Municipal Storm Water Permit Program.

### **Innovation and Technology**

The City of Banning Information Technology Division provides information and data services across all departments underneath the City's umbrella. IT is operated as an internal service fund and is staffed with four full-time employees including 1 manager and 3 analysts.

### **Airport**

The City of Banning owns and operates the Banning Municipal Airport. The City oversees the Banning Airport Fund which provides funding for the airport and 0.98 full time equivalent personnel. The airport is an element of the national and local transportation system, which significantly impacts the economic development of the City. The airport fund reflects revenues, expenditures and proposed capital improvements that are integral to planning and operations of the airport.

The airport runway is 4,800 feet long and suitable for small aircraft landing. In order to accommodate small jet aircraft, the runway would need to be extended to 5,280 feet. However, the expansion of the physical boundaries of the airport facility will require approval by the Morongo Band of Mission Indians since it borders on reservation lands, as well as Federal approvals. According to city staff, the airport currently costs more than \$250,000 annually to maintain operations and the City Council has been working on closing the airport for about 20 years.

### **Extraterritorial Services Provided**

Per City staff, the City of Banning provides water service to the Mountain Air area of the County, and transit service is provided to the Cabazon area of the County. The City has mutual aid



agreements for Law Enforcement with adjacent jurisdictions, including the City of Beaumont, the Morongo Band of Mission Indians, and the County of Riverside. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City maintains a Capital Improvement Plan that outlines major proposed capital projects in the City that are likely to be funded within a two (2) year period. The City also maintains a longer-term 5-year Capital Improvement Plan that includes projects that are likely to move forward during that time frame, but where funding may not yet be identified. The City's planned and in-progress capital projects include street rehabilitation, water pipeline replacement, electricity infrastructure replacement and upgrades, wastewater improvements, and intersection improvements. According to City staff, most or all of the projects are funded and moving forward.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

The City of Banning submitted its 5<sup>th</sup> Cycle Housing Element to HCD on January 20, 2015 and the Housing Element was reviewed and designated in compliance with Housing Element Law by HCD on March 19, 2015.<sup>235</sup> Also in compliance with the law, the City submitted Housing Element Annual Progress Reports consistently between 2013 and 2019.<sup>236</sup>

The City has made very little progress towards meeting its 5<sup>th</sup> Cycle RHNA allocation, as outlined in Figure 171, with virtually no housing production. The City's total 5<sup>th</sup> Cycle RHNA allocation was 3,792 housing units, and the City produced only ten (10) units.

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<sup>235</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>236</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 171: 5th Cycle Housing Element Summary - Banning

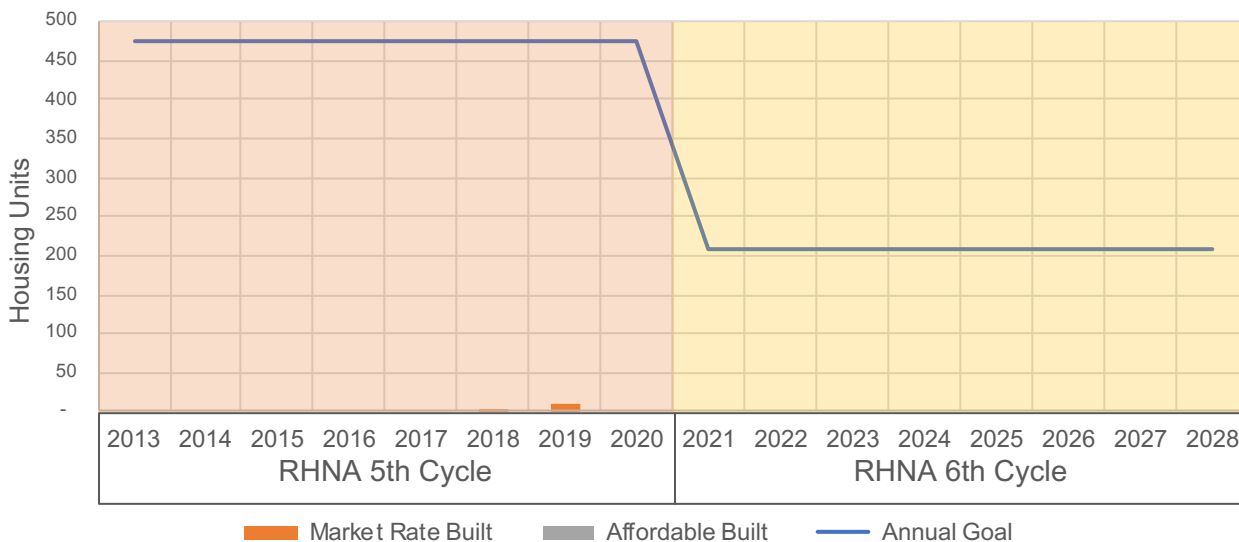
Banning 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	872	593	685	1,642
Permitted Units	0	0	0	10
Allocation Surplus/(Shortage)	(872)	(593)	(685)	(1,632)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The upcoming RHNA 6<sup>th</sup> Cycle covers the planning period between October 2021 and October 2029. The 6<sup>th</sup> Cycle RHNA allocation for the City of Banning is for a total of 1,668 units, which is just 44% of the previous 5<sup>th</sup> Cycle RHNA allocation. City staff noted that the City Council recently adopted the 6<sup>th</sup> Cycle Housing Element.

Figure 172 illustrates the change in annual production from the 5<sup>th</sup> Cycle to the 6<sup>th</sup> Cycle. The annual goal represents one-eighth of the full-cycle RHHA allocation. Market rate and affordable unit production during the 5<sup>th</sup> Cycle are presented as well.

Figure 172: 5th and 6th Cycle RHNA Allocation and Production - Banning



Banning is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed

housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>237</sup>

## FISCAL HEALTH

The sections that follow evaluate the City's fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. The City's net position is presented in Figure 173 as annual revenues less expenditures between 2016-17 and 2018-19. The City had surpluses in 2016-17 and 2018-19, but recorded a deficit of \$1.5 million in 2017-18, which amounts to about 8.0 percent of annual revenues.

Figure 173: Net Position - Banning

Banning	2016-17	2017-18	2018-19
Total General Tax Revenues	\$9,780,034	\$10,382,129	\$11,183,213
Other Tax Revenues	582,263	596,651	658,102
Other Revenues	8,381,280	7,372,724	9,098,689
<b>Total Revenues</b>	<b>18,743,577</b>	<b>18,351,504</b>	<b>20,940,004</b>
Total Operating Expenditures	15,880,365	17,373,221	18,227,924
Debt Service	657,536	517,945	517,457
Capital Outlay	1,203,917	1,936,697	1,628,584
<b>Total Expenditures</b>	<b>17,741,818</b>	<b>19,827,863</b>	<b>20,373,965</b>
<b>Net Position</b>	<b>\$1,001,759</b>	<b>(\$1,476,359)</b>	<b>\$566,039</b>

Source: California State Controller's Office

## Operating Revenues

As illustrated in Figure 174, in the City's last audited fiscal year of 2018-19, revenues exceeded \$20.9 million.

<sup>237</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

Figure 174: Operating Revenue History - Banning

Banning	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$2,509,138	\$2,600,104	\$2,763,800
Sales Tax	2,939,742	3,282,042	3,506,366
Transient Occupancy Tax	857,435	854,928	895,887
Property Tax in-lieu of VLF	2,222,606	2,359,484	2,459,975
Franchise Tax	917,089	939,417	976,816
Business License Tax	174,324	189,629	175,382
Property Transfer Tax	84,235	109,985	106,332
Utility User Tax	-	-	-
Other Tax Revenues	75,465	46,540	298,655
<b>Total General Tax Revenues</b>	<b>9,780,034</b>	<b>10,382,129</b>	<b>11,183,213</b>
Transportation Tax	582,263	596,651	658,102
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	-	-
<b>Total Tax Revenues</b>	<b>10,362,297</b>	<b>10,978,780</b>	<b>11,841,315</b>
Charges for Services	3,535,798	2,133,410	3,747,125
Special Benefit Assessments	479,364	461,835	570,626
Use of Money	637,294	731,325	1,006,328
Fines and Forfeitures	-	-	-
Licenses and Permits	367,175	389,807	505,720
Intergovernmental	2,831,394	2,796,933	2,347,296
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	530,255	859,414	921,594
<b>Total Revenues</b>	<b>\$18,743,577</b>	<b>\$18,351,504</b>	<b>\$20,940,004</b>

Source: California State Controller's Office

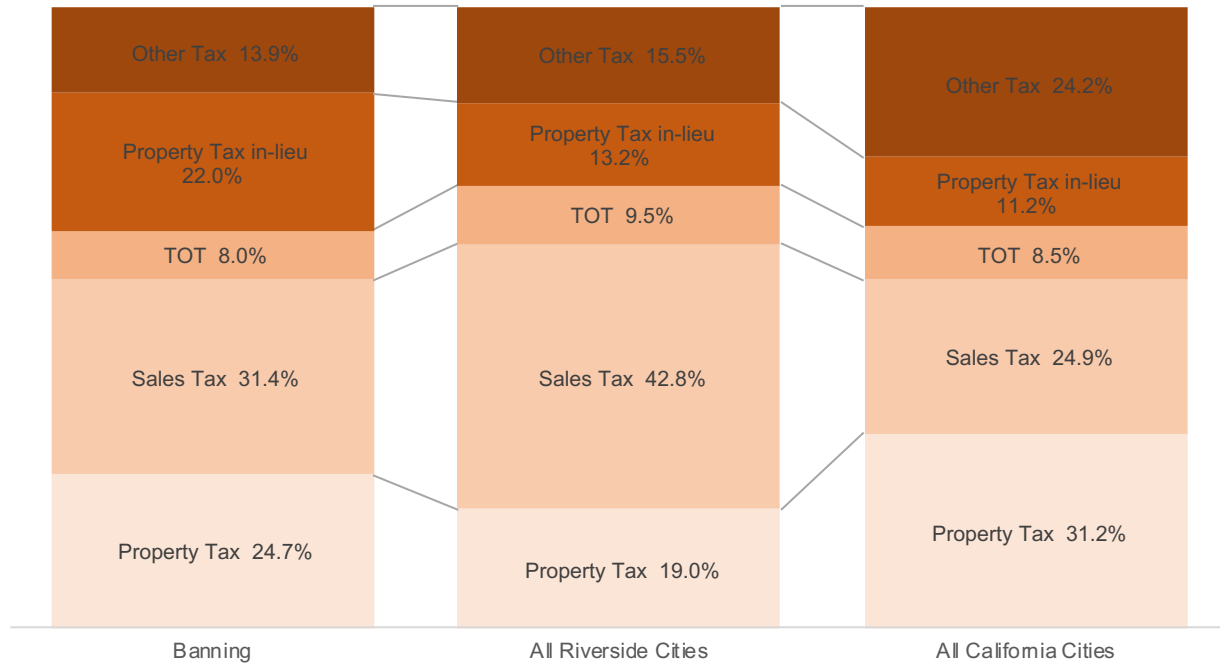
General tax revenues represent approximately 53 percent of total revenues collected by the City in 2018-19, inclusive of property tax, sales tax, transient occupancy tax, property tax in-lieu of VLF, franchise tax, business license tax, property transfer tax, and other tax. The largest tax revenues as a proportion of all general tax revenues in Banning are sales tax (31.4 percent), property tax (24.7 percent), and property tax in-lieu of VLF (22.0 percent).

After tax revenues, Banning's largest revenue sources are charges for services (\$3.7 million), intergovernmental (\$2.3 million), and use of money (\$1 million).

When compared to all other Riverside cities and California cities, Banning receives disproportionately more property tax in-lieu of VLF. Most other major tax revenues are within the

range of Riverside and California cities. The City’s share of tax revenues compared to all other Riverside and California cities is presented in Figure 175.

Figure 175: General Tax Revenue Comparison - Banning



### Property Tax and Property Tax in-lieu of Motor Vehicle License Fees

Banning contains land, improvements, and personal property with a combined secured and unsecured assessed valuation of more than \$2.2 billion (2018-19), including more than \$646 million in land value and \$1.6 billion in improvements.<sup>238</sup> With about \$2.7 million in combined secured and unsecured general property tax revenues in 2018-19, the City receives an estimated 12.2 percent of property tax revenues collected within City limits.

Banning and the County have a Master Property Tax Exchange Agreement in place, dating back to 1981.<sup>239</sup>

<sup>238</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>239</sup> Source: Riverside LAFCO

## **Sales Tax**

Cities receive one percent of gross receipts from the sale of tangible personal property sold within their municipalities. Approximately 31.4 percent of general tax revenues collected by the City are derived from sales tax revenues.

## **Transient Occupancy Tax**

The City has a 12 percent transient occupancy tax, applied to overnight occupancies of hotels in Banning. Historically, the City has collected between \$800,000 and \$900,000 in transient occupancy taxes annually.<sup>240</sup>

## **Charges for Services**

The City's charges for services account for about 17.9 percent of total revenues, or about \$3.7 million in 2018-19. According to city staff, fees for services are largely insufficient. Various fee studies have been performed or are in progress, including rate studies for electricity. Over the last decade, the Council has neglected to allow nominal CPI-based increases to fees because the community is considered distressed.

## **Intergovernmental**

The City reported intergovernmental revenues of about \$2.3 million in 2018-19. Intergovernmental revenue sources include gas tax, community development block grant, air quality management district air pollution program, asset forfeiture, supplemental law enforcement, and park development.

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<sup>240</sup> Source: California City Finance, "Transient Occupancy Tax by City"

## Operating Expenditures

Total operating expenditures ranged from \$17.7 million in 2016-17 to \$20.4 million in 2018-19.

Figure 176 presents Banning's annual operating expenditures.

Figure 176: Operating Expenditures - Banning

Banning	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	6,916,538	6,472,501	7,498,783
Employee Benefits	3,287,585	4,151,512	3,511,527
Materials and Supplies	106,115	178,333	237,611
Contract Services	3,214,657	5,645,963	4,598,836
Other Operating Expenditures	2,355,470	924,912	2,381,167
<b>Total Operating Expenditures</b>	<b>15,880,365</b>	<b>17,373,221</b>	<b>18,227,924</b>
Debt Service	657,536	517,945	517,457
Capital Outlay	1,203,917	1,936,697	1,628,584
<b>Total Expenditures</b>	<b>17,741,818</b>	<b>19,827,863</b>	<b>20,373,965</b>

Source: California State Controller's Office

The largest operating expenditure categories for the City include salaries and wages (\$7.5 million) and contract services (\$4.6 million). In 2020-21, the City of Banning reported 189.3 full time equivalent personnel.

The single-largest expenditure category in Banning is for public safety, accounting for more than \$11.1 million in 2018-19, or about 54.7 percent of total current expenditures. The City's current expenditures by function or program between 2016-17 and 2018-19 are provided in Figure 177.

Figure 177: Current Expenditures - Banning

Banning	2016-17	2017-18	2018-19
General Government	2,341,309	2,408,670	2,664,332
Public Safety	10,052,701	11,011,791	11,154,724
Transportation	918,170	1,379,680	1,285,522
Community Development	1,506,761	1,448,087	1,912,303
Health	3,000	3,000	3,000
Culture and Leisure	1,058,424	1,121,993	1,208,043
Public Utilities	-	-	-
Debt Service	657,536	517,945	517,457
Capital Outlay	1,203,917	1,936,697	1,628,584
<b>Total Current Expenditures</b>	<b>17,741,818</b>	<b>19,827,863</b>	<b>20,373,965</b>

Source: California State Controller's Office



If debt service and capital outlay is removed from expenditures, public safety represents more than 61.2 percent of departmental expenditures. Compared to all other cities in Riverside County (52.2 percent) and California (47.3 percent), the City of Banning has disproportionately higher public safety expenditures. All other departmental expenditure categories are relatively similar to the average Riverside and California cities.

### Reserve Fund Balance

RSG relied on the City's 2018-19, 2019-20 and 2020-21 adopted budgets for reserve policies and balances. The City's target reserve is a minimum of \$1.5 million or up to 25% of annual operating appropriations. The last annual budget reported a reserve of \$5 million, which is considered in compliance with the City's reserve balance goal. According to City staff, the current COVID-19 crisis has forced the City to use a substantial portion of its reserves to maintain service levels, and it will take a few budget cycles to build up reserves again.<sup>241</sup>

### Pension and OPEB Obligations

All qualified City personnel are eligible to participate in either the City's Miscellaneous Plan or Safety Plan. As of 2019-20, the City had a \$42.9 million pension liability. City staff acknowledged a need to put a plan in place to start reducing the liability. Banning does not have any OPEB liabilities.

The City of Banning's pension and OPEB obligation accounting is outlined in Figure 178.

Figure 178: Pension and OPEB Obligations - Banning

Banning	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$40,084,731	\$39,819,912	\$42,886,126
Total OPEB Liability/(Surplus)	-	-	-
Total Benefit Liability/(Surplus)	\$40,084,731	\$39,819,912	\$42,886,126

Source: 2017-18, 2018-19 and 2019-20 ACFR

<sup>241</sup> Source: City of Banning, 2019-20 Budget

Figure 179 illustrates the City's pension indicators, including the contribution rate compared to the actuarially determined contribution, the total covered payroll, and the employer contribution rate.

Figure 179: Pension Indicators - Banning

Banning	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$3,462,445	\$3,983,126	\$4,655,127
Employer Contribution	3,462,445	3,983,126	4,655,127
Covered Payroll	\$11,158,730	\$12,390,376	\$12,450,482
Employer Contribution Rate	31.0%	32.1%	37.4%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City has historically made actuarially determined minimum contributions and the contribution rate is consistently around one-third of covered payroll, similar to the County average. The City has increased its employer contribution rate during the timeframe.

### Annual Audit Findings

The ACFRs from FY 2017-18 through 2019-20 did not present any findings and stated that Banning's financial statements accurately presented the financial position of the City.

### California State Auditor Fiscal Health Evaluation

The State Auditor ranked the City of Banning 252 out of 471 cities, considering it less risky than 54 percent of California cities, with an overall risk assessment classification of low risk. Five (5) indicators were given a low-risk rating, including liquidity, general fund reserves, pension costs, OPEB obligations, and OPEB funding. Four (4) indicators were given moderate-risk ratings, including debt burden, pension obligations, pension costs, and future pension costs. Pension funding was the only indicator to receive a high-risk rating.<sup>242</sup>

<sup>242</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

## **MSR DETERMINATIONS**

Requisite CKH determinations for the City of Banning are presented by topic below:

### **1. Population, Growth, and Housing**

Banning is expected to see growth in population and housing in the coming decades. According to City staff, growth is likely to exceed the projections by SCAG. According to SCAG, population growth is expected to be two to three times greater than recent trends. City staff indicated that there are several projects in the planning and pre-development phases, suggesting that there is substantial growth and development opportunity within the City's existing boundaries. There are also development opportunities within the City's SOI.

In the RHNA 5<sup>th</sup> Cycle, Banning fell well short of reaching production housing goals, producing only ten (10) units of new housing. The City will need to significantly increase housing production to meet current and future demand.

### **2. Disadvantaged Unincorporated Communities in SOI**

The Banning SOI contains one DUC, known as South Sunset. A portion of DUC1 extends outside of the Banning SOI to the City of Beaumont corporate boundary. City staff indicated that the City provides water services to the Mountain Air area of the County.

### **3. Present and Planned Capacity of Facilities**

Based on conversations with City staff, there is a wide range of infrastructure quality, with streets ranging from very good to poor condition. Reportedly, the City's electric utility has done a good job of maintaining facilities and equipment. With that said, the electric utility administration building is in poor shape and is undersized. The City has reached or exceeded maximum capacity of City Hall and is actively looking for expansion. Because the County/CalFire is not utilizing one of the City-owned fire stations, this was identified as a potential location for expansion of City Hall operations. City staff also stated that there is a need for a fire station on the south side of Interstate 10, which is where a lot of the recently

completed and proposed housing developments are located. Per City staff, the Wastewater Treatment Plant has been and is expected to operate well under its maximum capacity.

#### **4. Financial Ability to Provide Services**

While the City has recently utilized some reserve funds during the COVID-19 pandemic, it has an established reserve policy and has historically maintained an adequate reserve. As identified by the California State Auditor, however, debt burden, revenue trends, pension obligations, future pension costs, and pension funding are considered moderate or high risk.

According to City staff, the revenue trends may be alleviated with future growth in cannabis taxes or planned developments.

#### **5. Opportunities for Shared Facilities**

Banning shares a city-owned fire station with the County/CalFire for fire suppression and emergency medical services. Because the City has identified a need for a fire station south of Interstate 10, there may be an opportunity to develop a facility for use by the County/CalFire.

No other shared facility operations were identified by RSG.

#### **6. Accountability for Community Service Needs**

Banning uses district elections, which is regarded among best practices for increasing electoral accountability. The City has implemented the OpenGov platform, which brings transparency to the City's financial standing. Prior to the COVID-19 pandemic, the City's elected officials would host regularly scheduled "Coffee with a Councilmember" in an attempt to expose elected officials to the citizens in their respective district. They also utilize various social media platforms to release information to the community.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is not recommending any changes to the Banning SOI. Large areas of the Banning SOI, particularly along the northern city boundary, may be undevelopable and service delivery may be difficult or impossible due to mountainous terrain and the Whitewater flood channel. The southern SOI areas may be more accommodative to future development.

The City has expressed interest in two (2) SOI amendments to the southern border. Both proposed SOI expansions would designate existing DUCs, or portions thereof, for future annexation. Almost all of the Morongo/Cabazon area, which is illustrated in Exhibit 28, would overlap the existing Morongo Reservation boundaries. The South Bobcat area, along the City's southern border, is illustrated in Exhibit 29. We recommend that City and LAFCO engage in further conversations to understand the intent and possibility of the proposed SOI expansions.

There are two (2) LAFCO-identified unincorporated pockets in Banning, illustrated in Exhibit 27, which RSG discussed with City staff, and are briefly described as follows:

- P1a – this is a residential area known as the Black Bench. There was a development proposal in this area in 2006, but it was met with resistance from the community<sup>243</sup>. This pocket is entirely surrounded by the City's corporate boundary and SOI.

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<sup>243</sup> Source: Record Gazette "Black Bench: Banning's Development Drama" dated April 12, 2006. [https://www.recordgazette.net/news/black-bench-bannings-development-drama/article\\_b3c1c432-0f48-532e-9206-df9385e1b635.html](https://www.recordgazette.net/news/black-bench-bannings-development-drama/article_b3c1c432-0f48-532e-9206-df9385e1b635.html)

- P1b – this is a residential area known as the Banning Bench. According to City staff, Banning may have challenges trying to provide services to this area. This pocket is entirely surrounded by the City's corporate boundary and SOI.

RSG's recommended determinations related to the Banning SOI are presented by topic below:

#### **1. Present and Planned Land Uses**

Most of the Banning SOI is undeveloped rural land.

#### **2. Present and Probable Need for Public Facility and Services**

City staff did not indicate a present or probable need for public facility or service improvements.

#### **3. Present Capacity of Public Facilities**

City staff did not identify any deficiencies with public facilities in the Banning SOI. City staff noted that as properties in the SOI are annexed over time, the City's facilities and services would not be degraded.

#### **4. Social or Economic Communities of Interest**

The Western Desert Municipal Advisory Council area and tribal lands are located to the east of the City's corporate boundary. The San Geronio Pass Municipal Advisory Council area is located to the south of the City's corporate boundary.

#### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Banning SOI contains one DUC. A portion of DUC1 extends outside of the Banning SOI to the City of Beaumont corporate boundary. City staff indicated that it does not currently extend services into DUC1. DUC1 is within the South Bobcat area, illustrated in Exhibit 29, and the City is has expressed interest in adding this area to the Banning SOI.

## CITY OF BEAUMONT

The City of Beaumont was incorporated in 1912 as a general law city<sup>244</sup>. Beaumont is located in the Mountain Pass Region of the County and shares borders with Banning to the east, Calimesa to the west, and unincorporated County of Riverside to the north and south. Beaumont's incorporated area includes 30.9 square miles<sup>245</sup> with a population of 51,475 in 2020<sup>246</sup>. Beaumont's SOI encompasses another 11.2 square miles<sup>247</sup>, making the combined incorporated City of Beaumont and SOI a total of 42.1 square miles.

Figure 180 presents a current and projected demographic profile of Beaumont.

Figure 180: Demographic Profile - Beaumont

Beaumont	City	SOI	County
Population as of 2020	51,475	212	2,442,304
Population as of 2010	36,936	158	2,189,641
Annual Pop. Growth Since 2010	3.37%	2.98%	1.10%
Housing Units	16,909	91	867,637
Persons / Housing Unit	3.04	2.33	2.81
Land Area (sq mi)	30.9	11.2	7,206.0
Persons / Square Mile	1,666	19	339
Median Household Income	\$78,048	\$27,696	\$67,369
Projected Population in 2035	74,243		2,995,509
Annual Proj. Growth 2020-2035	2.47%		1.37%
Projected Population in 2045	80,171		3,251,705
Annual Proj. Growth 2020-2045	3.00%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>244</sup> Source: City of Beaumont

<sup>245</sup> Source: Riverside LAFCO GIS

<sup>246</sup> Source: California Department of Finance City/County Population Estimates with Annual Percent Change, dated May 1, 2020

<sup>247</sup> Source: Riverside LAFCO GIS



As shown in Figure 180, Beaumont has experienced significant growth in the last decade and growth is expected to continue through 2035 and 2045. Beaumont's growth rate in the last decade was more than three (3) times the County-wide growth rate. Much of Beaumont's SOI is undeveloped with a population of just 212 and, while it's a small sample size, the Beaumont SOI has very low median household incomes compared to the City and County as a whole.

Future projections for Beaumont expect annual growth rates of 2.47 and 3.00 percent through 2035 and 2045. While City staff believe that these projections may be slightly high, Beaumont's population is likely closer to 62,000. City staff has extrapolated the estimated population based on building permits, housing trends, and assumptions about housing dispersion and competition.

Beaumont has many different land uses, including single- and multi-family residential, mobile homes, retail, industrial and office. Over the last decade, Beaumont has more than doubled its commercial square footage, largely due to significant industrial, warehouse, and logistics developments. Compared to the County, Beaumont has a disproportionate amount of single-family homes and mobile homes, and a much smaller proportion of multi-family residential units.

As shown in Figure 181, Beaumont has 14,577 single-family housing units, 1,809 multifamily units, and 523 mobile homes. Over the last decade, more than 4,000 new units have been built. After significant growth in warehouse and logistics space in and around Beaumont over the last decade, the City now has a disproportionate amount of industrial space compared to the County (nearly 76 percent).

Figure 181: Land Use Summary - Beaumont

Beaumont		County	
Residential Units	Units	%	%
Single Family	14,577	86.2%	54.8%
Multifamily	1,809	10.7%	43.6%
Mobile Home	523	3.1%	1.6%
Total Units	16,909	100.0%	100.0%
New Units Since 2010	4,001		
Commercial	Gross SF	%	%
Retail	1,625,101	19.1%	26.6%
Industrial	6,472,854	75.9%	61.8%
Office	425,154	5.0%	9.6%
Other	-	0.0%	2.0%
Total	8,523,109	100.0%	100.0%
New Commercial Since 2010	4,903,822		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Beaumont contains an estimated 922 businesses with about 7,693 employed individuals.<sup>248</sup> About 39 percent of employment (2,990 jobs) in the City is in the retail trade sector (including eating and drinking places, food stores, and general merchandise), and about 33 percent of employment (2,520 jobs) are in the services sector (including education, health services, and other services). About 8 percent of jobs (587 jobs) are in manufacturing and 2 percent of jobs are related to wholesale trade (166 jobs) – with significant growth in warehouse and logistics space over the last decade, the current employment estimates may not be accurate.

## CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS

LAFCO's adopted Beaumont SOI includes five (5) noncontiguous unincorporated areas covering about 11.2 square miles<sup>249</sup>. The SOI extends west along State Route 60 and south along State

<sup>248</sup> Source: ESRI Business Analyst Online

<sup>249</sup> Source: Riverside LAFCO GIS

Route 79. A small portion of the SOI located at Beaumont's northeastern boundary includes North Highland Springs Avenue and extends northeast towards Banning. The Beaumont corporate City boundary and SOI are illustrated in Exhibit 30.

Beaumont's SOI does not contain any LAFCO-designated DUCs. However, there are five (5) areas immediately to the north of Beaumont and outside its SOI, a portion of the community known as Cherry Valley that qualified as DUCs (DUCs 1, 2, 2a, 2b, and 2c commonly known as Cherry Valley). According to City staff, the residents of this area are not interested in being annexed into Beaumont nor included in Beaumont's SOI. The City extends sewer services into a portion of Cherry Valley.

The Beaumont SOI contains one LAFCO-identified pocket, P2, which is within the City's SOI near the City's rapidly developing industrial warehouse and logistics area. It is anticipated that this pocket would be annexed along with Beaumont's planned annexations in this area.

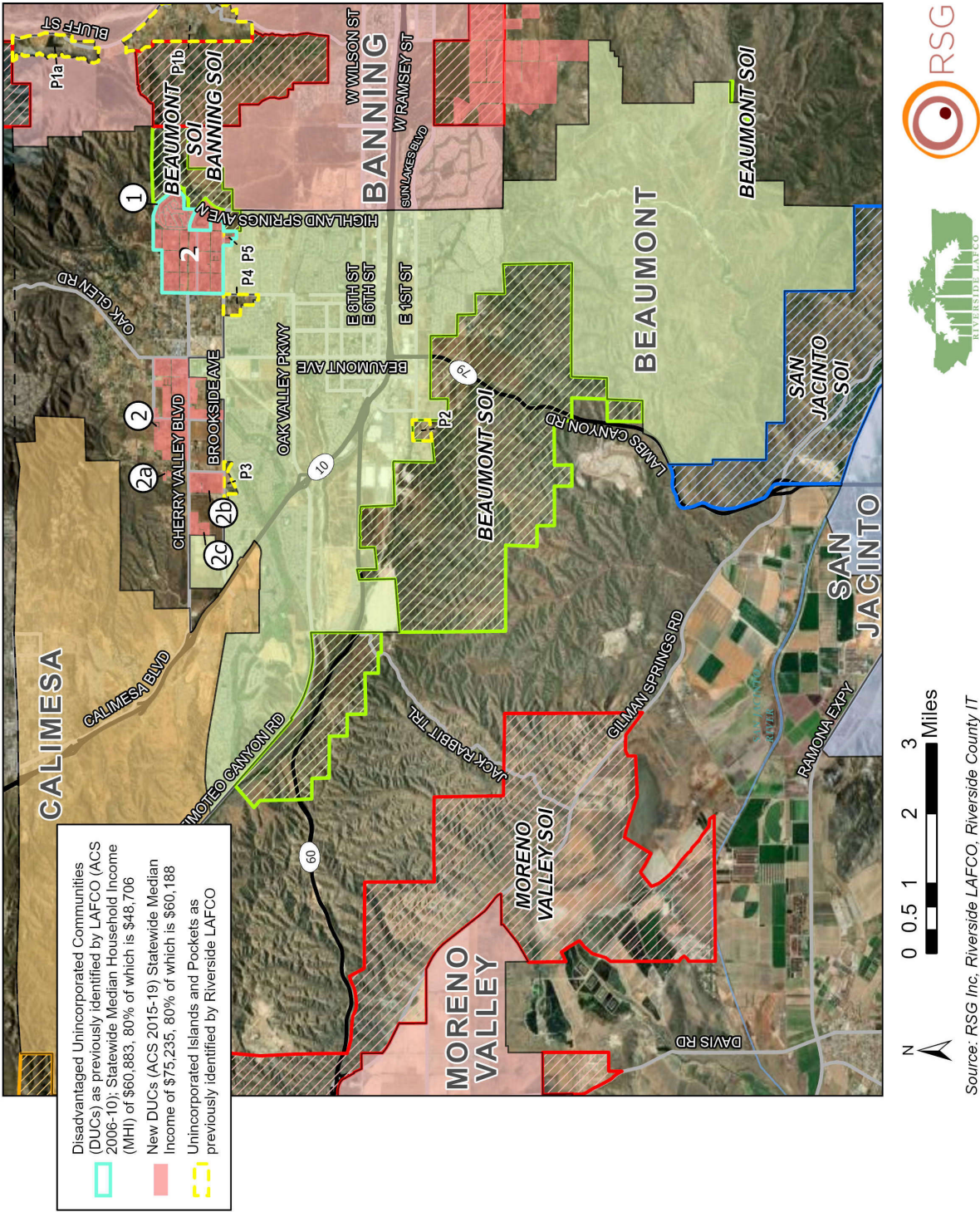
North of the current City and SOI boundary are two (2) LAFCO-identified unincorporated pockets, P3 and P4, which are surrounded by the City of Beaumont on three (3) sides. Pocket P3 appears to be developed as a single-family residential tract consistent with the City's nearby development patterns. Pocket P4 appears to be large-lot residential with agricultural uses.

According to City staff, there are no planned expansions of the Beaumont SOI at this time. The City anticipates that certain areas within the southern portion of the Beaumont SOI will be annexed in the future, but does not expect any specific annexations within the next three (3) years. According to City staff, each development will be required to address any anticipated improvements or extensions of services as a condition of annexation.

The Beaumont boundary was previously reconfirmed in the July 2017 City of Beaumont MSR (LAFCO 2014-14-5) ("2017 MSR").

Exhibit 30: Current City and SOI Boundaries - Beaumont

City of Beaumont and Sphere of Influence





## FORM OF GOVERNMENT AND STAFFING

The City is structured as a “Council-Manager” form of government with the City Council composed of five (5) members elected at-large in even-numbered years. The City’s Mayor is elected annually by the City Council and serves a yearlong term for no more than two (2) consecutive years. Councilmembers serve four (4) year terms, and appoint a City Manager and City Attorney.

The City Council also serves as the Financing Authority, Utility Authority, Successor Agency, and Parking Authority. The City’s Economic Development Committee, Finance and Audit Committee, and Planning Commission carry out assignments at the direction of the City Council.

The City Manager is the head of the City’s administrative branch of City Government and reports to the City Council. The City Manager oversees the daily operations of the City, which has a General Fund operating expenditure budget that has ranged from \$30.3 to \$35.9 million<sup>250</sup> between FY 2017 and FY 2019. The City employs 157 full time equivalent positions<sup>251</sup> and its only major contract service is with the Riverside County Fire Department/CalFire for fire protection and emergency medical services.

Beaumont adopts budgets annually. The City’s FY 2020-21 adopted Annual Budget is decorated with a photograph of Beaumont’s serene location at the foothills of Mount San Geronio and features the phrase “A City Elevated”. The City Council’s goals include (1) public safety, (2) quality of life, (3) community services, (4) sustainable community, (5) intergovernmental/interagency relationships, and (6) economic development.

## SERVICES PROVIDED

Beaumont City staff provide general government, law enforcement, building and planning, housing, code enforcement, animal control, parks and recreation, landscape maintenance, and

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<sup>250</sup> Source: California State Controller’s Office FY 2016-17 through 2018-19

<sup>251</sup> Source: City of Beaumont Annual Budget FY 2020-21

streets and road maintenance services within the City boundary. Figure 182 summarizes the municipal services provided within Beaumont city limits by the City or by other service providers.

Figure 182: Service Provider Matrix - Beaumont

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Community Development										
Code Enforcement	Community Development										
Animal Control	Police Department										
Parks and Recreation	Community Services, Beaumont-Cherry Valley PRD										
Library	Library System, Beaumont Library District										
Museum	N/A										
Landscape Maintenance	Community Services										
Streets/Road Maintenance	Streets/Public Works, CSA										
Streetlights	CFD, CSA										
Lighting	N/A										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, Waste Management										
Stormwater Drainage	Flood Control & Water Conservation										
Innovation and Technology	Administrative Services, Frontier										
Airport	N/A										
Cemetery *	Summit Cemetery District										
Healthcare *	San Geronio Pass Memorial Hospital District										
Water *	San Geronio Pass Water, Beaumont-Cherry Valley Water										
Wastewater *	Public Works										

\* Not included in this MSR

## Government Services

General government services are provided by elected officials and City staff. The City Manager serves as the chief administrator of the City, responsible ensuring the effective delivery of municipal services. The City Manager oversees all City departments, programs and services, including financial oversight, executive level leadership, public information, legislative advocacy, public safety, grant coordination, and responses to citizen concerns. The City Clerk is responsible for city elections, preparation and distribution of City Council agendas, maintenance of accurate records including the City Council's historical actions, ensuring the storage of the City's official records and archives, and provides records and legislative research for other City departments and the public. The City Manager's and City's Clerk's offices include 20 full time equivalent personnel.

## Law Enforcement

The Beaumont Police Department provides law enforcement services to Beaumont. The Police Department has 43 full time equivalent personnel and operates out of the Police Headquarters, located at 660 Orange Avenue. The Police Department is responsible for the safety of residents and crime reduction, which includes patrol, dispatch, animal, investigation, training, and jail services.

The 2017 MSR presented the following determinations for the City:

- Regarding Police Protection Services, the City was operating below its goal of 1 officer per 1,000 population at 0.82 officers per 1,000. The FY 17-18 Budget increased the ratio to 0.90 officers per 1,000 population, bringing it closer to the goal.

According to City staff, the City is currently operating at 0.97 officers per 1,000 population.

## Fire Protection

The City contracts with Riverside County Fire Department/CalFire for fire protection services. The Fire Department/CalFire is responsible for fire protection and prevention, medical response, review of planning cases, review of inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux Community Services District. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

Fire Stations 20 and 66 are within Beaumont and owned by the City.



The 2017 MSR presented the following determinations for the City:

- The City was contracted with the County of Riverside Fire Department for fire protection services. Riverside County Fire Station No. 22, located in Cherry Valley, provided fire and paramedic services on the north side of the City. This station was adequately serving both DUCs, and is within 0.6 miles from DUC1 and 0.2 miles from DUC2 and the general northern City territory. Fire Station No. 20, located in the general Downtown area on 6th Street, also provided fire protection and paramedic services to the City. The westerly portion of the City, within the SR 60/I 10 corridor, was deficient in fire protection services. This general area was outside of the average five-minute response times. The City was planning to build a west-side fire station in the corridor within the next 3-5 years. As a result of a development agreement, a site for the proposed fire station had been allotted to the City. The proposed SOI expansion and annexation of the Sunny Cal Specific Plan was within a five-minute average response time of Fire Station No. 22.

According to City staff, the West Side Fire Station is in the planning stages. Plans are being prepared and the environmental review is underway. City staff indicated that the annexation of the Sunny Cal Specific Plan area is complete.

### **Emergency Medical**

The City contracts with the Riverside County Fire Department/CalFire for emergency medical services. Refer to the previous Fire Protection section for additional information about the Fire Department/CalFire.

### **Building/Planning and Housing (Community Development)**

The Beaumont Community Development Department provides building, planning and housing services in the City. The Community Development Department is responsible for ensuring all development is consistent with the City's General Plan and follows building code requirements. The Community Development Department provides plan check, permit issuance, building

inspection, and weekly development review services. The Department has 14 full time equivalent personnel.

### **Code Enforcement**

Beaumont's Community Enhancement Division is a division of the Community Development Department, and is responsible for code enforcement services, including general code enforcement, violation investigation, and issues violations of the City's municipal code. The Division investigation and inspection services include vehicle abatement, vector control, weed abatement, no-contact code enforcement responses, and other code violations.

### **Animal Control**

The Beaumont Police Department provides animal control services within Beaumont and Calimesa city boundaries. The Police Department is responsible for sheltering lost animals and animal licensing.

### **Parks and Recreation**

The Beaumont Community Services Department provides parks and recreation services within City boundaries. The Department is responsible for maintenance of City parks and operations of recreation services. Department maintenance services include City park, trails, open space, and City-owned facility maintenance. The Department's recreation services include operations of the Community Recreation Center and Senior Center. The Department includes 40 full time equivalent personnel.

The Beaumont-Cherry Valley Parks and Recreation District also provides parks and recreation services in Beaumont and the adjacent unincorporated community of Cherry Valley. The District aims to enrich and fulfill the lives of community members by providing parks facilities and recreational programs of outstanding quality. The District operates several facilities, including recreational vehicle sites, Noble Creek Community Center, Franco Garden, Cherry Valley Grange, Woman's Club, baseball and softball fields, dog park, horse arena, soccer fields, Thunder Alley R/C Raceway, horseshoe pits and picnic areas, tennis courts, and hockey arena.

## **Library**

The Beaumont Library District provides library services to Beaumont and other nearby unincorporated areas. The District is an independent special district that was established in 1911 and operates autonomously.

## **Museum**

RSG did not identify any museums, historical or cultural facilities operating in Beaumont.

## **Landscape Maintenance**

The Parks and Recreation Division is a division within the City's Community Services Department. The Division provides landscape maintenance for the City's public rights-of-way. The City also utilizes community financing districts for landscape maintenance services.

## **Streets/Road Maintenance**

The Street Maintenance Division is a division of the City's Public Works Department. The Division provides city-wide pavement and street maintenance. The Public Works Department has 12.5 full time equivalent personnel and has a small budget for contract services.

The 2017 MSR presented the following determinations for the City. Large capital improvements in the following services were areas of concern:

- An assessment of the City's roads was completed and declared most of the City roads to be in "fair condition" suggesting the road requires preventative maintenance to avoid deterioration.
- To maintain the City's roads in "good condition", the City's Director of Public Works estimated that \$9 million in capital improvements would be required the first year, followed by maintenance of \$4 million thereafter.

City staff indicated that the City's CIP program includes ongoing street and road rehabilitation and maintenance.

## **Streetlights**

The City's Community Facilities Districts provide funding for streetlight maintenance. The City has six (6) different CFDs that are funded through special property assessments to property owners.

## **Utilities (Gas, Electric)**

The City has franchise agreements with Southern California Edison for the provision of electricity service and Southern California Gas for natural gas services. Both Southern California Edison and Southern California Gas are private entities that pay franchise fees to the City for the right to provide respective utilities to Beaumont households and businesses.

## **Solid Waste**

Waste Management provides solid waste collection and removal services in Beaumont. Waste Management is a private company and is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers.

Riverside County Department of Waste Resources provides hazardous materials, recycling, composting, and illegal dumping mitigation services in Beaumont.

## **Storm Drainage**

Riverside County Flood Control and Water Conservation District provides storm water drainage services to Beaumont, including identification of flood hazards, regulations of floodplains, regulation of drainage and development of drainage, and maintenance and operation of drainage facilities. The District is a dependent special district that was created to keep Riverside County residents safe from the dangers of flood hazards. The District provides storm water drainage services to Western Riverside County.

## **Innovation and Technology**

The Information Technology Division of the City's Administrative Services Department provides information technology services within the City. The Division is responsible for the technology and computer systems for City operations, including computer hardware, management of software, and information technology support to staff.

## **Airport**

Beaumont does not have an airport.

## **Extraterritorial Services Provided**

According to City staff, the City provides some sewer services to the DUC1 (Cherry Valley). DUC1 (Cherry Valley) is illustrated in Exhibit 31. The Beaumont Police Department provides animal control services to the City of Calimesa. No other extraterritorial service agreements were identified.

While wastewater service is not the subject of this MSR, the City also provides sewer service to the Plantation on the Lake mobile home park. Plantation on the Lake mobile home park was originally included in the Riverside County Oak Valley PGA Specific Plan. During the 1990's, LAFCO had designated the area within Beaumont's SOI. In the late 1990's, the cities of Beaumont and Calimesa separately negotiated an even distribution of the Specific Plan area. The two cities also agreed to various community benefits and tax sharing measures. In 1997, the two cities submitted applications to LAFCO for sphere changes, and portions of the Specific Plan area were annexed into the City of Beaumont.<sup>252</sup> The City of Beaumont and City of Calimesa mutually approved a sewer service agreement for the Plantation on the Lake mobile home park and

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<sup>252</sup> Source: California Planning and Development Report, "Money Resolves Beaumont-Calimesa Annexation Dispute" dated March 3, 2003. <https://www.cp-dr.com/articles/node-828>

adjacent commercial property. In 2013, the Plantation on the Lake mobile home park requested connection to the City of Beaumont sewer system.<sup>253</sup>

According to City staff, the City is currently processing an out-of-area service application through LAFCO to provide services to a project in Calimesa.

Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

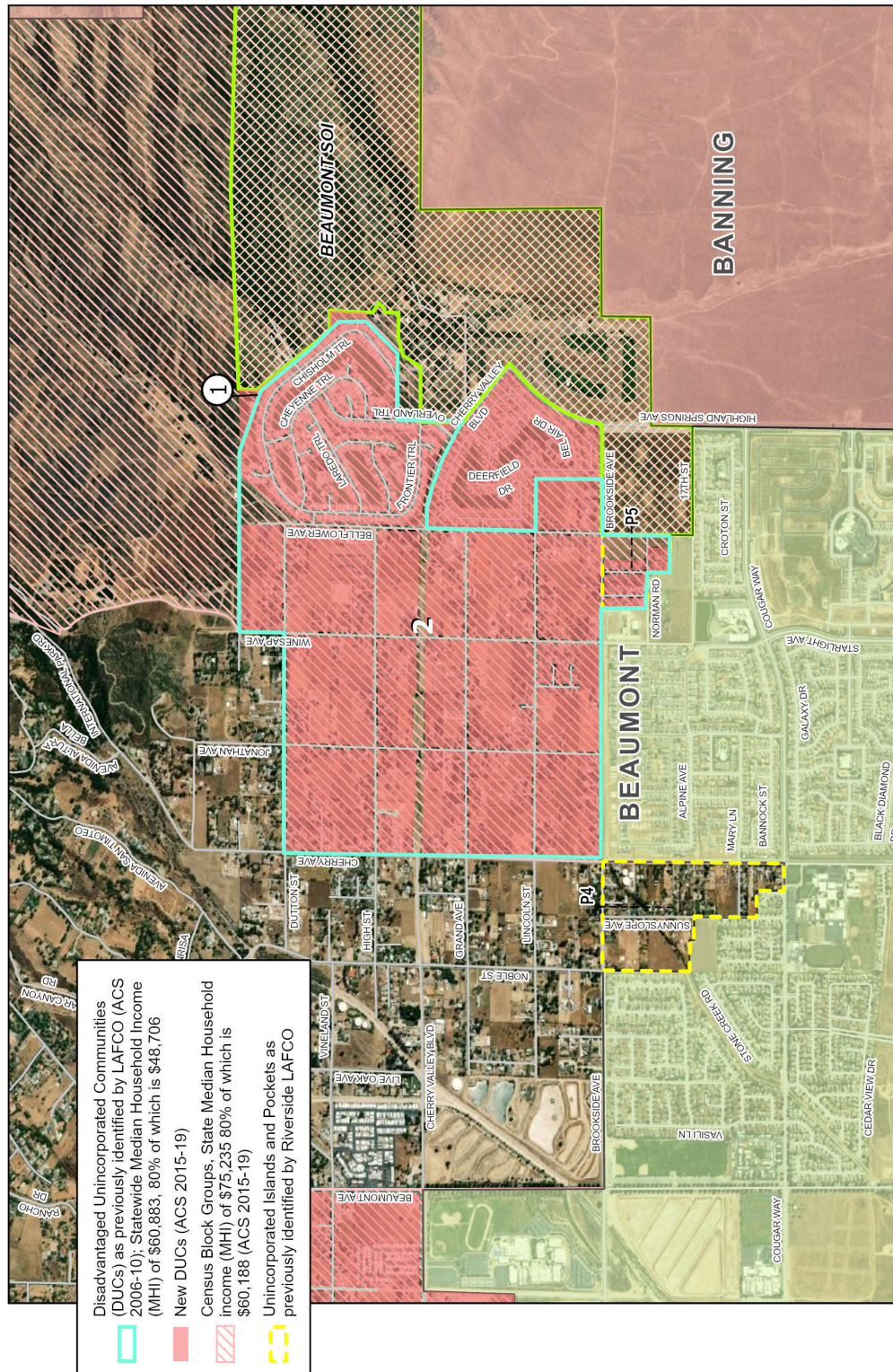
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<sup>253</sup> Source: City of Beaumont, "Agreement and Covenants, Conditions, and Restrictions affecting real property regarding the provision of sewer service to the Plantation on the Lake Mobile Home Park" dated June 18, 2013.  
<https://beaumontca.gov/DocumentCenter/View/17241/Item-5f--Sewer-Service--Plantation-of-the-Lake-Mobile-Home-Park>



*Exhibit 31: DUC1 Cherry Valley – Beaumont*

# North of Beaumont DUC 1



Source: RSG Inc, Riverside LAFCO, Riverside County IT





## RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS

The City maintains a Capital Improvement Plan that outlines major proposed capital projects in the City that are likely to be funded within a two-year period. Major planned and in-progress capital projects include interchange improvements, water services, street widening and improvements, fire station construction, park improvements, storm drain upgrades, and City facility improvements including a new City Hall. According to city staff, most or all of these projects are funded and moving forward.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on January 13, 2014, and the Housing Element was reviewed and designated in compliance with Housing Element Law by HCD on February 21, 2014.<sup>254</sup> As required by State Law, the City submitted Housing Element Annual Progress Reports in 2017 and 2018. However, it failed to submit Annual Progress Reports between 2013 and 2016.<sup>255</sup>

The City's progress towards meeting its 5<sup>th</sup> Cycle RHNA allocation of 5,250 total units is outlined in Figure 183.

Figure 183: 5th Cycle Housing element Summary - Beaumont

Beaumont 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	1,267	854	969	2,160
Permitted Units	0	0	323	766
Allocation Surplus/(Shortage)	(1,267)	(854)	(646)	(1,394)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

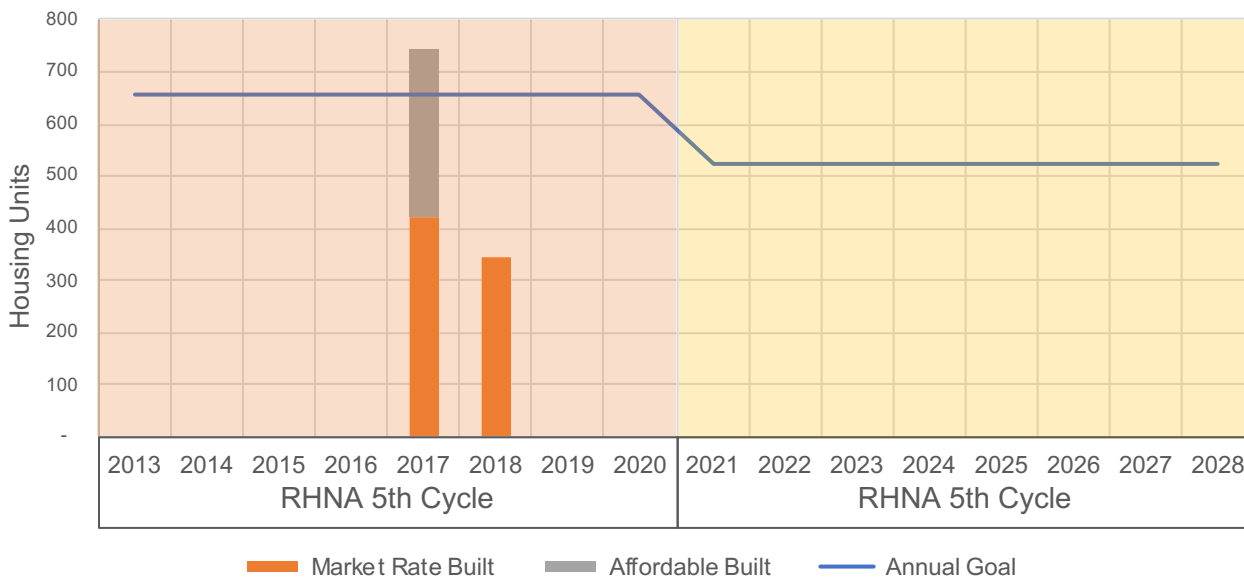
<sup>254</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>255</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

With the 5<sup>th</sup> Cycle nearly complete and only 1,089 units permitted to date, the City will fall well short of meeting its housing production needs in any income category.

The upcoming 6<sup>th</sup> Cycle RHNA allocation for Beaumont is 4,202 units, which is 20 percent lower than its 5<sup>th</sup> Cycle RHNA allocation. Figure 184 illustrates the change in annual production from the 5<sup>th</sup> Cycle to the 6<sup>th</sup> Cycle. The annual goal represents one-eighth of the full-cycle RHHA allocation. Market rate and affordable unit production during the 5<sup>th</sup> Cycle are presented as well.

Figure 184: 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA Allocation and Production - Beaumont



Beaumont is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>256</sup>

<sup>256</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

## FISCAL HEALTH

The sections that follow evaluate the City's fiscal health, inclusive of audit findings, if any, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. Figure 185 presents the City's net position as annual revenues less expenditures between fiscal years 2016-17 and 2018-19. The City recorded surpluses in 2016-17 and 2018-19, but had a deficit of almost \$103.0 million in 2017-18. Most of the City's 2017-18 deficit is attributable to \$121.3 million debt service expenditure, which is discussed later in this MSR.

Figure 185: Net Position - Beaumont

Beaumont	2016-17	2017-18	2018-19
Total General Tax Revenues	\$15,720,734	\$16,704,423	\$18,093,582
Other Tax Revenues	-	601,889	1,038,267
Other Revenues	35,572,318	48,843,322	42,151,457
<b>Total Revenues</b>	<b>51,293,052</b>	<b>66,149,634</b>	<b>61,283,306</b>
Total Operating Expenditures	30,349,692	30,922,820	35,900,284
Debt Service	-	121,273,318	8,015,612
Capital Outlay	1,497,533	16,917,026	12,622,062
<b>Total Expenditures</b>	<b>31,847,225</b>	<b>169,113,164</b>	<b>56,537,958</b>
<b>Net Position</b>	<b>\$19,445,827</b>	<b>(\$102,963,530)</b>	<b>\$4,745,348</b>

Source: California State Controller's Office

### Operating Revenues

As illustrated in Figure 186, in Beaumont's last audited fiscal year of 2018-19, the revenues exceeded \$61.2 million.

Figure 186: Operating Revenue History - Beaumont

Beaumont	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$4,031,384	\$4,292,627	\$4,651,936
Sales Tax	4,697,561	4,896,477	5,399,964
Transient Occupancy Tax	325,874	363,868	335,304
Property Tax in-lieu of VLF	3,768,042	4,125,662	4,517,090
Franchise Tax	848,151	902,454	952,576
Business License Tax	231,688	247,193	294,968
Property Transfer Tax	272,141	351,984	357,520
Utility User Tax	1,545,893	1,524,158	1,584,224
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>15,720,734</b>	<b>16,704,423</b>	<b>18,093,582</b>
Transportation Tax	-	-	-
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	601,889	1,038,267
<b>Total Tax Revenues</b>	<b>15,720,734</b>	<b>17,306,312</b>	<b>19,131,849</b>
Charges for Services	8,664,126	10,929,570	11,774,060
Special Benefit Assessments	548,738	554,487	602,649
Use of Money	288,596	812,892	5,588,890
Fines and Forfeitures	276,765	189,280	164,390
Licenses and Permits	2,150,989	2,222,705	3,294,010
Intergovernmental	1,164,097	7,308,103	7,255,612
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	22,479,007	26,826,285	13,471,846
<b>Total Revenues</b>	<b>\$51,293,052</b>	<b>\$66,149,634</b>	<b>\$61,283,306</b>

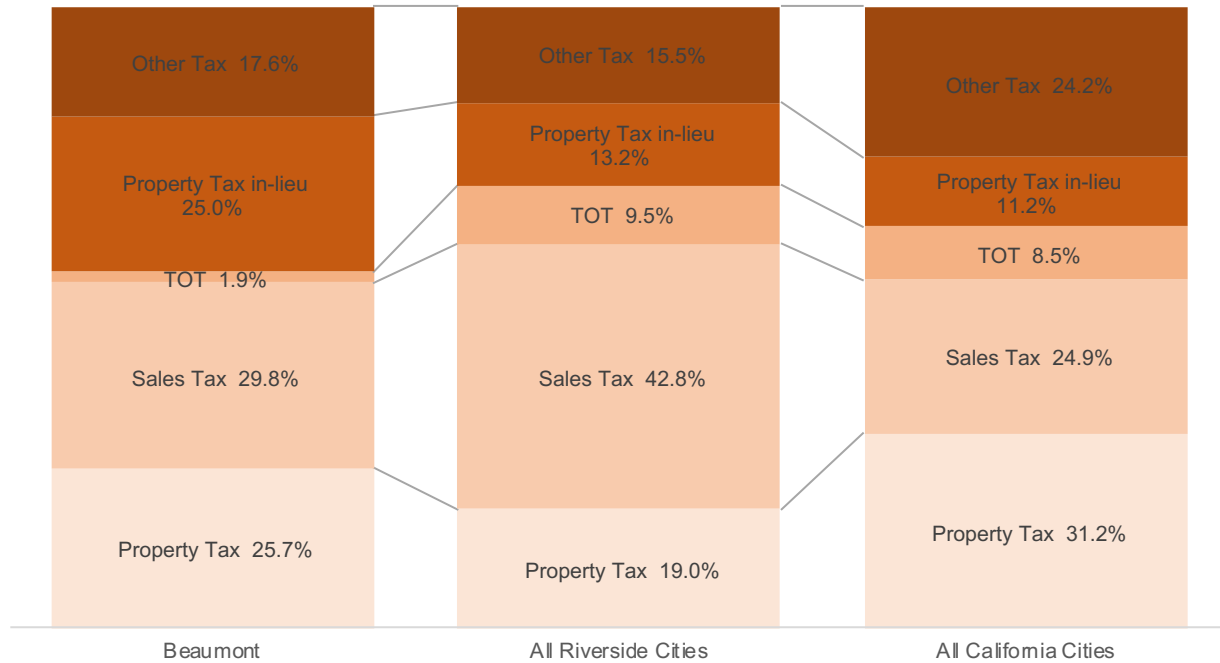
Source: California State Controller's Office

General tax revenues represented less than 30 percent of total revenues collected by the City in 2018-19, inclusive of sales tax, property tax, property tax in-lieu of VLF, franchise tax, property transfer tax, transient occupancy tax, and business license tax. The largest tax revenues, as a proportion of all general tax revenues collected by the City were sales tax (29.8 percent), property tax (25.7 percent) and property tax in-lieu of VLF (25.0 percent). After tax revenues, the City's largest revenue sources are miscellaneous revenues (\$13.5 million), charges for services (\$11.8 million), intergovernmental revenues (\$7.3 million), and use of money (\$5.6 million).

When compared to all other Riverside cities and California cities, property tax in-lieu of VLF is a disproportionately larger tax revenue in the City of Beaumont. Most other major tax revenues are

within the range of Riverside and California cities. The City's distribution of tax revenues compared to all other Riverside and California cities is presented in Figure 187.

Figure 187: General Tax Revenue Comparison - Beaumont



## Sales Tax

The City receives one percent of gross receipts from the sale of tangible personal property sold. Approximately 29.8 percent of general tax revenues collected are derived from sales tax. According to City staff, sales tax revenues were mildly impacted by the COVID-19 pandemic.

## Property Tax and Property Tax in-lieu of Motor Vehicle License Fees

The City of Beaumont contains land, improvements, and personal property with a combined secured and unsecured assessed valuation of almost \$4.7 billion (2018-19), including almost \$1.2 billion in land value, and \$3.6 billion in improvement value.<sup>257</sup> With an estimated \$4.7 million

<sup>257</sup> Source: California City Finance, "Assessed Valuation of Property by City"

in property taxes collected in 2018-19, the City receives an estimated 9.9 percent share of total property tax revenues collected.

The City's third largest general tax revenue source is property tax in-lieu of VLF, which replaced vehicle license fees as a revenue source for cities in 2004. It increases based on assessed valuation growth in the jurisdiction. The City receives approximately \$4.5 million in property tax in-lieu of VLF.

The City of Beaumont and the County have a Master Property Tax Exchange Agreement in place, dating back to 1982.<sup>258</sup>

### **Miscellaneous Revenues**

In 2018-19, miscellaneous revenues were the City's largest non-tax revenue source, accounting for \$13.5 million, which was significantly lower than miscellaneous revenues in 2016-17 and 2017-18 (\$22.4 and 26.8 million respectively). Miscellaneous revenues include development impact fees (\$6.4 million in 2018-19), contributions from non-government sources (\$6.2 million in 2018-19), and other miscellaneous revenues (\$820,000 in 2018-19). In previous fiscal years, development impact fees had accounted for \$16.4 million (2017-18) and \$10.0 million (2016-17). While Beaumont's development fees are above average for single-family residential, multifamily residential, and industrial developments, and below average for retail and office developments, the City's development fees do not vary dramatically from the fees in other Western Riverside County cities.<sup>259</sup> According to City staff, development fees were studied approximately 4 years ago.

### **Charges for Services**

The City's charges for services account for about 19.2 percent of total revenues, or about \$11.8 million in 2018-19. Solid waste revenues (\$8.0 million), plan check fees (\$1.3 million), and

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<sup>258</sup> Source: Riverside LAFCO

<sup>259</sup> Source: Western Riverside Council of Governments, "2018 Fee Comparison Analysis"

engineering fees (\$653,000) were the most significant charges for services in 2018-19. According to City staff, the City's fees were updated in 2017, and some fees (such as wastewater fees) have been slowly increased since then.

### Intergovernmental Revenues

Intergovernmental revenues amounted to \$7.3 million in 2018-19 and include gasoline tax revenues (\$1.8 million) and Federal grant revenues (almost \$5.0 million).

### Operating Expenditures

The City's total operating expenditures ranged from \$30.3 to 35.9 million between 2016-17 and 2018-19. Figure 188 illustrates Beaumont's annual operating expenditures.

Figure 188: Operating Expenditures - Beaumont

Beaumont	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	8,328,749	9,962,951	11,376,184
Employee Benefits	3,356,516	3,230,286	4,191,801
Materials and Supplies	5,973,980	5,102,927	6,310,498
Contract Services	12,690,447	12,626,656	14,021,801
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>30,349,692</b>	<b>30,922,820</b>	<b>35,900,284</b>
Debt Service	-	121,273,318	8,015,612
Capital Outlay	1,497,533	16,917,026	12,622,062
<b>Total Expenditures</b>	<b>31,847,225</b>	<b>169,113,164</b>	<b>56,537,958</b>

Source: California State Controller's Office

The City's debt service in 2017-18 is notable. According to City staff, the City issued bonds equal to about \$90 million for the purpose of building a new wastewater facility. Repayment of the debt will be made with wastewater fees. The remainder of the debt is associated with Community Financing Districts. According to City staff, debt service is at a manageable level.

The largest recurring annual operating expenditure categories for the City are contract services (\$14 million) and salaries and wages (\$11.4 million). As previously discussed, the City's largest contract service provider is Riverside County Fire Department/CalFire.



The City's current expenditures by function between 2016-17 and 2018-19 are presented in Figure 189. The largest expenditure category for the City of Beaumont, aside from debt service and capital outlay, is for public safety, which accounts for \$14.6 million.

Figure 189: Current Expenditures - Beaumont

Beaumont	2016-17	2017-18	2018-19
General Government	12,122,199	4,710,247	8,007,662
Public Safety	12,478,433	13,341,635	14,552,655
Transportation	1,224,795	1,685,994	1,697,898
Community Development	449,778	3,030,459	2,189,156
Health	1,678,321	4,928,368	5,454,861
Culture and Leisure	2,396,166	3,226,117	3,998,052
Public Utilities	-	-	-
Debt Service	-	121,273,318	8,015,612
Capital Outlay	1,497,533	16,917,026	12,622,062
<b>Total Current Expenditures</b>	<b>31,847,225</b>	<b>169,113,164</b>	<b>56,537,958</b>

Source: California State Controller's Office

If debt service and capital outlay are removed from the total, public safety represents more than 40 percent of the City's total recurring expenditures. When compared to all other Riverside cities (52.2 percent) and California cities (47.3 percent), the City of Beaumont's public safety expenditures are reasonable. Because the City operates its own wastewater facilities, the City has higher expenditures associated with Health (the California SCO's Health category includes wastewater expenditures).

### Reserve Fund Balance

The City's reserve policy specifies unobligated reserves at 25 percent of annual operating appropriations. The 2020-21 reserve account included almost \$12 million and meets the City's reserve goal.<sup>260</sup>

<sup>260</sup> Source: City of Beaumont, 2019-20 Budget

## Pension and OPEB Obligations

The City contracts with CalPERS to provide a defined benefit Miscellaneous and Safety Pension Plans. The City's 2020-21 adopted budget appropriated \$2 million to a pension trust. According to staff, the City completed a pension analysis that suggests that pension liabilities will decrease significantly in 2040. The City has funded about 70 percent of its pension liability. The City does not offer any OPEB benefits and therefore does not have any OPEB liabilities.

The City of Beaumont's pension and OPEB obligations are outlined in Figure 190.

Figure 190: Pension and OPEB Obligations - Beaumont

Beaumont	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$17,018,262	\$16,783,417	\$18,207,382
Total OPEB Liability/(Surplus)	-	-	-
Total Benefit Liability/(Surplus)	\$17,018,262	\$16,783,417	\$18,207,382

Source: 2017-18, 2018-19 and 2019-20 ACFR

Figure 191 illustrates the City's pension metrics, including the contribution rate compared to the actuarially determined contribution, the total covered payroll, and the employer contribution rate.

Figure 191: Pension Metrics - Beaumont

Beaumont	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$2,359,341	\$2,802,244	\$3,228,952
Employer Contribution	2,359,341	2,802,244	3,228,952
Covered Payroll	\$8,914,706	\$9,182,147	\$8,821,830
Employer Contribution Rate	26.5%	30.5%	36.6%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City has historically made actuarially determined minimum contributions. The City's employer contribution rate increased to 55.5 percent in 2019-20, which is much higher than the County average, which ranged from 26 to 32 percent between 2017-18 and 2019-20. Also noteworthy, the City increased its employer contribution rate consistently over the time frame studied.

## Annual Audit Findings

In 2017, four (4) City staff members, including the former City Manager, former Economic Development Director, former Planner, and former finance director, pleaded guilty for their involvement in a \$43 million embezzlement scheme. The former Police Chief and Public Works Directors both pleaded guilty in separate cases. The guilty individuals utilized their City staff positions to pay their own private companies.<sup>261</sup>

The City's Annual Financial Report for Fiscal Year 2019-20 included a “Report on Internal Control over Financial Reporting” in which the auditor determined that there are “significant deficiencies,” as described below:

- Finding 2020-001 – Cash Disbursements Process – Segregation of Duties. According to the auditor, the Senior Accountant approves vendor changes and also has access to change vendor information. Additionally, several other personnel have access and can make changes to vendor information. The lack of segregation of duties related to vendor files maintenance and cash disbursements processes could result in erroneous, fictitious, and/or fraudulent vendor payments. The City recognized this deficiency and made changes to segregate the duties associated with cash disbursements processes.
- Finding 2020-002 – Payroll Process – Segregation of Duties. According to the auditor, the Administrative Services Manager processes payroll and has access to change employees' data including pay rates. The lack of segregation of duties between payroll processes and human resources related functions could result in fictitious employees, or unapproved personnel rate changes. The City recognized this deficiency and made the processing changes to segregate the duties associated with payroll processing.

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<sup>261</sup> Source: Desert Sun, “Beaumont Officials Plead Guilty In \$43M Embezzlement Case, Get Probation and Fines” dated December 20, 2017. [https://www.desertsun.com/story/news/crime\\_courts/2017/12/19/beaumont-almost-brought-its-knees-officials-plead-guilty-43-million-embezzlement-case/963714001/](https://www.desertsun.com/story/news/crime_courts/2017/12/19/beaumont-almost-brought-its-knees-officials-plead-guilty-43-million-embezzlement-case/963714001/)

- Finding 2020-003 – Payroll Process – Personnel Action Forms. According to the auditor, several personnel action forms were not approved by the employee or appropriate supervising personnel. Changes to personnel records such as wage increases, promotions, status changes, etc., need to be documented in the Personnel action form with formal acknowledgement by the employee and supervisory personnel. Failure to formally document these changes can substantially increase the risk of unauthorized changes in payroll data such as pay rates, hours worked, etc., which significantly weakens internal control. The City recognized this deficiency and made procedural adjustments to increase transparency around changes to personnel action forms.
- Finding 2020-004 – Segregation of Duties for Business Licenses Process. According to the auditor, the City does not perform an independent reconciliation for business license between the HdL system and the Incode cash receipts system due to system reporting limitations within Incode that were not evident prior to purchasing the system. In effect, the business licenses could not be issued without a corresponding cash receipt being recorded in the City's general ledger and ultimately deposited into the City's bank account. The City recognized this deficiency and made operational and procedural changes to ensure consistency within the HdL and Incode systems.
- Finding 2020-005 – Overhead Cost Allocation. According to the auditor, the City's plan for formal cost allocation is insufficient to claim indirect costs against federal and state grant programs. The City could be utilizing cost allocation methods which result in administrative costs being allocated at rates above or below allowable levels if detailed cost allocation studies were performed on a periodic basis. The City recognized this deficiency and is evaluating the cost allocation strategy.

In Fiscal Year 2018-19, Findings 2020-004 and 2020-005 (previously referred to as Findings 2019-001 and 2019-002) were initially identified. These findings were carried over from the previous year. One audit finding, Finding 2019-003, a deficiency related to unauthorized wire transfers, had been remediated as of the date the Fiscal Year 2019-20 audit was approved.

## California State Auditor Fiscal Health Evaluation

The State Auditor ranked the City of Beaumont 280 out of 471 cities, considering it a higher risk than 191 other California cities, or 41 percent, with an overall risk assessment classification of low. Seven (7) indicators were given a low-risk rating, including liquidity, general fund reserves, pension obligations, pension costs, future pension costs, OPEB obligations, and OPEB funding. Two (2) indicators were given moderate-risk ratings, including revenue trends and pension funding. Debt burden was the only indicator to receive a high-risk rating.<sup>262</sup>

## MSR DETERMINATIONS

Requisite CKH determinations for the City of Beaumont are presented by topic below:

### 1. Population, Growth, and Housing

Beaumont is growing within City boundaries and has plans to annex most or all of the existing SOI in the future. Population growth in Beaumont was three (3) times greater than County-wide growth rates. Future growth rates are expected to be higher than average as well.

Based on current development proposals, the City expects to annex areas that include more than 8,000 proposed residential units.

The City has taken steps to actively support multifamily development through lot assembly and infill development in the Beaumont downtown area, and while the community is supportive of higher densities, there has not been much development activity.

### 2. Disadvantaged Unincorporated Communities in SOI

The Beaumont SOI does not contain any DUCs. However, five (5) DUCs are located immediately north of the City's corporate boundary. According to city staff, the City provides

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<sup>262</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

sewer services to portions of DUC1 (Cherry Valley). DUC1 (Cherry Valley) is illustrated in Exhibit 31.

### **3. Present and Planned Capacity of Facilities**

The City of Beaumont recently invested in wastewater facility improvements.

City staff identified storm water, streets/roads, and parks and recreation facilities as adequate but approaching the end of useful lives.

### **4. Financial Ability to Provide Services**

While the City is currently in a stable financial position, the City's Annual Audit concluded that there were several significant deficiencies related to the City's cash disbursement processes, segregation of duties and personnel action forms related to payroll processes, segregation of duties for business license processes, and overhead cost allocation. The City has recognized the deficiencies and either has made procedural changes to address the findings, or is currently evaluating methods to address the findings. In 2017, several City officials pleaded guilty to embezzlement of City funds, which were funneled to private companies owned by the City officials in charge of allocating City funds.

The City does not have OPEB liabilities and is approximately 70% funded on pensions, and the City is frequently updating financial projections to assess long term fiscal health.

### **5. Opportunities for Shared Facilities**

RSG did not identify any opportunities for shared facilities.

### **6. Accountability for Community Service Needs**

City Councilmembers are elected to four-year terms on an at-large basis. The City could potentially increase representation of underrepresented neighborhoods by transitioning to a district-based election.

The City is active in online social media, created a public information office recently, has created community committees, and as actively communicated with the community during the COVID-19 pandemic.

The City of Beaumont's 2019-20 annual financial report included a schedule of findings, identifying deficiencies in internal control over financial reporting, which is considered to be a significant deficiency.

#### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

### **SOI RECOMMENDATIONS**

RSG is not recommending any changes to the Beaumont SOI boundaries. RSG's recommended determinations related to the Beaumont SOI are presented by topic below:

#### **1. Present and Planned Land Uses**

Beaumont's northwestern SOI along Route 60 includes an entitled commercial and industrial development that is expected to break ground in the next year. The City is expecting this area will annex into the City, and will prepare a Specific Plan and General Plan amendment to accommodate it.

Beaumont's SOI between Route 60 and Route 79 includes an area known as Legacy Highlands that is undergoing an environmental impact review for residential, industrial and commercial development, and the City is currently moving forward with the annexation process for this area.



Beaumont's northeastern SOI is slated to see infrastructure improvements, providing vehicular access to Banning, and may see additional growth as infrastructure improvements are made.

## **2. Present and Probable Need for Public Facility and Services**

Beaumont's SOI is largely undeveloped. Large portions of the SOI are either physically undevelopable or infeasible due to terrain. With that said, current development proposals call for significant growth and development in the Beaumont SOI, which will drive the need for substantial improvements to public facilities and expansion of services.

The City is responsible for providing law enforcement, fire protection, emergency medical, government services, building and planning, housing, code enforcement, animal control, parks and recreation, landscape maintenance, streets and road maintenance, and wastewater services. While some of the costs of expanding the City's facilities and services may be offset by community financing districts, the scale and pace of near-term development of the SOI could negatively impact the fiscal position of Beaumont.

## **3. Present Capacity of Public Facilities**

The Beaumont SOI is largely undeveloped and lacks public facilities.

## **4. Social or Economic Communities of Interest**

Demographic data for Beaumont's SOI, although it is a small sample, suggests that the population has median household incomes well below the County's median household income.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

According to City staff, the residents of the DUCs located north of the Beaumont corporate boundary and SOI, commonly referred to as Cherry Valley, are not interested in annexing into

the City of Beaumont. The City currently provides sewer services to portions of Cherry Valley, and there may be additional need for sewer service or other infrastructure in this area.

## CITY OF CALIMESA

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The City of Calimesa was incorporated in 1990<sup>263</sup> as a general law city. Calimesa is located in the Mountain Pass Region of the County, and shares borders with the incorporated City of Yucaipa in San Bernardino County to the north, unincorporated Riverside County to the west and east, and the City of Beaumont to the south. The incorporated City of Calimesa spans about 14.9 square miles<sup>264</sup> and has a population of about 9,329 in 2020<sup>265</sup>. City staff noted that the City's population is now 10,236. Calimesa's SOI adds about 4.2 square miles, for a combined total of 19.0 square miles covered by the City and City's SOI.<sup>266</sup>

Figure 192 presents Calimesa's demographic profile and population projections for 2035 and 2045.

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<sup>263</sup> Source: City of Calimesa

<sup>264</sup> Source: Riverside LAFCO GIS

<sup>265</sup> Source: California Department of Finance City/County Population Estimates with Annual Percent Change, dated May 1, 2020

<sup>266</sup> Source: Riverside LAFCO GIS

Figure 192: Demographic Profile - Calimesa

Calimesa	City	SOI	County
Population as of 2020	9,329	191	2,442,304
Population as of 2010	7,879	161	2,189,641
Annual Pop. Growth Since 2010	1.70%	1.72%	1.10%
Housing Units	4,269	67	867,637
Persons / Housing Unit	2.19	2.85	2.81
Land Area (sq mi)	14.9	4.2	7,206.0
Persons / Square Mile	628	46	339
Median Household Income	\$63,105	\$71,306	\$67,369
Projected Population in 2035	15,552		2,995,509
Annual Proj. Growth 2020-2035	3.47%		1.37%
Projected Population in 2045	20,554		3,251,705
Annual Proj. Growth 2020-2045	5.41%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

Calimesa has experienced a higher growth rate than the County as a whole over the last decade. Still, the relatively low population density of 628 persons per square mile indicates that there is room for more growth in the future. The City's median household income is about 6 percent lower and the SOI's median household income is slightly higher than the County-wide median household income.

The projected populations for 2035 and 2045 illustrate the growth potential of Calimesa, with the population increasing by annual rates of 3.47 and 5.41 percent respectively. City staff reported that, based on the current development activity, the above-mentioned population projections may be low.

Calimesa includes a variety of land uses, including residential, retail, industrial, and office. Calimesa added 582 new housing units over the last ten years, a 15.8 percent increase. Furthermore, Calimesa's commercial square footage increased at a higher rate, adding about 152,000 square feet over the last ten years, or an increase of almost 32 percent. Calimesa has

a disproportionate amount of mobile home units when compared to the County, with 1,319 units representing 30.9 percent of housing units in Calimesa.

As shown in Figure 193, the City has a higher proportion of single-family residential units (64.8 percent) and lower proportion of multifamily units (4.3 percent) compared to the County (54.8 and 43.6 percent respectively). There is also a significantly greater proportion retail square footage (62.8 percent) and lower proportion of industrial square footage (18.8 percent) in Calimesa, when compared to the County (26.6 and 61.8 percent respectively).

Figure 193: Land Use Summary - Calimesa

Calimesa		County	
Residential Units	Units	%	%
Single Family	2,766	64.8%	54.8%
Multifamily	184	4.3%	43.6%
Mobile Home	1,319	30.9%	1.6%
Total Units	4,269	100.0%	100.0%
New Units Since 2010	582		
Commercial	Gross SF	%	%
Retail	396,699	62.8%	26.6%
Industrial	118,756	18.8%	61.8%
Office	43,437	6.9%	9.6%
Other	73,090	11.6%	2.0%
Total	631,982	100.0%	100.0%
New Commercial Since 2010	152,804		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Calimesa contains an estimated 285 businesses with about 1,695 employees. About 37.7 percent of jobs (639 jobs) are in the services sector (primarily educational institutions and other services) and 32.4 percent (549 jobs) of the jobs in Calimesa are in retail trade (largely eating and drinking

establishments, and food stores). A relatively large number of jobs (10.3 percent or 175 jobs) are in the construction industry.<sup>267</sup>

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

The Calimesa SOI includes one unincorporated area located on the City's western boundary, extending north to the border with the County of San Bernardino and west along San Timoteo Canyon Road. The Calimesa SOI does not contain any disadvantaged unincorporated communities, nor LAFCO-identified unincorporated islands or pockets. Most of the Calimesa SOI is made up of undeveloped foothills. The Calimesa SOI and City's corporate boundary are illustrated in Exhibit 32.

The City of Calimesa SOI was previously reviewed and confirmed by LAFCO in the September 2006 Central Valleys, The Pass Area, and Southwestern Riverside County MSR (LAFCO 2005-49-3&5; LAFCO 2005-48-5; LAFCO 2005-47-1&3) ("2006 MSR"). Findings from the 2006 MSR are referenced in the SERVICES PROVIDED section below, with any current updates from City staff.

There are two (2) un-sphered and unincorporated areas adjacent to the City that have inquired about annexation into Calimesa. One area, commonly referred to Cherry Valley Boulevard and Roberts Street, is located northeast of the intersection of Cherry Valley Boulevard and Roberts Street, and recently submitted a parcel map for subdivision and road realignment. The property owners on the City's southeastern boundary, adjacent to Interstate 10, in an area commonly referred to as the Golden Triangle, have plans to improve their properties, but are pursuing annexation in order to tie into nearby existing water, wastewater, and other infrastructure. The Cherry Valley Boulevard and Roberts Street, and Golden Triangle focus areas are illustrated in Exhibit 33.

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<sup>267</sup> Source: ESRI Business Analyst Online



Exhibit 32: Current City and SOI Boundaries - Calimesa

**City of Calimesa and Sphere of Influence**

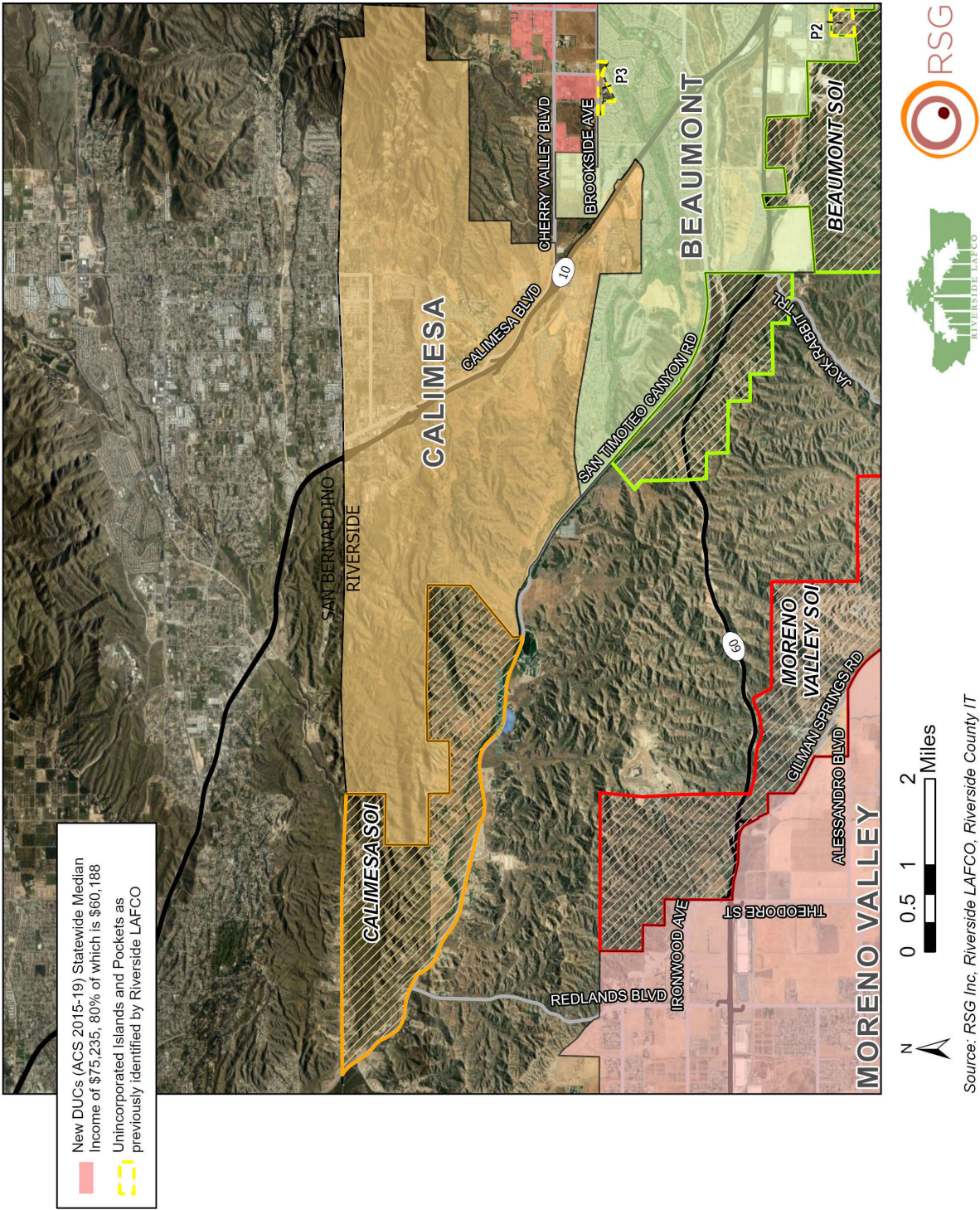
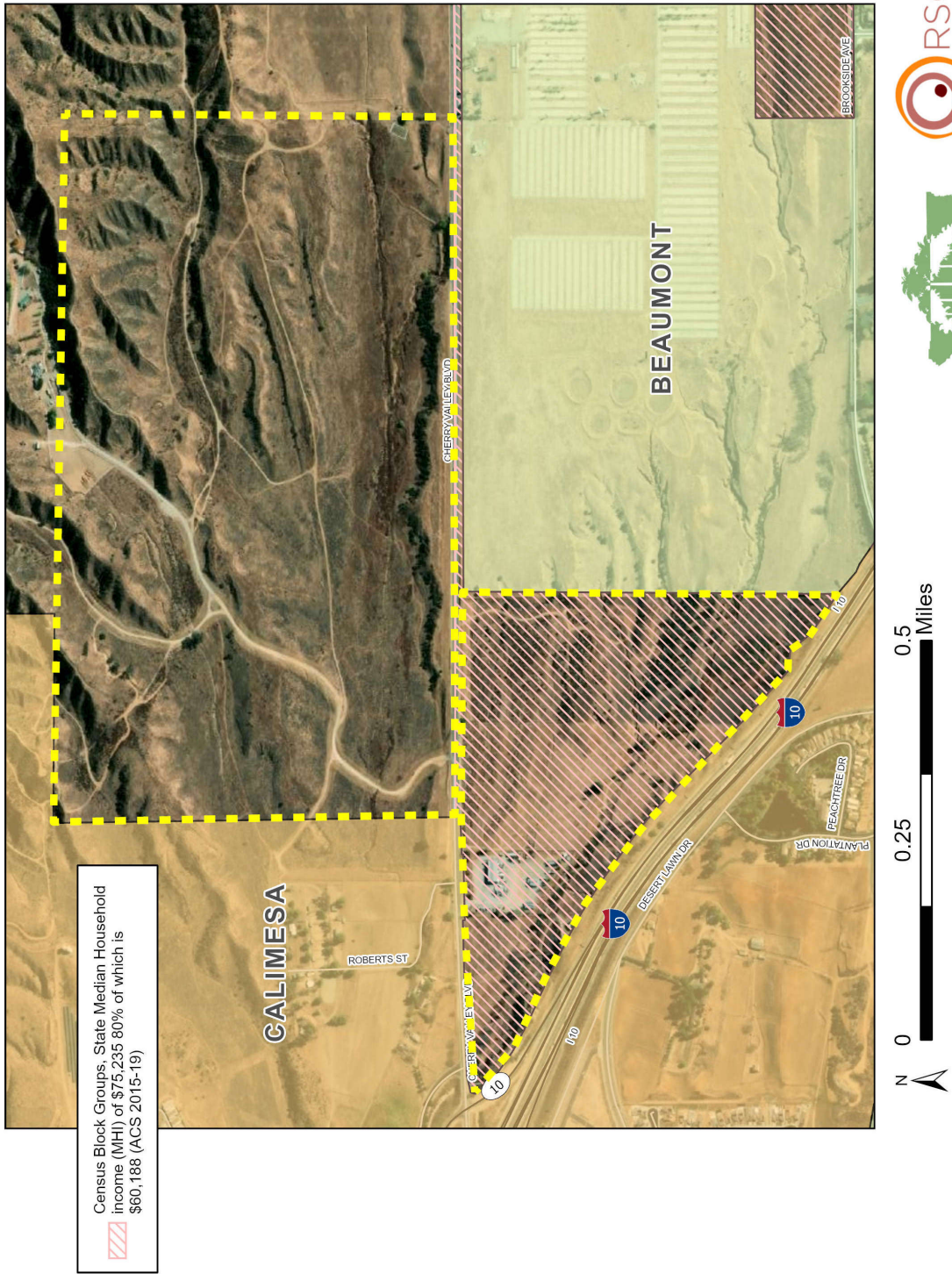




Exhibit 33: Cherry Valley Boulevard and Roberts Street, and Golden Triangle (Areas proposed for inclusion in the SOI) - Calimesa

**City of Calimesa:**  
**Cherry Valley Boulevard & Roberts Street + Golden Triangle**



## FORM OF GOVERNMENT AND STAFFING

The City of Calimesa is organized as a Council – Manager form of government, with five (5) Councilmembers elected at-large by the electorate to serve staggered four (4) year terms. The Council appoints the City Clerk, City Attorney, and City Manager, who serves as the head of the administrative branch of the City government and reports directly to the City Council. The City Council also appoints the City’s Mayor from its membership on an annual basis. The City Manager oversees operations that include 36 full time equivalent personnel<sup>268</sup> and total expenditures that were \$8.2 million in 2018-19.<sup>269</sup>

The City Council also serves as the Successor Agency to the Calimesa Redevelopment Agency. Three (3) commissions carry out assignments at the request of the City Council, including the Planning Commission, Parks Trails and Community Services Commission, and the Library Commission.<sup>270</sup>

The City maintains a website and maintains a presence on at least two (2) social networks. The City issues public notices via its website (and in the local newspaper when required), which include public works projects, special meetings, and regular meeting notifications.

## SERVICES PROVIDED

City staff, augmented by contract support in specific departments provides general government, police protection, fire protection, emergency medical, planning, building and safety, engineering, code enforcement, public works, parks maintenance, street and road maintenance, streetlights, and innovation and technology services. Figure 194 illustrates the municipal services provided by the City or other service providers in Calimesa.

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<sup>268</sup> Source: City of Calimesa, 2018-19 Comprehensive Annual Financial Report

<sup>269</sup> Source: Source: California State Controller’s Office, “Cities Financial Data”

<sup>270</sup> Source: City of Calimesa

Figure 194: Service Provider Matrix - Calimesa

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire Department										
Emergency Medical	Fire Department										
Building/Planning	Community Development, Private Contractor - Building										
Housing	State of California										
Code Enforcement	Community Development, Private Contractor Augment										
Animal Control	Beaumont Animal Services										
Parks and Recreation	Parks - Maintenance Only, Beaumont-Cherry Valley Rec										
Library	Library System, City owns Library Building										
Museum	N/A										
Landscape Maintenance	CFD LLMD - City										
Streets/Road Maintenance	Public Works										
Streetlights	Public Works										
Lighting	CFD LLMD - City										
Utilities	Edison, So Cal Gas										
Solid Waste	CR&R										
Stormwater Drainage	Flood Control & Water Conservation										
Innovation and Technology	Private Contractor, Frontier, Spectrum, DirecTV, Dish										
Airport	N/A										
Cemetery *	Summit, Desert Lawn (Private)										
Healthcare *	San Geronio Pass Memorial Hospital District										
Water *	Yucaipa Valley, Beaumont-Cherry Valley, South Mesa										
Wastewater *	Yucaipa Valley										

\* Not included in this MSR

## Government Services

General government services are provided by elected officials and appointed City staff, including the City Manager and City Clerk. The City Manager is the administrative head of municipal government operations and coordinates activities of City departments, formulates solutions and policy recommendations for the City Council, encourages public and employee participation in governmental processes, and represents the City at local, regional, State, and national levels. The City Clerk is the Deputy City Manager and is responsible for management of all City records, Council agendas, municipal elections, maintenance of municipal code, and oversight for human resources and risk management.

## Law Enforcement

The City contracts with the Riverside County Sheriff's Department for law enforcement services. The Sheriff's Department services include investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and administration of the

volunteer program and explorer youth program. The Department also provides municipal police services to 12 other cities in Riverside County. It is the fourth largest law enforcement agency in California.

### **Fire Protection**

The Calimesa Fire Department is responsible for fire protection services in Calimesa. The full-service Department was formed on January 1, 2018 and has 17 full time equivalent personnel, and six (6) unfunded positions, plus a pool of reserve firefighters to supplement staff on a daily basis. The Department is responsible for fire suppression, EMS services, fire prevention, fire and life safety programs, and rescue services. The Department aims to develop and cultivate partnerships with neighboring cities and is currently developing concepts for the planned additional station. The Department currently operates out of the Calimesa Fire Department facility, located at 906 Park Avenue.

### **Emergency Medical**

The Calimesa Fire Department is responsible for providing emergency medical services to Calimesa. Please refer to the previous section for more information about the Calimesa Fire Department.

### **Building/Planning and Housing (Community Development)**

The City's Community Development Department is responsible for providing building and planning services in Calimesa. The Department has 2.05 full time equivalent personnel dedicated to planning services and has service contracts in place for additional planning assistance as needed, as well as contract building department staff. Planning is responsible for enforcing the City's development standards and zoning ordinances and coordinating land use entitlement for new development. Building services are contracted out and include plan reviews, permit issuance, and conducting inspections to ensure compliance with building codes. The City does not have a separate Housing division or a Housing Authority, but does provide a housing rehabilitation loan program.

## **Code Enforcement**

The City's Community Development Department Code Enforcement Division is responsible for code enforcement in Calimesa. The Division does not have any assigned City employees as code enforcement services are currently provided by a private contractor. The Division is responsible for abatement of zoning code violations, enforcement of business license violations, maintenance of code enforcement database, monitoring of vacant and abandoned properties, abandoned vehicle program, and weed abatement.

## **Animal Control**

The City contracts with the City of Beaumont for animal control services. The Beaumont Police Department provides animal control services in the City of Beaumont. Primary functions under the contract include calls for stray animals, sick and injured animals, dead animal removal, animal bites, barking dogs, and dog licensing.

## **Parks and Recreation**

The City's Public Works Department provides parks maintenance in Calimesa. The Department is responsible for parks maintenance services, including mowing, irrigation repair, weed control, tree trimming, and park cleanup. The Department currently consists of 4.0 full time equivalent personnel to cover all maintenance responsibilities, including parks. In addition, the Department has contract staff performing the duties of Public Works Director, Associate Engineer, and Public Works Inspector. The City does not provide recreation services.

The 2006 MSR presented the following determinations:

- Calimesa was providing parkland acreage at a ratio below the Agency's adopted standards.

The City has new parks planned as part of two entitled developments: Summerwind Trails, and Mesa Verde. Additionally, the City plans to expand the existing 4<sup>th</sup> Street Park. City staff indicated that the City plans to develop a parks master plan covering future park development for Calimesa.



The Beaumont-Cherry Valley Recreation District is an independent special district that provides recreation services in proximity to Calimesa. The District overlaps several small areas along Calimesa's southern corporate boundary.<sup>271</sup> The District is a special district that aims to enrich and fulfill the lives of community members by providing parks, park facilities, and recreation programs of outstanding quality. The City does not have any formal agreements with the District.

## **Library**

The Riverside County Library System is responsible for providing library services in Calimesa. The System provides access to reading materials, literacy programs, computers, and broadband access for residents from the Calimesa Branch Library. The City owns the library building and the site, and is financially responsible for providing all programming and building maintenance. The County provides staffing for the Library. The City is in the process of expanding its Library in partnership with the County.

## **Museum**

Calimesa does not currently have any museum facilities.

## **Landscape and Lighting Maintenance**

The City's Landscaping and Lighting Maintenance District provides funding for maintenance of landscaping, parks, street lighting, and open space. The District is a small dependent district that receives a special property tax assessment. According to City staff, the City's General Fund subsidizes the District on an annual basis, and services may be performed by City staff or private contractors.

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<sup>271</sup> Source: California Special Districts Association, Special Districts Mapping Project, Beaumont-Cherry Valley Recreation and Park District  
<https://www.csda.net/special-districts/map>

## **Streets/Road Maintenance**

The City's Public Works Department is responsible for providing streets and road maintenance in Calimesa. The Department oversees the street sweeping contract, construction of minor road projects, and maintenance of the City's streets and parkways. The Department has 4.0 full time personnel dedicated for maintenance responsibilities, including streets and road maintenance. According to City staff, the Department has contract staff performing the duties of Public Works Director, Associate Engineer, and Public Works Inspector.

The 2006 MSR presented the following determinations:

- Some existing roadways and/or intersections were operating below the City's adopted LOS standard. Roadway improvements were expected to assist in alleviating some congestion and increasing the LOS.

City staff reported that the City maintains a street rehabilitation program that is funded primarily through Measure A. The City's annual street rehabilitation projects are completed based on the funding from Measure A. In 2019, the City received additional funding from the 2018 Gas Tax increase under the State Road Maintenance and Repair Act, which enabled the City to expand its rehabilitation program. City staff indicated that funding is not sufficient to meet both maintenance and capacity enhancement needs to address level of service deficiencies. As such, the City pursues grant funding in order to complete street and roadway maintenance and capacity enhancements. City staff added that in 2021-22, the City budgeted for the General Fund expenditure of \$1 million towards street paving, and a substantial portion of the American Rescue Plan Act funds (totaling \$2.2 million) will be utilized for streets and road maintenance over the next two (2) years. City staff indicated that the City operates at an acceptable level of service for all roadways and intersections except those near Interstate 10 interchanges. The City is in pre-construction phases on interchange capacity improvements at the Cherry Valley Boulevard Interchange and Singleton Road Interchange. The City will require new development to mitigate impacts and future infrastructure deficiencies attributable to their projects.



## **Streetlights**

The City-wide Landscaping and Lighting Maintenance District provides funding for the operation and maintenance of the City's streetlights and traffic signals. The District is a small dependent district that receives a special property tax assessment. The City's General Fund subsidizes the District on an annual basis, and services may be performed by City staff or private contractors.

## **Utilities (Gas, Electric)**

Southern California Edison and Southern California Gas Company provide electricity and natural gas services to Calimesa. Both Southern California Edison and Southern California Gas are private entities that pay franchise fees to the City for the right to provide respective utilities to Calimesa households and businesses. The City is not a member of a Community Choice Aggregate.

While water service is beyond the scope of this MSR, City staff noted that the City is serviced by Yucaipa Valley Water District, Beaumont-Cherry Valley Water District, and South Mesa Mutual Water Company.

## **Solid Waste**

The City has a franchise agreement with CR&R Sanitation to provide solid waste collection and disposal services. In business since 1963, CR&R's mission has been to provide customers with consistent, safe, worry-free, and sustainable waste and recycling services. CR&R provides these services to ten cities in Riverside County. They also provide trash services in Orange, Los Angeles, Imperial, San Bernardino, and San Diego counties, as well as various places in Arizona and Colorado.

The 2006 MSR presented the following determinations:

- The City was diverting less solid waste than required by the California Public Resources Code (PRC 41780).

City staff indicated that the City has almost 100 percent participation rate in recycling and organics diversion programs, which has steadily improved its diversion rates.

## **Storm Drainage**

The City's Public Works Department oversees maintenance of the City's storm drainage facilities and NPDES program. The Department has 4.0 full time equivalent personnel dedicated for all maintenance services, including certain storm water drainage infrastructure and NPDES services. City staff added that the Department has contract staff performing the duties of Public Works Director, Associate Engineer, and Public Works Inspector.

City staff noted that storm drainage systems are maintained by both the City and Riverside County Flood Control and Water Conservation District. Systems constructed with pipe diameters greater than 36-inches and regional flood control basins are maintained by the Riverside County Flood Control and Water Conservation District. The County Flood Control and Water Conservation District is a large dependent special district that was formed in 1945 and governed by the Riverside County Board of Supervisors. All smaller conveyance facilities are maintained by the City.

The 2006 MSR presented the following determinations:

- Calimesa had existing storm water drainage deficiencies related to the inadequacy of the drainage system and/or areas that were undeveloped or underdeveloped. Improvements to the City's drainage systems were to be provided by new development, and the City was planning infrastructure projects to enhance or expand the existing systems.

City staff indicated that several storm water drainage projects are either completed or underway, addressing the 2006 MSR determinations:

- Avenue L storm drain improvements are complete and are maintained by Riverside County Flood Control and Water Conservation District.

- Calimesa Creek improvements are nearly ready to be constructed, and will address flooding conditions along County Line Road
- All new development projects are required to mitigate flooding.

## **Innovation and Technology**

The City's Information Technology Department provides technology services to City staff. The Department has 0.15 full time equivalent personnel and a \$40,000 annual service contract with a private contractor. The Department is responsible for effective utilization of technology throughout the City, maintenance of the City's computer systems, electronic communications, and training City employees.

The City has franchise agreements with Frontier, and Charter Communications, both of which are private telecommunications companies, to provide cable and broadband services to Calimesa residents.

## **Airport**

Calimesa does not have an airport in its jurisdictional boundary.

## **Extraterritorial Services Provided**

City staff did not identify any services that are currently provided outside of the City's corporate limits.

While wastewater service is beyond the scope of this MSR, the City of Beaumont is currently providing extraterritorial wastewater services to the Plantation on the Lake mobile home park within the corporate boundary of Calimesa. Plantation on the Lake mobile home park was originally included in the Riverside County Oak Valley PGA Specific Plan. During the 1990's, LAFCO had designated the area within Beaumont's SOI. In the late 1990's, the cities of Beaumont and Calimesa separately negotiated a distribution of the Specific Plan area. The two cities also agreed to various community benefits and tax sharing measures. In 1997, the two cities submitted

applications to LAFCO for sphere changes, and portions of the Specific Plan area were annexed into the City of Beaumont.<sup>272</sup> The City of Beaumont and City of Calimesa mutually approved a sewer service agreement for the Plantation on the Lake mobile home park and adjacent commercial property. In 2013, the Plantation on the Lake mobile home park requested connection to the City of Beaumont sewer system.<sup>273</sup> In 2014, the 30-acre mixed use Country Club Village project also requested connection to the Beaumont sewer system. In 2021, the Cities entered into a Multi-Jurisdictional Agreement to allow the connection. Shortly thereafter in 2022, the Riverside County Local Agency Formation Commission approved the City of Beaumont's request to provide extra-territorial services to the project.

Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City maintains and updates a Capital Improvement Program on an annual basis that is included with the City's Budget and outlines anticipated projects and expenditures over a five (5) year period. The City's current Capital Improvement Program includes interchange and street improvements. The City's Capital Improvement Program includes approximately \$72 million in project expenditures, excluding carryover projects from previous fiscal years.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on February 4, 2014. HCD completed its review and designated the Housing Element in compliance with Housing Element Law on March 17, 2014.<sup>274</sup> The City submitted Housing Element Annual Progress Reports consistently

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<sup>272</sup> Source: California Planning and Development Report, "Money Resolves Beaumont-Calimesa Annexation Dispute" dated March 3, 2003. <https://www.cp-dr.com/articles/node-828>

<sup>273</sup> Source: City of Beaumont, "Agreement and Covenants, Conditions, and Restrictions affecting real property regarding the provision of sewer service to the Plantation on the Lake Mobile Home Park" dated June 18, 2013. <https://beaumontca.gov/DocumentCenter/View/17241/Item-5f---Sewer-Service---Plantation-of-the-Lake-Mobile-Home-Park>

<sup>274</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

between 2014 and 2020, but failed to submit an Annual Progress Report in 2013.<sup>275</sup> City staff noted that the 2021 Annual Progress Report was submitted on time.

The City's 5<sup>th</sup> Cycle RHNA allocation and permitted units are presented in Figure 195.

Figure 195: 5<sup>th</sup> Cycle Housing Element Summary - Calimesa

Calimesa 5 <sup>th</sup> Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	543	383	433	982
Permitted Units	0	0	1	1,060
Allocation Surplus/(Shortage)	(543)	(383)	(432)	78

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

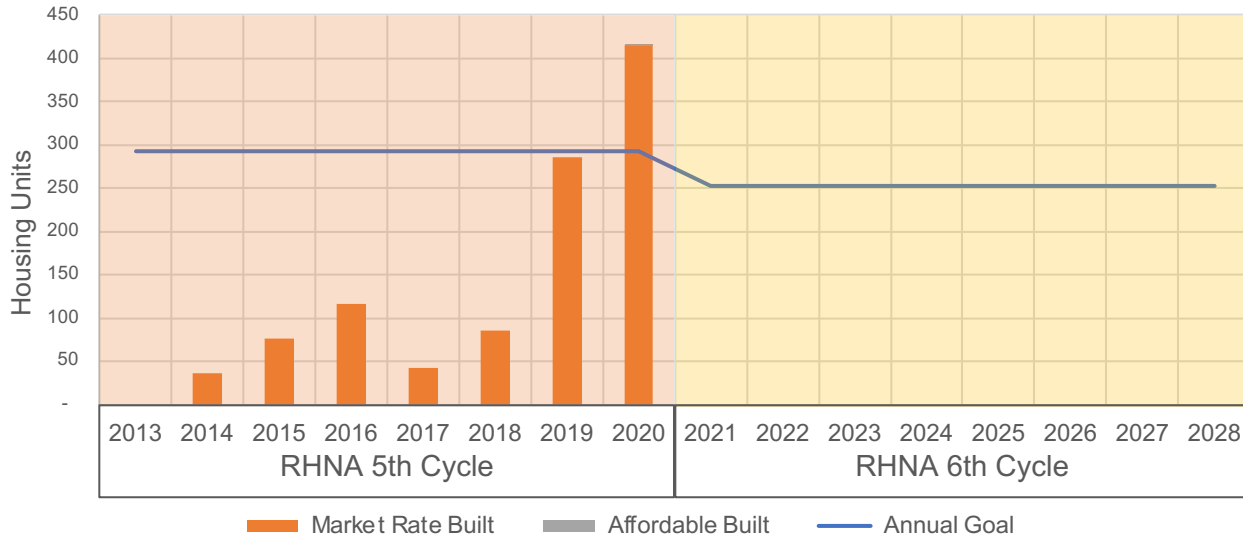
The City's 5<sup>th</sup> Cycle RHNA allocation was 2,341 housing units across all income categories. During the 5<sup>th</sup> Cycle, the City produced a total of 1,060 market rate housing units, which exceeded the City's 5<sup>th</sup> Cycle above-moderate income housing RHNA allocation by 78 units. The City produced one (1) moderate income unit, which was a junior accessory dwelling unit. The City did not produce a single unit designated for very low- or low-income households during the 5<sup>th</sup> Cycle. Overall, the City produced 45 percent of its RHNA allocation during the 5<sup>th</sup> Cycle. The 5<sup>th</sup> Cycle recently concluded, and the City did not meet its 5<sup>th</sup> Cycle RNA allocation.

Many Riverside County cities are facing increased RHNA allocations for the upcoming 6<sup>th</sup> Housing Element Cycle (2021-2029). The final 6<sup>th</sup> Cycle RHNA allocation for Calimesa is about 14 percent lower than the 5<sup>th</sup> Cycle RHNA allocation. The final RHNA allocations for the 6<sup>th</sup> Cycle are 495 very low-income units, 275 low-income units, 379 moderate-income units, and 868 above-moderate income units, for a combined 2,017 total units.

The City's 5<sup>th</sup> Cycle RHNA allocation and production, and 6<sup>th</sup> Cycle RHNA allocation are presented in Figure 196.

<sup>275</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 196: 5th and 6th Cycle RHNA Allocation and Production - Calimesa



## FISCAL HEALTH

The fiscal health evaluation is presented in the sections that follow, including a review of audit findings, revenue and expenditures, long-term pension and OPEB obligations, and California State Auditor fiscal health assessment results. Financial reports may vary significantly between audited financial statements, the State Controller's report, and actual budget documents.

The 2006 MSR presented the following determinations pertaining to the City's fiscal health:

- Calimesa had a history of overall expenditures exceeding overall revenues. Having expenditures exceed revenues would appear to cause financing constraints to the provision of services, facilities, and maintenance.

The fiscal years reviewed in the 2006 MSR were 2003-04 and 2004-05. In the three (3) year period (fiscal years 2016-17 through 2018-19), RSG did not identify any instances where annual expenditures exceeded annual revenues. As such, this determination from the 2006 MSR appears to be corrected.

The City's net position is presented as annual revenues less expenditure for fiscal years 2016-17 through 2018-19 in Figure 197. The City recorded budget surpluses in each year between 2016-17 and 2018-19.

Figure 197: Net Position - Calimesa

Calimesa	2016-17	2017-18	2018-19
Total General Tax Revenues	\$4,102,526	\$4,623,157	\$5,064,576
Other Tax Revenues	52,369	-	-
Other Revenues	3,255,911	3,083,067	8,827,825
<b>Total Revenues</b>	<b>7,410,806</b>	<b>7,706,224</b>	<b>13,892,401</b>
Total Operating Expenditures	6,863,881	6,712,685	8,168,268
Debt Service	-	-	48,774
Capital Outlay	-	411,840	-
<b>Total Expenditures</b>	<b>6,863,881</b>	<b>7,124,525</b>	<b>8,217,042</b>
<b>Net Position</b>	<b>\$546,925</b>	<b>\$581,699</b>	<b>\$5,675,359</b>

Source: California State Controller's Office

## Operating Revenues

RSG compiled and reviewed the three (3) years of financial history from 2016 through 2019 available through the California State Controller's Office Cities Financial Data, the City's 2018-19, 2019-20, and 2020-21 adopted budgets, as well as the 2017-18, 2018-19, and 2019-20 annual audits to evaluate the City's fiscal health. While categorization of revenues and expenditures varied in some cases across these data sources, the SCO's dataset and City's audited financial reports yield similar results.

The City had total revenues of \$13.9 million in 2018-19, which included almost \$5.1 million in general tax revenues and \$8.8 million in non-tax revenues. The City's revenue history for fiscal years 2016-17 through 2018-19 is presented in Figure 198.



Figure 198: Operating Revenue History - Calimesa

Calimesa	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$2,192,790	\$2,411,698	\$2,631,592
Sales Tax	710,595	881,079	974,574
Transient Occupancy Tax	-	51,554	77,152
Property Tax in-lieu of VLF	765,199	834,120	906,292
Franchise Tax	354,274	361,624	388,508
Business License Tax	26,392	23,793	27,556
Property Transfer Tax	53,276	59,289	58,902
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>4,102,526</b>	<b>4,623,157</b>	<b>5,064,576</b>
Transportation Tax	-	-	-
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	52,369	-	-
<b>Total Tax Revenues</b>	<b>4,154,895</b>	<b>4,623,157</b>	<b>5,064,576</b>
Charges for Services	143,479	427,471	990,031
Special Benefit Assessments	137,187	87,433	87,480
Use of Money	80,220	130,153	268,389
Fines and Forfeitures	34,636	51,901	92,314
Licenses and Permits	299,196	169,266	872,051
Intergovernmental	628,091	995,347	1,281,165
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	1,933,102	1,221,496	5,236,395
<b>Total Revenues</b>	<b>\$7,410,806</b>	<b>\$7,706,224</b>	<b>\$13,892,401</b>

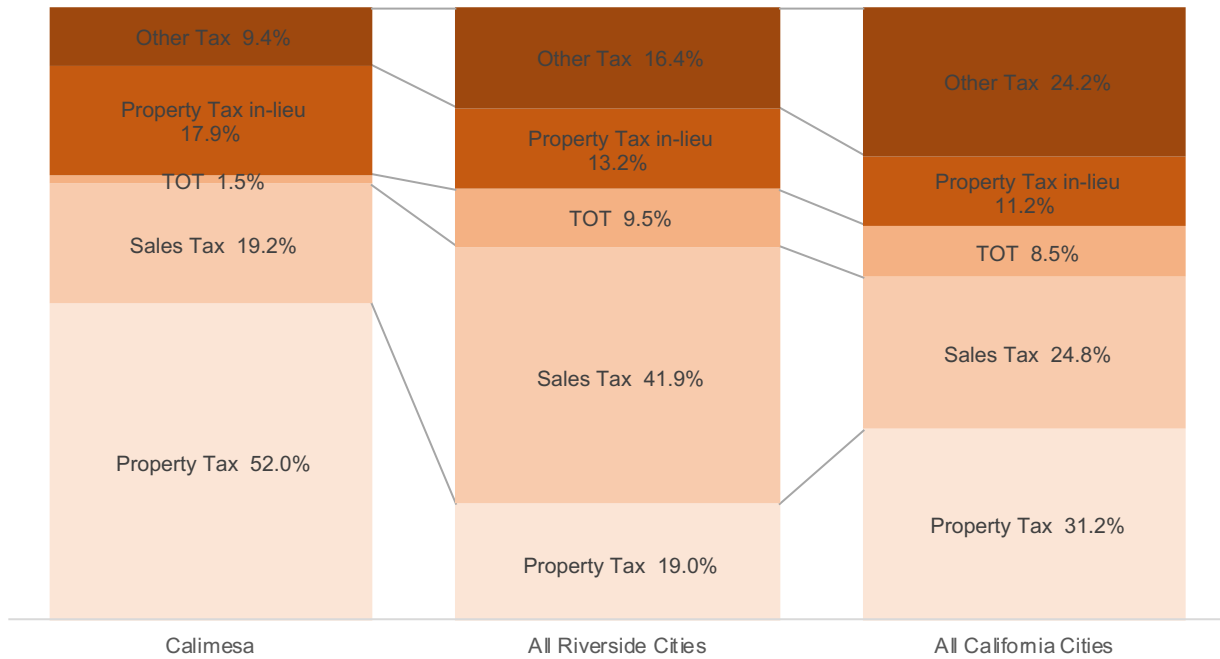
Source: California State Controller's Office

The City's general tax revenues were \$5.1 million in 2018-19, which represented about 36.5 percent of the City's total revenues. As such, the City relies more on non-tax revenue sources, such as miscellaneous revenues (\$5.2 million in 2018-19), intergovernmental grants (\$1.3 million), and charges for services (\$990,000). The City's largest general tax revenues in 2018-19 included property tax (\$2.6 million), sales tax (\$975,000), and property tax in-lieu of VLF (\$906,000).

The City's general tax revenues are skewed towards property taxes, with property tax revenues accounting for 52.0 percent of general tax revenues. This is unique among Riverside County and California cities, where property taxes average 19.0 and 31.2 percent of general tax revenues

respectively. The City's general tax revenue profile, along with the average general tax revenue profiles for Riverside County and California cities is presented in Figure 199.

Figure 199: General Tax Revenue Comparison - Calimesa



The City's three (3) largest general tax revenue sources, property tax, sales tax, and property tax in-lieu of VLF, totaled 89.1 percent of general tax revenues, which is above average for Riverside County cities. Because the City's property tax and property tax in-lieu of VLF revenues are disproportionately larger than the average revenues for Riverside County and California cities, all other revenue sources are below-average by comparison.

### Property Tax and Property Tax in-lieu of Motor Vehicle License Fees

In 2018-19, property tax revenues for the City totaled \$2.6 million, or about 52.0 percent of the City's general tax revenues. Between 2016-17 and 2018-19 the City's property tax revenues grew at an annual rate of 9.5 percent, indicating that not only have the City's property values increased, but the City has experienced either substantial development or sales transactions, or both. Property tax is assessed at a rate of one percent of the assessed value of land, improvements, and personal property located in Calimesa. Total net assessed value amounted to \$888.4 million

in 2018-19, inclusive of about \$321.5 million in land value and \$596.4 million in improvement value.<sup>276</sup> The City receives a 29.6 percent share of the total property tax collected in the City, which is the largest share of property tax for a City in the County.

The City's third-largest revenue source in 2018-19 was property tax in-lieu of VLF, accounting for about \$906,000 in revenues, or about 17.9 percent of all general tax revenues. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004 and property tax in-lieu of VLF increases based on assessed valuation growth within the City.

The City adopted a Master Property Tax Exchange Agreement in 1992. The County adopted the Master Property Tax Exchange Agreement in 1993.<sup>277</sup>

## **Sales Tax**

The City's second-largest general tax revenue source in 2018-19 was sales tax, which was \$975,000 or about 19.2 percent of general tax revenues. The City receives one percent of gross receipts from the sale of tangible personal property sold in Calimesa. According to City staff, sales tax revenues were impacted by the COVID-19 pandemic in 2020, but were beginning to recover by early 2021.

## **Miscellaneous Revenues**

The City's largest non-tax revenue source in 2018-19 was miscellaneous revenues, which totaled \$5.2 million and represented about 37.7 percent of total revenues. The City collects miscellaneous revenues in the form of development impact fees (\$3.5 million in 2018-19), contributions from nongovernmental sources (\$1.2 million), and other miscellaneous revenue sources (\$466,000).

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<sup>276</sup> California City Finance, "Assessed Valuation of Property by City"

<sup>277</sup> Source: Riverside LAFCO

## **Intergovernmental Revenues**

Intergovernmental revenues were the City's second-largest non-tax revenue source in 2018-19, adding up to \$1.3 million and representing about 9.2 percent of total revenues. The City's primary intergovernmental revenue sources included gasoline tax (\$350,000), community development block grants (\$160,000), public safety Proposition 172 revenues (\$149,000), and various State (\$380,000) and Federal (\$21,000) grants.

## **Charges for Services**

Charges for services was the City's third-largest non-tax revenue source in 2018-19, accumulating over \$990,000 and accounting for 7.1 percent of the City's total revenues. Charges for services included plan check fees (\$130,000), engineering and inspection fees (\$29,000), and other various charges for services (\$831,000, the State Controller's report did not provide the specific source of these revenues). Over the three (3) years studied between 2016-17 and 2018-19, charges for services increased from \$143,000 to \$990,000 annually, a 162.7 percent annual increase. According to City staff, the City's fees were generally about average when compared to other cities in Riverside County. Still, residents and developers commonly provide feedback, stating that the City's development impact fees are higher than other nearby communities. City staff added that the above-average fees can be attributed to sewer and water fees that are outside of the City's control, and are collected by respective third-party utility providers.

## **Operating Expenditures**

The City's total expenditures ranged from \$6.9 million in 2016-17 to \$8.2 million in 2018-19, which represents a 9.4 percent annual increase. This increase is sustainable because, during the same time frame, total revenues increased at a rate of 36.9 percent annually. The City's annual operating expenditures are outlined in Figure 200.

Figure 200: Operating Expenditures - Calimesa

Calimesa	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$746,708	\$1,068,784	\$1,530,676
Employee Benefits	163,000	278,584	402,345
Materials and Supplies	344,643	990,063	2,136,842
Contract Services	5,609,530	4,375,254	4,098,405
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>6,863,881</b>	<b>6,712,685</b>	<b>8,168,268</b>
Debt Service	-	-	48,774
Capital Outlay	-	411,840	-
<b>Total Expenditures</b>	<b>\$6,863,881</b>	<b>\$7,124,525</b>	<b>\$8,217,042</b>

Source: California State Controller's Office

The City's largest operating expenditure category is associated with contract services, as the City contracts with the Riverside County Sheriff and other contract service providers. During the timeframe presented in Figure 200, the City added operating expenditures associated with salaries and wages, and employee benefits while reducing contract service expenditures. Between 2016-17 and 2018-19, salaries and wages grew by 43.2 percent annually while contract service expenditures were reduced by 14.5 percent annually. City staff noted that the increase in salaries and wages during this time frame was the result of the City transferring fire protection and planning services from contracts to City departments and staff. Also, the City's debt service and capital outlay expenditures are exceptionally low when compared to other cities in Riverside County, a positive indicator of fiscal health.

The City's current expenditures, organized by function, between 2016-17 and 2018-19 are presented in Figure 201.

Figure 201: Current Expenditures - Calimesa

Calimesa	2016-17	2017-18	2018-19
General Government	\$1,089,752	\$1,051,317	\$1,137,617
Public Safety	3,340,074	4,012,474	3,684,290
Transportation	1,282,854	918,979	2,256,393
Community Development	814,999	396,556	902,661
Health	-	175,973	13,365
Culture and Leisure	336,201	157,386	173,942
Public Utilities	1	-	-
Debt Service	-	-	48,774
Capital Outlay	-	411,840	-
<b>Total Current Expenditures</b>	<b>\$6,863,881</b>	<b>\$7,124,525</b>	<b>\$8,217,042</b>

Source: California State Controller's Office

As with most cities in Riverside County, the City's largest current expenditure function was public safety, which was almost \$3.7 million in 2018-19, or about 45.1 percent of current expenditures net of capital outlay and debt service. While the City's 2018-19 expenditures on transportation, totaling \$2.3 million, representing about 27.6 percent of current expenditures, were higher compared to the previous two (2) years, transportation expenditures on this scale are much higher than the average for Riverside County and California cities, which both averaged 9.9 percent of current expenditures on transportation.

### Reserve Fund Balance

The City's General Fund 2020-21 budgeted reserves were \$4.8 million, which was 68 percent of total budgeted expenditures. The City's reserve policy seeks to set aside 35 percent of total budgeted expenditures as reserves, and as a result, the City's current reserve funds are in compliance with the City's reserve policy.

### Pension and OPEB Obligations

The City contracts with CalPERS to provide a defined benefit Miscellaneous Pension Plan. The City does not offer a CalPERS Safety Plan. The City's fire protection personnel are included in a Public Agencies Retirement Services (PARS) plan. The City does not offer an OPEB plan. The City's pension obligation is presented in Figure 202.

Figure 202: Pension and OPEB Obligations - Calimesa

Calimesa	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$801,322	\$760,407	\$860,069
Total OPEB Liability/(Surplus)	-	-	-
Total Benefit Liability/(Surplus)	\$801,322	\$760,407	\$860,069

Source: 2017-18, 2018-19 and 2019-20 Annual Audit Report and Financial Statements

The City's pension liability is currently manageable for the City. City staff indicated that fire protection employees were eligible for the City's Public Agency Retirement System defined contribution plan beginning September 1, 2017. The City's 2019-20 audit indicated that the City contributed \$46,776 to the Public Agency Retirement System plan.

The City's pension indicators, including the contribution rate compared to the actuarially determined contribution, the total covered payroll, and the employer contribution rate, are outlined in Figure 203

Figure 203: Pension Indicators - Calimesa

Calimesa	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$81,270	\$99,636	\$122,260
Employer Contribution	81,270	99,636	122,260
Covered Payroll	\$821,901	\$802,415	\$929,097
Employer Contribution Rate	9.9%	12.4%	13.2%

Source: 2017-18, 2018-19 and 2019-20 Annual Audit Report and Financial Statements

The City has historically made employer contributions equivalent to the minimum actuarially determined contribution. The City's employer contribution rate is a small fraction, increasing to 13.2 percent in 2019-20, of covered payroll. The City's employer contribution rate is below average when compared to other Riverside County cities, which ranged from 26 to 32 percent during the same time frame.

## Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all



material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City.<sup>278</sup>

### **California State Auditor Fiscal Health Evaluation**

The City of Calimesa ranked 423 out of 471 jurisdictions and had received an overall risk rating of low. The City is considered higher risk than 48 peer cities in California, or about 10 percent of cities. The City received low risk ratings on nine (9) indicators, including liquidity, debt burden, general fund reserves, revenue trends, pension obligations, pension costs, future pension costs, OPEB obligations, and OPEB funding. One (1) indicators was given a moderate risk rating – pension funding. No indicators were given a high risk rating.<sup>279</sup>

### **MSR DETERMINATIONS**

Requisite CKH determinations for Calimesa are presented by topic below:

#### **1. Population, Growth, and Housing**

Calimesa's population grew quickly during the last decade and is expected to grow much faster through 2035 and 2045. Calimesa's anticipated growth rates are 3.5 and 5.4 percent through 2035 and 2045 respectively. While these are very high projected growth rates, City staff's assessment of the development pipeline indicates that actual population growth may exceed expectations.

The City is taking steps to accommodate population growth by increasing zoning densities in certain undeveloped portions of Calimesa.

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<sup>278</sup> Source: City of Calimesa, 2019-20 Audit

<sup>279</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

## **2. Disadvantaged Unincorporated Communities in SOI**

The Calimesa SOI does not contain any DUCs.

## **3. Present and Planned Capacity of Facilities**

City staff did not identify any deficiencies related to the present or planned capacity of public facilities.

## **4. Financial Ability to Provide Services**

The City's tax base is not diverse, and the City is heavily reliant on revenues derived from property values, as property tax and property tax in lieu of VLF revenues combined for 66.9 percent of general tax revenues in 2018-19, leaving the City vulnerable to economic shifts impacting property values. City staff indicated that the percentage of property-based revenue as compared to total revenues has declined to approximately 49 to 50% by fiscal year 2020-21, which reflect better diversity and less potential impact on economic downturns.

## **5. Opportunities for Shared Facilities**

City staff did not identify any opportunities for shared facilities.

## **6. Accountability for Community Service Needs**

The City issues public notices on its website and communicates with residents using at least two (2) social media networks.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## SOI RECOMMENDATIONS

Two (2) unincorporated areas that are not within the Calimesa SOI are being considered for inclusion in the Calimesa SOI and future annexation. The areas are outlined below and illustrated in Exhibit 33:

Cherry Valley & Roberts: According to City staff, there is interest by both the property owner and City to proceed with extension of the Calimesa SOI and future annexation of a rectangular un-sphered and unincorporated area roughly 230 acres in size, located on the City's eastern boundary north of Cherry Valley Boulevard and east of Roberts Street. This area is largely undeveloped, but may contain some improvements.

Golden Triangle: There is also interest in an area known as the "Golden Triangle" that is also un-sphered and unincorporated, which is located immediately southwest of the above-mentioned Cherry Valley Boulevard and Roberts Street area. The Golden Triangle is south of Cherry Valley Boulevard and northeast of Interstate 10. According to City staff, the property owner intends to develop the property with commercial uses and will need certain municipal improvements, such as water, wastewater, and storm drain infrastructure, to support the commercial operations.

RSG's recommended determinations related to the Calimesa SOI are presented by topic below:

### 1. Present and Planned Land Uses

The Calimesa SOI extends west of the City's existing boundary to include mountainous areas that are difficult to develop.

### 2. Present and Probable Need for Public Facility and Services

City staff did not identify any present or probable need for public facilities in the Calimesa SOI. As the City expands into the potential SOI expansion, the City has reported that they will be looking at a new City Hall and an additional fire station. The City also reports that they are working with the County on a new library facility.

### **3. Present Capacity of Public Facilities**

City staff did not identify any deficiencies related to present capacity of public facilities in the Calimesa SOI.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest in the Calimesa SOI.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Calimesa SOI does not contain any DUCs.

## CITY OF SAN JACINTO

The City of San Jacinto is located in the Pass Region of Riverside County, and is among the oldest cities in the County, having incorporated in 1888 as a general law city.<sup>280</sup> The San Jacinto city extends over 25.7 square miles and the San Jacinto SOI covers an additional 9.6 square miles of unincorporated land, for a combined land area of 35.3 square miles.<sup>281</sup> San Jacinto's western, northern and eastern boundaries are all bordered by unincorporated Riverside County areas, while the southern border is coterminous with the incorporated City of Hemet.

The San Jacinto and San Jacinto SOI demographic profiles are presented in Figure 204.

Figure 204: Demographic Profile - San Jacinto

San Jacinto	City	SOI	County
Population as of 2020	51,028	1,245	2,442,304
Population as of 2010	44,199	1,180	2,189,641
Annual Pop. Growth Since 2010	1.45%	0.54%	1.10%
Housing Units	15,944	525	867,637
Persons / Housing Unit	3.20	2.37	2.81
Land Area (sq mi)	25.7	9.6	7,206.0
Persons / Square Mile	1,986	130	339
Median Household Income	\$51,513	\$40,803	\$67,369
Projected Population in 2035	60,845		2,995,509
Annual Proj. Growth 2020-2035	1.18%		1.37%
Projected Population in 2045	69,861		3,251,705
Annual Proj. Growth 2020-2045	2.12%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>280</sup> Source: City of San Jacinto

<sup>281</sup> Source: Riverside LAFCO

The population grew at a rate of 1.45 percent annually in San Jacinto between 2010 and 2020, which was above-average when compared to the County's annualized growth rate of 1.10 percent. The median household income in San Jacinto (\$51,513) is 23.5 percent below the median household income in Riverside County (\$67,369), and the median household income in the San Jacinto SOI (\$40,803) is even lower, 39.4 percent below the County median household income. While the population density in San Jacinto, which is 1,986 persons per square mile, is much higher than the County-wide average (339 persons per square mile), the San Jacinto SOI is sparsely populated, with just 130 persons per square mile.

Population projections for San Jacinto anticipate varying growth rates over the next 15 to 25 years. Over the next 15 years, through 2035 population projections expect slower-than-average growth of 1.18 percent annually, compared to the County's expected growth rate of 1.37 percent annually. Meanwhile, over the next 25 years, through 2045, San Jacinto is expected to grow at a rate of 2.12 percent annually while the County is expected to grow at an annual rate of 1.93 percent.

The San Jacinto land use summary is presented in Figure 205.

Figure 205: Land Use Summary - San Jacinto

San Jacinto		County	
Residential Units	Units	%	%
Single Family	10,271	64.4%	54.8%
Multifamily	2,857	17.9%	43.6%
Mobile Home	2,816	17.7%	1.6%
Total Units	15,944	100.0%	100.0%
New Units Since 2010	967		
Commercial	Gross SF	%	%
Retail	1,551,110	51.0%	26.6%
Industrial	1,300,064	42.8%	61.8%
Office	188,425	6.2%	9.6%
Other	-	0.0%	2.0%
Total	3,039,599	100.0%	100.0%
New Commercial Since 2010	38,033		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

San Jacinto is home to about 15,944 housing units, after adding 967 units between 2010 and 2020. For the 5<sup>th</sup> Housing Element Cycle (2014-2021), the City permitted 797 housing units, falling short of the City's RHNA allocation of 2,433 housing units. The City's 6<sup>th</sup> Cycle RHNA allocation increases to 3,385 units. While San Jacinto added housing units at an annual rate of 0.63 percent, the commercial inventory in San Jacinto grew at an even slower rate – 0.13 percent annually, or just 38,033 square feet. San Jacinto has a disproportionally higher ratio of retail square footage, which represents 51.0 percent of the commercial square footage in the City, when compared to the County-wide distribution (26.6 percent).

San Jacinto contains an estimated 879 businesses that employ about 6,616 employees. A majority of the employment is in the services (47.0 percent) and retail (26.1 percent) sectors. The most significant service subsectors include educational institutions (15.9 percent), unclassified other services (13.4 percent), and motion pictures and amusements (8.8 percent). The largest



retail subsectors include eating and drinking places (11.6 percent) and food stores (7.3 percent).<sup>282</sup>

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

Two (2) noncontiguous portions of the San Jacinto SOI extend north and east, surrounded by the City of Beaumont on the north and unincorporated and unsphered County territory in all other directions. The San Jacinto SOI contains two (2) DUCs, described below, and three (3) LAFCO-identified unincorporated islands or pockets, also outside the City's northeastern boundary. The City's corporate boundary and SOI are illustrated in Exhibit 34.

- DUC1 is commonly known as Country Lakes Mobile Home Park (Gilman Hot Springs) and overlaps a portion of LAFCO-identified pocket P39
- DUC2 is commonly referred to as Soboba Hot Springs and is located in the southern portion of LAFCO-identified pocket P40
- Pocket P38 is located at the City's northeastern boundary on Soboba Road

City staff did not identify any specific SOI changes, but did note that there is interest in future annexation of the peninsula identified as Pocket P40.

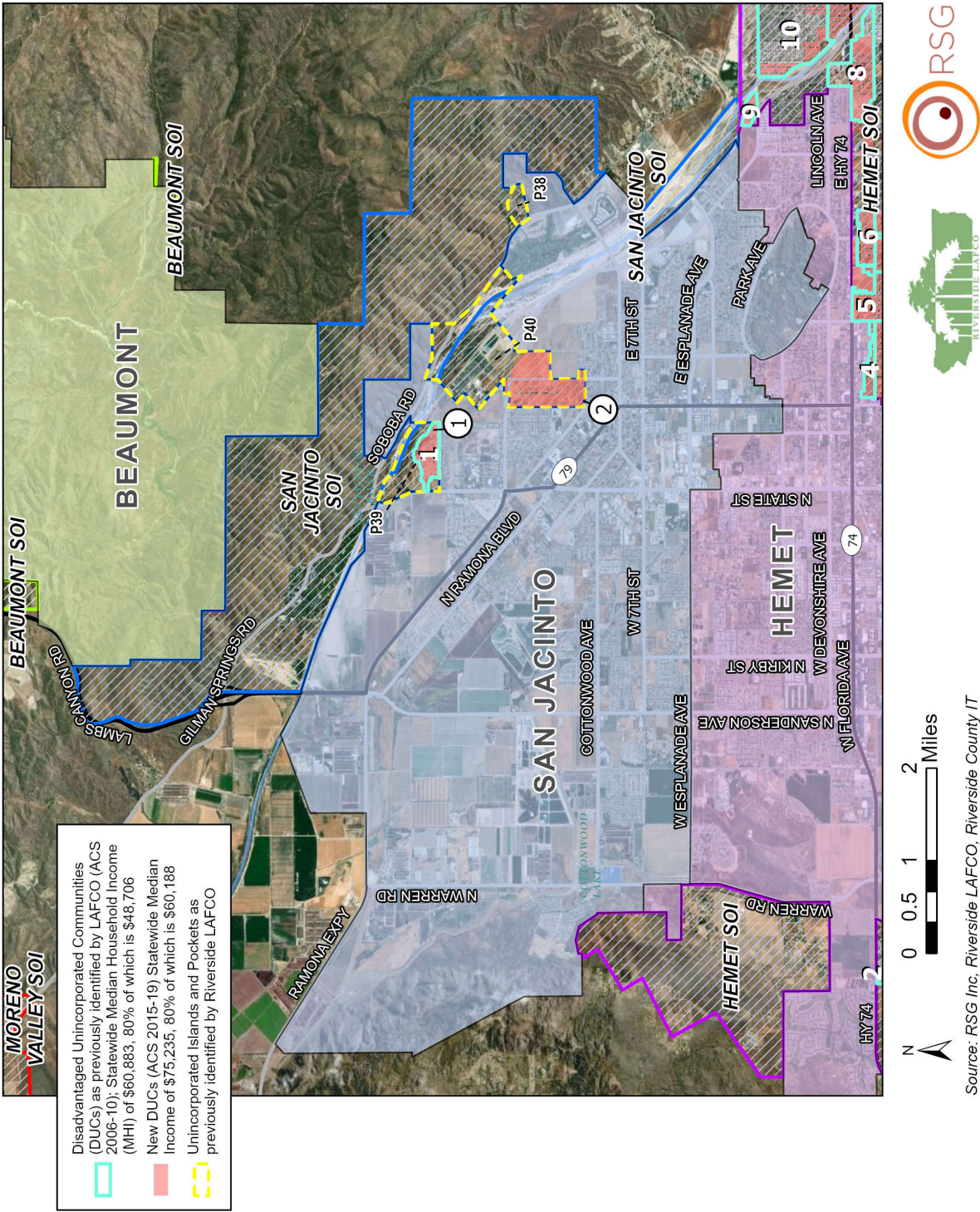
San Jacinto's boundary was previously reconfirmed in the September 2006 Central Valleys, The Pass Area, and Southwestern Riverside County MSR (LAFCO 2005-49-3&5; LAFCO 2005-48-5; LAFCO 2005-47-1&3) ("2006 MSR").

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<sup>282</sup> Source: ESRI Business Analyst Online, "Business Summary" for San Jacinto, dated January 11, 2021

Exhibit 34: Current City and SOI Boundaries - San Jacinto

City of San Jacinto and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City of San Jacinto operates as a Council – Manager form of government, with an elected City Council of five (5) Councilmembers elected at-large by the electorate to serve four (4) year staggered terms. The City Council selects a Mayor and Mayor Pro Tempore from their membership. The City Council appoints a City Manager to serve as the administrative manager of the City's daily operations, and a City Attorney, to provide the City with legal advice.<sup>283</sup> The City Manager oversaw operating expenditures that increased to \$35.5 million in 2018-19<sup>284</sup> and 70 full time equivalent personnel<sup>285</sup>. The City contracts for fire protection, law enforcement, and engineering services.

The City Council also serves as the Successor Agency to the San Jacinto Redevelopment Agency. The Planning Commission serves at the direction of the City Council.

City staff reported that the City's election turnout was 73 percent in November 2020, indicating that there is high community engagement in San Jacinto. The City also has high public engagement on social media, and is active across at least five (5) different social networks. The City releases information to the public over its email newsletter and via its website.

## SERVICES PROVIDED

City staff provide general government, building and planning, housing, code enforcement, parks and recreation, museum, streets and road maintenance, storm water drainage, and innovation and technology services in San Jacinto. The sections that follow detail the services providers for each municipal service provided in San Jacinto. Figure 206 presents a matrix summarizing the services provided by the City and other service providers.

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<sup>283</sup> Source: City of San Jacinto

<sup>284</sup> Source: California State Controller's Office, "Cities Financial Data"

<sup>285</sup> Source: City of San Jacinto, 2018-19 Comprehensive Annual Financial Report

Figure 206: Service Provider Matrix - San Jacinto

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Housing Authority										
Code Enforcement	Community Development										
Animal Control	Ramona Humane Society										
Parks and Recreation	Public Works, Valley Wide Recreation and Park District, LLPD										
Library	Library System										
Museum	Francisco Estudillo Mansion & Museum, San Jacinto Museum										
Landscape Maintenance	LLPD										
Streets/Road Maintenance	Public Works, Assessment District, CSA										
Streetlights	LLPD										
Lighting	LLPD										
Utilities	Power, Edison, So Cal Gas										
Solid Waste	Waste Resources, CR&R										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum										
Airport	N/A										
Cemetery *	San Jacinto Valley Cemetery District										
Healthcare *	Valley Health System Hospital District										
Water *	Water Dept., Eastern Muni., Lake Hemet Muni.										
Wastewater *	Wastewater Div., Eastern Municipal Water District										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council and appointed staff, including the City Manager and City Clerk. The City Manager's office has 11 full time employees and the City Clerk's office has two (2) full time employees. The City Manager is the chief executive of the City and is responsible for implementing Council goals and policies, coordination and administration of day-to-day activities, monitoring the City's fiscal needs, overseeing the operations of all City departments, and ensuring efficient provision of City services. The City Clerk is responsible for providing administrative and technical support to the City Council and City staff, protecting and preserving the City's records, administering municipal elections, and development and distribution of the City Council agendas and official documents.

## Law Enforcement

The City contracts with the Riverside County Sheriff's Department for law enforcement services. The Sheriff's Department provides municipal police services including investigations, special



enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and administration of the volunteer program and explorer youth program. The Department also provides municipal police services to 12 other cities in Riverside County. It is the fourth largest law enforcement agency in California.

## **Fire Protection**

The City contracts with the Riverside County Fire Department/CalFire for the delivery of fire protection services in San Jacinto. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

Fire Stations 1, 25 and 78 are located in San Jacinto. Fire Station 1, known as the Perris Station, is located at 210 West San Jacinto Avenue in San Jacinto. Fire Station 25 is located at 132 South San Jacinto. Fire Station 78 is located at 2450 West Cottonwood Avenue in western San Jacinto.

## **Emergency Medical**

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more on the Department.

## **Building/Planning and Housing (Community Development)**

The City's Community Development Department Planning Division, and Building and Safety Division are responsible for providing planning services and building services, respectively. The Department has 15 full time equivalent personnel dedicated to planning and building services. The Building and Safety Division is responsible for reviewing and processing permit applications, completing plan checks, and performing field inspections of all construction projects in San Jacinto. The Planning Division is responsible for preparing, maintaining and implementing the General Plan for City development, responding to inquiries about zoning, development regulations, and review of development applications. The City's Housing Authority is responsible for providing housing services in San Jacinto.

## **Code Enforcement**

The City's Community Development Department Code enforcement Division is responsible for providing code enforcement services, which includes investigation and enforcement of violations to the City Code that have an affect on the quality of property within San Jacinto.

## **Animal Control**

The Ramona Humane Society is responsible for providing animal control services in San Jacinto. The Society is a full-service animal care center that provides animal control, pet adoptions, animal lost and found, pet licensing, spay and neutering services, vaccinations, micro-chipping, and humane euthanasia services.

## **Parks and Recreation**

The city's Public Works Department Parks Division is responsible for providing parks and recreation services in San Jacinto. The Parks Division's responsibilities include landscaping and irrigation maintenance at City parks, in rights-of-way, and green belts, and graffiti abatement. The Parks Division has 25 full time equivalent personnel and oversees 170 acres of parks and open space, 36 playgrounds, and the Estudillo Mansion.

The 2006 MSR presented the following findings about San Jacinto:

- San Jacinto's parkland acreage ratio was below the City's adopted standards.

City staff indicated that the General Plan update, which is currently underway, will include revisions to the City's parks standards.

The City's Landscape, Lighting, and Parks Districts also provide funding for the operations and maintenance of the City's parks. The Districts are dependent special districts that collect special tax assessments.

Valley-Wide Recreation and Parks District ("VWRPD") also maintains several parks and landscapes throughout the cities of Hemet, Menifee, and San Jacinto, as well as unincorporated areas of Winchester, Murrieta, French Valley, Homeland, Romoland, Valle Vista, Sage, and Aguanga. The VWRPD also runs recreational programs like youth and adult basketball, baseball, softball, flag football, indoor soccer, and volleyball leagues. It was established in 1972 by a general election vote of residents of Hemet and San Jacinto. VWRPD is an independent special district governed by a 5-member elected Board of Directors. Each Director is elected to serve a four (4) year term, of which two (2) Director Divisions (#1 and #2) are elected by voters in portions of the City of San Jacinto, and represent the service area in San Jacinto.

## **Library**

The City contracts with the County of Riverside Library System for library services, which includes provision of reading materials, literacy programs, computers, and broadband access for residents of San Jacinto. The Library System operates out of the San Jacinto Library.

## **Museum**

The San Jacinto Valley Museum Association operates the San Jacinto Museum. The Museum is located on the grounds of the Francisco Estudillo Heritage Park and was established in 1940. The Museum serves to preserve the history of San Jacinto and to education the public.



## **Landscape Maintenance**

The City's Landscape, Lighting, and Parks Districts provides funding for the maintenance of the City's landscaping, including rights-of-way, green ways and open space. The Districts are dependent special districts that collect special tax assessments.

## **Streets/Road Maintenance**

The City's Public Works Department Streets Division is responsible for the maintenance and operation of all City-owned streets and roads including asphalt and concrete repair, and street striping.

The City's Assessment District 2003-1 provides funding for ongoing maintenance and improvements of streets and roadways within a residential tract. The District is a dependent special district that collects special tax assessments.

## **Streetlights**

The City's Landscape, Lighting, and Parks Districts provides funding for the operation and maintenance of the City's streetlights. The Districts are dependent special districts that collect special tax assessments.

## **Utilities (Gas, Electric)**

The City has franchise agreements with Southern California Edison for the provision of electricity service and Southern California Gas for natural gas services. Both Southern California Edison and Southern California Gas are private entities that pay franchise fees to the City for the right to provide respective utilities to San Jacinto households and businesses.

The City formed the San Jacinto Power Community Choice Aggregate to provide an alternative electricity source for residents and businesses. The Power CCA is a locally controlled electricity provider that provides electrical power generation services to San Jacinto residents through the Southern California Edison infrastructure. Residents may opt out of the Power CCA.

## **Solid Waste**

The City has a franchise agreement with CR&R Sanitation to provide solid waste collection and disposal services in San Jacinto. In business since 1963, CR&R's mission has been to provide customers with consistent, safe, worry-free, and sustainable waste and recycling services. CR&R provides these services to ten cities in Riverside County. They also provide trash services in Orange, Los Angeles, Imperial, San Bernardino, and San Diego counties, as well as various places in Arizona and Colorado.

The 2006 MSR presented the following findings about San Jacinto:

- San Jacinto was diverting less solid waste than that required by the California Public Resources Code (PRC 41780).

City staff indicated that the City's General Plan update will include an updated analysis of solid waste generation and diversion rates.

## **Storm Drainage**

The City's Public Works Department Storm Water Division is responsible for operating and maintaining the City's 30 retention basins, 42 pumps, 18 electrical panels, and drainage pipelines. The Division also oversees the city's NPDES permitting program.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

The 2006 MSR presented the following findings about San Jacinto:

- San Jacinto had storm water drainage deficiencies related to the inadequacy of the drainage system and/or areas that are undeveloped or underdeveloped. Improvements to the City's drainage systems were to be provided by new development, and the City was planning infrastructure projects to enhance or expand the existing systems.

City staff noted that the City's efforts to address storm water drainage deficiencies are ongoing. According to City staff, new development is now required to either contribute Development Impact Fees to the Area Drainage Plan, or construct storm drain facilities as a condition of approval.

The Riverside County Flood Control and Water Conservation District provides storm drainage services in San Jacinto, including construction of flood control structures and facilities, regulation of drainage development, and maintenance and operation of completed storm drain structures. The district is a large dependent special district that was created in 1945 and is governed by the Riverside County Board of Supervisors. The district provides storm drainage services to about 40 percent of the County of Riverside.

### **Innovation and Technology**

The City's Information Technology Department provides design, implementation, management, and support to the City's internal information technology network as well as ongoing maintenance of the City's communications and applications systems.

### **Airport**

San Jacinto does not contain an airport.

### **Extraterritorial Services Provided**

City staff indicated that the City does not provide services outside its municipal boundary. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City has planned Capital Improvement projects that include street and road improvements, flood control improvements, parking improvements, and assessment district maintenance.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD in September 2013, and it was designated in compliance with Housing Element a few days later.<sup>286</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports every year between 2013 and 2019, except in 2015 when the City failed to submit its Annual Progress Report.<sup>287</sup>

The City's 5<sup>th</sup> Cycle housing needs and production is presented in Figure 207.

Figure 207: 5<sup>th</sup> Cycle Housing Element Summary - San Jacinto

San Jacinto 5 <sup>th</sup> Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	562	394	441	1,036
Permitted Units	0	0	479	318
Allocation Surplus/(Shortage)	(562)	(394)	38	(718)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

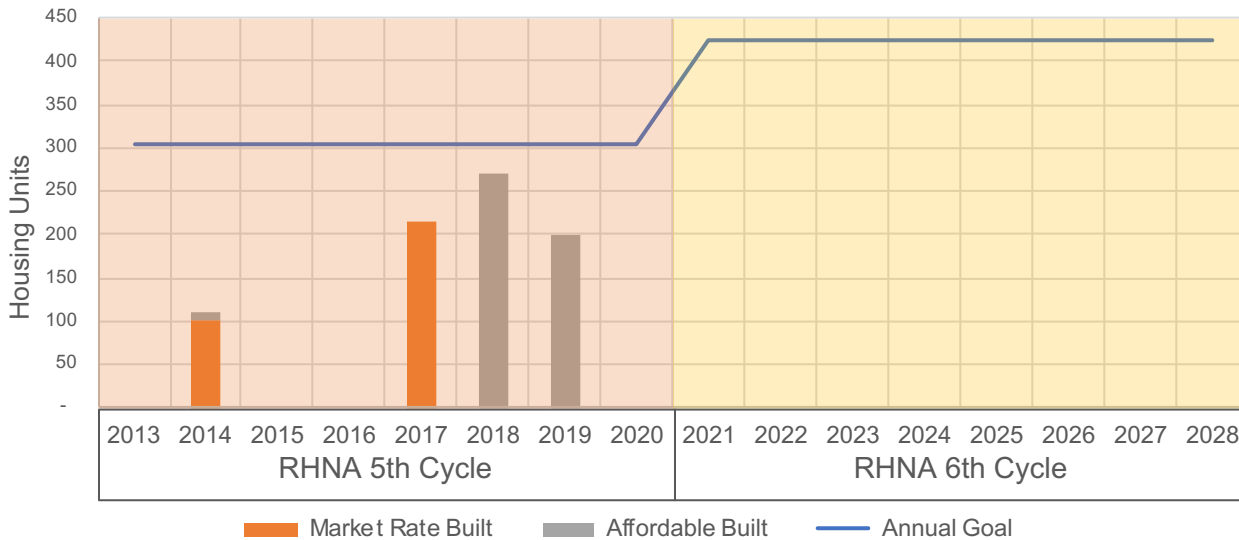
The City managed to permit 797 housing units during the 5<sup>th</sup> Cycle but fell short of meeting its RHNA allocation for very low-, low-, and above-moderate income housing units. Collectively, the City fell 1,674 units short of meeting its obligations in those income categories. With the 5<sup>th</sup> Cycle concluding soon, the City is not expected to produce enough units in the very low-, low-, and above moderate-income categories to meet its RHNA allocation.

The 6<sup>th</sup> Cycle RHNA allocation for the City increases to 3,385 housing units, a 39 percent increase over the 5<sup>th</sup> Cycle RHNA allocation. During the 6<sup>th</sup> Cycle the City's annual production goal, which is one-eighth of its 6<sup>th</sup> Cycle total, is 423 housing units. The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA allocations, and the 5<sup>th</sup> Cycle historical unit production is presented in Figure 208.

<sup>286</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>287</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 208: 5th and 6th Cycle RHNA Allocation and Production - San Jacinto



San Jacinto is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>288</sup>

## FISCAL HEALTH

The City of Hemet’s fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor assessment is presented in the sections that follow.

The 2006 MSR presented the following findings about San Jacinto:

- In prior years the City had used General Fund reserves to balance budgets. The City’s 2004 Annual Financial Report stated that this use of reserves would not resolve the long-

<sup>288</sup> Source: California Department of Housing and Community Development, “SB 35 Statewide Determination Summary”

term structural imbalance in the City's General Fund and that absent a strong turnaround in the economy, cuts in General Fund services would be needed in future years to correct the imbalance.

In 2020, the City began preparation of a 10-year financial model which identified a structural operating deficit in the General Fund. The City utilized the findings from this analysis to educate voters in the community, ultimately leading to the approval of Measure V, a one-percent sales tax measure, in November 2020. In June 2021, the City Council approved a budget with a \$366,000 operating surplus, which was the first surplus approved by City Council in several years.

Figure 209 presents the City's net position as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded a \$2.9 million surplus in 2017-18, but deficits of \$2.8 and 2.5 million in 2016-17 and 2018-19, respectively. The City's budget deficits represented 10.6 and 7.4 percent of annual revenues in 2016-17 and 2018-19.

Figure 209: Net Position - San Jacinto

San Jacinto	2016-17	2017-18	2018-19
Total General Tax Revenues	\$10,656,396	\$11,006,588	\$12,249,406
Other Tax Revenues	5,171,827	877,188	962,807
Other Revenues	11,054,557	19,713,718	19,825,551
<b>Total Revenues</b>	<b>26,882,780</b>	<b>31,597,494</b>	<b>33,037,764</b>
Total Operating Expenditures	24,443,595	26,272,497	28,099,226
Debt Service	315,483	328,221	353,972
Capital Outlay	4,968,650	2,136,811	7,036,385
<b>Total Expenditures</b>	<b>29,727,728</b>	<b>28,737,529</b>	<b>35,489,583</b>
<b>Net Position</b>	<b>(\$2,844,948)</b>	<b>\$2,859,965</b>	<b>(\$2,451,819)</b>

Source: California State Controller's Office

## Operating Revenues

The City's revenues, inclusive of tax revenues and non-tax revenues, for fiscal years 2016-17 through 2018-19 are presented in Figure 210.

Figure 210: Operating Revenues History - San Jacinto

San Jacinto	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$2,486,423	\$2,380,448	\$2,565,032
Sales Tax	2,804,512	2,906,803	3,506,461
Transient Occupancy Tax	37,893	44,308	44,401
Property Tax in-lieu of VLF	3,126,299	3,357,787	3,625,396
Franchise Tax	1,832,792	1,929,659	2,107,556
Business License Tax	197,699	209,838	205,460
Property Transfer Tax	170,778	177,745	195,100
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>10,656,396</b>	<b>11,006,588</b>	<b>12,249,406</b>
Transportation Tax	824,611	877,188	962,807
Parking Tax	-	-	-
Voter-Approved Taxes	4,347,216	-	-
Functional Tax Revenues	-	-	-
<b>Total Tax Revenues</b>	<b>15,828,223</b>	<b>11,883,776</b>	<b>13,212,213</b>
Charges for Services	734,216	1,240,362	848,294
Special Benefit Assessments	2,196,378	6,939,754	7,920,431
Use of Money	(55,670)	1,109,854	1,434,067
Fines and Forfeitures	677,432	739,197	742,639
Licenses and Permits	880,848	1,393,128	1,205,543
Intergovernmental	2,575,924	3,335,288	3,232,007
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	4,045,429	4,956,135	4,442,570
<b>Total Revenues</b>	<b>\$26,882,780</b>	<b>\$31,597,494</b>	<b>\$33,037,764</b>

Source: California State Controller's Office

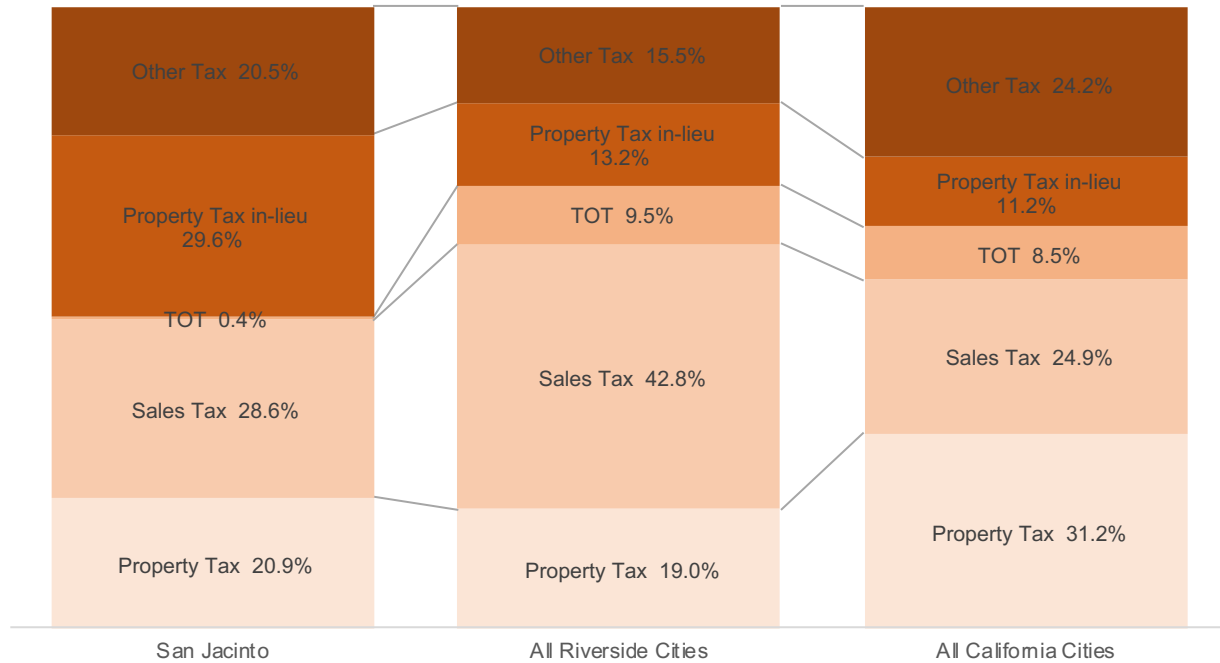
The City's general tax revenues account for just 37.1 percent of the City's total revenues, which is substantially lower than most cities in Riverside County. The City's primary general tax revenue sources include property tax in-lieu of VLF (29.6 percent of general tax revenues), sales tax (28.6 percent), and property tax (20.9 percent). The City collects substantial special benefit assessments, which accounted for \$7.9 million, and miscellaneous revenues in excess of \$4.4 million in 2018-19. While total revenues grew annually between 2016-17 and 2018-19 by a rate of 10.9 percent, general tax revenues increased by just 7.2 percent annually.

Because the City's general tax revenues represent such a small proportion of total revenues, the City's revenues are disproportionate when compared to all other cities in Riverside County and



California. The City’s general tax revenue profile is presented alongside Riverside County and California’s average city revenue profiles in Figure 211.

Figure 211: General Tax Revenue Comparison - San Jacinto



### Property Tax and Property Tax in-lieu of Motor Vehicle License Fees

Property tax in-lieu of VLF is the City’s single largest general tax revenue, accounting for over \$3.6 million in 2018-19, which was 28.6 percent of general tax revenues. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increases based on assessed valuation growth in the jurisdiction.

Property tax, the City’s third-largest general tax revenue source, accounted for almost \$2.6 million in 2018-19, or about 20.9 percent of general tax revenues. Property tax revenues grew between 2016-17 and 2018-19 at an annualized growth rate of 1.6 percent, which is less than the two (2) percent allowable under State law.

Property tax is assessed on San Jacinto’s land, improvements, and personal property, which combined for a total assessed valuation of over \$3.0 billion in 2018-19. The City’s land assessed

value was about \$862.4 million while improvement assessed valuation was about \$2.2 billion in 2018-19.<sup>289</sup> The City's \$2.6 million in property tax collections in 2018-19 represents about 8.5 percent of the total property tax collected in San Jacinto, which is a below-average rate for a city in Riverside County.

The City and Riverside County mutually adopted a Master Property Tax Exchange Agreement in 1980 and 1981, respectively.<sup>290</sup>

## **Sales Tax**

Sales tax is the City's second-largest general tax revenue source, representing about 28.6 percent of general tax revenues, or about \$3.5 million in 2018-19. Sales tax is derived from one percent of gross receipts from the sale of tangible personal property sold within San Jacinto. Between 2016-17 and 2018-19, sales tax revenues increased at a rate of 11.8 percent annually.

As previously discussed, in November 2020, more than 69.4 percent of voters in San Jacinto approved Measure V, which added a one-percent sales tax. Measure V is expected to generate \$3.2 million annually for the General Fund. Measure V revenues are expected to be utilized to increase the city's response to 911 emergency medical, fire, and public safety needs, as well as support local businesses, attract new businesses and amenities, and allow the City to remain financially strong.<sup>291</sup>

## **Special Benefit Assessments**

Special benefit assessment revenues are derived from special police services (\$2.4 million in 2018-19) and other uncategorized special benefit assessments (\$5.5 million).

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<sup>289</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>290</sup> Source: Riverside LAFCO

<sup>291</sup> Source: City of San Jacinto, "Information on Measure V," accessed December 23, 2021  
[http://sanjacintoca.hosted.civiclive.com/community/measure\\_v\\_sales\\_tax](http://sanjacintoca.hosted.civiclive.com/community/measure_v_sales_tax)

## Miscellaneous Revenues

The City's miscellaneous revenue category captures revenues derived from development impact fees, contributions from nongovernmental sources, and other miscellaneous revenues, which combined for \$4.4 million in 2018-19. Uncategorized miscellaneous revenues were the single-largest source of miscellaneous revenues accounting for \$3.6 million in 2018-19.

## Operating Expenditures

The City's expenditures increased from \$29.7 million in 2016-17 to \$35.5 million in 2018-19. The City's annual operating expenditures are presented in Figure 212.

Figure 212: Operating Expenditures - San Jacinto

San Jacinto	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$2,150,689	\$2,300,431	\$2,798,971
Employee Benefits	1,481,107	1,639,223	1,991,234
Materials and Supplies	5,228,581	5,858,264	6,175,852
Contract Services	15,583,218	16,474,579	17,133,169
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>24,443,595</b>	<b>26,272,497</b>	<b>28,099,226</b>
Debt Service	315,483	328,221	353,972
Capital Outlay	4,968,650	2,136,811	7,036,385
<b>Total Expenditures</b>	<b>\$29,727,728</b>	<b>\$28,737,529</b>	<b>\$35,489,583</b>

Source: California State Controller's Office

City expenditures increased at an annual rate of 9.3 percent between 2016-17 and 2018-19, which is a lower growth rate than the City's total revenue sources, indicating sustainability in the City's expenditure profile. Contract services were the single-largest expenditure category for the City in 2018-19, accounting for \$17.1 million, or 48.3 percent of the City's total expenditures. Between 2016-17 and 2018-19, contract service expenditures increased by about \$1.5 million, or about 4.9 percent annually. The City has managed to keep debt service obligations very low.

The City's current expenditures are outlined according to department in Figure 213

Figure 213: Current Expenditures - San Jacinto

San Jacinto	2016-17	2017-18	2018-19
General Government	\$3,203,683	\$3,019,145	\$3,332,166
Public Safety	13,432,008	14,488,750	15,382,501
Transportation	5,646,307	5,769,391	6,147,399
Community Development	1,844,355	2,450,096	2,761,019
Health	7,176	12,000	9,043
Culture and Leisure	310,066	533,115	467,098
Public Utilities	-	-	-
Debt Service	315,483	328,221	353,972
Capital Outlay	4,968,650	2,136,811	7,036,385
<b>Total Current Expenditures</b>	<b>\$29,727,728</b>	<b>\$28,737,529</b>	<b>\$35,489,583</b>

Source: California State Controller's Office

The City expended \$15.4 million on public safety services in 2018-19, which accounted for 54.7 percent of the City's total expenditures. The City's public safety expenditures are above-average when compared to public safety expenditures by the average city in Riverside County (52.2 percent) and California (47.3 percent). Between 2016-17 and 2018-19, public safety expenditures increased at an annualized rate of 7.0 percent.

### Reserve Fund Balance

The City Council adopted a Contingency Reserve policy that requires the City to set aside 15 percent of General Fund operating expenditures. In 2019-20, the City had \$3.2 million set aside and was in compliance with its reserve policy.<sup>292</sup>

### Pension and OPEB Obligations

The City's pension and OPEB obligations are outlined in Figure 214.

<sup>292</sup> Source: City of San Jacinto

Figure 214: Pension and OPEB Obligations - San Jacinto

San Jacinto	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$11,674,384	\$11,454,495	\$12,170,872
Total OPEB Liability/(Surplus)	-	-	-
Total Benefit Liability/(Surplus)	\$11,674,384	\$11,454,495	\$12,170,872

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City offers qualifying staff a Miscellaneous pension plan, which is a cost sharing multiple agency defined benefit pension plan administered by CalPERS. The City does not have any staff that qualify for a Safety Plan and does not offers an OPEB plan. The City's pension liability was \$12.2 million in 2019-20, and increased at a 2.1 percent annual growth rate between 2017-18 and 2019-20.

The City's pension indicators, which include the City's employer contribution rate, the actuarially determined contribution, total covered payroll, and the employer contribution rate, provide insights into the City's pension plan health, and are presented in Figure 215.

Figure 215: Pension Indicators - San Jacinto

San Jacinto	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$958,001	\$1,159,232	\$1,429,712
Employer Contribution	958,001	1,159,232	1,429,712
Covered Payroll	\$3,119,387	\$3,810,207	\$4,262,727
Employer Contribution Rate	30.7%	30.4%	33.5%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City made employer contributions equivalent to the actuarially determined contribution between 2017-18 and 2019-20. During the same time frame, the covered payroll increased by 16.9 percent annually, resulting in increases to the actuarially determined contribution and employer contribution. The city's employer contribution rate is average among Riverside cities, which ranged from 26 to 32 percent between 2017-18 and 2019-20.

## Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all

material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City.

### **California State Auditor Fiscal Health Evaluation**

The City of San Jacinto ranked 283 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 188 peer cities in California, or about 40 percent of cities. The City received low risk ratings on seven (7) indicators, including liquidity, debt burden, pension obligations, pension costs, future pension costs, OPEB obligations, and OPEB funding. Three (3) indicators were given moderate risk ratings, including general fund reserves, revenue trends, and pension funding. The City did not score high risk ratings on any indicators.<sup>293</sup>

### **MSR DETERMINATIONS**

Requisite CKH determinations for San Jacinto are presented by topic below:

#### **1. Population, Growth, and Housing**

San Jacinto's population grew at an annual rate of 1.45 percent between 2010 and 2020, which outpaced the County-wide annual growth rate of 1.10 percent. San Jacinto has higher housing density when compared to the average Riverside County city and its median household income is just \$51,513.

#### **2. Disadvantaged Unincorporated Communities in SOI**

The San Jacinto SOI has two (2) DUCs, which overlap LAFCO-identified unincorporated pockets P39 and P40.

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<sup>293</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

### **3. Present and Planned Capacity of Facilities**

City staff did not identify any deficiencies in present or planned capacity of public facilities.

### **4. Financial Ability to Provide Services**

The City has managed its debt obligations and public safety expenditures, but the City's pension liability is increasing substantially.

### **5. Opportunities for Shared Facilities**

City staff did not identify any opportunities for shared facilities.

### **6. Accountability for Community Service Needs**

The City Council is elected at-large which may prevent smaller communities in the City from being adequately represented. The City communicates with the public via at least two (2) social media networks and posts relevant news and information on its City website.

### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is not recommending any changes to the San Jacinto SOI. RSG's recommendations related to the San Jacinto SOI are presented by topic below.

### **1. Present and Planned Land Uses**

The San Jacinto SOI extends northeast into a mountainous area that may be difficult to develop.



## **2. Present and Probable Need for Public Facility and Services**

City staff did not identify any present probable need for public facilities or services in the San Jacinto SOI.

## **3. Present Capacity of Public Facilities**

City staff did not identify any deficiencies related to the present capacity of public facilities in the San Jacinto SOI.

## **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest in the San Jacinto SOI.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

City staff indicated that the two (2) DUCs do not have any present or planned need for facilities or services.

## COACHELLA VALLEY/EASTERN REGION SERVICE REVIEWS

The next section of this report covers the municipal service reviews of the ten (10) cities in the Coachella Valley/Eastern region of Riverside County, presented alphabetically, as follows:

- Blythe
- Cathedral City
- Coachella
- Desert Hot Springs
- Indian Wells
- Indio
- La Quinta
- Palm Desert
- Palm Springs
- Rancho Mirage

## CITY OF BLYTHE

The City of Blythe was incorporated in 1916 and is a General Law city<sup>294</sup> geographically located on the eastern border of Riverside County. Blythe shares borders with the State of Arizona to the east and unincorporated County of Riverside to the north, south, and west. The City boundary contains about 26.2 square miles<sup>295</sup> and had a population of 19,255 in 2020<sup>296</sup>.

Figure 216 illustrates Blythe's demographic profile.

Figure 216: Demographic Profile - Blythe

Blythe	City	SOI	County
Population as of 2020	19,255	532	2,442,304
Population as of 2010	20,817	506	2,189,641
Annual Pop. Growth Since 2010	-0.78%	0.50%	1.10%
Housing Units	5,469	287	867,637
Persons / Housing Unit	3.52	1.85	2.81
Land Area (sq mi)	26.2	30.1	7,206.0
Persons / Square Mile	735	18	339
Median Household Income	\$48,649	\$29,885	\$67,369
Projected Population in 2035	26,350		2,995,509
Annual Proj. Growth 2020-2035	2.11%		1.37%
Projected Population in 2045	28,622		3,251,705
Annual Proj. Growth 2020-2045	2.68%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

In contrast to most other cities detailed in this Report, Blythe experienced negative growth over the last decade. However, population growth over the next 15 to 20 years is expected to be

<sup>294</sup> Source: City of Blythe

<sup>295</sup> Source: Riverside LAFCO GIS

<sup>296</sup> Source: California Department of Finance City/County Population Estimates with Annual Percent Change, dated May 1, 2020

greater than population growth County-wide. While Blythe is more dense than the County, at 735 persons per square mile, Blythe has one of the lowest population densities among incorporated cities in Riverside, and Blythe's SOI is sparsely populated. Population forecasts predict substantial growth over the upcoming 25 years, with the population expected to grow to 28,622 in 2045, about 2.68 percent annually. Blythe and the Blythe SOI both have median household incomes that are well below the County median household income, with the SOI median household income being less than half of the County median household income.

Blythe has a variety of different land uses, including single-family residential, multifamily residential, mobile homes, retail, industrial, and office. Blythe has experienced very little development over the last decade, with a net loss of four (4) housing units, and just 35,000 new commercial square feet. Compared to the County, Blythe has a greater proportion of mobile home units and retail space.

Blythe contains an estimated 426 businesses with 3,555 employed individuals. Almost 40 percent of occupations are in the service sector, with health services (8.7 percent) and lodging (6.7 percent) being the most prominent. More than 30 percent of occupations are in retail trade, including food and beverage establishments (14.1 percent). Approximately 5.5 percent of occupations are in wholesale trade.<sup>297</sup> The City is anticipating future growth and development related to cannabis cultivation, so agriculture, manufacturing and processing, and logistics related business is expected to increase in the near-term.

Figure 217 presents a summary of land uses in Blythe.

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<sup>297</sup> Source: ESRI Business Analyst Online

Figure 217: Land Use Summary - Blythe

Blythe		County	
Residential Units	Units	%	%
Single Family	3,195	58.4%	54.8%
Multifamily	1,653	30.2%	43.6%
Mobile Home	621	11.4%	1.6%
Total Units	5,469	100.0%	100.0%
New Units Since 2010	(4)		
Commercial	Gross SF	%	%
Retail	870,298	72.8%	26.6%
Industrial	199,841	16.7%	61.8%
Office	112,475	9.4%	9.6%
Other	13,500	1.1%	2.0%
Total	1,196,114	100.0%	100.0%
New Commercial Since 2010	35,114		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

## CURRENT SPHERE OF INFLUENCE

Exhibit 35 presents a map of the incorporated City of Blythe boundary and Blythe SOI areas. LAFCO's adopted Blythe SOI includes nine (9) noncontiguous unincorporated areas covering about 30.1 square miles. The Blythe SOI areas extend north and south along the Colorado River, west along Interstate 10, and in various other directions.

The Blythe SOI contains three (3) DUCs. Six (6) additional DUCs are located nearby Blythe and the Blythe SOI but are currently located in unsphered and unincorporated areas. The nine (9) DUCs located within the Blythe SOI and the vicinity are described below:

- DUC1 is commonly known as North of Blythe (Southwest) and is located at the intersection of North 7<sup>th</sup> Street and 10<sup>th</sup> Avenue. DUC1 is located outside of the Blythe SOI.
- DUC2 is commonly known as North of Blythe (East), at the intersection of 8<sup>th</sup> Avenue and State Highway 95 outside of the Blythe SOI.

- DUC3 is commonly known as North of Blythe (North). DUC3 is generally located near the intersection of State Highway 95 and 4<sup>th</sup> Avenue outside the Blythe SOI.
- DUC4 is commonly known as North of Blythe (Mayflower County Park) and is located in the Blythe SOI along the Colorado River. According to City staff, the households of the this DUC are on substandard septic tanks despite the fact that it would be easy to connect this area to the City's sewer system. An improvement plan for the Mayflower County Park initially included the provision of sewer service to this community, but sewer service was ultimately diverted around the DUC. City staff was unable to provide any insights into the 10<sup>th</sup> Avenue and Broadway DUC. The County has subsequently submitted an extraterritorial service request for sewer service. The application is currently pending.<sup>298</sup>
- DUC5 is commonly known as South of Blythe (Southwest) and is located within the Blythe SOI. DUC5 is general southwest of the intersection of West 14<sup>th</sup> Avenue and South Lovekin Boulevard.
- DUC5a is east of DUC5, located in the Blythe SOI, and is also commonly known as South of Blythe (Southeast). DUC5a is southeast of the intersection of West 14<sup>th</sup> Avenue and South Broadway.
- DUC6 is a rural area outside the Blythe SOI and generally near the intersection of South Intake Boulevard and 18<sup>th</sup> Avenue. DUC6 is commonly known as South of Blythe (Intake Boulevard).
- DUC7 is also outside the Blythe SOI and generally located near the intersection of South Neighbours Boulevard and 25<sup>th</sup> Avenue. This DUC is commonly known as South of Blythe (Ripley)
- DUC8 is commonly known as Mesa Verde and is located outside of the Blythe SOI, west of the current SOI boundary along Interstate 10. DUC8 Mesa Verde is a small community

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<sup>298</sup> Source: Riverside LAFCO

nearly-entirely enclosed by the DUC8 boundary and generally located southwest of the Blythe Airport.

The Blythe SOI contains one LAFCO-identified unincorporated pocket, P6, commonly known as the Colorado River Indian Reservation, which is within the City's SOI adjacent to the Colorado River surrounded by the northeastern portion of the City. The Colorado River Indian Reservation stretches north along the Colorado River, primarily on the Arizona side of the Colorado River, past the tribal headquarters in Parker, Arizona. Portions of the northeastern portion of the Blythe SOI are also within the Colorado River Indian Reservation boundary.<sup>299</sup> Exhibit 35 illustrates LAFCO-identified unincorporated pocket P6.

Blythe's boundary was previously reconfirmed and analyzed in the October 2007 Mountain Communities & Eastern County MSR. The 2007 MSR made determinations regarding water service, airport and golf course operation, and fire service adequacy. The fire service and airport determinations are addressed in the service provider sections later in the MSR.

- The City's population growth will require that the water system is expanded to new areas and to meet the needs of increased population. The City serves as the sole water provider to residents and would like to encourage water conservation throughout the City going forward. The City has also planned for systematic extension of the public utilities in the region to meet anticipated population increases.
- Water quality is a continuing concern for the region. The City plans to meet these concerns by linking new residential developments to the City's existing wastewater treatment network, and by converting older water systems to new low-flow systems.

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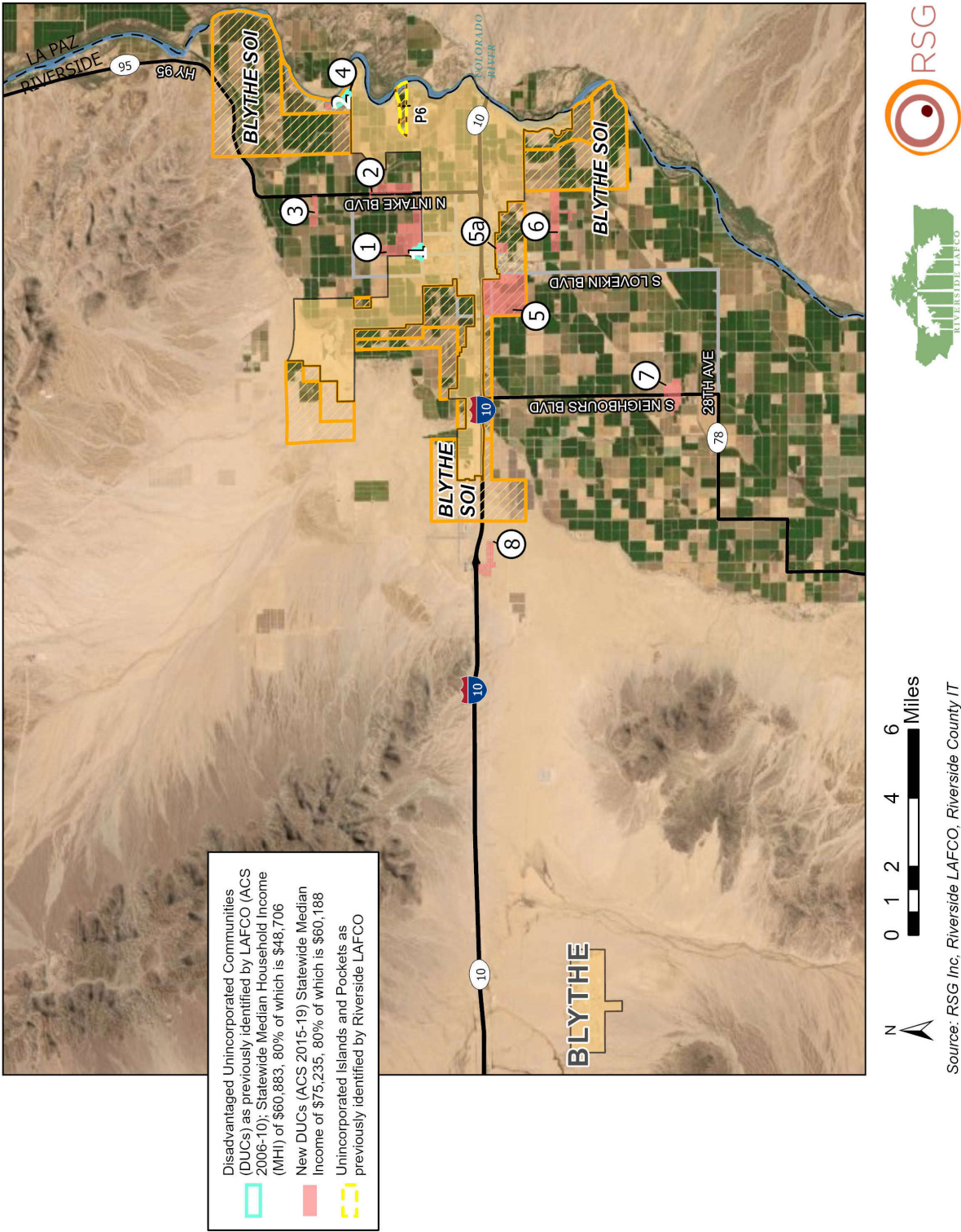
<sup>299</sup> Source: Bureau of Reclamation, "Colorado River Basin Ten Tribes Partnership Tribal Water Study Report," Chapter 5.8 Colorado River Indian Tribes, dated December 2018, accessed October 22, 2021. <https://www.usbr.gov/lc/region/programs/crbstudy/tws/chapter5.html>



While water service delivery is not contemplated under this MSR, these are notable determinations that LAFCO may consider during future SOI changes, annexations or detachments.

Exhibit 35: Current City and SOI Boundaries - Blythe

City of Blythe and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City operates under a “Council-Manager” form with the City Council composed of five (5) members elected at-large in staggered four (4) year terms. The Mayor is elected by the City Council and serves a two (2) year term. The City Council appoints the City Manager. The City Clerk and City Treasurer are elected by residents.

The City Council also serves as the Successor Agency to the Redevelopment Agency. RSG did not identify any boards, committees, or commissions serving at the direction of the City Council.<sup>300</sup>

The City Manager leads the City’s administrative branch and reports to the City Council. The last City Manager retired about three (3) years ago. Since then, the City has been unable to fund a replacement City Manager and the City Clerk has operated during this time as the Interim City Manager. The Interim City Manager oversees the daily operations of the City, which has General Fund operating expenditures that ranged from \$9.3 to 9.7 million between 2016-17 and 2018-19<sup>301</sup>, and employs 71 full time equivalent personnel<sup>302</sup>.

## SERVICES PROVIDED

City of Blythe staff provides general government, law enforcement, building and planning, code enforcement, animal control, parks and recreation, streets and road maintenance, and stormwater drainage services within the City boundary. The City provides fire protection and emergency medical services through contract with Riverside County Fire/CalFire. Various other services are provided by special districts and franchises as outlined in the sections that follow.

Figure 218 outlines the services provided within the Blythe City limits.

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<sup>300</sup> Source: City of Blythe

<sup>301</sup> Source: California State Controller’s Office FY 2016-17 through 2018-19

<sup>302</sup> Source: City of Blythe Annual Budget FY 2020-21

Figure 218: Service Provider Matrix - Blythe

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	N/A										
Code Enforcement	Community Development										
Animal Control	Police Department										
Parks and Recreation	Public Works and Recreation										
Library	Palo Verde Valley Library District										
Museum	N/A										
Landscape Maintenance	Landscape District										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	Lighting Districts										
Lighting	Lighting Districts										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, CR&R										
Stormwater Drainage	Public Works										
Innovation and Technology	Frontier										
Airport	N/A										
Cemetery *	Palo Verde Cemetery District										
Healthcare *	Palo Verde Valley Hospital District										
Water *	Public Works, Palo Verde Irrigation District										
Wastewater *	Public Works										

\* Not included in this MSR

## Government Services

General government services are provided by elected officials and City staff. The City Manager serves as the chief administrative head of the City and operates based on direction provided by the City Council. The City Manager is responsible for the efficient administration of all the affairs of the City. The City Manager's office has 2 full time equivalent personnel.

The City Clerk and City Treasurer are both elected by the public. The City's Finance Department has 4 full time equivalent personnel and is responsible for accounting functions, preparation of the City Budget, processing payroll, management of investments, processing data, and utility billing. The City Clerk serves as the official custodian of City records, advertises public hearings, prepares and distributes Council agendas, serves as the secretary for the Blythe Redevelopment Agency and Palo Verde Valley Transit Agency, responds to public record requests, administers elections, and serves as support for the Council.

## Law Enforcement

The Blythe Police Department provides law enforcement services within Blythe, and supports the surrounding areas through mutual aid agreements. The Police Department provides patrol, investigation, traffic, dispatch, and training services. The Police Department has 33 full time equivalent personnel.

## Fire Protection

The City of Blythe contracts with Riverside County Fire/CalFire for fire protection services. The Fire Department/CalFire is responsible for fire protection and prevention, medical response, review of planning cases, review of inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services.

Fire Station 43 is located in the City and is owned by the City. Fire Station 45 is immediately west of the City in unincorporated area. The Fire Department/CalFire has mutual aid agreements with the surrounding communities, including the County and Ehrenberg, Arizona.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

The 2007 MSR made the following determinations about Blythe fire protection:

- Both the City and County Superior Court have raised the issue of fire service adequacy, and LAFCO has required that any annexed territory to the City receive fire service from the County. LAFCO should consider the adequacy of the City's fire service and ability to

fund general services when making any future finding on sphere of influence or boundary changes involving the City.

City staff noted that the Blythe Fire Department has an ISO rating of 3, and with 35 highly trained professional firefighters, the Department's response time averages between 3 and 4 minutes per call. The City has mutual aid agreements with Riverside County and La Paz County (Arizona) and frequently provides aid.

### **Emergency Medical**

Blythe contracts with the Riverside County Fire Department/CalFire for emergency medical services. Refer to the previous Fire Protection section for additional information about the Fire Department/CalFire.

### **Building/Planning and Housing (Community Development)**

The City's Development Services Department includes planning, building and code compliance divisions. The Department includes 3 full time equivalent personnel.

### **Code Enforcement**

The City of Blythe's Development Serviced Department provide code compliance services. The Department includes 1 full time equivalent personnel dedicated to code compliance.

### **Animal Control**

The Blythe Police Department provides animal control services. The Department includes 1 full time equivalent personnel dedicated to animal control.

### **Parks and Recreation**

The City of Blythe Recreation Department provides parks and recreation services within Blythe. The Recreation Department has seven (7) full and part time personnel and is responsible for planning and administering recreational activities for residents.

The City of Blythe Public Works Department monitors and maintains the City's seven (7) parks and one pocket park.

### **Library**

The Palo Verde Valley Library System provides library services within Blythe. The System is responsible for book rental, DVD rental, children's programming, public computer access, and public wireless internet access services. The Palo Verde Valley Library is located in Blythe on West Chanslor Way. The System is an independent special district that was formed in 1958 and is governed by a Board of five (5) members appointed to serve four (4) year terms.

### **Museum**

RSG did not identify any entities within Blythe providing museum services.

### **Landscape Maintenance**

The City of Blythe has two (2) Landscape Districts that operate as small dependent districts and receive special property tax assessments. The Districts fund landscape maintenance in Blythe.

### **Streets/Road Maintenance**

The City's Public Works Department provides street and road maintenance services within the City, including regular maintenance of all publicly owned streets, curbs, sidewalks, and gutters, street sweeping, street striping, sign maintenance, pothole patching, crack filling, and small street repair projects. The Department has 5 full time personnel.

### **Streetlights**

The City of Blythe has two (2) City Lighting Districts that provide streetlight services, including maintenance and utility costs associated with streetlighting. The Districts are small dependent districts and receive special property tax assessments.



## **Utilities (Gas, Electric)**

The City of Blythe has franchise agreements with Southern California Edison and Southern California Gas Company for the provision of electricity and gas services, respectively. Both companies are private entities that pay franchise fees to the City for the right to provide respective utilities to Blythe households and businesses.

## **Solid Waste**

The City of Blythe has a franchise agreement with CR&R Incorporated to provide solid waste disposal services within the City limits. CR&R has provided solid waste services for more than 50 years in communities across California. CR&R also operates a public buyback recycling center in Blythe.

## **Storm Drainage**

The City of Blythe Public Works Department provides storm drainage services within the City limits. The Department includes 22 full time employees.

## **Innovation and Technology**

RSG did not identify any innovation and technology service providers in the City limits.

## **Airport**

Blythe does not contain an airport. The Blythe Airport is located in unincorporated territory outside the City's western boundary. The 2007 MSR made the following determination regarding airport and golf course financial capabilities:

- The City's airport and golf course operated at a loss in fiscal year 2005-06 and the City's general fund has been used to fund the shortfall. The golf course has operated at a loss for many consecutive years. The City has recognized the insufficiency of the golf fees to recover ongoing costs and has recently implemented a 5-year plan involving several measures, including raising fees, which have the potential to mitigate the operating loss.

Any continued losses at the Blythe airport and golf course will likely need to be supported from the City's general fund, which will divert resources from other city services.

City staff noted that operation of the airport is now under management of the County of Riverside. The City has not expended General Fund dollars on the airport in the last ten (10) years. City staff added that the Blythe Municipal Golf Course has been leased to a private operator. The City has fully repaid an outstanding loan associated with the Golf Course, and City resources are no longer allocated to the operations of the Golf Course.

### **Extraterritorial Services Provided**

According to City staff, the only extraterritorial service provided by the City is related to a school that was historically located within City limits. When the school relocated to a site outside of the City's incorporated boundary, the City agreed to provide utility services to the school. No other extraterritorial service agreements were identified. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City maintains a Capital Improvement Plan that outlined major proposed capital projects in the City that are likely to be funded within a two-year period. The City's major planned and in-progress capital projects include park improvements and street and roads improvements. According to city staff, most or all of these projects are funded and moving forward.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

The City of Blythe submitted its 5<sup>th</sup> Cycle Housing Element to HCD on February 20, 2014 and the Housing Element was reviewed and designated in compliance with Housing Element Law by

HCD on February 24, 2014.<sup>303</sup> As required by State Law, Blythe submitted Housing Element Annual Progress Reports in 2017, 2018 and 2019. Blythe failed to submit Annual Progress Reports between 2013 and 2016.<sup>304</sup>

The City's progress towards meeting its 5<sup>th</sup> Cycle RHNA allocation is outlined in Figure 219.

Figure 219: 5<sup>th</sup> Cycle Housing Element Summary - Blythe

Blythe 5 <sup>th</sup> Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	91	64	75	172
Permitted Units	0	0	13	1
Allocation Surplus/(Shortage)	(91)	(64)	(62)	(171)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

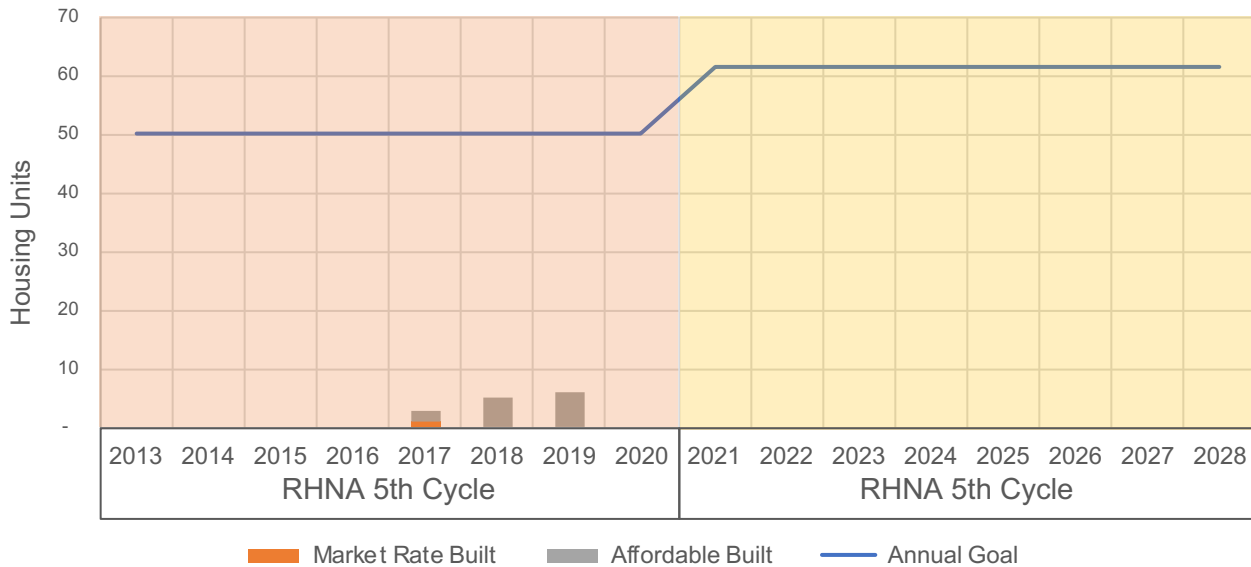
The upcoming 6<sup>th</sup> Cycle RHNA allocation for Blythe is 493 units, which is 23 percent higher than the 5<sup>th</sup> Cycle RHNA allocation (402 units). As illustrated in Figure 219, and with the 5<sup>th</sup> Cycle nearly complete, the City is not expected to meet its housing production needs in any income category.

The annual production during the 5<sup>th</sup> Cycle and annual production goals for the 5<sup>th</sup> and 6<sup>th</sup> Cycle are shown in Figure 220. The annual production goals, as presented in Figure 220 are one-eighth of the full 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA allocations. Historical market rate and affordable unit production for Blythe are presented during the 5<sup>th</sup> Cycle. Blythe city staff indicate that there is existing affordable housing and that the RHNA numbers for the 6<sup>th</sup> Cycle are obtainable.

<sup>303</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>304</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 220: 5th and 6th Cycle RHNA Allocation and Production - Blythe



Blythe is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>305</sup>

## FISCAL HEALTH

The sections that follow evaluate the City’s fiscal health, inclusive of audit findings, if any, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. The City’s net position is presented as annual revenues less expenditures between 2016-17 and 2018-19 in Figure 221. The City recorded deficits in each year between 2016-17 and 2018-19. The most significant deficit was in 2017-18, when the City had a \$1.2 million deficit, representing about 11.6 percent of annual revenues.

<sup>305</sup> Source: California Department of Housing and Community Development, “SB 35 Statewide Determination Summary”

Figure 221: Net Position - Blythe

Blythe	2016-17	2017-18	2018-19
Total General Tax Revenues	\$6,280,289	\$6,448,479	\$6,254,124
Other Tax Revenues	2,000	2,000	500
Other Revenues	4,570,155	3,684,368	3,645,446
<b>Total Revenues</b>	<b>10,852,444</b>	<b>10,134,847</b>	<b>9,900,070</b>
Total Operating Expenditures	9,709,718	9,492,548	9,343,069
Debt Service	236,523	582,554	581,578
Capital Outlay	1,948,634	1,236,887	917,702
<b>Total Expenditures</b>	<b>11,894,875</b>	<b>11,311,989</b>	<b>10,842,349</b>
<b>Net Position</b>	<b>(\$1,042,431)</b>	<b>(\$1,177,142)</b>	<b>(\$942,279)</b>

Source: California State Controller's Office

## Operating Revenues

RSG compiled three (3) years of financial history using the California State Controller's Office Cities Financial Data, and relied on the City's 2018-19, 2019-20 and 2020-21 adopted budgets and comprehensive annual financial reports to evaluate the City's fiscal health. While categorization of revenues and expenditures varied in some cases, the SCO's dataset and City's audited financial results yielded similar results. In the City's last audited fiscal year of 2018-19, revenues exceeded \$9.9 million.

Figure 222: Operating Revenue History - Blythe

Blythe	2016-17	2017-18	2018-19
General Revenues			
Property Tax	1,209,348	1,318,051	1,183,792
Sales Tax	1,668,914	1,716,792	1,577,964
Transient Occupancy Tax	1,073,780	1,138,941	1,218,451
Property Tax in-lieu of VLF	1,652,068	1,553,602	1,524,856
Franchise Tax	578,041	624,544	643,418
Business License Tax	71,096	69,474	83,570
Property Transfer Tax	27,042	27,075	20,735
Utility User Tax	-	-	-
Other Tax Revenues	-	-	1,338
<b>Total General Tax Revenues</b>	<b>6,280,289</b>	<b>6,448,479</b>	<b>6,254,124</b>
Transportation Tax	-	-	-
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	2,000	2,000	500
<b>Total Tax Revenues</b>	<b>6,282,289</b>	<b>6,450,479</b>	<b>6,254,624</b>
Charges for Services	672,293	808,003	860,606
Special Benefit Assessments	169,591	171,546	171,621
Use of Money	395,519	385,905	408,444
Fines and Forfeitures	32,892	62,494	97,709
Licenses and Permits	139,386	442,530	151,271
Intergovernmental	3,075,276	1,689,353	1,896,439
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	85,198	124,537	59,356
<b>Total Revenues</b>	<b>10,852,444</b>	<b>10,134,847</b>	<b>9,900,070</b>

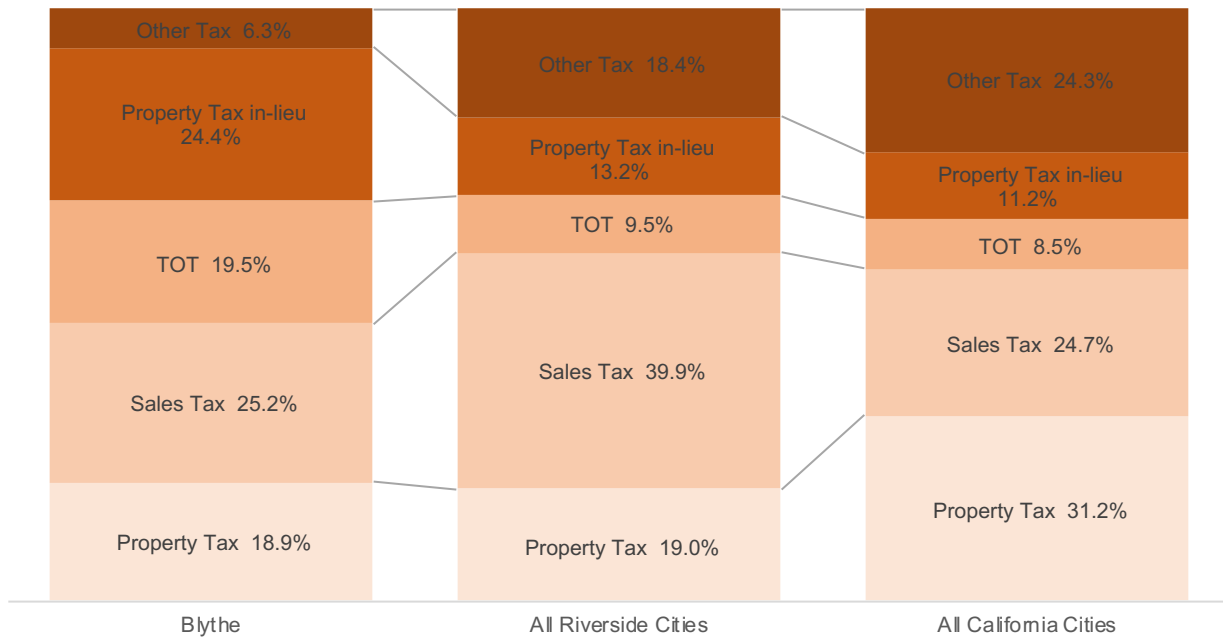
Source: California State Controller's Office

General tax revenues represent approximately 63 percent of total revenues for the City of Blythe in 2018-19, inclusive of sales tax, property tax in-lieu of VLF, transient occupancy tax, property tax, franchise tax, business license tax, property transfer tax, and other tax revenues. The largest tax revenues as a proportion of all general tax revenues in Blythe are sales tax (25.2 percent), property tax in-lieu of VLF (24.4 percent), transient occupancy tax (19.5 percent), and property tax (18.9 percent).

After tax revenues, the City of Blythe's next largest revenue sources include intergovernmental revenues (\$1.9 million) and charges for services (\$860,000).

In contrast to all other Riverside and California cities, Blythe receives disproportionately more property tax in-lieu of VLF and transient occupancy tax. The City's share of property tax is aligned with the average city in Riverside County, but well below the average California city. The City's tax revenues as a share of total general tax revenues, in comparison to all Riverside and California cities is presented in Figure 223.

Figure 223: General Tax Revenue Comparison - Blythe



## Sales Tax, Measure K

Sales tax is the single-largest general tax revenue for the City of Blythe. Cities receive one percent of gross receipts from the sale of tangible personal property sold within their municipal boundary. Sales tax represents nearly 15.9 percent of total revenues collected.

In May of 2020, almost 71 percent of voters in Blythe passed Measure K, a general sales tax increase. The sales tax increase will double the City's sales tax collections. Measure K was designed to fund police and fire services, code enforcement, homelessness, economic development, public safety equipment upgrades, street and road repairs, and other general



services. The sales tax increase does not expire, unless terminated by voters. The increased revenue from Measure K is not reflected in the figures presented in this report.<sup>306</sup>

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Property tax in-lieu of VLF and property tax are two (2) of the top four (4) single-largest general tax revenues for the City of Blythe. These revenues are derived from assessments on land, improvements, and personal property in Blythe. Combined secured and unsecured assessed valuation in Blythe is more than \$917 million.<sup>307</sup> Incremental increases to property tax in-lieu of VLF are the result of increases to the City's combined assessed valuation over time. With about \$1.2 million in property tax revenues in 2018-19, Blythe receives an estimated 12.9 percent of property tax revenues collected within City limits.

Blythe and Riverside County have a Master Property Tax Exchange Agreement in place, dating back to 1981.<sup>308</sup>

### **Transient Occupancy Tax**

The City has a 13 percent transient occupancy tax applied to overnight occupancies of hotels in Blythe.<sup>309</sup> This revenue source has historically amounted to between \$1.1 and 1.2 million annually, or about 12.3 percent of total revenues. According to City staff, there was only a minor impact to hotel revenues as a result of the COVID-19 pandemic.

### **Intergovernmental Revenues**

Intergovernmental revenues are the largest non-tax source of revenues for Blythe, amounting to almost \$1.9 million in 2018-19. For Blythe, intergovernmental revenue sources include gas tax

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<sup>306</sup> Source: Vote Info, <https://www.voteinfo.net/Elections/20200505/docs/EnglishVIG.pdf>

<sup>307</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>308</sup> Source: Riverside LAFCO

<sup>309</sup> Source: California City Finance, "Transient Occupancy Tax by City"

(almost \$1.6 million), peace officers standards and training, Proposition 172 Public Safety, community development block grants, and other intergovernmental grant funds.

### Charges for Services

Charges for services account for about 8.7 percent of Blythe's total annual revenues, or about \$861,000 in 2018-19. Charges for services include zoning and subdivision fees, special police department services, plan checking fees, parks and recreation fees, and other charges for current services. The City of Blythe last completed a fee study in 2019. According to City staff, the City aims to complete a fee study every five (5) years but fees have not been updated in nearly 20 years. Per City staff, the City's fees are most likely lower than the fees in comparable communities in the County.

### Operating Expenditures

Total operating expenditures ranged from \$11.9 million in 2016-17 to \$10.8 million in 2018-19.

Figure 224 illustrates the City of Blythe's annual operating expenditures.

Figure 224: Operating Expenditures - Blythe

Blythe	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	4,095,908	4,123,016	3,934,440
Employee Benefits	3,356,185	3,287,040	3,266,916
Materials and Supplies	486,835	495,116	368,362
Contract Services	1,770,790	1,587,376	1,312,476
Other Operating Expenditures	-	-	460,875
<b>Total Operating Expenditures</b>	<b>9,709,718</b>	<b>9,492,548</b>	<b>9,343,069</b>
Debt Service	236,523	582,554	581,578
Capital Outlay	1,948,634	1,236,887	917,702
<b>Total Expenditures</b>	<b>11,894,875</b>	<b>11,311,989</b>	<b>10,842,349</b>

Source: California State Controller's Office

The largest operating expenditure categories for Blythe include salaries and wages (\$3.9 million), employee benefits (\$3.3 million), and contract services (\$1.3 million). The City employed 106 full

time equivalent personnel in 2020-21. City staff reported no recent changes to staffing levels as a result of the COVID-19 pandemic.

The single-largest current expenditure category for Blythe is for public safety, which accounted for almost \$4.7 million in 2018-19, or about 43 percent of all current expenditures. Figure 225 presents Blythe's current expenditures by function between 2016-17 and 2018-19.

Figure 225: Current Expenditures - Blythe

Blythe	2016-17	2017-18	2018-19
General Government	2,937,396	2,802,297	2,505,527
Public Safety	4,938,575	4,815,291	4,688,950
Transportation	879,160	952,693	789,958
Community Development	493,972	482,112	864,506
Health	-	34,955	34,030
Culture and Leisure	460,615	405,200	460,098
Public Utilities	-	-	-
Debt Service	236,523	582,554	581,578
Capital Outlay	1,948,634	1,236,887	917,702
<b>Total Current Expenditures</b>	<b>11,894,875</b>	<b>11,311,989</b>	<b>10,842,349</b>

Source: California State Controller's Office

The City of Blythe's public safety expenditures are about average compared to all other Riverside County and California cities. However, the City's general government expenditures (26.8 percent of current expenditures less debt service and capital outlay) are about twice as much as the average Riverside County (14.5 percent) and California city (12.2 percent). Other departmental expenditures are generally lower than Riverside County and California city averages.

### Reserve Fund Balance

The City of Blythe aims to maintain an operating reserve balance equivalent to 25 percent of the operating General Fund budget. Per City staff, the reserve balance policy was adopted in 2019. In Fiscal Year 2020-21, the reserve balance was \$658,230, approximately 7.2 percent of the

2020-21 projected expenditures. As such, the City is not currently meeting its reserve policy objectives.<sup>310</sup>

## Pension and OPEB Obligations

The California Public Employees' Retirement System, which provides pensions for most public employees, is earning less on investments. Because retirees are living longer, the State has moved to require cities to provide more funding in the retirement funds. The City of Blythe's pension and OPEB obligations are outlined in Figure 226.

Figure 226: Pension and OPEB Obligations - Blythe

Blythe	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$19,992,975	\$19,563,281	\$20,934,778
Total OPEB Liability/(Surplus)	10,552,770	9,498,982	10,523,470
Total Benefit Liability/(Surplus)	\$30,545,745	\$29,062,263	\$31,458,248

Source: 2017-18, 2018-19 and 2019-20 ACFR

All qualified personnel are eligible to participate in either the City's Miscellaneous Plan or Safety Plan. In recent years, the City of Blythe's combined pension and OPEB liability has ranged from \$29.1 million in 2018-19 to \$31.5 million in 2019-20. According to City staff, one of the expected uses of the reserve balance is to reduce the pension and OPEB liabilities. However, as previously discussed, the reserve balance fails to meet the City's adopted reserve policy and therefore the City is unable to divert reserves to reduce pension and OPEB liabilities. While Measure K did not explicitly state that it would be used to reduce pension and OPEB liabilities, City staff expects Measure K funds to reduce some of the pension and OPEB concerns.

The City of Blythe's pension metrics, including the employer contribution rate, actuarially determined contribution, and total covered payroll are presented in Figure 227.

<sup>310</sup> Source: City of Blythe, 2019-20 Budget

Figure 227: Pension Metrics - Blythe

Blythe	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$1,594,880	\$1,790,590	\$2,004,426
Employer Contribution	1,594,880	1,790,590	2,004,426
Covered Payroll	\$3,954,032	\$3,899,770	\$3,615,679
Employer Contribution Rate	40.3%	45.9%	55.4%

Source: 2017-18, 2018-19 and 2019-20 ACFR

As illustrated, the City has historically made actuarially determined contributions and the contribution rate was increased consistently over the time period studied. The employer contribution rate is also higher than the County average (26 to 28 percent in the time period studied).

### Annual Audit Findings

The Annual Audits from FY 2017-18 through 2019-20 did not present any findings. City staff confirmed that the City has not had any issues completing audits or addressing audit findings.

### California State Auditor Fiscal Health Evaluation

The City of Blythe ranked 3 out of 471 cities and is the only city in Riverside County that is considered high risk. The City's fiscal health is higher risk than 99.4 percent of California's cities. Two (2) indicators, the City's debt burden and OPEB obligations, earned a moderate-risk rating. The remaining eight (8) indicators scored high risk ratings, including liquidity, general fund reserves, revenue trends, pension obligations, pension funding, pension costs, future pension costs, and OPEB funding.<sup>311</sup>

### MSR DETERMINATIONS

Requisite CKH determinations for Blythe are presented by topic below:

<sup>311</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

## **1. Population, Growth, and Housing**

Blythe was expected to grow to a population of 25,000 by 2020, and municipal services and facilities were designed around the projected growth, but the population declined by more than 1,500 residents (7.5 percent)

The City is encouraging growth and development in blighted neighborhoods.

## **2. Disadvantaged Unincorporated Communities in SOI**

The Blythe SOI contains three (3) DUCs. There are six (6) additional DUCs within close proximity but located outside the Blythe SOI. According to City staff, DUC4 contains a small area adjacent to the Mayflower County Park and this area lacks sewer infrastructure. LAFCO is currently processing an application for extraterritorial sewer service provision to this area.

## **3. Present and Planned Capacity of Facilities**

Because Blythe's expected population growth during the last decade did not materialize, and the City's facilities were designed to accommodate growth, the City's present and planned capacity is sufficient to address population growth over the next 10 to 15 years.

## **4. Financial Ability to Provide Services**

The City experienced financial hardships during the last ten years but appears to have made changes to alleviate those problems. According to city staff, the City has adopted balanced budgets, contributed to a small reserve balance, and residents approved Measure K, a one percent sales tax increase in 2020.

The California State Auditor's fiscal health evaluation rated the City's fiscal health as one of the highest risk in the State.

## **5. Opportunities for Shared Facilities**

The City is actively searching for opportunities to decrease costs and sharing facilities may be a suitable option. There may be opportunities to share parks facilities and the City's garage.

## **6. Accountability for Community Service Needs**

The City performs annual audits and releases the report and findings to the public

According to city staff, participation has increased during the COVID-19 pandemic as the City has transitioned public meetings to online formats

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is not recommending any changes to the Blythe SOI. RSG's comments related to the Blythe SOI are presented by topic below.

### **1. Present and Planned Land Uses**

The Blythe SOI contains substantial areas that are either undeveloped open space or agricultural uses.

### **2. Present and Probable Need for Public Facility and Services**

The City's public facilities and services were designed in anticipation of population growth during the last decade that did not materialize, and therefore the public facilities and services are sufficient to accommodate growth over the next decade.



### **3. Present Capacity of Public Facilities**

Within the SOI, there are developments that are underserved with regard to wastewater services.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

Blythe's SOI contains three (3) DUCs. At least one DUC, identified in Exhibit 35 as DUC4 (North of Blythe – Mayflower County Park) that likely have issues related to sewer services and may be suitable for annexation into the City. Riverside LAFCO is currently processing an application to provide extraterritorial sewer services to this area.

## CATHEDRAL CITY

The City of Cathedral City incorporated in 1981 as a charter city<sup>312</sup> located in Riverside County's Coachella Valley Region. Beyond Cathedral City's northern and eastern boundaries is unincorporated County land, with the City of Rancho Mirage to the south, the City of Palm Springs to the south and west, and the City of Desert Hot Springs to the northwest. Cathedral City has a population of 53,580 residents in 2020 and covers an incorporated area of 21.5 square miles. The Cathedral City SOI extends beyond the City's boundaries to include 13.2 additional square miles for a total of 34.7 square miles.

Cathedral City's current and projected demographic profile is presented in Figure 228.

Figure 228: Demographic Profile - Cathedral City

Cathedral City	City	SOI	County
Population as of 2020	53,580	7,196	2,442,304
Population as of 2010	51,178	6,717	2,189,641
Annual Pop. Growth Since 2010	0.46%	0.69%	1.10%
Housing Units	21,447	3,177	867,637
Persons / Housing Unit	2.50	2.27	2.81
Land Area (sq mi)	21.5	13.2	7,206.0
Persons / Square Mile	2,492	547	339
Median Household Income	\$50,131	\$21,613	\$67,369
Projected Population in 2035	67,833		2,995,509
Annual Proj. Growth 2020-2035	1.58%		1.37%
Projected Population in 2045	76,277		3,251,705
Annual Proj. Growth 2020-2045	2.38%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>312</sup> Source: City of Cathedral City

The population in Cathedral City grew modestly between 2010 and 2020 at a rate of 0.46 percent annually, which is well below the County-wide average growth rate of 1.10 percent. Household density (2.50 persons per housing unit) is below average compared to the County (2.81 persons per housing unit) while population density (2,492 persons per square mile) is above average for incorporated areas in Riverside County (2,207 persons per square mile) and well above the County-wide average population density of 339 persons per square mile. SCAG's population projections through 2035 and 2045 expect growth rates to increase and exceed the County-wide average growth rates.

The City's median household income of \$50,131 is 28.5 percent lower than the County-wide median income (\$67,369). The median household income is even lower in the unincorporated SOI, at \$21,613, which is about 69 percent below than the County-wide median household income.

Cathedral City's land use summary is presented in Figure 229.

Figure 229: Land Use Summary - Cathedral City

Cathedral City		County	
Residential Units	Units	%	%
Single Family	12,052	56.2%	54.8%
Multifamily	6,897	32.2%	43.6%
Mobile Home	2,498	11.6%	1.6%
Total Units	21,447	100.0%	100.0%
New Units Since 2010	452		
Commercial	Gross SF	%	%
Retail	3,113,966	63.1%	26.6%
Industrial	1,123,251	22.8%	61.8%
Office	450,688	9.1%	9.6%
Other	249,455	5.1%	2.0%
Total	4,937,360	100.0%	100.0%
New Commercial Since 2010	343,652		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

The land use profile in Cathedral City is skewed towards a housing mix of single-family units and mobile home units, and commercial space that is largely retail. The City has a significantly higher concentration of mobile home units, with mobile homes making up 11.6 percent of the City's housing inventory. Meanwhile, 63.1 percent of the City's commercial space is designated for retail users, compared to retail space representing 26.6 percent of the County-wide commercial space.

Cathedral City added just 343,652 square feet of commercial space over the last decade for a 0.7 percent annual increase, and 451 housing units for a 0.21 percent annual increase. According to City staff, much of the City's opportunity for growth and development is north of Interstate 10. The City has planned for future growth and development in this area by adopting specific plans to guide the development.

The largest employers in Cathedral City include two (2) golf resorts (Desert Princess Homeowners and Doubletree Golf Resort), three (3) grocery retailers (Target and two (2) Stater Bros. locations), two (2) auto dealerships (Jessup Auto Plaza and Honda of the Desert), and three (3) government institutions (Cathedral City High School, California Department of Development Services, and Nellie N. Coffman Middle School).<sup>313</sup>

## **CURRENT SPHERE OF INFLUENCE, ISLANDS/POCKETS, AND DUCS**

The City of Cathedral City has one SOI area located on the City's northeastern boundary, extending southeast along Interstate 10 and containing three (3) DUCs. The City's southern boundary is adjacent to one unincorporated pocket P30 which is within the City of Palm Springs SOI but is only accessible from the City of Cathedral City. One additional LAFCO-identified pocket P35 is adjacent to the Cathedral City corporate boundary but within the Rancho Mirage SOI. The City's three (3) DUCs and two (2) adjacent LAFCO-identified unincorporated pockets are illustrated in Exhibit 36 and are described below:

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<sup>313</sup> Source: City of Cathedral City, 2018-19 Comprehensive Annual Financial Report

- DUC1 is commonly known as Thousand Palms (Central), is east of the City’s corporate boundary and within the Cathedral City SOI along Interstate 10. DUC1 combines two (2) areas previously classified as DUCs 1 and 2 in 2010. DUC1 generally overlaps a majority of the unincorporated community known as Thousand Palms.
- DUC2 is commonly known as Thousand Palms (South) and is generally located near the intersection of Varner Road and Cook Street along Interstate 10 and within the Cathedral City SOI. DUC2 is also commonly known as the Ivey Ranch Country Club.
- DUC3 is commonly known as Thousand Palms (East), and is located around a small community at the intersection of Ramon Road and Shadow Mountain Lane and within the Cathedral City SOI.
- Pocket P30 is located in the Palm Springs SOI but is only physically accessible from Cathedral City. Palm Springs does not have a road or right-of-way that physically connects to this portion of its SOI. It is unclear how this pocket formed, but the likely service provider for this area is Cathedral City primarily due to physical right-of-way access.
- Pocket P35 is located in the Rancho Mirage SOI but is adjacent to the Cathedral City corporate boundary on the eastern and northern edges of the pocket. Pocket P35 is also surrounded by the Rancho Mirage corporate boundary on the southern side. This pocket appears to be entirely south of Interstate 10, which would make Rancho Mirage the likely service provider.

Cathedral City’s boundary was reconfirmed and studied in the September 2011 City of Cathedral City and the Cathedral City Community Services District (subsidiary) MSR (“2011 MSR”).

According to City staff, the City’s SOI contains a patchwork of developable and protected land under the Multiple Species Habitat Conservation Plan. The City’s corporate and SOI boundaries are illustrated in the context of the MSHCP areas in Exhibit 37.

The 2011 MSR made determinations about recreation services and the following determination about overall service provision if the City were to annex an area in Thousand Palms. The recreation determination is addressed in the parks and recreation section later in the MSR.

- The Cathedral City sphere expansion includes the entirety of the Thousand Palms area, where regional County of Riverside facilities are currently located. Cathedral City is a full-service city which maintains its own police, fire, planning, parks, and engineering services. However, the City's existing facilities and personnel will be inadequate to serve the proposed SOI area, if annexed. Ultimate annexation of the Thousand Palms area will require an unprecedented expansion of City services. This will require careful planning and discussion with other agencies, such as the County, in order to provide Thousand Palms with an adequate level of services at a reasonable cost to the City. This is particularly true of fire protection services, where a change in service responsibility could impact service provision within the Cities of Rancho Mirage and Palm Desert, as well as unincorporated areas. Solutions might involve service contracts between the City and the County. This issue must be resolved prior to any future annexations.

City staff did not disagree with the determinations regarding the future annexation of the Thousand Palms area, and noted that any annexation action would be preceded by careful evaluation.



Exhibit 36: Current City and SOI Boundaries - Cathedral City

**Cathedral City and Sphere of Influence**

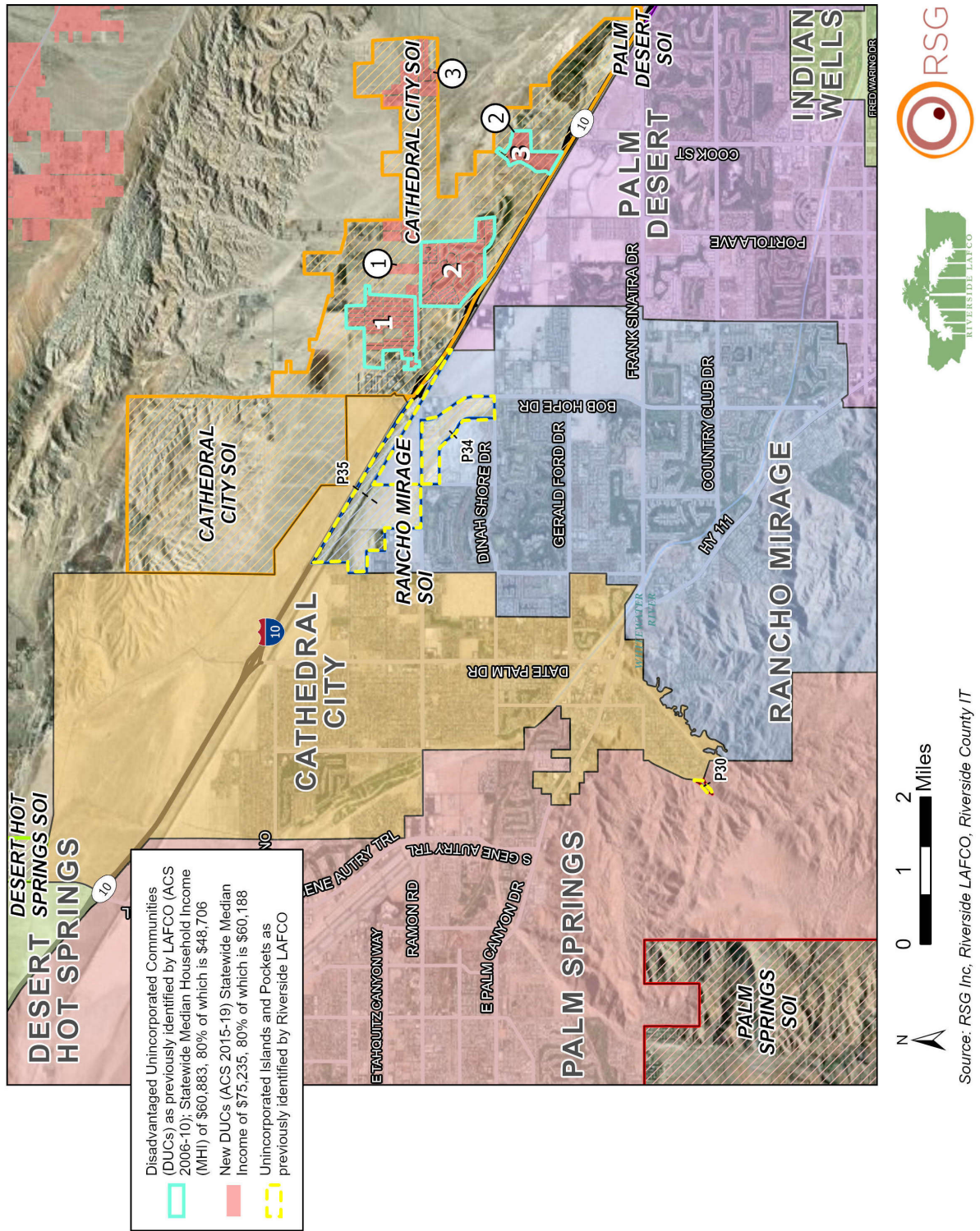
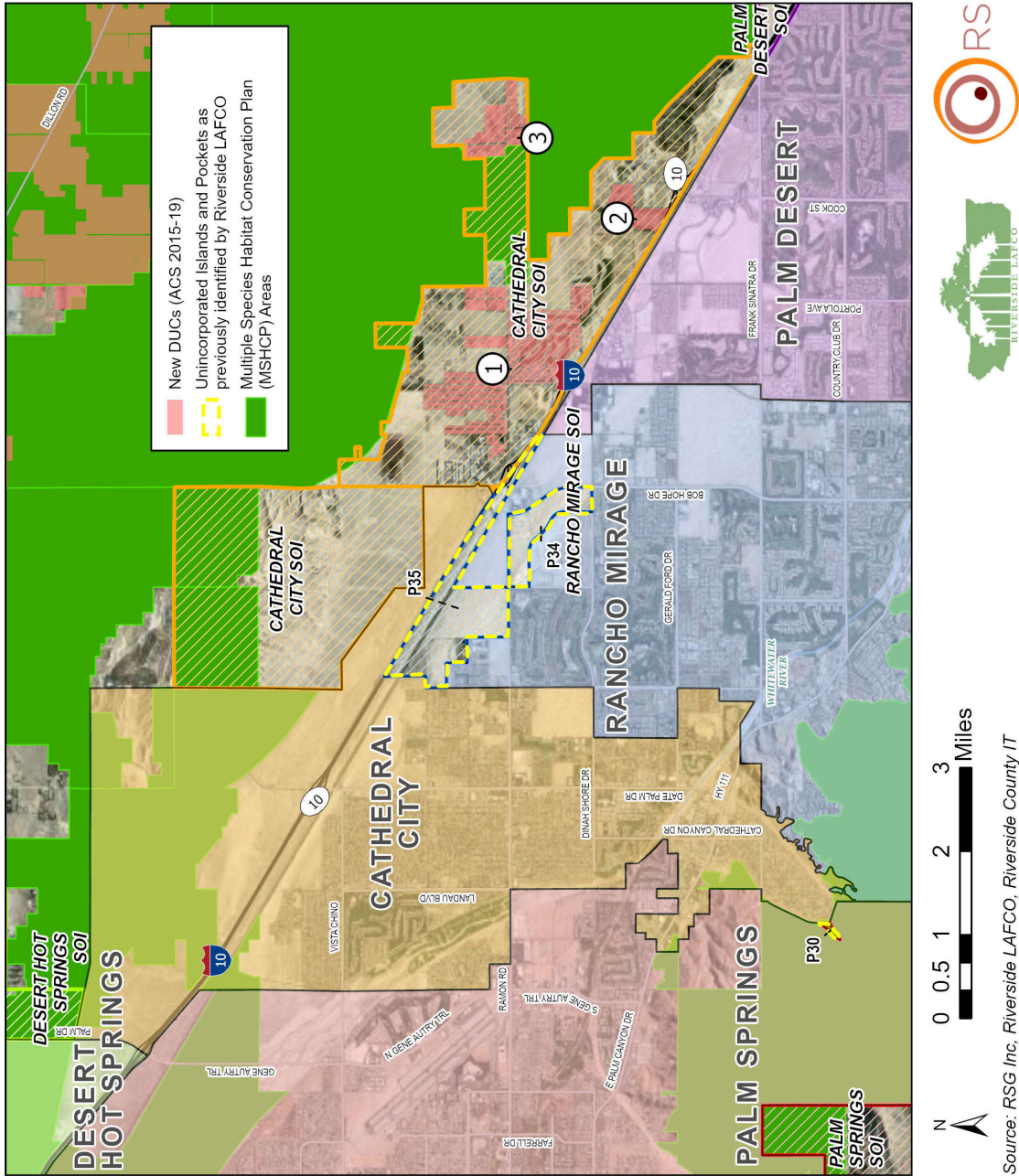




Exhibit 37: MSHCP Habitat Conservation Areas - Cathedral City

**Cathedral City:  
Multiple Species Habitat Conservation Plan (MSHCP) Areas**



Source: RSG Inc, Riverside LAFCO, Riverside County IT

## FORM OF GOVERNMENT AND STAFFING

Cathedral City’s government is structured as a “Council – Manager” form of government, which includes an elected City Council of five (5) Councilmembers. The Council is elected according to district boundaries to alternating four (4) year terms. The Mayor is appointed by the City Council to serve a one year term. The City Council also appoints the City Manager to serve as the chief administrator for the City.

The City Council also serves as the Financing Authority and Community Services District Board. Several board and commissions carry out assignments at the request of the City Council, including the Architectural Review Committee, Cannabis Task Force, Financial Advisory Committee, Mobile Home Fair Practices Commission, Parks and Community Events Commission, Planning Commission, Public Arts Commission, and the Historical Preservation Commission.<sup>314</sup>

The City Manager oversees daily operations of the City, which includes managing 203 full-time personnel<sup>315</sup> and an annual operating budget of almost \$76.9 million (2018-19)<sup>316</sup>

## SERVICES PROVIDED

Cathedral City staff provide general government, law enforcement, fire and emergency medical, building, safety and planning, housing, code compliance, public works, and information technology services.

Figure 230 summarizes the municipal services provided within Cathedral City by the City or by other service providers.

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<sup>314</sup> Source: City of Cathedral City

<sup>315</sup> Source: City of Cathedral City 2019-20 Comprehensive Annual Financial Report

<sup>316</sup> Source: California State Controller’s Office, “Cities Financial Data”

Figure 230: Service Provider Matrix - Cathedral City

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire Department										
Emergency Medical	Fire Department										
Building/Planning	Building and Safety & Planning										
Housing	Housing Department										
Code Enforcement	Code Compliance Division										
Animal Control	Animal Services										
Parks and Recreation	Public Works and Recreation, Desert Recreation										
Library	Library System										
Museum	Museum of Ancient Wonders										
Landscape Maintenance	Public Works, LLD										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	LLD										
Lighting	LLD, CSA										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, Burrtec										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Management Information Systems, Frontier, Spectrum										
Airport	N/A										
Cemetery *	Palm Springs Cemetery District										
Healthcare *	Desert Healthcare District										
Water *	Desert Water Agency, Coachella Valley Water District										
Wastewater *	N/A										

\* Not included in this MSR

## Government Services

General government services are provided by the elected officials and appointed City staff, including the City Manager and City Clerk. The City Manager is responsible for preparing information for consideration for Council and implementation of policies set by the Council, development of overall vision for the City, coordinating with the Finance Department to ensure that the City operates in a fiscally sound way, and overseeing all operations of the City, ensuring that services are provided in an efficient way. The City Clerk is the local election office and is responsible for ensuring that the actions of the Council are following local and State regulations, maintaining the municipal code and City records, preparation and distribution of Council agendas and other documents, and serves as the liaison between the public and City Council.

## Law Enforcement

The Cathedral City Police Department provides law enforcement services in Cathedral City. The Department operates out of a single police station located at 68700 Ave Lalo Guerrero and has

78 full time equivalent personnel. The Police Department is responsible for overseeing patrol, traffic control, gang, investigation, and dispatch services. The Department also currently provides dispatch services to the City of Desert Hot Springs.

### **Fire Protection**

In contrast to most cities in Riverside County, the City operates its own Fire Department. The Cathedral City Fire Department provides administrative services, fire suppression, fire prevention, paramedic, and disaster preparedness services in Cathedral City. The Department operates three (3) fire stations and has 46 full time equivalent personnel. According to City staff, the City has a contract with the Riverside County Fire Department/CalFire to provide fire protection and emergency medical services to a portion of Cathedral City adjacent to Thousand Palms. The City would consider a similar contract arrangement for future annexations.

### **Emergency Medical**

The Cathedral City Fire Department provides emergency medical services. Refer to the previous section for more information about the Department.

### **Building/Planning and Housing (Community Development)**

The City's Community Development Department, Administrative Services Department, and Building and Safety and Planning Divisions provide building, planning, and housing services. The Planning Division and Building and Safety Division each have five (5) full time equivalent personnel. The Planning Division provides services that promote the quality of life for residents by implementation of the policies set forth in the General Plan, facilitating the physical development of the City, and protecting the environment. The Building and Safety Division reviews and approves construction plans, issues building permits, and inspects new construction and rehabilitation of existing structures. The Administrative Services Department oversees housing services, which aim to assist with homeless related issues.

## **Code Enforcement**

The City's Community Development Department Code Compliance Division provides code enforcement services in the City. The Division has six (6) full time equivalent personnel and is responsible for ensuring compliance with applicable statutes or ordinances and managing programs that will maintain and improve property values and the quality of life within the community through code violation enforcement, including property maintenance violations and abandoned vehicle abatement.

## **Animal Control**

The City contracts with the Riverside County Department of Animal Services for animal control services in Cathedral City. The Department is responsible for picking up stray or confined animals, dead animal removal, humane, dangerous, nuisance, or permit investigations, leash law enforcement, wild animal trapping and removal, patrol of parks and other areas of concern, and other animal related issues.

## **Parks and Recreation**

The Cathedral City Public Works Department provides some parks and recreation services within Cathedral City, including parks maintenance and operation of recreation services. The Desert Recreation District provides additional parks and recreation services in Cathedral City. The Desert Recreation District is the largest park and recreation district in California, with over 1,800 square miles and 380,000 Coachella Valley residents within its jurisdiction.

The 2011 MSR made the following determination about recreation services available to City residents:

- The City should evaluate whether annexation to the Desert Recreation District would expand recreational opportunities for residents. Also, as mentioned previously, cooperative arrangements, including service contracts, should be explored with the County Fire Department prior to annexations in the Thousand Palms area. This will be necessary to ensure adequate and equitable fire protection service across the region.

According to City staff, Cathedral City is currently evaluating an annexation into the Desert Recreation District on a larger scale, which would relieve the City of the parks maintenance and recreational operations services. This action would ultimately require voter approval and is tentatively scheduled for the November 2022 ballot. While further integration into the Desert Recreation District would not generate additional revenues for the City, it would reduce the City's operating expenses associated with parks and recreation services.

As noted with respect to Fire Protection, the City already contracts with Riverside County Fire Department/CalFire to provide fire protection services to a portion of the City near Thousand Palms. City staff indicated that similar contract service agreements would be considered for future annexation areas.

### **Library**

The City contracts with the Riverside County Library System to provide library services in Cathedral City. The System provides reading materials, literacy programs, and computers with broadband access for residents. While the City owns the Cathedral City branch library, the County Library System operates out of the facility, which is located at 33520 Date Palm Dr.

### **Museum**

Museum services are provided in Cathedral City by the Museum of Ancient Wonders, which provides exhibits and historical services to preserve history and teach the public about worldwide history.

### **Landscape Maintenance**

Landscape maintenance services are provided by the City Landscape and Lighting District No. 1, which is a small dependent special district that receives a special property tax assessment.

## **Streets/Road Maintenance**

The City's Public Works Department provides streets and road maintenance services. The Department includes 13.5 full time equivalent personnel and is responsible for asphalt and concrete repair, street sweeping, striping, and signage.

## **Streetlights**

The maintenance and operation of streetlights in Cathedral City are provided by the City Landscape and Lighting District No. 1.

## **Utilities (Gas, Electric)**

Southern California Edison and Southern California Gas Company are responsible for provision of electricity and natural gas services, respectively, within Cathedral City.

## **Solid Waste**

The City's solid waste service provider is Burrtec, a private solid waste disposal company that has been in operation in 1955. Burrtec services residential waste collection and recycling, commercial waste collection and recycling, roll-off services, construction and demolition waste collection, portable restrooms, special events, temporary bin rentals, temporary roll-off rentals, and concrete washout.

## **Storm Drainage**

The City's Public Works Department is responsible for providing storm drainage services, including maintenance of the City's storm drains and retention basins. The Department has 23 full time equivalent personnel.

Additionally, Riverside County Flood Control and Water Conservation District oversees construction of flood control structures and facilities, regulation of drainage development, and maintenance and operation of completed storm drain structures. The District formed in 1945 and is a large dependent special district that is governed by the Riverside County Board of



Supervisors. The District provides flood control services to most communities in western Riverside County.

### **Innovation and Technology**

The City's Management Information Systems Division provides technology services for the City government, including management, support, securing of technology infrastructure, and information systems software and hardware.

### **Airport**

There are no airports in Cathedral City. The nearest airport is located in Palm Springs.

### **Extraterritorial Services Provided**

As previously discussed, the City previously provided law enforcement dispatch services to the City of Desert Hot Springs. The dispatch services relationship between Cathedral City and the City of Desert Hot Springs was terminated and is discussed in greater detail in the section pertaining to the City of Desert Hot Springs.

No other extraterritorial services were identified. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City's Engineering Department produces a biennial Capital Improvement Program budget used to identify capital improvement needs and coordinate the financing for the improvements. The City has completed or is planning to complete capital improvements in the areas including park improvements, bridge construction, and interchange development.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on December 23, 2014 and it was designated in compliance with Housing Element Law by HCD on February 19, 2015.<sup>317</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports from 2013 through 2017 and again in 2019. The City failed to submit an Annual Progress Report in 2018.<sup>318</sup>

The City's RHNA allocation for the 5<sup>th</sup> Housing Element Cycle (2013-2020) was 600 units. During the 5<sup>th</sup> Cycle, the City permitted 358 total units, including 122 units designated for households earning moderate income and 236 market rate units. The City's 5<sup>th</sup> Cycle housing needs and permit progress is presented in Figure 231.

Figure 231: 5<sup>th</sup> Cycle Housing Element Summary - Cathedral City

Cathedral City 5 <sup>th</sup> Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	141	95	110	254
Permitted Units	0	0	122	236
Allocation Surplus/(Shortage)	(141)	(95)	12	(18)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City fell short of meeting its RHNA allocation in all income categories except moderate income. The City failed to meet its RHNA allocation in very low income, low income, and market rate units by a combined 254 housing units. The City exceeded its RHNA allocation for moderate income units by 12 units.

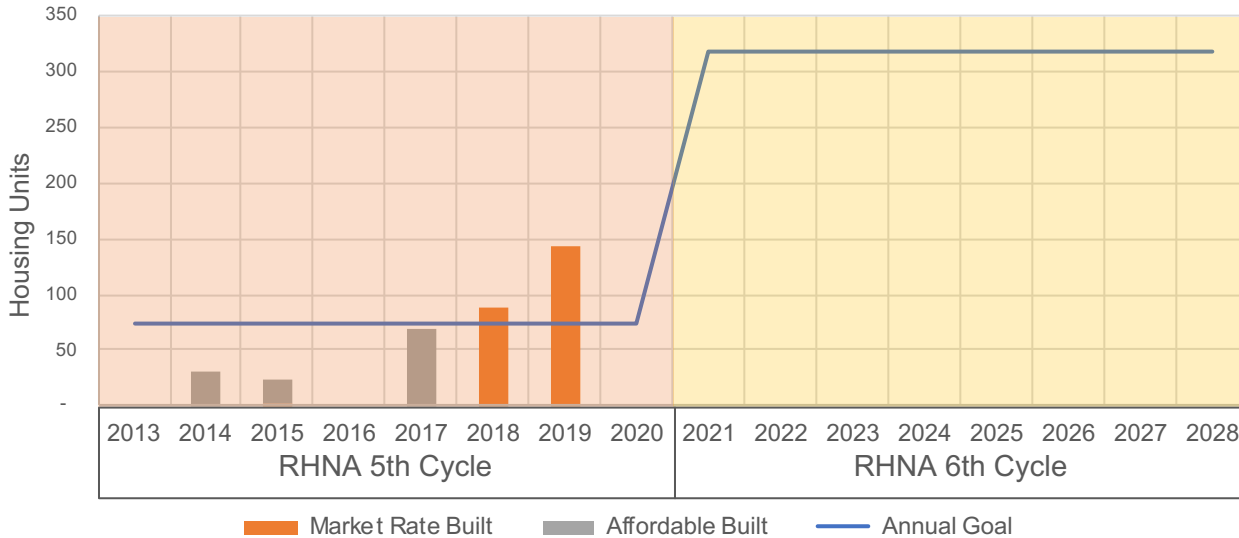
The City's RHNA allocation will increase by more than four (4) times from the 5<sup>th</sup> to the 6<sup>th</sup> Cycle, with the 6<sup>th</sup> Cycle combined RHNA allocation of 2,542 housing units. The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA allocations are illustrated in Figure 232. The City's annual production goal is presented as

<sup>317</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>318</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Tracker" updated June 28, 2019

one-eighth of the full-cycle RHNA allocation. Market rate (above moderate-income) and affordable unit production during the 5<sup>th</sup> Cycle is also identified in the bar chart.

Figure 232: 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA Allocation and Production - Cathedral City



Cathedral City is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>319</sup>

## FISCAL HEALTH

The following sections evaluate the City of Cathedral City's fiscal health, inclusive of audit findings, revenue sources, and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. Figure 233 presents the City's net position as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded deficits

<sup>319</sup> Source: California Department of Housing and Community Development, "SB35 Statewide Determination Summary"

in 2016-17 and 2017-18 of \$5.9 and 9.3 million, respectively, which represented 12.7 and 12.9 percent of annual revenues. In 2018-19, the City had a \$1.4 million surplus, which amounts to about 1.9 percent of annual revenues.

Figure 233: Net Position - Cathedral City

Cathedral City	2016-17	2017-18	2018-19
Total General Tax Revenues	\$29,522,670	\$43,580,788	\$49,662,636
Other Tax Revenues	1,612,131	2,152,273	1,985,399
Other Revenues	15,496,325	26,739,020	25,650,084
<b>Total Revenues</b>	<b>46,631,126</b>	<b>72,472,081</b>	<b>77,298,119</b>
Total Operating Expenditures	43,485,173	48,081,539	52,044,037
Debt Service	438,164	13,614,999	11,779,953
Capital Outlay	8,625,346	20,094,250	12,039,438
<b>Total Expenditures</b>	<b>52,548,683</b>	<b>81,790,788</b>	<b>75,863,428</b>
<b>Net Position</b>	<b>(\$5,917,557)</b>	<b>(\$9,318,707)</b>	<b>\$1,434,691</b>

Source: California State Controller's Office

## Operating Revenues

The City of Cathedral City had operating revenues of almost \$77.3 million in 2018-19, as illustrated in Figure 234.

Figure 234: Operating Revenue History - Cathedral City

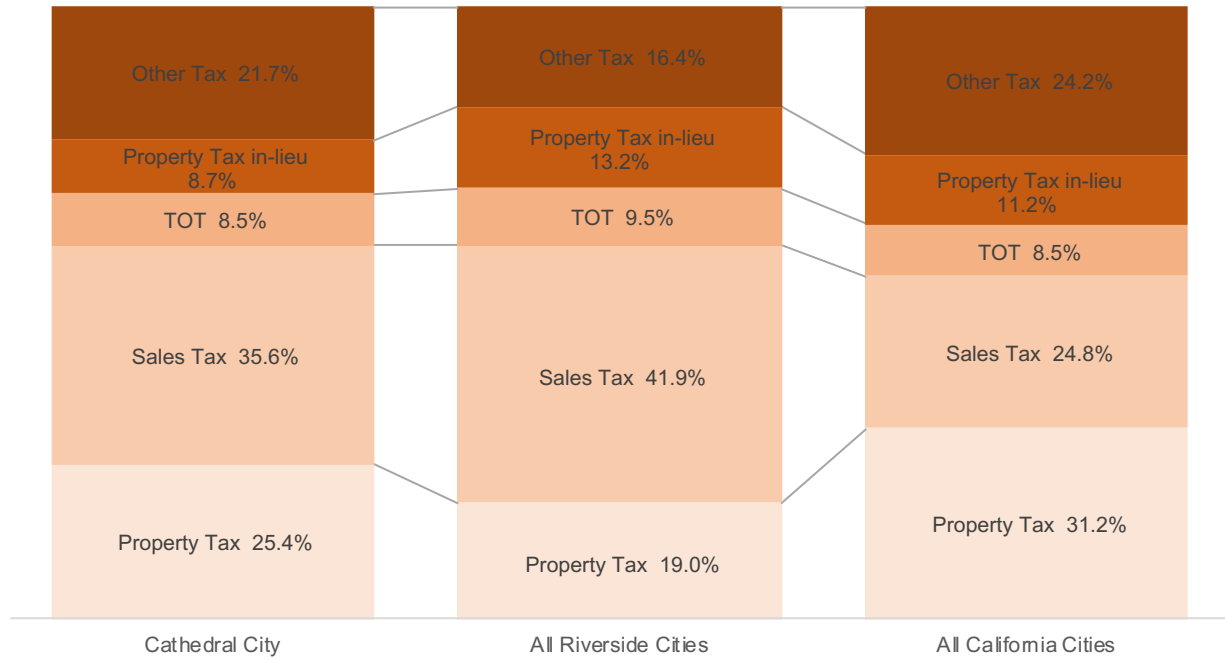
Cathedral City	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$1,985,534	\$12,678,134	\$12,617,367
Sales Tax	14,384,532	15,259,252	17,701,087
Transient Occupancy Tax	3,070,634	3,726,004	4,231,690
Property Tax in-lieu of VLF	3,959,228	4,140,210	4,331,043
Franchise Tax	2,145,689	2,114,282	2,230,585
Business License Tax	499,547	551,425	590,287
Property Transfer Tax	222,884	237,284	228,204
Utility User Tax	2,709,205	2,699,472	2,692,126
Other Tax Revenues	545,417	2,174,725	5,040,247
<b>Total General Tax Revenues</b>	<b>29,522,670</b>	<b>43,580,788</b>	<b>49,662,636</b>
Transportation Tax	1,441,719	1,474,000	1,583,790
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	170,412	678,273	401,609
<b>Total Tax Revenues</b>	<b>31,134,801</b>	<b>45,733,061</b>	<b>51,648,035</b>
Charges for Services	7,395,003	7,634,977	7,542,163
Special Benefit Assessments	571,124	619,723	650,857
Use of Money	634,214	2,609,048	2,773,040
Fines and Forfeitures	605,511	496,119	283,958
Licenses and Permits	852,108	1,333,290	1,886,920
Intergovernmental	3,059,610	7,700,291	11,630,010
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	2,378,755	6,345,572	883,136
<b>Total Revenues</b>	<b>\$46,631,126</b>	<b>\$72,472,081</b>	<b>\$77,298,119</b>

Source: California State Controller's Office

The City has a diverse base of general tax revenues, which accounted for 64.2 percent of the City's total annual revenues for 2018-19. The three (3) largest general tax revenues for the City represented just 70.0 percent of all general tax revenues, including sales tax (35.6 percent), property tax (25.4 percent) and property tax in-lieu of VLF (8.7 percent).

The City's general tax revenues relative to all Riverside County and California cities are presented in Figure 235.

Figure 235: General Tax Revenue Comparison - Cathedral City



The City general tax revenues are largely in proportion with the general tax revenue composition of the average Riverside County and California cities. The only exception is property tax in-lieu of VLF (8.7 percent), which is slightly below average property tax in-lieu of VLF when compared to Riverside County (13.2 percent) and California (11.2 percent) cities.

#### Sales Tax, Measure H and Measure B Transactions and Use Tax

Sales, and transaction and use tax revenues are the City's single largest revenue source, combining for \$17.7 million, or about 35.6 percent of the City's total general tax revenues in 2018-19. The City receives one percent of gross receipts from the sale of tangible personal property sold in Cathedral City. The City's base sales tax revenue amounted to about \$9.7 million in 2019-20.

Additionally, voters approved Measure H in 2010, which added a one percent transactions and use tax on the sales of all tangible personal property sold in Cathedral City, effectively increasing

the City's revenues from sales by two-thirds, and transactions and use taxes.<sup>320</sup> Measure H was set to expire in 2015, but voters approved Measure B in 2014, which extended the effectiveness of the one percent transactions and use tax indefinitely. Measure B is a general revenue that was approved by more than two-thirds of voters. The City's ballot measure stated that the proposed use of Measure B tax revenues would be maintaining fiscal stability, addressing state takeaways, preventing cuts to services like police, fire, emergency medical, maintaining emergency response times, infrastructure repair, senior and youth programs, and other general services.<sup>321</sup>

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Property tax and property tax in-lieu of VLF are the City's second and fourth largest tax revenue sources, accounting for a combined 34.1 percent of the City's general tax revenues. Property tax revenues, which were about \$12.6 million in 2018-19, or about 25.4 percent of general tax revenues, result from assessments on Cathedral City land, improvements, and personal property. In 2018-19, Cathedral City's land, improvements, and personal property combined for about \$4.5 billion in net assessed value, including over \$1.3 billion in assessed land value and \$3.3 billion in improvement value. The City's \$12.6 million property tax collections in 2018-19 represent about 28.1 percent of all property tax revenues collected in Cathedral City, which is among the highest rates for a city government in Riverside County.<sup>322</sup>

Property tax in-lieu of VLF is the City's fourth largest revenue source, representing about 8.7 percent of general tax revenues, or over \$4.3 million in 2018-19. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increases based on assessed valuation growth in the jurisdiction.

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<sup>320</sup> Source: Ballotpedia, "Cathedral City Sales Tax Measure H (June 2010)"

<sup>321</sup> Source: Ballotpedia, "City of Cathedral City Sales Tax, Measure B (June 2014)" and Cathedral City "2019-20 Comprehensive Annual Financial Report"

<sup>322</sup> Source: California City Finance, "Assessed Valuation of Property by City"



The City and County of Riverside passed resolutions in 2014, mutually adopting a Master Property Tax Exchange Agreement.<sup>323</sup>

### **Cannabis Tax**

In 2018-19, the City's Cannabis Tax yielded more than \$4.6 million in tax revenues, which is captured in the "Other Tax" category in Figure 234. In the four (4) years since adopting the Cannabis Tax, Cathedral City had more than 200 applications for cannabis-related businesses, inclusive of dispensary, cultivation, manufacturing, distribution, transportation, and laboratory testing. Anticipated revenues from additional cultivation sites may increase the City's tax revenues to \$5.0 million in 2020-21. According to City staff, the growth rate of this revenue source will likely decrease in the future.<sup>324</sup>

### **Intergovernmental Revenues**

Intergovernmental revenues accounted for about 15 percent of total revenues, or about \$11.6 million in 2018-19. The City collects intergovernmental revenues from County, State, and Federal sources. The City's largest intergovernmental revenue sources included unspecified Federal grants (\$8.7 million) and gasoline tax (\$2.1 million) in 2018-19.

### **Charges for Services**

In 2018-19, the City's charges for services represented about 9.8 percent of total revenues, or about \$7.5 million. The most significant charges for services included special police department services (\$2.0 million), special fire department services (\$1.7 million), plan check fees (\$1.1 million), quasi-eternal transactions (\$1.1 million), and solid waste revenues (\$890,000) in 2018-19.

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<sup>323</sup> Source: Riverside LAFCO

<sup>324</sup> Source: Cathedral City "2019-20 Comprehensive Annual Financial Report" section titled "Cannabis Tax"

## Operating Expenditures

The City's total expenditures ranged from \$52.5 million in 2016-17 to almost \$81.8 million in 2017-18, as illustrated in Figure 236.

Figure 236: Operating Expenditures - Cathedral City

Cathedral City	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$18,878,754	\$20,346,662	\$21,589,589
Employee Benefits	9,340,149	10,324,048	11,124,037
Materials and Supplies	15,266,270	17,283,083	14,139,937
Contract Services	-	126,701	5,188,565
Other Operating Expenditures	-	1,045	1,909
<b>Total Operating Expenditures</b>	<b>43,485,173</b>	<b>48,081,539</b>	<b>52,044,037</b>
Debt Service	438,164	13,614,999	11,779,953
Capital Outlay	8,625,346	20,094,250	12,039,438
<b>Total Expenditures</b>	<b>\$52,548,683</b>	<b>\$81,790,788</b>	<b>\$75,863,428</b>

Source: California State Controller's Office

The City of Cathedral City has proportional expenditures when compared to other Riverside County and California cities, with the exception of debt service and capital outlay. In 2018-19, the City's debt service was almost \$11.8 million and represented about 15.5 percent of total expenditures, which is above average for cities in Riverside County (8.7 percent) and California (5.5 percent). Further, the City's capital outlay was over \$12.0 million in 2018-19 and represented

15.9 percent of total expenditures compared to 15.3 percent for the average Riverside County city and 10.9 percent for the average California city.

The City's current expenditures are presented according to department or function in Figure 237.

Figure 237: Current Expenditures - Cathedral City

Cathedral City	2016-17	2017-18	2018-19
General Government	\$9,246,211	\$10,095,971	\$10,403,737
Public Safety	24,105,487	27,624,586	29,791,965
Transportation	5,046,597	3,887,609	4,156,607
Community Development	3,646,046	5,152,750	5,638,589
Health	767,297	665,600	722,114
Culture and Leisure	673,535	655,023	1,331,025
Public Utilities	-	-	-
Debt Service	438,164	13,614,999	11,779,953
Capital Outlay	8,625,346	20,094,250	12,039,438
<b>Total Current Expenditures</b>	<b>\$52,548,683</b>	<b>\$81,790,788</b>	<b>\$75,863,428</b>

Source: California State Controller's Office

The City of Cathedral City has higher general government and public safety expenditures when compared to other Riverside County and California cities. Public safety expenditures were the single largest expenditure category for the City, increasing to almost \$29.8 million in 2018-19 and accounting for about 57.2 percent of the City's total current expenditures net of debt service and capital outlay, which is above average when compared to Riverside County (52.2 percent) and California (47.3 percent) cities. Meanwhile, general government expenditures were about \$10.4 million in 2018-19 and represented 20.0 percent of the City's capital expenditures net of debt service and capital outlay, which is above average when compared to general government expenditures for Riverside County and California cities, 14.5 and 12.2 percent respectively.

### Reserve Fund Balance

The City seeks to set aside one-third of budgeted expenditures and transfers out as a reserve balance for the purpose of cash flow reserves (50 percent of total reserves), economic uncertainties (40 percent), and budget related reserves (10 percent). In fiscal year 2020-21, the

City had \$21.8 million in reserves, exceeding the City’s reserve policy. According to City staff, the City has managed to balance budgets every year since 2012.<sup>325</sup>

## Pension and OPEB Obligations

The City’s pension and OPEB obligations are detailed in Figure 238.

Figure 238: Pension and OPEB Obligations - Cathedral City

Cathedral City	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$35,969,049	\$35,002,841	\$37,556,227
Total OPEB Liability/(Surplus)	65,700,000	66,554,000	73,734,143
Total Benefit Liability/(Surplus)	\$101,669,049	\$101,556,841	\$111,290,370

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City offers two (2) defined benefit pension plans to qualifying employees, including a Safety Plan and Miscellaneous Plan. The Safety Plan is available for employees within the safety risk pool, such as police and fire personnel, with a net pension liability of \$25.5 million, while the Miscellaneous Plan is available for all other employees and has a net pension liability of about \$12.1 million. The City’s OPEB Policy provides health care benefits for employees who retire directly from the City meeting certain qualifications and has a \$73.7 million net pension liability. Across all three (3) pension and OPEB plans, the City’s total benefit liability increased at a rate of 4.6 percent annually between 2017-18 and 2019-20.

The City’s pension indicators provide insight into the City’s pension plan health. The City’s employer contribution rate, compared to the actuarially determined contribution, total covered payroll, and employer contribution rate, are outlined in Figure 239.

<sup>325</sup> Source: City of Cathedral City, 2019-20 Budget

Figure 239: Pension Indicators - Cathedral City

Cathedral City	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$4,569,807	\$4,106,128	\$4,773,538
Employer Contribution	4,569,807	4,106,128	4,773,538
Covered Payroll	\$19,281,309	\$19,498,817	\$19,751,645
Employer Contribution Rate	23.7%	21.1%	24.2%

Source: 2017-18, 2018-19 and 2019-20 ACFR

Between 2017-18 and 2018-19, the City made employer contributions equivalent to the actuarially determined contribution. The employer contribution rate is slightly below-average when compared to other cities in the County, which ranged from 26 to 32 percent over the three (3) year period.

### Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting and certificates for Distinguished Budget Presentation Award from the Government Finance Officers Association.

### California State Auditor Fiscal Health Evaluation

The City of Cathedral City ranked 55 out of 471 jurisdictions and received an overall risk rating of moderate. The City is considered higher risk than 416 peer cities in California, or about 88 percent of cities. The City received low risk ratings on three (3) indicators, including liquidity, general fund reserves, and pension obligations. Four (4) indicators were given moderate risk ratings, including revenue trends, pension funding, pension costs, and OPEB obligations. Three

(3) indicators scored high risk ratings, including debt burden, future pension costs, and OPEB funding.<sup>326</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Cathedral City are presented by topic below:

### **1. Population, Growth, and Housing**

While Cathedral City’s population and housing inventory increased modestly over the last decade, it is projected to outpace County-wide growth rates over the next 25 to 35 years.

### **2. Disadvantaged Unincorporated Communities in SOI**

Cathedral City’s SOI encompasses three (3) DUCs. City staff indicated that the City does not extend services into these areas.

### **3. Present and Planned Capacity of Facilities**

The City outlined its plans to accommodate the growth within its undeveloped city boundaries and the SOI in the General Plan.

### **4. Financial Ability to Provide Services**

While the City has had fiscal health issues in the past, and there are unanswered questions about the City’s debt burden, and pension and OPEB liabilities, the City has accumulated notable reserves and has approved a balanced budget for every year over the last decade.

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<sup>326</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

## **5. Opportunities for Shared Facilities**

While the City is open to shared facilities and has discussed various opportunities for shared facilities with its neighboring jurisdictions in the past there are no ongoing discussions at this time.

## **6. Accountability for Community Service Needs**

The City has a robust community engagement program, connecting with residents via at least two (2) social media platforms and a regularly updated City website. The City converted to district-based elections for Councilmembers in 2018, and several boards and commissions provide guidance at the direction of the City Council. RSG did not identify any issues with accountability in Cathedral City.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG does not recommend any changes to the Cathedral City SOI at this time. Riverside LAFCO may consider future detachment of Pocket P30 from Palm Springs and adding this area to the Cathedral City SOI. Pocket P30 appears to be uninhabited. Cathedral City is the likely service provider to Pocket P30 and due to the remote nature and physical accessibility characteristics of this area, the City of Cathedral City may be providing informal services to this area already. This change is merely technical and likely non-controversial. As such, Riverside LAFCO may wish to revisit this issue alongside a future SOI change by either Palm Springs or Cathedral City. RSG's recommendations related to the Cathedral City SOI are presented by topic below.



## **1. Present and Planned Land Uses**

While the City boundary and SOI contain substantial undeveloped land, much of the northern territory overlaps the Multiple Species Habitat Conservation Plan area, meaning it will remain undeveloped. The City's boundaries and the MSHCP areas are outlined on Exhibit 37.

## **2. Present and Probable Need for Public Facility and Services**

The City's has established plans for addressing needs for public facilities and services sufficient to accommodate growth over the next decade.

## **3. Present Capacity of Public Facilities**

The City did not indicate a deficiency in present capacity of public facilities. The City requires new development to bear the cost of new infrastructure.

## **4. Social or Economic Communities of Interest**

No social or economic communities of interest were identified.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Cathedral City SOI contains three (3) DUCs, all in the eastern portion of the Cathedral City SOI in and around the unincorporated Thousand Palms community. RSG understands that capital improvements, such as streets, roads, and storm drains, in this area may require substantial upgrades and result in significant costs to the City if this area were to be annexed.

## CITY OF COACHELLA

The City of Coachella incorporated in 1946 as a general law city<sup>327</sup>. Coachella's incorporated boundary covers an area of 29 square miles<sup>328</sup> and shares borders with unincorporated Riverside County to the north, east, and south, the City of La Quinta SOI to the southwest, the incorporated City of Indio to the west, and the Indio SOI to the northwest. The vast majority of Coachella's 22.1 square mile<sup>329</sup> unincorporated SOI extends south along State Route 86 and east along Interstate 10. Combined, the Coachella incorporated and unincorporated SOI cover an area of 51.1 square miles. Within the City's boundary, Coachella is home to 47,186 residents.

Coachella's demographic profile is presented in Figure 240.

Figure 240: Demographic Profile - Coachella

Coachella	City	SOI	County
Population as of 2020	47,186	2,129	2,442,304
Population as of 2010	40,704	2,081	2,189,641
Annual Pop. Growth Since 2010	1.49%	0.23%	1.10%
Housing Units	10,631	558	867,637
Persons / Housing Unit	4.44	3.82	2.81
Land Area (sq mi)	29.0	22.1	7,206.0
Persons / Square Mile	1,630	96	339
Median Household Income	\$40,270	\$32,622	\$67,369
Projected Population in 2035	93,697		2,995,509
Annual Proj. Growth 2020-2035	4.68%		1.37%
Projected Population in 2045	129,288		3,251,705
Annual Proj. Growth 2020-2045	6.95%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>327</sup> Source: City of Coachella

<sup>328</sup> Source: Riverside LAFCO GIS

<sup>329</sup> Source: Riverside LAFCO GIS

Coachella's population has grown quickly over the last decade, with a 1.49 percent annualized population growth rate. Coachella's household density at 4.44 persons per housing unit, and population density at 1,630 persons per square mile are both notably higher than the County averages. The SCAG population projections for 2035 and 2045 predict that the City will almost double in size over the next 15 years and increase by more than 170 percent over the next 25 years. According to City staff, these growth projections are very ambitious and unrealistic.

The median household income in Coachella is less than 60 percent of the County-wide median household income, and the median household income is even lower in the SOI – less than half of the County-wide median household income.

Coachella's land use summary is presented in Figure 241.

Figure 241: Land Use Summary - Coachella

Coachella		County	
Residential Units	Units	%	%
Single Family	7,509	70.6%	54.8%
Multifamily	2,493	23.5%	43.6%
Mobile Home	629	5.9%	1.6%
Total Units	10,631	100.0%	100.0%
New Units Since 2010	728		
Commercial	Gross SF	%	%
Retail	1,248,994	42.8%	26.6%
Industrial	1,474,889	50.6%	61.8%
Office	175,097	6.0%	9.6%
Other	17,997	0.6%	2.0%
Total	2,916,977	100.0%	100.0%
New Commercial Since 2010	227,371		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Like elsewhere in the Coachella Valley, the City of Coachella has a variety of land uses, including residential, retail, and industrial. Compared to the rest of Riverside County, Coachella has

disproportionately more single-family and mobile home housing units, and less multifamily units. The City added 728 new housing units over the last decade.

The City Council and community are both supportive of growth and development. The City's General Plan aims to concentrate smart growth and mixed use urban infill with higher densities and neighborhood commercial amenities at critical transportation nodes. According to City staff, there are zoning districts in Coachella's downtown area that range from 30 to 60 dwelling units per acre.

Coachella's commercial development is more heavily concentrated in retail compared to Riverside County as a whole, with almost 1.25 million retail square feet accounting for almost 43 percent of all commercial space in Coachella. Industrial square footage in Coachella adds up to almost 1.5 million square feet but is comparatively a smaller proportion of commercial development (50.6 percent).

The largest employers in Coachella include the Coachella Valley Unified School District (564 employees), two (2) casinos located on sovereign Native American lands (Spotlight 29 Casino with 433 employees, and Augustine Casino with 350 employees), and several manufacturers or distributors including Ernie Ball/Paladar (musical equipment manufacturing, 380 employees), Armtec Defense (defense manufacturer, 288 employees), Valley Pride (food production, 214 employees), and Coca Cola Enterprises Inc (food product distribution, 100 employees). The Coachella Valley Water District (196 employees) offices are also located in Coachella.<sup>330</sup>

## CURRENT SPHERE OF INFLUENCE

Coachella's SOI is mapped in Exhibit 38, including the incorporated City boundaries and the unincorporated SOI area. LAFCO's adopted Coachella SOI includes four (4) noncontiguous unincorporated areas. The largest unincorporated portion of the SOI extends beyond the City's southern border along the east side of State Route 86 and eastern border along Interstate 10.

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<sup>330</sup> Source: City of Coachella, 2018-19 Comprehensive Annual Financial Report

Much of this area is undeveloped or currently used for agriculture. The City's SOI does not contain any DUCs but overlaps a portion of one LAFCO-identified unincorporated pocket P7. Additionally, there is one DUC and three (3) pockets (P14, P15, and P16) outside the City's northwestern corporate boundary and within the City of Indio SOI.

There are five (5) DUCs between the southern boundary of the Coachella SOI and the Riverside County border with Imperial County. Due to the quality of infrastructure in these areas, it may be fiscally infeasible for any city to annex these areas. There are no incorporated areas between Coachella SOI's southern boundary and the Riverside County border with Imperial County. All five (5) DUCs are in and around the unincorporated communities of Hundred Palms and Mecca, and are described below:

- DUCu20 is commonly known as Hundred Palms and is located near the intersection of 66<sup>th</sup> Avenue and Harrison Street.
- DUCu21 is commonly known as Mecca (Northwest) and is located southwest of the intersection of Grapefruit Boulevard and 62<sup>nd</sup> Avenue.
- DUCu22 is commonly known as Mecca (Northeast) and is generally located at the intersection of Lincoln Street and 64<sup>th</sup> Avenue.
- DUCu23 is commonly known as Mecca (Central) and is northeast of the intersection of Hammond Road and 66<sup>th</sup> Avenue. Most of the unincorporated community known as Mecca is within DUCu23.
- DUCu24 is commonly known as Mecca (South) and is generally located near the intersection of Johnson Street and National Avenue.

Pocket P7 is commonly known as Jackson Street and 52<sup>nd</sup> Avenue. This area is also commonly known as Vista Santa Rosa and is pictured in Exhibit 39. Pocket P7 was originally created in 2006, when LAFCO adopted SOI's for the cities of La Quinta, Indio and Coachella. At the time,

LAFCO proposed to include Pocket P7 in the La Quinta SOI.<sup>331</sup> At least one property owner formally requested reconsideration of the LAFCO action, referencing a pending application for annexation into the City of Coachella, and indicating that removal of the property from the Coachella SOI would represent a “severe financial hardship to his family.”<sup>332</sup> The City of La Quinta later indicated that it would be difficult to provide services to this area. LAFCO also received letters from several property owners in Pocket P7 indicating a preference to be excluded from the Coachella SOI and requesting an opportunity to investigate inclusion in the Indio SOI. Subsequently, many property owners expressed support at a Vista Santa Rosa Community Council meeting to be included in the Coachella SOI. Based on these findings, in 2006, LAFCO staff made no recommendation for the area, stating that “it appears that this area will be a classic case of landowner/developers vs. registered voter/residents.”<sup>333</sup>

Additionally, at the time Pocket P7 was being considered for SOI inclusion, Coachella’s water and sewer service was not extended into Pocket P7. City staff provided a staff report and agreement<sup>334</sup> that was approved by the City Council in 2007 and countersigned by Coachella Valley Water District (“CVWD”), indicating that the two parties would work together to provide water and sewer services to areas within the Coachella SOI and Pocket P7, and specifically mentions that “the City will provide water and sewer services within the City’s current boundaries and Sphere of Influence that is north of Avenue 56, as well as provide water and sewer services east of Jackson and north of Avenue 56” despite the fact that this area was outside the Coachella SOI at the time. The area east of Jackson and north of Avenue 56 includes the entirety of Pocket P7. In 2009, Coachella and CVWD entered into a memorandum of understanding (“2009 MOU”)

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<sup>331</sup> Source: Riverside LAFCO, “LAFCO 2005-20-4 Sphere of Influence Review and Potential Amendments – City of La Quinta & LAFCO 2005-21-4 Sphere of Influence Review and Potential Amendments – City of Indio & 2005-22-4 Sphere of Influence Review and Potential Amendments – City of Coachella and Adoption of Negative Declaration.” Dated April 27, 2006.

<sup>332</sup> Source: Riverside LAFCO, “LAFCO 2006-99-4 Request for Reconsideration of LAFCO 2005-20-4 Sphere of Influence Amendment – City of La Quinta and LAFCO 2005-22-4 Sphere of Influence Amendment – City of Coachella, Coachella Fire Protection District, Coachella Sanitary District.” Dated June 22, 2006.

<sup>333</sup> Source: Riverside LAFCO, “Status report on portion of Vista Santa Rosa North of Avenue 52 which was not included within any city sphere.” Dated August 3, 2006

<sup>334</sup> Source: City of Coachella, “Request Approval of an Agreement Between the City of Coachella and the Coachella Valley Water District,” dated December 12, 2007. The City of Coachella provided two signed and countersigned versions of this document, dated December 21, 2007 (signed by the City of Coachella City Manager and Coachella Valley Water District General Manager), and dated January 8, 2008 (signed by the City of Coachella Mayor, and Coachella Valley Water District President).

that was designed to secure a water supply for future development within Coachella and the Coachella SOI. And in 2013, Coachella and CVWD entered into a memorandum of understanding designed to implement the provisions of the 2009 MOU.<sup>335</sup> The City of Coachella may be the most logical water and sewer service provider for this area. Government Code Section 56133 requires LAFCO approval for extension of services outside a SOI prior to a City extending services by contract or agreement outside its jurisdictional boundary.

In early 2021, the cities of Indio and Coachella both expressed interest in Pocket P7. The two cities had informally negotiated splitting this area roughly in half along a new north-south boundary. The western half of Pocket P7 would be included in the Indio SOI and the eastern half of Pocket P7 would be included in the Coachella SOI. The City of Indio also indicated that there is an 18" water main on Jackson Street that could provide water service to this area. The City of Coachella more recently has reconsidered the informal negotiation with the City of Indio, presenting the aforementioned evidence that Coachella has pre-existing agreements to provide water and sewer service to the entirety of Pocket P7. RSG recommends that both Indio and Coachella begin community outreach with the intent of identifying a solution that is mutually acceptable to Indio, Coachella, and the property owners and residents of Pocket P7. Additionally, before designating any portion of Pocket P7, RSG recommends reviewing the capacity of all potential service providers for this area.

Pockets P14 (Cabazon Trail), P15 (Van Buren Street), and P16 (Carver Tract) are all in close proximity to Coachella's corporate boundary, but all three (3) of these pockets are within the Indio SOI. Indio presently has plans to annex P15 (outlined in the Indio section of this report). A portion of Pocket P14, while entirely within the Indio SOI, has been discussed for realignment.

The southeastern portion of Pocket P14, specifically the area south of Dillon Road, excluding the area that is within Indio's existing corporate boundary, and northwest of the intersection of Harrison Street and Avenue 48, has been discussed by Coachella and Indio. Indio is interested

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<sup>335</sup> Source: Coachella Valley Water District, "2020 Coachella Valley Regional Urban Water Management Plan," page 5-17, dated June 30, 2021, (accessed on May 10, 2022) <http://www.cvwd.org/DocumentCenter/View/5482/Coachella-Valley-RUWMP>



in a sphere reduction for the portions of this area that are unincorporated. The Dillon Road Focus Area is identified in Exhibit 45 in the Indio section of this MSR. This area was proposed for SOI detachment by Indio, and the City of Coachella is neutral on adding this area to the Coachella SOI.

The City of Coachella SOI was previously reconfirmed in the May 2005 Southern Coachella Valley MSR (LAFCO 2004-61-4). The 2005 MSR made determinations regarding storm drainage, parks and recreation, fire protection, law enforcement, and overall City finances. The determinations for storm drains, parks and recreation, fire protection, and law enforcement are addressed in the respective service provider section.

- Because of recent and projected growth, the City is strained and trying to find ways to cope with increased demands for service and support. Per the City's adopted Budget "finding the financial resources to meet the new challenges is a significant area of focus, now, for all staff and the Council alike."

City staff indicated that the City has taken measures to finance the growth that is occurring and is financially able to facilitate additional growth.

Exhibit 38: Current City and SOI Boundaries - Coachella

City of Coachella and Sphere of Influence

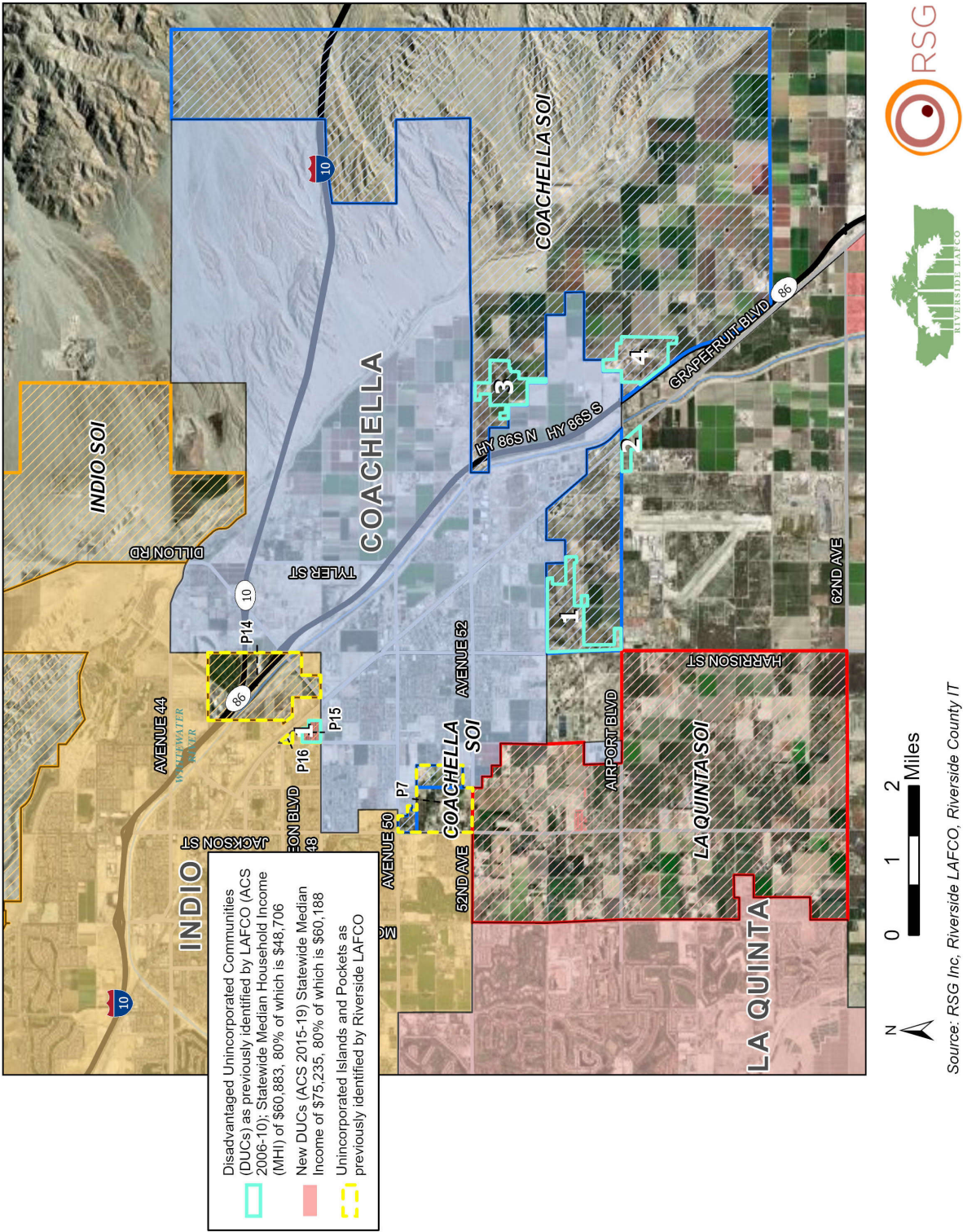
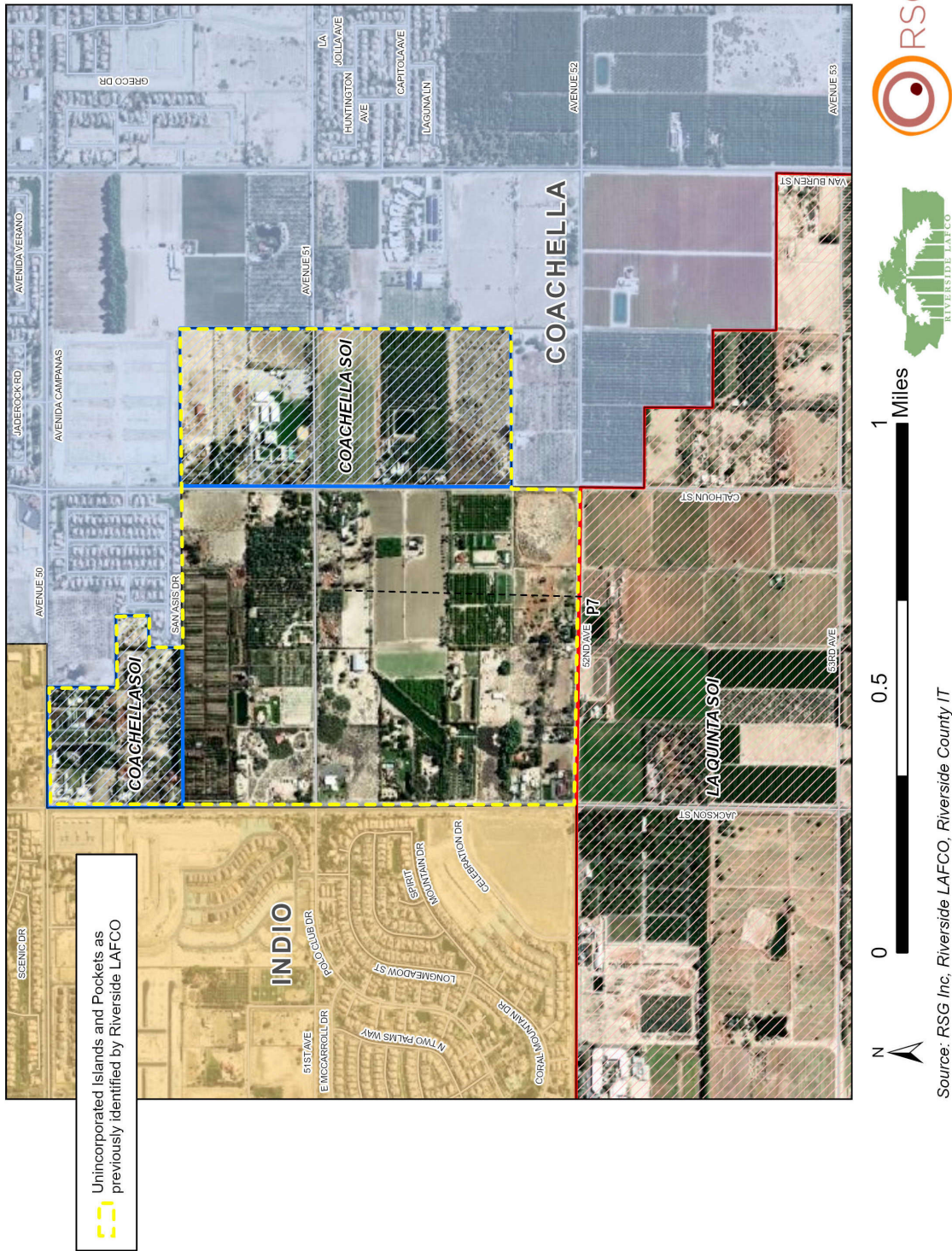




Exhibit 39: Pocket P7 (Areas proposed for inclusion in the SOI) - Coachella

**Unincorporated Island/Pocket P7:  
Area Between the City of Coachella and City of Indio**



## FORM OF GOVERNMENT AND STAFFING

The City of Coachella is structured as a Council – Manager form of government in which the residents of the City elect a City Council, and the Council appoints the City Manager. The City Council consists of five (5) members elected at-large on staggered (even/odd years) four (4) year terms. The City’s Mayor is elected every other year (even years) to a two (2) year term.

The City Council appoints the City Manager and City Attorney. The City Manager is the head of the administrative branch of the City Government and reports to the City Council. The City Council also serves as the Board of Directors for the Successor Agency, Coachella Sanitation District, Coachella Water Authority, and Coachella Fire Protection District.

Several boards and commissions carry out assignments at the request of the City Council, including the Parks and Recreation Commission, Planning Commission, and the Utility Users Citizens Oversight Committee.<sup>336</sup>

The City Manager oversees the daily operations of the City, including the General Fund annual operating expenditures of \$25 million<sup>337</sup> inclusive of a total of 81 full time equivalent personnel.<sup>338</sup>

## SERVICES PROVIDED

The City of Coachella staff provides general government, building and planning, housing, code enforcement, parks and recreation, street and road maintenance, innovation and technology, water, and wastewater services. The following section describes municipal services provided within Coachella and identifies the service provider. Figure 242 summarizes the services provided in Coachella.

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<sup>336</sup> Source: City of Coachella

<sup>337</sup> Source: Source: California State Controller’s Office, “Cities Financial Data”

<sup>338</sup> Source: City of Coachella, “2018-19 Comprehensive Annual Financial Report

Figure 242: Service Provider Matrix - Coachella

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Development Services										
Housing	Development Services										
Code Enforcement	Development Services										
Animal Control	Animal Services										
Parks and Recreation	Public Works, Desert Recreation, Regional Parks										
Library	Library System										
Museum	N/A										
Landscape Maintenance	Public Works, LLD										
Streets/Road Maintenance	Public Works										
Streetlights	Public Works										
Lighting	LLD										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, Burrtec										
Stormwater Drainage	Public Works, CVWD, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum, Frontier FiOS, DirecTV										
Airport	N/A										
Cemetery *	Coachella Valley Public Cemetery District										
Healthcare *	N/A										
Water *	Water Authority, Coachella Valley Water District										
Wastewater *	Sanitary District										

\* Not included in this MSR

## Government Services

General government services are provided by elected officials and city management. The City Manager's and City Clerk's offices combined include four (4) full time equivalent personnel. The City Manager administers the affairs of the City, including implementation of policies of the City Council, daily supervision, management support, and oversight to all City departments. The City Clerk is the office recorder for the City, provides research and documentation of all City Council actions, coordinates regular and special council meetings, prepares Council agendas and records legislative action, and assists in conducting municipal elections.

## Law Enforcement

The City of Coachella has contracted with the Riverside County Sheriff's Department for law enforcement services since 1998. Contract services include investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and

administration of the volunteer program and Explorer youth program. Additionally, contracting with the Sheriff provides access to the resources of the Riverside County Sheriff, the fourth largest law enforcement agency in the State, which also provides law enforcement services to 13 cities in Riverside County.

The 2005 MSR made the following determinations about law enforcement services provided to Coachella residents:

- The current operations of the Indio Sheriff Station have far outgrown the existing facility. Due to this situation and projected growth within the area, the Department is in the process of expanding infrastructure to meet service demands.

City staff reviewed this information and finds it correct, complete, and up to date. City staff noted that construction of the Sheriff's Thermal Station was completed in April 2012, with the intent of accommodating anticipated growth of the area. According to City staff, new Sheriff's stations are expected to accommodate growth for a 20-year period.

## **Fire Protection**

The City of Coachella contracts with the Riverside County Fire Department/CalFire for fire protection and prevention services. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

Fire Station 79 is located in Coachella and owned by the City of Coachella. According to City staff, the fire station has been identified for substantial improvements due to its current condition. The Fire Station Expansion, expected to move forward in the current (2020-21) fiscal year



includes a \$4.5 million budget from several different funding sources. Approximately \$3 million was unfunded at the time this report was drafted.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

The 2005 MSR made the following determination about fire protection services:

- The Riverside County Fire Department has developed a Fire Service Master Plan for the City of Coachella, which indicates the need in the future for three (3) new stations to meet the demands of projected growth. The new stations would be located in the eastern portion of the City as growth takes place. Without the construction of these stations a deficiency would occur.

City staff has reviewed the information and finds it correct, complete, and up to date.

### **Emergency Medical**

The Riverside County Fire Department/CalFire provides emergency medical services in Coachella. Refer to the previous Fire Protection section for additional information about the Riverside County Fire Department/CalFire.

### **Building/Planning and Housing (Community Development)**

The City's Development Services Department provides building, planning, and housing services to Coachella. The Department has 5.5 full time equivalent personnel and allocates about \$135,000 annually for contract services.

The Department is responsible for reviewing and issuing building permits, performing field inspections, and ensuring that all construction projects comply with applicable codes. Planning services include ensuring development is consistent with General Plan and Zoning codes, day-



to-day zoning and subdivision administration duties, project development reviews, collection of development impact fees, and monitoring mitigation measures.

### **Code Enforcement**

The City of Coachella Neighborhood Services Department Code Enforcement Division provides code enforcement services within Coachella, including field inspections to monitor and enforce compliance issues related to zoning, land use, housing, property maintenance, and illegal dumping codes, public education, and citation issuance.

### **Animal Control**

The City of Coachella contracts with the Riverside County Department of Animal Services for pick-up of stray or confined animals, dead animal removal, humane, dangerous, nuisance, or permit investigations, leash law enforcement, wild animal trapping and removal, patrol of parks and other areas of concern, and other animal related issues.

Coachella also contracts with the Coachella Valley Mosquito and Vector Control District for protection of public health through control of vectors and vector borne diseases. The District is a large independent special district that is governed by an eleven (11) member board of trustees. The District covers an area of approximately 2,400 acres.

### **Parks and Recreation**

The City's Public Works Department Parks Division includes five (5) parks service personnel, and one (1) recreation coordinator. The Parks Maintenance Division is responsible for improvement and maintenance of City-owned parks, repair and maintenance of structures, pools, and landscaping in parks and public buildings. The Parks and Recreation Division oversees the operations of the City's parks and recreational activities. The City owns eight (8) public parks. According to City staff, one community park is serviced and operated by the Desert Recreation District.

The 2005 MSR made the following determination about parkland acreage in the City:

- The City currently has a ratio of 1.9 acres of parkland per 1,000 residents, which is far below the City's target of 3.0 acres of parkland per 1,000 residents.

City staff has reviewed the information and finds it correct, complete, and up to date.

## **Library**

The City of Coachella contracts with the Riverside County Library System to provide reading materials, literacy programs, computer and broadband access to residents. The Library System operates the Coachella Branch Library within the City limits.

## **Museum**

The City of Coachella does not contain museum facilities.

## **Landscape Maintenance**

The City of Coachella Landscape and Lighting Districts provide funding for landscape maintenance services in the City. The City has 38 landscape and lighting districts that levy special assessments on properties.

## **Streets/Road Maintenance**

The City of Coachella's Public Works Department Streets Division includes 6 full time equivalent personnel and is responsible for the maintenance of the streets and roads, highways, and median strips. The Division's repairs range from potholes to major improvements that may include outside contractors.

## **Streetlights**

The Public Works Streets Division includes 6 full time equivalent personnel and provides maintenance of streetlights. Additionally, County Service Area 125 is a special district that collects a special tax assessment and provides maintenance and operation of streetlights.

## **Utilities (Gas, Electric)**

The City has franchise agreements with Southern California Edison for electricity services, and Southern California Gas Company for natural gas services.

Coachella is also within the Imperial Irrigation District electricity service boundary. Imperial Irrigation District's 99-year lease for power rights between Imperial Irrigation District and Coachella Valley Water District expires in 2033. Upon expiration of the 99-year lease, it is unclear whether publicly owned and managed electrical service would continue for customers of Imperial Irrigation District's service area. Various entities are working to address this issue.

## **Solid Waste**

The City of Coachella has a franchise agreement with Burrtec Waste Industries Inc for solid waste collection. Burrtec services residential waste collection and recycling, commercial waste collection and recycling, roll-off services, construction and demolition waste collection, portable restrooms, special events, temporary bin rentals, temporary roll-off rentals, and concrete washout. Burrtec has been in operation since 1955.

## **Storm Drainage**

Storm water drainage services in the City of Coachella are provided by the City's Public Works Department. Storm water drainage services are also provided under contract through the Public Works Department Streets Division, which is responsible for repairs and maintenance of the City's streets, highways, and median strips.

Storm water drainage services are also provided by Coachella Valley Water District. The Coachella Valley Water District provides water and storm water services throughout the Coachella Valley. The Coachella Valley Water District was formed in 1918 as an independent special district and is governed by a 5-member independent board of directors.

Additionally, Riverside County Flood Control and Water Conservation District provides construction and maintenance of flood control structures and facilities, regulates drainage

development, and maintains and operates completed storm drain structures within Coachella. The Conservation District is a large dependent special district that is governed by the Riverside County Board of Supervisors. The Conservation District formed in 1945 in response to significant flooding and services the western portion of the County.

The 2005 MSR made the following determination about the City's storm drainage facilities:

- The City has some localized stormwater drainage deficiencies. As properties within these deficiency areas are developed, drainage improvements will be required, pursuant to the City's ordinance that requires on-site retention of storm runoff for all new development.

City staff did not provide a response or update for this determination

### **Innovation and Technology**

The City of Coachella Information Technology Department includes one full time equivalent personnel and oversees IT services for the City. The Department is responsible for development, implementation, and maintenance of information systems and technology for the City.

The City has franchise agreements with Spectrum and Verizon Wireless to provide cable and broadband services to Coachella residents. Spectrum and Verizon are private telecommunications companies with operations throughout the United States.

### **Airport**

Neither the City of Coachella nor the SOI contains an airport. The nearest airport is the Jacqueline Cochran Regional Airport, which is located immediately south of the City's southern SOI.

### **Extraterritorial Services Provided**

As previously discussed, the City of Coachella identified one area where extraterritorial services are being provided. The City of Coachella provides storm drainage, wastewater, and water services to the Eagle Fall Golf Course, which is within Indio's current SOI and LAFCO-identified

Pocket P14. In contrast to this, the City of Indio indicated that the Golf Course provides its own water and wastewater services.

City staff also indicated that the City provides extraterritorial wastewater services to several areas:

- A portion of Pocket P7 (Jackson Street and 52<sup>nd</sup> Avenue), which is partially within the Coachella SOI.
- Along Airport Boulevard to Westside Elementary School with a sewer line that extends approximately 1.8 miles beyond the City's corporate boundary at the Coachella Valley High School. According to City staff, this service has been in place since 1974.
- The South Jackson Street Service Area, which is a residential neighborhood east of Jackson Street, between Avenue 55 and Airport Boulevard.

Riverside LAFCO does not have formal extraterritorial requests for these areas on file.

City staff did not identify any other areas where extraterritorial services are provided. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City maintains a Capital Improvement Plan that outlines major proposed capital improvements in the City that are likely to be funded and completed within a five-year period. The proposed plan includes sewer improvements, street improvements, new freeway interchanges, bridge construction, expansion of a fire station, and construction of a new police station. According to City staff, the Avenue 50/Interstate 10 Interchange is currently fully designed but remains unfunded. Other than the Interchange project, the City expects to complete all major projects in the improvement plan.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City of Coachella submitted its 6<sup>th</sup> Cycle Housing Element to HCD on March 19, 2020, which was designated as conditionally in compliance with Housing Element Law by HCD on April 7, 2020.<sup>339</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports consistently between 2013 and 2019.<sup>340</sup> The City made minor progress towards meeting its 5<sup>th</sup> Cycle RHNA allocation, as outlined in Figure 243.

Figure 243: 5th Cycle Housing Element Summary - Coachella

Coachella 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	1,555	1,059	1,212	2,945
Permitted Units	78	51	0	88
Allocation Surplus/(Shortage)	(1,477)	(1,008)	(1,212)	(2,857)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

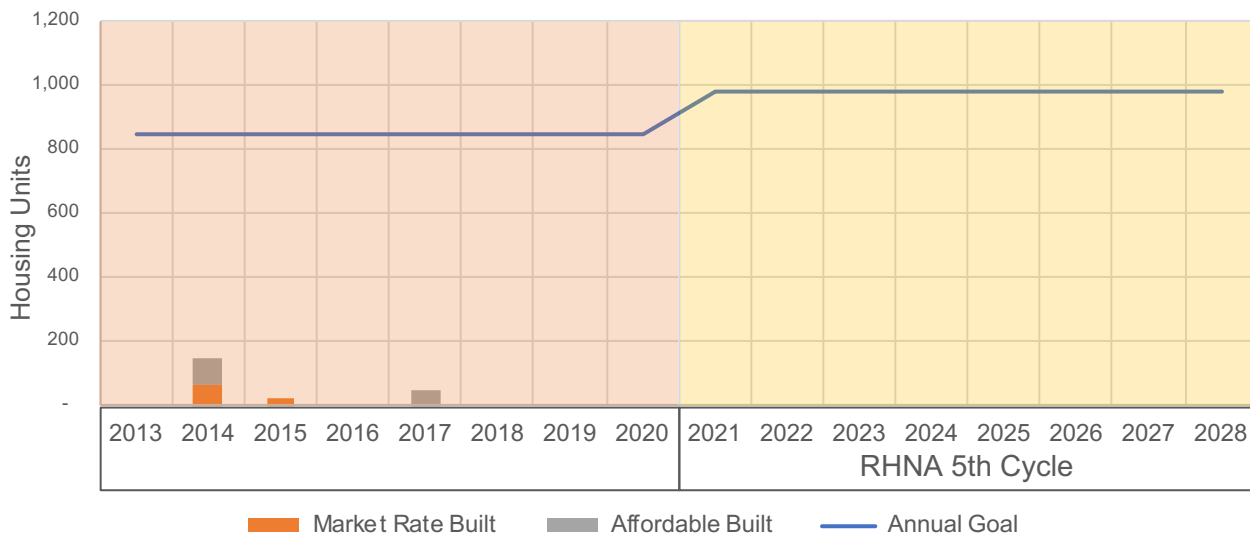
The upcoming RHNA 6<sup>th</sup> Cycle covers the planning period between October 2021 and October 2029. The 6<sup>th</sup> Cycle RHNA allocation for Coachella is 7,867 units, which is 1,096 units, or about 16 percent, higher than the previous 5<sup>th</sup> Cycle allocation. With the 5<sup>th</sup> Cycle nearly complete, the City is not expected to meet its housing production needs in very low and low income categories.

Figure 244 illustrates the change in annual production from the 5<sup>th</sup> Cycle to the 6<sup>th</sup> Cycle. The annual goal represents one-eighth of the full-cycle RHHA allocation. Market rate and affordable unit production during the 5<sup>th</sup> Cycle are presented as well.

<sup>339</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>340</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 244: 5th and 6th Cycle RHNA Allocation and Production - Coachella



Coachella is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>341</sup>

## FISCAL HEALTH

The sections that follow evaluate the City of Coachella’s fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. The City’s net position, presented as annual revenues less expenditures for fiscal years 2016-17 through 2018-19, is illustrated in Figure 245. The City recorded deficits each year 2016-17 through 2018-19. In 2017-18, the City’s deficit was almost \$13.1 million, which represents about 40.8 percent of annual revenues.

<sup>341</sup> Source: California Department of Housing and Community Development, “SB 35 Statewide Determination Summary”



Figure 245: Net Position - Coachella

Coachella	2016-17	2017-18	2018-19
Total General Tax Revenues	\$17,659,275	\$17,512,893	\$19,744,794
Other Tax Revenues	-	-	175,982
Other Revenues	15,260,699	14,555,581	15,461,152
<b>Total Revenues</b>	<b>32,919,974</b>	<b>32,068,474</b>	<b>35,381,928</b>
Total Operating Expenditures	22,658,800	28,209,163	25,043,224
Debt Service	1,125,950	1,213,066	1,291,215
Capital Outlay	13,482,382	15,738,768	12,652,515
<b>Total Expenditures</b>	<b>37,267,132</b>	<b>45,160,997</b>	<b>38,986,954</b>
<b>Net Position</b>	<b>(\$4,347,158)</b>	<b>(\$13,092,523)</b>	<b>(\$3,605,026)</b>

Source: California State Controller's Office

## Operating Revenues

RSG compiled three (3) years of financial history using the California State Controller's Office Cities Financial Data, and relied on the City's 2018-19, 2019-20 and 2020-21 adopted budgets and comprehensive annual financial reports to evaluate the City's fiscal health. While categorization of revenues and expenditures varied in some cases, the SCO's dataset and City's audited financial results yielded similar results. As illustrated in Figure 246, the City of Coachella's revenues in the last audited fiscal year of 2019-19 were almost \$35.4 million.

Figure 246: Operating Revenue History - Coachella

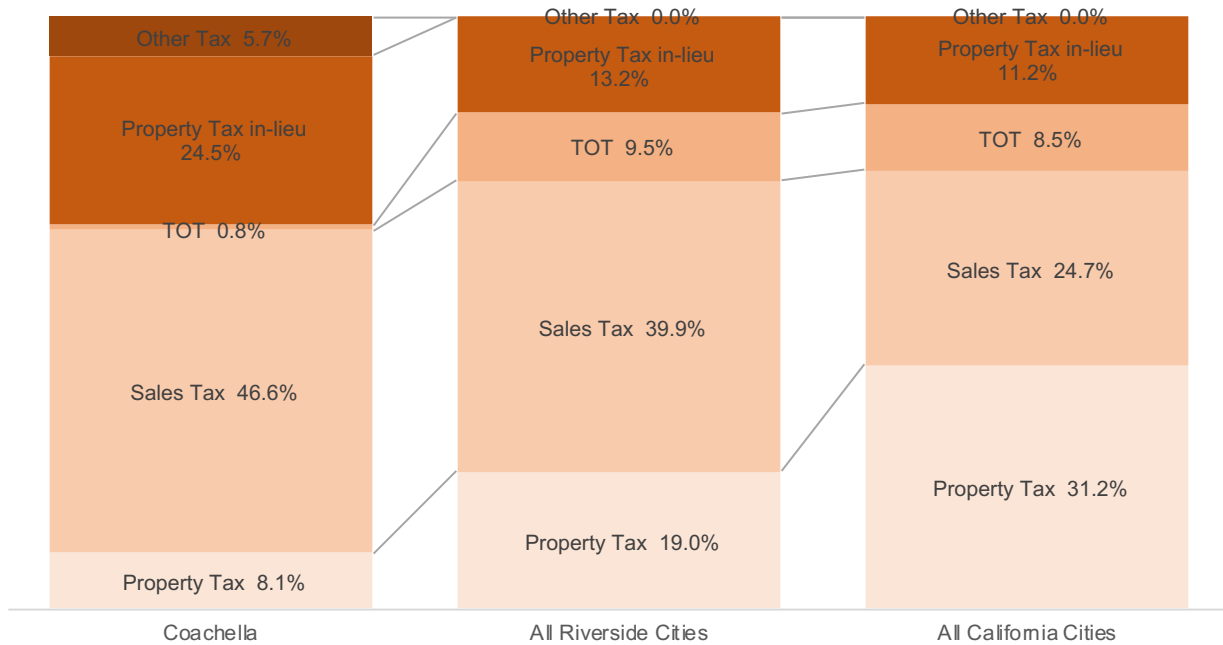
Coachella	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$699,660	\$1,513,487	\$1,604,099
Sales Tax	7,135,961	7,572,391	9,208,439
Transient Occupancy Tax	0	96,249	153,456
Property Tax in-lieu of VLF	4,205,294	4,489,415	4,835,010
Franchise Tax	811,570	930,959	990,696
Business License Tax	513,514	509,125	569,898
Property Transfer Tax	62,790	62,214	64,942
Utility User Tax	2,431,579	2,311,494	2,289,439
Other Tax Revenues	1,798,907	27,559	28,815
<b>Total General Tax Revenues</b>	<b>17,659,275</b>	<b>17,512,893</b>	<b>19,744,794</b>
Transportation Tax	0	0	0
Parking Tax	0	0	0
Voter-Approved Taxes	0	0	0
Functional Tax Revenues	0	0	175,982
<b>Total Tax Revenues</b>	<b>17,659,275</b>	<b>17,512,893</b>	<b>19,920,776</b>
Charges for Services	1,206,654	1,048,410	715,128
Special Benefit Assessments	2,932,524	2,993,800	3,549,803
Use of Money	126,921	351,182	551,540
Fines and Forfeitures	602,642	501,458	371,924
Licenses and Permits	468,028	294,795	288,019
Intergovernmental	9,295,204	5,212,912	7,805,630
Other Taxes in-Lieu	0	0	0
Miscellaneous Revenues	628,726	4,153,024	2,179,108
<b>Total Revenues</b>	<b>\$32,919,974</b>	<b>\$32,068,474</b>	<b>\$35,381,928</b>

Source: California State Controller's Office

General tax revenues in the City represent about 56 percent of total revenues collected in 2018-19, and are inclusive of property tax, sales tax, transient occupancy tax, property tax in-lieu of VLF, franchise tax, business license tax, property transfer tax, and other taxes. The City's largest tax revenues as a proportion of all general tax revenues are sales tax (46.6 percent), property tax in-lieu of VLF (24.5 percent), and property tax (8.1 percent). After tax revenues, the City of Coachella's largest revenue sources are intergovernmental (\$7.8 million), special benefit assessments (\$3.5 million), and miscellaneous revenues (\$2.2 million). City staff also indicated that a voter-approved cannabis tax measure is projected to generate about \$700,000 in tax revenue annually with potential for fast growth.

Compared to all other Riverside and California cities, the City receives disproportionately less property tax revenue, and more property tax in-lieu and sales tax revenue. The City's transient occupancy tax is much lower than other cities in the Coachella Valley, Riverside County, and statewide. The City's general tax revenues compared to all Riverside County and California cities are presented in Figure 247.

Figure 247: General Tax Revenue Comparison - Coachella



## Sales Tax

Sales tax is the single-largest general tax revenue for the City, accounting for 46.6 percent of general tax revenues, or over \$9.2 million in 2018-19. The City receives one percent of gross receipts from the sale of tangible personal property sold. City staff was budgeting for a 20 percent decline in sales tax revenues in 2020-21 as a result of the COVID-19 pandemic, even though the actual affect was limited to ten (10) percent in 2019-20. As a result of the reduced budget projections, the City is forecasting a budget deficit in 2020-21.

## **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Coachella's land, improvements, and personal property combine for a secured and unsecured assessed valuation of about \$1.88 billion (2018-19), including more than \$617 million in land value and almost \$1.4 billion in improvement value.<sup>342</sup> As the City collected about \$1.6 million in 2018-19, the City receives an estimated 8.5 percent of all property tax revenues collected in Coachella. As previously stated, this amount is lower than other peer cities.

The City and County have a mutually adopted Master Property Tax Exchange Agreement, which was adopted in 1980 by both the City and County.<sup>343</sup>

In contrast to property tax, property tax in-lieu of VLF represents Coachella's second largest general tax revenue source. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increases based on assessed valuation growth in the jurisdiction. The City receives approximately \$4.8 million in property tax in-lieu of VLF annually.

## **Intergovernmental Revenues**

Intergovernmental revenues amounted to \$7.8 million in 2018-19, inclusive of gasoline tax (\$1.9 million), state grants (\$5 million), community development block grants (\$400,000), other Federal grants (\$456,000), and other minor County, State and Federal intergovernmental revenue sources.

## **Special Benefit Assessments**

The City receives special benefit assessments as functional revenues for lighting (\$2 million), law enforcements (\$946,000), and fire protection (\$580,000). The special benefit assessments are levied by means of a Community Facilities District.

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<sup>342</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>343</sup> Source: Riverside LAFCO

## Miscellaneous Revenues

Miscellaneous revenues added up to about \$2.2 million in 2018-19. The City collected over \$1 million in development impact fees and about \$1.1 million in other miscellaneous revenues in 2018-19.

## Operating Expenditures

The City's operating expenditures ranged from \$37.3 to 45.2 million between 2016-17 and 2018-19. Annual operating expenditures are categorized in Figure 248.

Figure 248: Operating Expenditures - Coachella

Coachella	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	4,147,931	3,900,612	4,178,538
Employee Benefits	2,272,634	1,611,817	1,719,716
Materials and Supplies	1,188,997	7,213,277	3,504,078
Contract Services	15,049,238	15,483,457	15,640,892
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>22,658,800</b>	<b>28,209,163</b>	<b>25,043,224</b>
Debt Service	1,125,950	1,213,066	1,291,215
Capital Outlay	13,482,382	15,738,768	12,652,515
<b>Total Expenditures</b>	<b>37,267,132</b>	<b>45,160,997</b>	<b>38,986,954</b>

Source: California State Controller's Office

The City has disproportionately higher expenditures on contract services and capital outlay, when compared to all other Riverside and California cities. The City's largest recurring operating expenditure is contract services (\$15.6 million), accounting for 40.1 percent of total expenditures. The second-largest operating expense for the City is associated with capital outlay, generally related to expenditures on buildings and improvements, totaling \$12.7 million in 2018-19 and representing 32.5 percent of operating expenditures.

The City's current expenditures between 2016-17 and 2018-19 are presented in Figure 249.

Figure 249: Current Expenditures - Coachella

Coachella	2016-17	2017-18	2018-19
General Government	\$6,625,686	\$6,807,830	\$7,441,137
Public Safety	10,639,542	13,703,763	13,441,965
Transportation	1,894,001	1,676,594	11,671
Community Development	581,731	626,703	879,229
Health	-	-	-
Culture and Leisure	2,917,840	5,394,273	3,269,222
Public Utilities	-	-	-
Debt Service	1,125,950	1,213,066	1,291,215
Capital Outlay	13,482,382	15,738,768	12,652,515
<b>Total Current Expenditures</b>	<b>\$37,267,132</b>	<b>\$45,160,997</b>	<b>\$38,986,954</b>

Source: California State Controller's Office

As with most Riverside cities, public safety represents the largest current expenditure for the City of Coachella, amounting to more than \$13.4 million in 2018-19. When compared to all other Riverside cities (52.2 percent) and California cities (47.3 percent), the City's public safety expenditures, representing 53.7 percent of total current expenditures, are not unreasonable.

### Reserve Fund Balance

The City's informal reserve policy specifies that reserves exceed 20 percent of the operating budget. In 2020-21, twenty (20) percent of the operating budget would represent approximately \$4.5 million. Current reserves are about \$8.3 million, meaning that the City of Coachella's reserves exceed their policy minimum. City staff acknowledged that a formal adopted policy would improve the City's credit ratings.

### Pension and OPEB Obligations

The California Public Employees' Retirement System ("CalPERS"), which provides pensions for most public employees, is earning less on investments. Because retirees are living longer, the State has moved to require cities to provide more funding in the retirement funds. The City of Coachella's pension and OPEB obligations are outlined in Figure 250.

Figure 250: Pension and OPEB Obligations - Coachella

Coachella	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$16,034,519	\$15,712,866	\$16,894,093
Total OPEB Liability/(Surplus)	3,698,609	4,219,725	349,672
Total Benefit Liability/(Surplus)	\$19,733,128	\$19,932,591	\$17,243,765

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City contracts with CalPERS to provide defined benefit Miscellaneous and Safety Pension Plans. The City's combined Pension and OPEB liability added up to over \$17.2 million in 2018-19. City staff indicated that the City recently issued pension obligation bonds, designed to mitigate the impacts of rising pension and medical costs.

The City's pension indicators on pension health, including the contribution rate and actuarially determined contribution, the total covered payroll, and the employer contribution rate, are outlined in Figure 251.

Figure 251: Pension Indicators - Coachella

Coachella	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$1,444,400	\$1,670,799	\$1,950,506
Employer Contribution	1,444,400	1,670,799	2,004,506
Covered Payroll	\$5,439,535	\$5,412,001	\$5,902,881
Employer Contribution Rate	26.6%	30.9%	34.0%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City of Coachella has consistently made actuarially determined minimum contributions. Also, the City recently increased its employer contribution rate from 26.6 to 34.0 percent, which is similar to the County-wide average (26 to 32 percent).

## Annual Audit Findings

The ACFRs from FY 2017-18 through 2019-20 did not present any findings and stated that the City of Coachella's financial statements accurately presented the financial position of the City.



## California State Auditor Fiscal Health Evaluation

The City of Coachella ranked 141 out of 471 and received an overall risk rating of moderate. The City is considered higher risk than 330 other California cities, or 70 percent of cities. Five (5) indicators were rated low risk, including liquidity, pension obligations, pension costs, future pension costs, and OPEB obligations. Four (4) indicators were given moderate-risk ratings, including debt burden, general fund reserves, revenue trends, and pension funding. One (1) indicator was rated high-risk –OPEB Funding.<sup>344</sup>

## MSR DETERMINATIONS

Requisite CKH determinations for Coachella are presented by topic below:

### 1. Population, Growth, and Housing

Coachella has grown rapidly over the last decade and is expected to continue to grow at a faster rate than the County over the next 15 and 25 years. The City does not consider the current population projections reasonable or realistic.

It will be physically and financially challenging to meet the City's 6th Cycle RHNA allocation.

The City has taken steps to promote higher density multifamily development at critical infrastructure nodes in Coachella, and the City is generally supportive of development and growth.

### 2. Disadvantaged Unincorporated Communities in SOI

The Coachella SOI does not contain any DUCs. As discussed earlier, five (5) DUCs are located in the unincorporated community of Mecca between the southern boundary of the Coachella SOI and the Riverside County border.

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<sup>344</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

One DUC (Indio DUC1 known as the Carver Tract) lies outside of the City's northwestern incorporated boundary but is contained within Indio's SOI. The City of Indio has indicated that they intend to annex this DUC.

### **3. Present and Planned Capacity of Facilities**

City staff indicated that the City's facilities are generally in fair condition.

While City staff did not indicate any deficiencies related to electricity infrastructure, the upcoming expiration of Imperial Irrigation District's 99-year contract has resulted in deferred maintenance of some aging and inadequate electricity infrastructure in the nearby communities. Various entities are working towards a resolution with Imperial Irrigation District, and RSG recommends that LAFCO monitor this situation closely.

### **4. Financial Ability to Provide Services**

The City of Coachella has not experienced financial instability recently.

### **5. Opportunities for Shared Facilities**

No opportunities for shared facilities were identified. Government Code Section 56133 precludes the extension of service from one City into another City's sphere of influence.

### **6. Accountability for Community Service Needs**

The City of Coachella has issued clean financial audits.

The City is generally efficient and successful with public participation. Two (2) barriers to increased public participation were identified: (1) lower-income households with large families have limited opportunities to participate in civic processes, and (2) the increased use of technology during the COVID-19 pandemic limits some participation in households where the technology is cost prohibitive or otherwise unavailable.

The City's elections are held on an at-large basis, which may reduce the voting power of certain demographic groups in Coachella.

**7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

**SOI RECOMMENDATIONS**

RSG recommends coordinating with Coachella City staff on changes to the Coachella SOI. RSG's recommendations related to the Coachella SOI are presented by topic below.

**1. Present and Planned Land Uses**

The Coachella SOI includes vast undeveloped areas along Interstate 10 and agricultural areas along State Routes 111 and 86.

**2. Present and Probable Need for Public Facility and Services**

The southeastern portion of LAFCO-identified Pocket P14 (Cabazon Trail), specifically south of Dillon Road, which includes land that is currently in the Indio SOI and Indio's corporate boundary, is proposed for detachment and SOI reduction from Indio. This area is identified in Exhibit 45 as the Dillon Road Focus Area, within the Indio section of this MSR. In a corresponding change, this area would be added to the Coachella SOI. City of Indio staff indicated that both the City of Indio and City of Coachella had previously agreed to this realignment.

**3. Present Capacity of Public Facilities**

City staff indicated that they plan to provide water services to Pocket P7. Indio City staff also identified Pocket P7 for future service delivery. RSG recommends coordinating with City staff

to understand the implications of designating Pocket P7 in either the Coachella SOI or Indio SOI. Pocket P7 is illustrated in Exhibit 39.

#### **4. Social or Economic Communities of Interest**

The Vista Santa Rosa Community Council boundaries are west of the City's corporate boundary, and the County's Thermal Community Plan is south of the City's corporate boundary. The City's SOI overlaps Cabazon and Twenty-Nine Palms tribal lands.

#### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Coachella SOI does not contain any DUCs.

## CITY OF DESERT HOT SPRINGS

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The City of Desert Hot Springs was incorporated in 1963 as a Charter City.<sup>345</sup> Desert Hot Springs is situated in the northeastern extent of the Coachella Valley and borders unincorporated Riverside County territory to the west, north, and east. The southern border of Desert Hot Springs extends to Interstate 10 and borders the cities of Palm Springs and Cathedral City. The incorporated City of Desert Hot Springs covers about 23.6 square miles<sup>346</sup> and had a population of about 29,660 residents in 2020<sup>347</sup>. The City's unincorporated SOI covers an additional 28.8 square miles across six (6) noncontiguous SOI areas, for a combined 52.4 square miles inclusive of the incorporated City and unincorporated SOI areas. The SOI contains three (3) DUCs and two (2) LAFCO-identified unincorporated islands or pockets.

Desert Hot Springs' demographic profile and population projections are presented in Figure 252.

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<sup>345</sup> Source: City of Desert Hot Springs

<sup>346</sup> Source: Riverside LAFCO GIS

<sup>347</sup> Source: California Department of Finance City/County Population Estimates with Annual Percent Change, dated May 1, 2020

Figure 252: Demographic Profile - Desert Hot Springs

Desert Hot Springs	City	SOI	County
Population as of 2020	29,660	10,360	2,442,304
Population as of 2010	27,133	9,566	2,189,641
Annual Pop. Growth Since 2010	0.89%	0.80%	1.10%
Housing Units	11,677	4,353	867,637
Persons / Housing Unit	2.54	2.38	2.81
Land Area (sq mi)	23.6	28.8	7,206.0
Persons / Square Mile	1,257	360	339
Median Household Income	\$36,669	\$35,965	\$67,369
Projected Population in 2035	48,072		2,995,509
Annual Proj. Growth 2020-2035	3.27%		1.37%
Projected Population in 2045	61,014		3,251,705
Annual Proj. Growth 2020-2045	4.93%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

Desert Hot Springs has experienced moderate population growth over the last decade but is expected to grow rapidly over the next 25 to 25 years. The population density (persons per square mile) within the City's limits is below average for incorporated areas in Riverside County, but well-above the County as a whole and the unincorporated SOI population densities. Median household incomes in the City (\$36,669) and SOI (\$35,965) are significantly lower than the County median household income (67,369).

The population projections tell a different story, with the population increasing by 3.27 and 4.93 percent through 2035 and 2045, respectively. This population growth would more-than double the City's population in 2045. According to City staff, based on the development interest from home builders and the City's current construction pipeline, these population projections are obtainable and, if additional projects move forward the projections may be exceeded. The community is generally supportive of development and growth.

The current land uses in Desert Hot Springs compared to the County are presented in Figure 253.

Figure 253: Land Use Summary - Desert Hot Springs

Desert Hot Springs		County	
Residential Units	Units	%	%
Single Family	7,408	63.4%	54.8%
Multifamily	3,397	29.1%	43.6%
Mobile Home	872	7.5%	1.6%
Total Units	11,677	100.0%	100.0%
New Units Since 2010	775		
Commercial	Gross SF	%	%
Retail	808,622	38.7%	26.6%
Industrial	1,141,058	54.5%	61.8%
Office	140,612	6.7%	9.6%
Other	1,500	0.1%	2.0%
Total	2,091,792	100.0%	100.0%
New Commercial Since 2010	892,153		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Desert Hot Springs has a variety of land uses, including single and multifamily residential, mobile home residential, retail, industrial and office. The City's distribution of land uses is not significantly different from the whole of Riverside County, but the concentration of single-family and mobile home units is slightly higher than average, while multifamily represents a smaller proportion of the total housing units. The City added 775 new housing units over the last decade, a 7.1 percent increase from 2010.

Desert Hot Springs contains considerable industrial square footage and is anticipating industrial development activity to increase as a result of the City's policies that encourage cannabis cultivation and manufacturing.

Desert Hot Springs is home to about 543 different businesses with 3,639 employees. A large fraction – 54.8 percent, of jobs in the City are in the services sector. Retail trade represents the



second-largest employment sector in the City at 22.8 percent of occupations.<sup>348</sup> City staff indicated that the City's economic development manager is actively working to recruit new businesses and build the City's economic base. One of the fastest growing business sectors in the City is the cannabis industry, inclusive of cultivation, manufacturing, and retail sales.

## CURRENT SPHERE OF INFLUENCE

LAFCO's adopted Desert Hot Springs SOI includes six (6) noncontiguous unincorporated areas, as pictured in Exhibit 40. The Desert Hot Springs SOI includes eight (8) DUCs. The largest unincorporated portion of the SOI is west of Indian Canyon Drive, extending from the City's existing boundary to Interstate 10, against the City of Palm Springs and Palm Springs SOI and contains three (3) DUCs (DUCs 1, 2 and 3). Unincorporated LAFCO-identified pocket P13, commonly known as Mission Lakes Country Club, is surrounded by the City's northern boundary. The City's southeastern SOI includes four (4) DUCs (DUCs 5, 5a, 5b, and 5c). A second LAFCO-identified pocket P12, overlaps an area classified as DUC4 which is commonly known as Cholla Gardens, is completely surrounded by the City between Cholla Drive and West Drive, south of Mission Lakes Boulevard.

Desert Hot Springs' other SOI areas include an area north of the City extending along State Route 62 into the foothills, and a mountainous area northeast of the City. Detailed information for each DUC is included below.

- DUC1 is commonly referred to as North Palm Springs and is located at the intersection of Dillon Road and Indian Canyon Road.
- DUC2 is also commonly known as North Palm Springs and is located east of Indian Canyon Road between 13<sup>th</sup> Avenue and 14<sup>th</sup> Avenue.

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<sup>348</sup> Source: ESRI Business Analyst Online

- DUC3 is also commonly known as North Palm Springs and is located east of DUC2, southwest of the intersection of Pierson Boulevard and Little Morongo Road.
- DUC4, as previously discussed, is commonly known as Cholla Gardens. DUC4 and Pocket P12 overlap the same area. City staff expressed that the County has failed to maintain infrastructure in the Desert Hot Springs SOI, which would make it difficult for the City to justify annexations from a fiscal perspective. Additionally, City staff indicated that residents of DUC4 Cholla Gardens are resistant to annexation.
- DUCs 5, 5a, 5b, and 5c are commonly known as Southeast DHS. The Southeast DHS DUCs are located in the City's southeastern SOI area and include several non-contiguous areas south of Camino Campanero and east of Palm Drive.
- Pocket P13 is a fully developed area known as Mission Lakes Country Club that is surrounded on three (3) sides by the City's corporate boundary. P13 is generally north of Mission Lake Boulevard between Indian Canyon Drive and Little Morongo Road. In 2010, P13 was classified as DUC2, but no longer meets the requirements of a DUC.

City staff expressed a desire to reconfirm the City's existing SOI boundaries. While the City has interest in annexing the unincorporated areas, including the LAFCO-identified DUCs and unincorporated pockets, the current condition of the infrastructure in these areas would render annexation fiscally infeasible. As previously discussed, there may also be resistance to annexation among current residents of the unincorporated areas.

The City may consider annexing these areas and concurrently adopting an Annexation Development Plan (ADPs were briefly described in the introduction to this MSR) to support improvements to streets and roads, utilities and storm water facilities in the area.

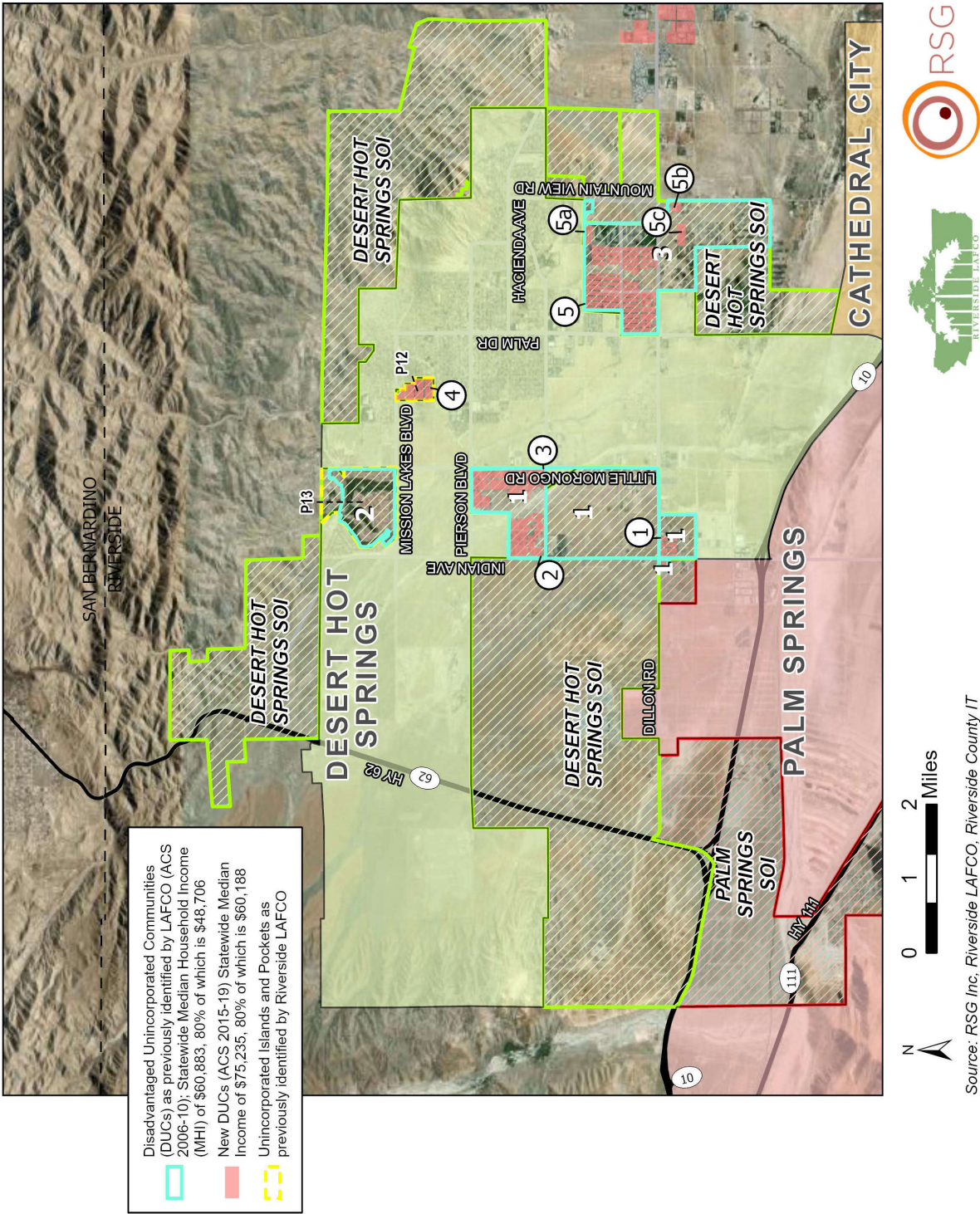
The City of Desert Hot Springs SOI was previously reviewed in 2007 as part of the Western Coachella Valley MSR. The 2007 MSR made determinations for the City's streets and roads, financial capabilities, and fire protection, these are addressed later in the service provider sections. The 2007 MSR also made the following general determinations:

- The Desert Hot Springs annual projected growth rate was 8.6 percent.
- In 2007, the City had emerged from Chapter 9 bankruptcy with increased debt and was working to adopt policies that would strengthen its financial position.
- The City's fiscal conditions and government leadership had impaired the community's perspective on the government and elected officials.

The Desert Hot Springs SOI contained 10,360 residents in 2020, an increase from 9,566 in 2010, or about 0.9 percent annual growth. The combined 28.8 square miles is significantly less dense than the City, but similar to the overall population density County-wide. As previously stated, the median household income in the SOI is much lower than the County median household income.

Exhibit 40: Current City and SOI Boundaries - Desert Hot Springs

City of Desert Hot Springs and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City of Desert Hot Springs operates as a Council – Manager form of government in which the elected City Council appoints a City Manager and City Attorney. The City Council is made up of five (5) members elected to four (4) year terms. Two (2) councilmembers are elected every two (2) years and the Mayor is directly elected to four (4) year terms for a maximum of two (2) consecutive terms.

The City Council also serves as the Successor Agency and Housing Authority. The Planning Commission and Public Safety Commissions carry out assignments and serve at the direction of the City Council.<sup>349</sup>

The City Manager is the head of the administrative branch of the City's government and reports directly to the City Council. The City Manager oversees the daily operations of the City, including the General Fund annual operating expenditures of \$26.6 million<sup>350</sup> in 2018-19 and 80 full time equivalent personnel<sup>351</sup>.

## SERVICES PROVIDED

City of Desert Hot Springs staff provide general government, law enforcement, building and planning, housing, code enforcement, animal control, parks and recreation, landscape maintenance, streets and road maintenance, stormwater drainage, and innovation and technology services. The following section describes municipal services provided within Coachella and identifies the service provider.

Figure 254 summarizes the services provided in Desert Hot Springs.

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<sup>349</sup> Source: City of Desert Hot Springs

<sup>350</sup> Source: California State Controller's Office, "Cities Financial Data"

<sup>351</sup> Source: City of Desert Hot Springs, 2018-19 Comprehensive Annual Financial Report



Figure 254: Service Provider Matrix – Desert Hot Springs

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Housing Authority										
Code Enforcement	Code Compliance Department										
Animal Control	Animal Control Division										
Parks and Recreation	Public Works, Regional Parks										
Library	Library System										
Museum	N/A										
Landscape Maintenance	Public Works										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	LMD, CSA										
Lighting	Municipal Lighting District										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Resources, Desert Valley Disposal										
Stormwater Drainage	Public Works, CVWD, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Time Warner, Verizon										
Airport	N/A										
Cemetery *	Palm Springs Cemetery District										
Healthcare *	Desert Healthcare District										
Water *	Mission Springs Water District, Desert Water Agency										
Wastewater *	Mission Springs Water District										

\* Not included in this MSR

## Government Services

General government services are provided by elected officials and city management. The City Manager is the City's chief administrator and is responsible for the preparation of the City budget, overseeing the delivery of all City services, hiring personnel, and implementing capital projects. The City Clerk serves as the City's official record custodian, responsible for maintaining permanent records of all proceedings, publishing legal notices, preparation of Council agendas, and managing the City's elections.

## Law Enforcement

The Desert Hot Springs Police Department provides law enforcement services in Desert Hot Springs. The Department is responsible for preventative patrol services, enforcement of local, state, and federal laws, traffic enforcement, detective services, community outreach and education, traffic collision investigation, and non-criminal requests for service. The Department operates out of the Police Headquarters, located on Pierson Boulevard. According to City staff,

the Department previously contracted with the City of Cathedral City of police dispatch services. As a result of resident complaints and operational inconsistencies between the two agencies, the dispatch services were recently internalized by the City.

## **Fire Protection**

Fire Protection services are provided by Riverside County Fire Department/CalFire in Desert Hot Springs. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

Fire Stations 36 and 37 are located in Desert Hot Springs. Station 36 is located on Karen Avenue near the intersection with Pierson Boulevard to serve the western portion of the City. Station 37 is located at the intersection of West Drive and Pierson Boulevard and serves the eastern portion of the City. The City of Desert Hot Springs owns both fire stations and the County/CalFire operates out of the stations.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

The 2007 MSR made the following determination about fire protection services:

- Desert Hot Springs and Cathedral City were implementing coordinated communications and shared facilities related to fire prevention services.



City staff noted that coordinated communications with Cathedral City are exclusively for law enforcement services, and not related to fire protection and emergency medical services

### **Emergency Medical**

The Riverside County Fire Department/CalFire provides emergency medical services in Desert Hot Springs. Refer to the previous Fire Protection section for additional information about the Riverside County Fire Department/CalFire.

### **Building/Planning and Housing (Community Development)**

The City's Community Development Department provides building, planning and housing services to Desert Hot Springs. The Building Services division performs plan checks, issues building permits, and performs inspections on all building construction, additions, and alterations. The Planning division is responsible for managing the orderly growth and development of the City, reviewing development plans, environmental reviews, long-range planning, development of land use policies, and monitoring and updating General Plan and Zoning ordinances.

The City of Desert Hot Springs has established a Housing Authority.

### **Code Enforcement**

The City's Code Enforcement Department provides code enforcement services within Desert Hot Springs. The Department is responsible for enforcement of all municipal codes and ordinances, issuance of citations and education of violations, illegal dumping abatement, weed abatement, graffiti abatement, and marijuana compliance.

### **Animal Control**

The City's Animal Control Department provides animal control services to Desert Hot Springs. The Department provides care and service to animals, lost and found services for pets, sheltering services, pet adoption, and dog licensing.

## **Parks and Recreation**

The Desert Hot Springs Public Works Department provides parks and recreation services in the City. The Department is responsible for maintenance, construction, and operation of City parks. The City owns and operates nine (9) City parks.

The Riverside County Regional Parks and Open Space District also provides regional parks services within Desert Hot Springs. The District's facility is known as Devil's Garden and is a land reserve. The District's website does not indicate that this area is restricted from public use. Located at the rural western end of the incorporated City boundary, east of State Route 62, the District operates 185 acres of reserve that is home to a variety of native cacti. The District provides parks and recreation services County-wide with more than 658 square miles of land and over 419 miles of planned trails.

## **Library**

The City of Desert Hot Springs contracts with the County of Riverside for library services. The County provides reading materials, literacy programs, computers, and broadband internet access for residents. The Desert Hot Springs branch is located in the City on West Drive.

## **Museum**

The City of Desert Hot Springs does not contain any museum facilities.

## **Landscape Maintenance**

The City's Public Works Department provides landscape maintenance services in Desert Hot Springs. The Department is responsible for all construction, maintenance, and operations of City-owned landscaping.

The Desert Hot Springs Citywide Lighting and Maintenance Districts provide funding through special assessments for maintenance and repair of City landscaping. The District is a small dependent district that receives special property tax assessments.

## **Streets/Road Maintenance**

The City's Public Works Department is responsible for all street and road maintenance services in Desert Hot Springs.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

The 2007 MSR made the following determination about the City's streets and roads:

- The street and road infrastructure will be a challenge to maintain. The community is subject to adverse conditions as a result of severe flooding which can isolate the City.

City staff noted that the City has made significant investments in storm drainage and bridge infrastructure in recent years.

## **Streetlights**

The previously mentioned City of Desert Hot Springs Lighting and Maintenance Districts provide a funding mechanism for streetlight operations and maintenance. These Districts were initially created for each residential development as the City was built up. The City operates 19 separate Lighting and Maintenance Districts.

## **Utilities (Gas, Electric)**

The City of Desert Hot Springs has franchise agreements with Southern California Edison for electricity services, and Southern California Gas Company for natural gas services.

## **Solid Waste**

Desert Valley Disposal provides solid waste and recycling collection services in the City of Desert Hot Springs. Desert Valley Disposal is a privately held company specializing in solid waste collection and disposal.

## **Storm Drainage**

Storm water drainage services are provided by Desert Hot Springs Public Works Department. The Department is responsible for construction, operation and maintenance of storm drains in the City. The City also has 18 Drainage Assessment Districts that levy a special assessment that provides funding for maintenance of storm drainage within the districts. The Districts are small dependent districts that were established along with new residential development.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

## **Innovation and Technology**

The City's Information Technology Department provides innovation and technology services for the City. The Department manages computer hardware and software, provides IT support, and manages the City's internal network.

The City has franchise agreements with Verizon Wireless and Time Warner Cable to provide cable and broadband services to Desert Hot Springs residents and businesses. Verizon Wireless and Time Warner Cable are privately held telecommunications companies with operations throughout the United States.

## **Airport**

Desert Hot Springs does not contain an airport.

## **Extraterritorial Services Provided**

Aside from standard fire and law enforcement mutual aid agreements, the City does not currently provide services to any areas in the SOI. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS

The City maintains a Capital Improvement Plan that functions as the City's two-year construction document and a five-year proposal. The City's plan includes improvements to the City's bicycle and pedestrian facilities, traffic signal and street improvements, and storm drain projects. According to City staff, funding for major capital improvement projects like storm water control, roads, and bridges are difficult to obtain funding for because grant funds are only provided by State and Federal sources and the City must compete with grant applications at the State and Federal scale. The City acknowledged that projects included in the five-year horizon may not be funded.

City staff indicated that the City Council had approved moving forward with plans for a new police department annex building, tenant improvements on the existing police station, a new fire station, and improvements at the senior center. Staff also noted the recent completion of a street storm drainage project in the north of the City, as well as some recent bridge improvements.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City of Desert Hot Springs submitted its 6<sup>th</sup> Cycle Housing Element to HCD on May 27, 2020, which was designated in compliance with Housing Element Law. By HCD on August 10, 2020.<sup>352</sup> The City failed to submit 5<sup>th</sup> Cycle Housing Element Annual Progress Reports between 2013 and 2016, but submitted Annual Progress Reports in 2017, 2018, and 2019.<sup>353</sup> The City made minor progress towards meeting its 5<sup>th</sup> Cycle RHNA allocation, as outlined in Figure 255.

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<sup>352</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>353</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 255: 5th Cycle Housing Element Summary - Desert Hot Springs

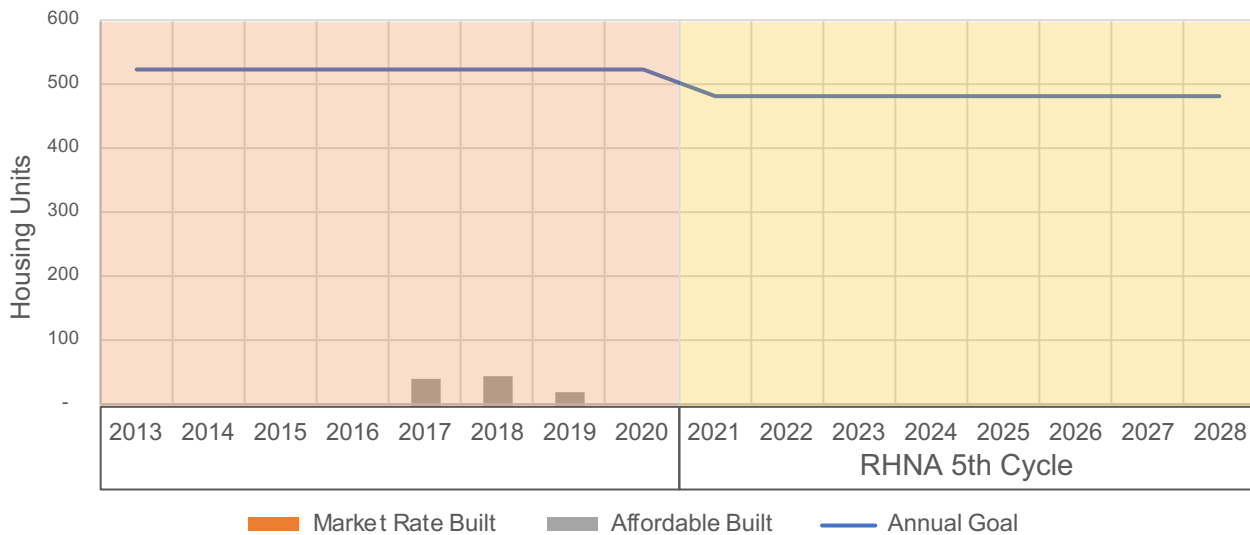
Desert Hot Springs 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	946	661	772	1,817
Permitted Units	53	2	54	0
Allocation Surplus/(Shortage)	(893)	(659)	(718)	(1,817)

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The upcoming RHNA 6<sup>th</sup> Cycle covers the planning period between October 2021 and October 2029. The 6<sup>th</sup> Cycle RHNA allocation for Desert Hot Springs is 3,865 housing units, which is about 8 percent lower than the 5<sup>th</sup> Cycle allocation. With the 5<sup>th</sup> Cycle nearly complete, the City is not expected to meet it's housing production needs in any income category.

Figure 256 outlines the annual change in production from the 5<sup>th</sup> Cycle to the 6<sup>th</sup> Cycle. The annual goal is presented as one-eighth of the full-cycle RHNA allocation. Market rate and affordable unit production during the 5<sup>th</sup> Cycle is also presented.

Figure 256: 5th and 6th Cycle RHNA Allocation and Production - Desert Hot Springs



Desert Hot Springs is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined

ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>354</sup>

## FISCAL HEALTH

The sections that follow evaluate the City of Desert Hot Springs' fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. Figure 257 outlines the City's net position, presented as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City reported deficits in 2016-17 and 2017-18, including a deficit of nearly \$10.0 million in 2016-17, which amounts to about 45.5 percent of annual revenues.

Figure 257: Net Position - Desert Hot Springs

Desert Hot Springs	2016-17	2017-18	2018-19
Total General Tax Revenues	\$10,616,066	\$12,637,750	\$15,476,448
Other Tax Revenues	464,468	454,537	887,570
Other Revenues	10,862,841	11,468,452	11,704,144
<b>Total Revenues</b>	<b>21,943,375</b>	<b>24,560,739</b>	<b>28,068,162</b>
Total Operating Expenditures	16,430,378	18,494,601	19,592,728
Debt Service	12,633,423	1,659,400	1,712,465
Capital Outlay	2,861,801	4,621,563	5,307,042
<b>Total Expenditures</b>	<b>31,925,602</b>	<b>24,775,564</b>	<b>26,612,235</b>
<b>Net Position</b>	<b>(\$9,982,227)</b>	<b>(\$214,825)</b>	<b>\$1,455,927</b>

Source: California State Controller's Office

## Operating Revenues

RSG compiled three (3) years of financial history using the California State Controller's Office Cities Financial Data, and relied on the City's 2018-19, 2019-20 and 2020-21 adopted budgets and comprehensive annual financial reports to evaluate the City's fiscal health. While categorization of revenues and expenditures varied in some cases, the SCO's dataset and City's audited financial results yielded similar results.

<sup>354</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"



The City indicated that revenues from cannabis taxes on manufacturing and retail sales will present a significant opportunity for the City. The cannabis tax revenues are increasing over time and the City has 350,000 square feet of additional cannabis space in predevelopment or development stages. Cannabis cultivation is taxed at a rate of \$10 per square foot, so if the pipeline of proposals materialized, it would generate an additional \$3.5 million for the General Fund.

As illustrated in Figure 258, in the City of Desert Hot Springs last audited fiscal year of 2018-19, the revenues exceeded \$28 million.

Figure 258: Operating Revenue History - Desert Hot Springs

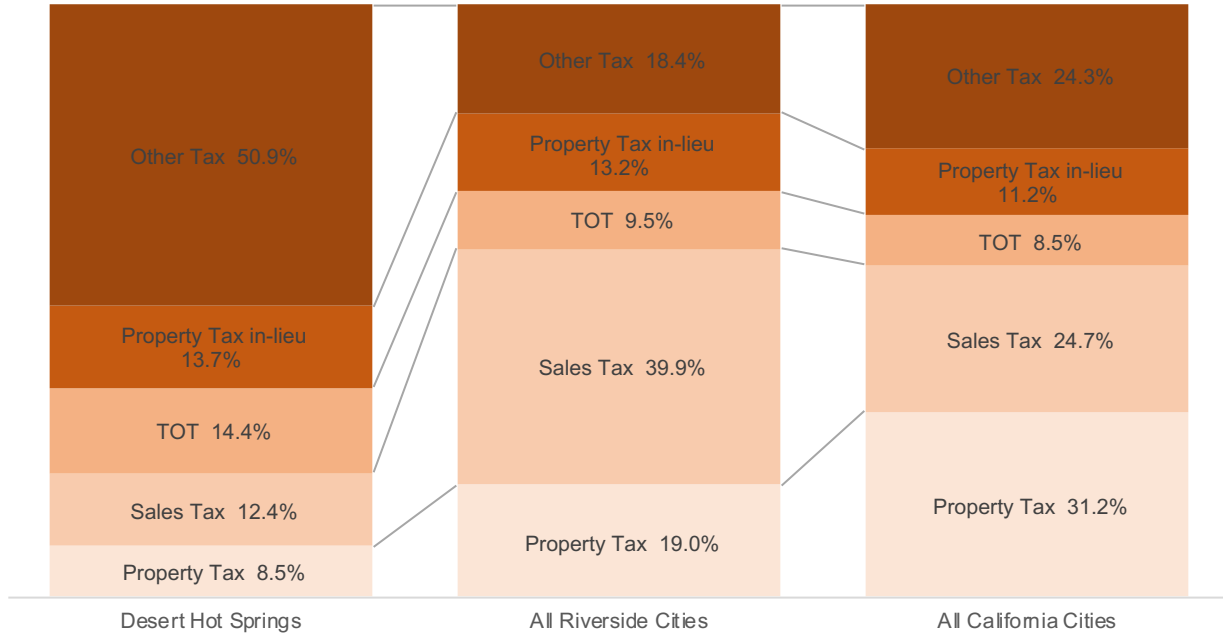
Desert Hot Springs	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$922,109	\$1,082,570	\$1,316,771
Sales Tax	1,448,008	1,647,864	1,919,412
Transient Occupancy Tax	1,768,552	2,169,988	2,235,629
Property Tax in-lieu of VLF	1,822,332	1,975,584	2,124,576
Franchise Tax	1,393,460	2,368,029	3,223,324
Business License Tax	204,362	209,167	214,266
Property Transfer Tax	84,032	102,294	106,885
Utility User Tax	2,973,211	3,082,254	3,083,125
Other Tax Revenues	-	-	1,252,460
<b>Total General Tax Revenues</b>	<b>10,616,066</b>	<b>12,637,750</b>	<b>15,476,448</b>
Transportation Tax	-	-	-
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	464,468	454,537	887,570
<b>Total Tax Revenues</b>	<b>11,080,534</b>	<b>13,092,287</b>	<b>16,364,018</b>
Charges for Services	1,451,455	1,857,186	1,477,179
Special Benefit Assessments	3,102,409	3,255,106	3,350,151
Use of Money	133,115	129,227	275,167
Fines and Forfeitures	436,597	507,541	331,063
Licenses and Permits	1,014,701	999,335	1,213,504
Intergovernmental	1,940,774	1,639,103	2,414,931
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	2,783,790	3,080,954	2,642,149
<b>Total Revenues</b>	<b>\$21,943,375</b>	<b>\$24,560,739</b>	<b>\$28,068,162</b>

Source: California State Controller's Office

General tax revenues in 2018-19 were about 55.1 percent of total revenues collected by the City. The City's largest tax revenues as a proportion of all general tax revenues include franchise tax (20.8 percent), utility user tax (19.9 percent), transient occupancy tax (14.4 percent), and property tax in-lieu of VLF revenues (13.7 percent). After tax revenues, the City's largest revenue sources include special benefit assessments (\$3.4 million), miscellaneous revenues (\$2.6 million), and intergovernmental revenues (\$2.4 million).

Compared to all other Riverside and California cities, Desert Hot Springs has disproportionately less property tax and sales tax. The City's transient occupancy tax collections represent a larger portion of overall tax revenues and property tax in-lieu is about average. The City's other tax revenues, which includes franchise tax, utility user tax, and other tax revenues, represents 50.9 percent of the City's total tax revenues, which is proportionally significantly more than other communities.

Figure 259: General Tax Revenue Comparison - Desert Hot Springs



## **Other Tax Revenues – Franchise Tax and Utility User Tax**

The City receives franchise tax from businesses, such as Verizon Wireless and Time Warner Cable, in exchange for the right to operate in Desert Hot Springs. In 2018-19, the City's franchise tax revenue collections totaled \$3.2 million.

Utility user tax revenues are assessed on the usage of utilities, such as communications, electricity, natural gas, and cable television. In 2018-19, utility user tax revenues totaled \$3.1 million.

## **Transient Occupancy Tax**

Transient occupancy tax represented the City's third-largest revenue source in 2018-19, totaling \$2.2 million or 14.4 percent of all general tax revenues. Transient occupancy tax is assessed at a rate of 12 percent on all overnight occupancies of hotels in Desert Hot Springs.<sup>355</sup>

## **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

A comparatively small proportion of the City's general tax revenues, property tax and property tax in-lieu of VLF combine for \$3.4 million. Property tax revenues are derived from assessments on land, improvements, and personal property in Desert Hot Springs. The City's combined secured and unsecured assessed valuation is about \$1.7 billion, inclusive of about \$522 million in land value and almost \$1.3 billion in improvement value.<sup>356</sup> In 2018-19, the City received approximately 10.4 percent of property tax revenues collected within City limits.

The City of Desert Hot Springs and Riverside County have a Master Property Tax Exchange Agreement in place that was mutually adopted in 1991.<sup>357</sup>

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<sup>355</sup> Source: California City Finance, "Transient Occupancy Tax by City"

<sup>356</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>357</sup> Source: Riverside LAFCO

### **Special Benefit Assessments**

The City's single-largest non-tax revenue source in 2018-19 was special benefit assessments. This funding source includes almost \$2.4 million in functional revenues for police services and about \$970,000 in other special benefit assessments. The Public Safety Parcel Tax generates functional revenues for police services and grows in proportion to property tax.

### **Miscellaneous Revenues**

Miscellaneous revenues represented \$2.6 million in 2018-19. Miscellaneous revenues are inclusive of contributions from nongovernmental sources and other miscellaneous revenues. In 2018-19, the City received \$404,000 as contributions from nongovernmental sources and \$895,000 in other miscellaneous revenues.

### **Intergovernmental Revenues**

In FY 2018-19, the City received \$2.4 million in intergovernmental revenues, inclusive of gasoline tax (\$1.1 million), public safety Proposition 172 funds (\$140,000), and other State and Federal grants and appropriations.

### **Operating Expenditures**

Total operating expenditures ranged from \$24.8 million in 2017-18 to \$32 million in 2016-17 over the three (3) year study period. In 2018-19, the City's operating expenditures totaled \$26.6 million.

Figure 260: Operating Expenditures - Desert Hot Springs

Desert Hot Springs	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$4,379,839	\$5,157,046	\$5,895,744
Employee Benefits	1,186,181	1,522,780	1,738,070
Materials and Supplies	4,598,717	4,468,727	4,273,309
Contract Services	6,265,641	7,346,048	7,685,605
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>16,430,378</b>	<b>18,494,601</b>	<b>19,592,728</b>
Debt Service	12,633,423	1,659,400	1,712,465
Capital Outlay	2,861,801	4,621,563	5,307,042
<b>Total Expenditures</b>	<b>\$31,925,602</b>	<b>\$24,775,564</b>	<b>\$26,612,235</b>

Source: California State Controller's Office

The City's largest operating expenditure categories include contract services (\$7.7 million), salaries and wages (\$5.98 million), and materials and supplies (\$4.3 million). The City employed 80 full time employees in 2020-21. According to City staff, the City did not reduce staffing during the COVID-19 pandemic. Following the previous recession, the City did mass layoffs, but the City has been increasing staff since then, and expects to continue to increase staffing levels in 2021-22.

The City's single-largest current expenditure category is public safety, which totaled \$9.7 million in 2018-19, or about 49.4 percent of all operating expenditures. The City's current expenditures, categorized by function between 2016-17 and 2018-19 are presented in Figure 261.

Figure 261: Current Expenditures - Desert Hot Springs

Desert Hot Springs	2016-17	2017-18	2018-19
General Government	\$4,517,207	\$3,992,437	\$4,332,371
Public Safety	8,059,489	8,840,259	9,681,321
Transportation	1,355,540	1,915,377	1,831,086
Community Development	1,490,297	2,245,792	2,351,698
Health	39,790	36,052	37,981
Culture and Leisure	968,055	1,464,684	1,358,271
Public Utilities	-	-	-
Debt Service	12,633,423	1,659,400	1,712,465
Capital Outlay	2,861,801	4,621,563	5,307,042
<b>Total Current Expenditures</b>	<b>\$31,925,602</b>	<b>\$24,775,564</b>	<b>\$26,612,235</b>

Source: California State Controller's Office

## Reserve Fund Balance

The City of Desert Hot Springs has three (3) different reserve funds. The Emergency Reserve is funded entirely by cannabis revenues and totaled \$2.5 million in 2019-20. The Emergency Reserve is intended to provide a buffer for the City, protecting against future changes to the cannabis market and production in the City. The Reserve for Future Capital Use includes \$1.2 million and the Natural or Fiscal Emergency Reserve totals \$3.6 million.<sup>358</sup>

## Pension and OPEB Obligations

The City of Desert Hot Springs pension and OPEB obligations are presented in Figure 262.

Figure 262: Pension and OPEB Obligations - Desert Hot Springs

Desert Hot Springs	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$11,703,695	\$11,561,796	\$12,325,390
Total OPEB Liability/(Surplus)	-	-	-
Total Benefit Liability/(Surplus)	\$11,703,695	\$11,561,796	\$12,325,390

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City offers two (2) defined benefit pension plans to qualifying employees, including the Safety Plan, which law enforcement personnel qualify for, and the Miscellaneous Plan for all other employees. The City's net pension liability increased by an annualized rate of 2.6 percent between 2017-18 and 2019-20. The City does not offer an OPEB plan.

The City's pension indicators provide insight into the City's pension plan health. The City's employer contribution rate compared to the actuarially determined contribution, total covered payroll, and employer contribution rate are outlined in

<sup>358</sup> Source: City of Desert Hot Springs, 2018-19 Comprehensive Annual Financial Report

Figure 263: Pension Indicators - Desert Hot Springs

Desert Hot Springs	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$1,193,006	\$1,407,681	\$1,705,492
Employer Contribution	1,193,006	1,407,681	1,705,492
Covered Payroll	\$4,496,364	\$4,631,254	\$5,454,565
Employer Contribution Rate	26.5%	30.4%	31.3%

Source: 2017-18, 2018-19 and 2019-20 ACFR

Between 2017-18 and 2019-20, the City made employer contributions equivalent to the actuarially determined contribution. The employer contribution during this period increased at an annual rate of 19.6 percent while covered payroll increased at an annual rate of 10.1 percent. The City's historical employer contribution rate is about average when compared to other cities in Riverside County, which ranged from 26 to 32 percent between 2017-18 and 2019-20.

### Annual Audit Findings

The FY 2017-18 through 2019-20 Annual Audits included discussion about one audit finding in Note 13C of the Notes to the Basic Financial Statements dating back to FY 2013-14. The finding is outlined below. The City disputes the finding and responded within the requested time period, but not further progress has been made on the resolution of the finding.

- **Dispute with State of California Regarding Use of Gas Tax Monies** – The California State Controller's Office completed an audit in FY 2013-14 and concluded that the City had used gas tax funds for ineligible expenditures between FY 2008-09 and 2012-13. The State Controller requested that the \$119,000 that was used for debt service be reimbursed to the Gas Tax Special Revenue Fund. The City disputed this finding and responded within the requested time period that the funds were properly applied. There has been no further progress on this dispute.

No other findings were identified in the City's Annual Audits.



## California State Auditor Fiscal Health Evaluation

The City of Desert Hot Springs ranked 320 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 151 peer cities in California, or about 32 percent of cities. The City received low risk ratings on seven (7) indicators, including liquidity, general fund reserves, revenue trends, pension obligations, pension costs, OPEB obligations, and OPEB funding. Three (3) indicators were given moderate risk ratings, including debt burden, pension funding, and future pension costs. The State Auditor did not assign any indicators a high risk rating.<sup>359</sup>

## MSR DETERMINATIONS

Requisite CKH determinations for Desert Hot Springs are presented by topic below:

### 1. Population, Growth, and Housing

The population of Desert Hot Springs grew at a moderate rate, 0.89 percent annually, over the last decade, slower than the County-wide average of 1.1 percent annually. Over the next 25-35 years, the Desert Hot Springs growth rate is expected to outpace the County. The housing inventory in Desert Hot Springs increased at an annual rate of just 0.7 percent. Much of the City's growth is occurring in the industrial sector as developers seek to take advantage of the City's cannabis cultivation and manufacturing policies.

### 2. Disadvantaged Unincorporated Communities in SOI

The Desert Hot Springs SOI contains eight (8) DUCs, as illustrated in Exhibit 40. While City staff expressed interest in annexation of several DUCs, the current condition of infrastructure or resistance from DUC residents make annexation of these areas unlikely at this time.

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<sup>359</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

### **3. Present and Planned Capacity of Facilities**

Most of the City's facilities meet present and planned capacity. As stated in the 2007 MSR, the City's ingress and egress streets and road infrastructure and storm water control facilities are insufficient during flooding, physically isolating the City during extreme weather. City staff echoed this sentiment, indicating that this infrastructure issue has not been addressed in the last 14 years.

### **4. Financial Ability to Provide Services**

RSG did not identify any deficiencies related to the City's financial ability to provide services.

### **5. Opportunities for Shared Facilities**

The City owns two (2) fire stations occupied by Riverside County Fire/Cal Fire and previously contracted with Cathedral City for law enforcement dispatch services. The City is open to shared facilities arrangements but is not actively seeking any opportunities.

### **6. Accountability for Community Service Needs**

The City Council is currently elected at-large, which may leave smaller communities under-represented at the City Council level. The community engages with the City through at least one social media platform that is particularly active, with membership estimated at about half of the City's population.

### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG is not recommending any changes to the Desert Hot Springs SOI. While the City has interest in annexation of parts of the Desert Hot Springs SOI, the current physical condition of infrastructure and resistance from residents make annexation unlikely at this time. RSG's recommendations related to the Desert Hot Springs SOI are presented by topic below.

### **1. Present and Planned Land Uses**

City staff indicated a desire to reconfirm the City's current SOI boundary. Although much of the SOI is undeveloped and represents an opportunity for the City, there are significant deficiencies with the conditions of the County-maintained infrastructure in the SOI.

### **2. Present and Probable Need for Public Facility and Services**

As stated above, the City would be unable to adequately improve the existing infrastructure in the SOI to justify an annexation. One option to offset the costs for needed infrastructure in unincorporated areas with DUCs is to adopt an Annexation Development Plan, as outlined in the introduction of this MSR.

### **3. Present Capacity of Public Facilities**

As previously stated, deficiencies with the City's ingress and egress street and road infrastructure, and associated storm water control infrastructure, physically isolate the City during extreme weather.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The City's eight (8) DUCs have significantly deteriorated streets, roads and stormwater infrastructure improvements and are within their SOI.

## CITY OF INDIAN WELLS

The City of Indian Wells incorporated in 1967 as a general law City, and later became a charter city in 2012.<sup>360</sup> The City is located in Riverside County's Coachella Valley, and borders Palm desert to the west and north, La Quinta to the east and unincorporated County territory to the south. The City's incorporated boundary spans 14.3 square miles.<sup>361</sup> The City does not have an unincorporated SOI beyond its City boundaries.

The City's current and projected demographic profile is presented in Figure 264.

Figure 264: Demographic Profile - Indian Wells

Indian Wells	City	County
Population as of 2020	5,403	2,442,304
Population as of 2010	4,958	2,189,641
Annual Pop. Growth Since 2010	0.86%	1.10%
Housing Units	5,395	867,637
Persons / Housing Unit	1.00	2.81
Land Area (sq mi)	14.3	7,206.0
Persons / Square Mile	378	339
Median Household Income	\$108,000	\$67,369
Projected Population in 2035	6,039	2,995,509
Annual Proj. Growth 2020-2035	0.74%	1.37%
Projected Population in 2045	6,369	3,251,705
Annual Proj. Growth 2020-2045	1.10%	1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

Indian Wells grew at a rate of 0.86 percent annually between 2010 and 2020, which is below average when compared to the County-wide population growth rate (1.10 percent). The City has

<sup>360</sup> Source: City of Indian Wells City staff

<sup>361</sup> Source: Riverside LAFCO

very low housing density, with just 1.00 persons per housing unit, and a population density (378 persons per square mile) slightly above the County-wide average (339 persons per square mile). The median household income in Indian Wells (\$108,000) is significantly higher than the County median household income (\$67,369). SCAG's population projections predict below-average growth over the next 15 and 25 years.

The Indian Wells land use summary is presented in Figure 265.

Figure 265: Land Use Summary - Indian Wells

Indian Wells		County	
Residential Units	Units	%	%
Single Family	3,622	67.1%	54.8%
Multifamily	1,773	32.9%	43.6%
Mobile Home	-	0.0%	1.6%
Total Units	5,395	100.0%	100.0%
New Units Since 2010	258		
Commercial	Gross SF	%	%
Retail	140,463	35.0%	26.6%
Industrial	-	0.0%	61.8%
Office	260,562	65.0%	9.6%
Other	-	0.0%	2.0%
Total	401,025	100.0%	100.0%
New Commercial Since 2010	-		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

The City has a very unusual land use profile, with more than two-thirds (67.1 percent) of housing units developed as single-family residential. The City also does not have any industrial space, in contrast with 61.8 percent of square footage County-wide designated for industrial uses.

The City's ten (10) largest employers include nine (9) resorts, hotels, or country clubs, and one church. The largest resorts, hotels, and country clubs include Renaissance Esmeralda Resort (430 employees), Toscana Country Club (330 employees), Hyatt Regency Resort and Spa (314 employees), Indian Wells Golf Resort (266 employees), El Dorado Country Club (112 employees),

Miramonte Resort and Spa (105 employees), Indian Wells Country Club (90 employees), Desert Horizons Country Club (80 employees), and Indian Wells Resort Hotel (63 employees). The City's tenth largest employer is Southwest Community Church with 52 employees.<sup>362</sup>

## **CURRENT SPHERE OF INFLUENCE**

Indian Wells SOI is coterminous with its current incorporated boundary, as illustrated in Exhibit 41. Indian Wells was previously studied in the February 2007 Western Coachella Valley MSR. The 2007 MSR did not come to any meaningful determinations for the City of Indian Wells.

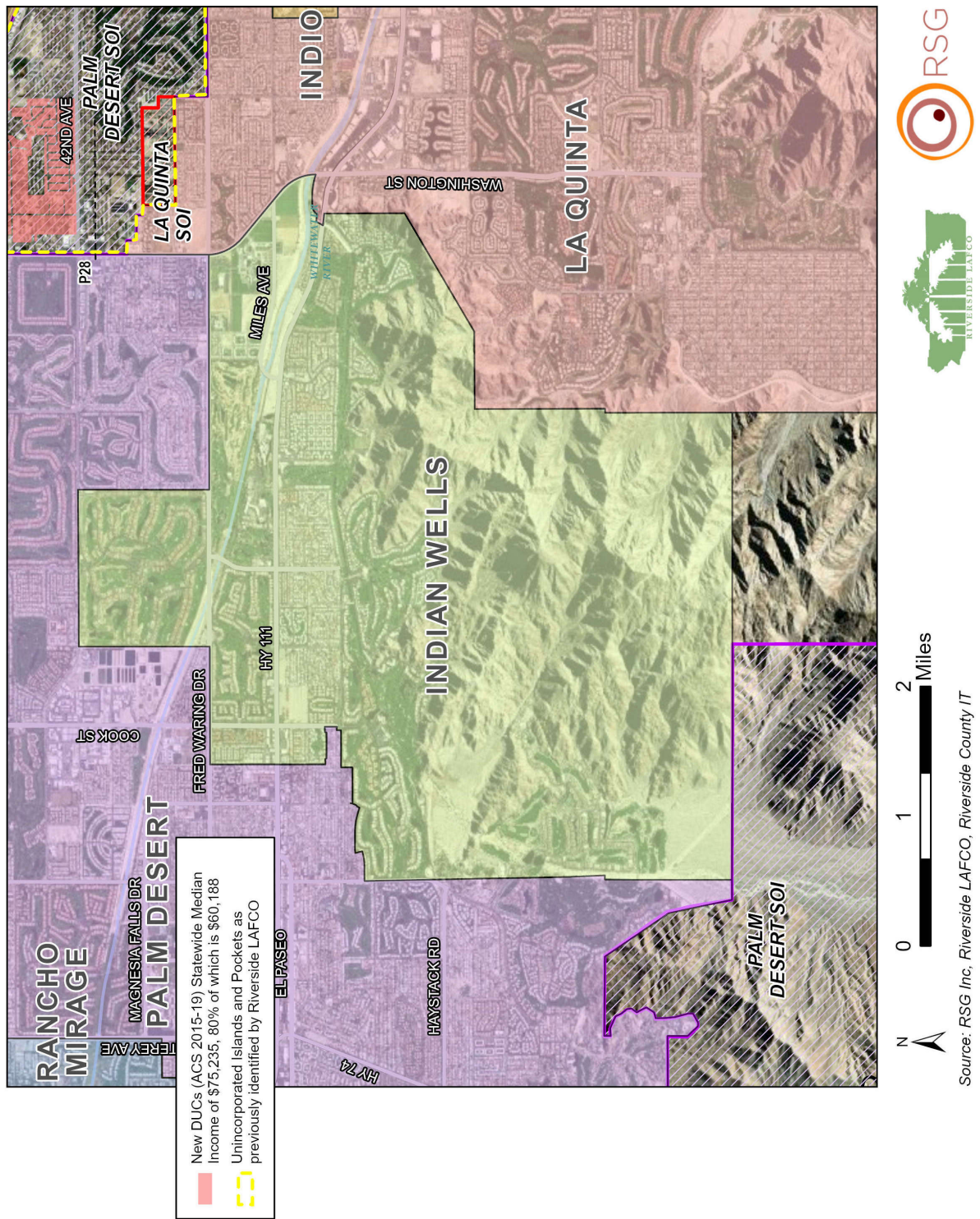
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<sup>362</sup> Source: City of Indian Wells, 2018-19 Comprehensive Annual Financial Report



Exhibit 41: Current City and SOI Boundaries - Indian Wells

**City of Indian Wells**





## FORM OF GOVERNMENT AND STAFFING

The City of Indian Wells operates as a Council – Manager form of government, under which the elected City Council appoints the City Manager. The Council is elected at large by the electorate of Indian Wells to four (4) year terms and appoints a Mayor from among its membership to a one year term. The City Council also appoints a City Attorney. The City Manager serves as head of the administrative branch of City government, overseeing 28 full time equivalent personnel<sup>363</sup> and annual operating expenditures of \$29.0 million (2018-19)<sup>364</sup>. The City Council also serves as the Housing Authority and Successor Agency. City representatives also serve on boards and commissions for the Coachella Valley Association of Governments, Greater Palm Springs Convention and Visitors Bureau, and Riverside County Transportation Commission.<sup>365</sup>

## SERVICES PROVIDED

City of Indian Wells staff provide building and planning, housing, code enforcement, landscape maintenance, streets and road maintenance, stormwater drainage, and innovation and technology services. The following sections describe municipal services provided within Indian Wells. Figure 266 presents a matrix summarizing the services provided by the City and other service providers.

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<sup>363</sup> Source: City of Indian Wells

<sup>364</sup> Source: California State Controller's Office, "Cities Financial Data"

<sup>365</sup> Source: City of Indian Wells

Figure 266: Service Provider Matrix - Indian Wells

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Community Development										
Code Enforcement	Code Enforcement Department										
Animal Control	Animal Services										
Parks and Recreation	Desert Recreation										
Library	Rancho Mirage Public Library										
Museum	N/A										
Landscape Maintenance	Public Works, LLMD										
Streets/Road Maintenance	Public Works										
Streetlights	Street Lighting District										
Lighting	LLMD										
Utilities	Edison, So Cal Gas										
Solid Waste	Burrtec										
Stormwater Drainage	Engineering, CVWD										
Innovation and Technology	Technology Services Program, Spectrum										
Airport	N/A										
Cemetery *	Coachella Valley Public Cemetery District										
Healthcare *	Desert Healthcare District										
Water *	Coachella Valley Water District										
Wastewater *	N/A										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council and appointed staff, including the City Manager and City Clerk. The City Manager serves as the administrative head of the City, and is responsible for planning, organizing, and directing all municipal activities, developing personnel, implementing programs to improve the community, facilitating city contracts, and directing employee relations. The City Clerk is responsible for maintaining the municipal code, contract processing, legal noticing, administering elections, managing City records, and responding to public records information requests.

## Law Enforcement

The City contracts with the Riverside County Sheriff's Department, which provides investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and administration of the volunteer program and Explorer youth program. The

Department is the fourth largest law enforcement agency in California and also provides municipal police services to 12 other cities in Riverside County.

### **Fire Protection**

The City contracts with the Riverside County Fire Department/CalFire for fire protection services. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection. Fire Station 55 is located in the City at 44900 Eldorado Drive.

### **Emergency Medical**

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more on the Department.

### **Building/Planning and Housing (Community Development)**

Building, planning, and housing services are provided by the Community Development Department. The Department has 3.9 full time equivalent personnel and also contracts for professional services for building plan check services, building inspector services, and consultation services. The Planning department also contracts for on-call planning support services and records scanning, but most services are provided internally by City staff. Building is responsible for administering and enforcing California building codes, issuing building permits, collecting permit and inspection fees, plan check and review, and site inspections. Planning includes processing land use applications, advising the Planning Commission, and reviewing projects for compliance with ordinances. The Department also provides housing services in the City, overseeing the operation of two (2) affordable senior housing developments.

## **Code Enforcement**

The City's Community Development Department Code Enforcement Program provides code enforcement services in Indian Wells. The Program includes 1.55 full time equivalent personnel and is responsible for enforcing the City's palm tree ordinance, short-term vacation rental policies, responding to citizen complaints, investigation and follow-up, and the weed abatement program.

## **Animal Control**

The City contracts with the Riverside County Department of Animal Services for animal control services. The Department provides pick-up of stray or confined animals, dead animal removal, humane, dangerous, nuisance, or permit investigations, leash law enforcement, wild animal trapping and removal, the patrol of parks and other areas of concern, and other animal-related services.

## **Parks and Recreation**

Parks and recreation services are provided by the Desert Recreation District. The District is the largest parks and recreation district in California, covering 1,800 square miles and serving more than 380,000 residents.

## **Library**

The City shares responsibilities with the City of Rancho Mirage for the provision of library services. The Rancho Mirage Public Library provides resources and services to meet the informational, educational, and cultural needs of the Indian Wells community.<sup>366</sup> The City of Indian Wells does not have any revenues or expenditures, or personnel associated with the provision of

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<sup>366</sup> Source: City of Indian Wells website, "Rancho Mirage Public Library"

library services.<sup>367</sup> The Rancho Mirage Library and Observatory is located at 71-100 Highway 111 in Rancho Mirage.

## **Museum**

Museum services are provided by the Children's Discovery Museum of the Desert. The Museum is a 501(c)(3) non-profit was created by a group of private citizens in 1986 and its current facility was constructed through a coordinated effort by the cities of Rancho Mirage, Palm Desert, and Indian Wells in 1991 with a \$1.6 million Building Trust Fund. The Museum is located at 71-701 Gerald Ford Drive in Rancho Mirage.<sup>368</sup>

## **Landscape Maintenance**

The City of Indian Wells formed Landscape and Lighting Maintenance Districts to provide some of the landscape maintenance services within Indian Wells. The Districts are small dependent districts that receive special property tax assessments. Landscape maintenance services are provided by a private contractor.

## **Streets/Road Maintenance**

Streets and road maintenance services are provided by the City of Indian Wells Public Works Department. The Department has eight (8) full-time equivalent personnel and provides maintenance and upgrades for City-owned streets.

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<sup>367</sup> RSG reviewed the City of Indian Wells 2019-20 Comprehensive Annual Financial Report and 2019-20 Biennial Budget and the City of Rancho Mirage 2019-20 and 2020-21 Two-Year Budget and 2019-20 Comprehensive Annual Financial Report and was unable to verify that the City of Indian Wells has coordinated shared library services with the City of Rancho Mirage. The only indication that RSG was able to identify that the cities of Indian Wells and Rancho Mirage have coordinated shared services is on the City of Indian Wells website.

<sup>368</sup> Source: Children's Discovery Museum of the Desert website

## **Streetlights**

The City of Indian Wells Landscape and Lighting District provides funding for the operation and maintenance of some of the City's streetlights. The District is a small dependent district that receives a special property tax assessment.

## **Utilities (Gas, Electric)**

Utility services are provided by Imperial Irrigation District, Southern California Gas Company and Southern California Edison. Southern California Gas provides natural gas energy services to residents for various activities. Southern California Edison provides most of the general electricity services in the City.

Imperial Irrigation District's 99-year lease for power rights between Imperial Irrigation District and Coachella Valley Water District expires in 2033. Upon expiration of the 99-year lease, it is unclear whether publicly owned and managed electrical service would continue for customers of Imperial Irrigation District's service area. Various entities are working to address this issue.

## **Solid Waste**

The City has a franchise agreement with Burrtec, a private solid waste disposal company, to provide trash disposal and recycling services to Indian Wells. Burrtec services residential waste collection and recycling, commercial waste collection and recycling, roll-off services, construction and demolition waste collection, portable restrooms, special events, temporary bin rentals, temporary roll-off rentals, and concrete washout. Burrtec has been in operation since 1955.

## **Storm Drainage**

The City's Engineering Services Program provides storm drainage services to Indian Wells. The Program has 2.29 full time equivalent personnel and oversees the City's NPDES program and development and construction of storm drains and other public improvements.

The Coachella Valley Water District also provides storm water drainage services in Indian Wells, overseeing maintenance and construction of storm drains. The District is a large independent special district that provides water and storm water services to the Coachella Valley.

### **Innovation and Technology**

Innovation and technology services are provided under the City's Technology Services Program. The Program has 0.95 full time equivalent personnel and a \$47,500 annual budget for professional services. The Program provides electronic information and interactive services, effective wireless communications, and data security services.

### **Airport**

Indian Wells does not contain an airport. The nearest airports are the Palm Springs International Airport, located in Palm Springs, and the Bermuda Dunes Airport, located in the unincorporated community of Bermuda Dunes.

### **Extraterritorial Services Provided**

The City does not provide any services to areas outside of Indian Wells. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

Indian Wells develops a five-year Capital Improvement Plan that outlines all of the City's proposed projects and the funding sources for those projects. The City has proposed or in-progress projects including annual asphalt improvements, golf resort improvements, and street and highway projects.



## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on November 20, 2013. The Housing Element was reviewed and designated in compliance with Housing Element Law by HCD on January 3, 2014.<sup>369</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports consistently between 2013 and 2019. The City made progress towards meeting its 5<sup>th</sup> Cycle RHNA allocation of 160 total units, although it fell short of targets in very low, low, and moderate income categories.<sup>370</sup> Figure 267 presents the City's 5<sup>th</sup> Cycle housing needs and progress by income category.

Figure 267: 5th Cycle Housing Element Summary - Indian Wells

Indian Wells 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	40	27	31	62
Permitted Units	0	0	0	260
Allocation Surplus/(Shortage)	(40)	(27)	(31)	198

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

Over the course of the 5<sup>th</sup> Cycle, the City produced 260 housing market rate (above-moderate income) units, exceeding the RHNA allocation for above-moderate income units by 198 units. The City did not produce any units designated for very low-, low-, or moderate-income households, meaning it fell short of meeting its overall RHNA allocation by a total of 98 units. According to City staff, the City is working on a project with affordable housing developer Adobe Communities to develop 100 affordable housing units. It is unclear when these units will be completed and leasable.

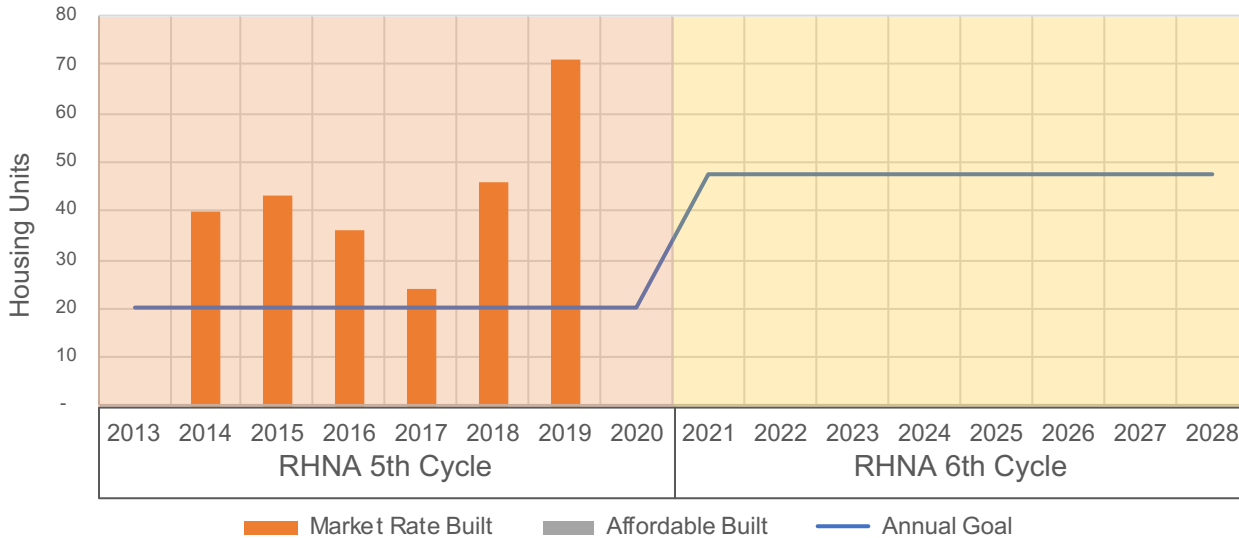
The City's 5<sup>th</sup> Cycle RHNA allocation will increase from 160 units (2013-2020) by 139 percent, or 222 additional units, to a total 6<sup>th</sup> Cycle RHNA allocation of 382 units. The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA allocations are presented in Figure 268. The annual production goal is presented as one-

<sup>369</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracking," updated June 28, 2019

<sup>370</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

eighth of the full-cycle RHNA allocation. Market rate (above moderate-income) and affordable unit production during the 5<sup>th</sup> Cycle is also identified in the bar charts.

Figure 268: 5th and 6th Cycle RHNA Allocation and Production - Indian Wells



Indian Wells is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at least 10% affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>371</sup>

## FISCAL HEALTH

The sections that follow evaluate the City of Indian Wells' fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well

<sup>371</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

as State Auditor assessments. Figure 269 presents the City's net position as annual revenues less expenditures, for fiscal years 2016-17 through 2018-19. The City recorded surpluses in each year between 2016-17 and 2018-19.

Figure 269: Net Position - Indian Wells

Indian Wells	2016-17	2017-18	2018-19
Total General Tax Revenues	\$16,539,940	\$16,770,660	\$18,501,471
Other Tax Revenues	2,837,723	3,364,816	3,423,178
Other Revenues	7,028,608	8,863,757	11,724,124
<b>Total Revenues</b>	<b>26,406,271</b>	<b>28,999,233</b>	<b>33,648,773</b>
Total Operating Expenditures	22,110,926	23,805,680	25,657,417
Debt Service	-	-	-
Capital Outlay	999,509	4,077,251	3,423,270
<b>Total Expenditures</b>	<b>23,110,435</b>	<b>27,882,931</b>	<b>29,080,687</b>
<b>Net Position</b>	<b>\$3,295,836</b>	<b>\$1,116,302</b>	<b>\$4,568,086</b>

Source: California State Controller's Office

## Operating Revenues

As illustrated in Figure 270, the City of Indian Wells had operating revenues that exceeded \$33.6 million in 2018-19.

Figure 270: Operating Revenue History - Indian Wells

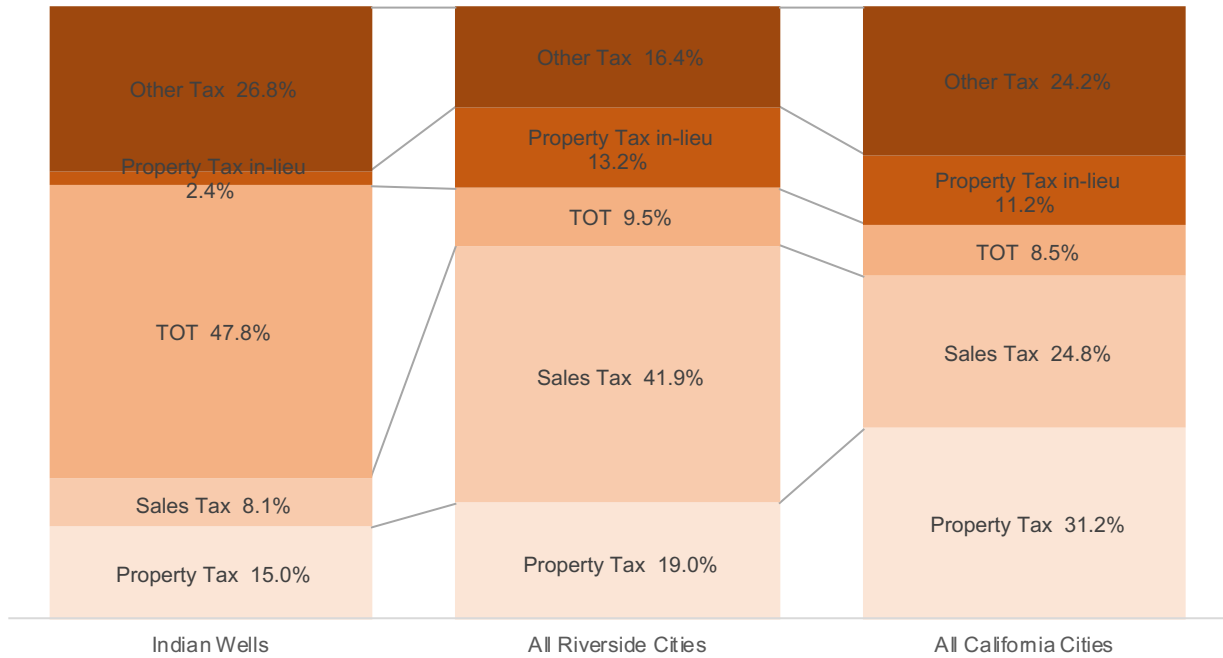
Indian Wells	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$2,551,045	\$2,665,549	\$2,775,901
Sales Tax	1,347,804	1,111,159	1,493,254
Transient Occupancy Tax	7,826,154	7,942,995	8,835,433
Property Tax in-lieu of VLF	402,869	417,087	444,116
Franchise Tax	941,937	929,551	992,865
Business License Tax	150,354	140,017	134,691
Property Transfer Tax	242,770	230,075	285,117
Utility User Tax	-	-	-
Other Tax Revenues	3,077,007	3,334,227	3,540,094
<b>Total General Tax Revenues</b>	<b>16,539,940</b>	<b>16,770,660</b>	<b>18,501,471</b>
Transportation Tax	229,804	253,043	283,855
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	2,607,919	3,111,773	3,139,323
<b>Total Tax Revenues</b>	<b>19,377,663</b>	<b>20,135,476</b>	<b>21,924,649</b>
Charges for Services	3,052,196	3,320,661	3,802,235
Special Benefit Assessments	1,697,430	3,349,916	3,506,573
Use of Money	214,069	201,967	2,338,778
Fines and Forfeitures	58,357	60,648	55,224
Licenses and Permits	711,437	559,083	617,650
Intergovernmental	384,596	333,930	501,433
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	910,523	1,037,552	902,231
<b>Total Revenues</b>	<b>\$26,406,271</b>	<b>\$28,999,233</b>	<b>\$33,648,773</b>

Source: California State Controller's Office

The City has a very unique base of tax revenues unlike others in Riverside County, with transient occupancy tax representing the single-largest revenue source, accounting for about 47.8 percent of general tax revenues. Aside from transient occupancy tax, the City's next-largest general tax revenues include admission tax (19.1 percent of general tax revenues) and property tax (15.0 percent).

The City's general tax revenues compared to the average revenue base for cities in Riverside County and California are presented in Figure 271.

Figure 271: General Tax Revenue Comparison - Indian Wells



As previously mentioned, the City has a very unique tax base, with 47.8 percent of general tax revenues coming from transient occupancy tax and 26.8 percent coming from other taxes (which includes 19.1 percent of general tax revenues derived from admission taxes). When compared to the average general tax revenue base for cities in Riverside County and California, the City's transient occupancy tax is well-above average (47.8 percent compared to 9.5 percent in Riverside County and 8.5 percent Statewide). Except for the City of Corona, which collected less than \$150,000 in admission taxes between 2016-17 and 2018-19, no other city in Riverside County was identified with an active admission tax, which accounted for 19.1 percent of the City's general tax revenues, or about \$3.5 million in 2018-19.

## **Transient Occupancy Tax**

As previously stated, transient occupancy tax accounts for a substantial portion (47.8 percent, or about \$8.8 million in 2018-19) of the City's general tax revenues. The City's transient occupancy tax rate is 12.25 percent, assessed on overnight occupancies within Indian Wells.<sup>372</sup>

## **Admission Tax**

In 2018-19, the City's admission tax revenues accounted for \$3.5 million in revenues, or about 19.1 percent of general tax revenues. Admission tax is assessed on the admission charge to any event in Indian Wells at a rate of 10 percent of the admission charge.

## **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's third-largest revenue source is property tax, which accounted for 15.0 percent of general tax revenues, or about \$2.8 million in 2018-19. Property tax revenues are derived from assessments on land, improvements, and personal property in Indian Wells. The City's combined secured and unsecured assessed valuation was about \$5.9 billion in 2018-19, including about \$2.0 billion in land assessed value and \$3.9 billion in improvement assessed value.<sup>373</sup> In 2018-19, the City received approximately 4.7 percent of property tax revenues collected within City limits, which is among the lowest property tax rates for a city in Riverside County.

The City and Riverside County have a mutually adopted Master Property Tax Exchange Agreement in place dating back to 1982.<sup>374</sup>

## **Charges for Services**

One of the City's largest revenue sources is charges for services, which accounted for \$3.8 million or about 11.3 percent of total revenues in 2018-19. All charges for services are functional

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<sup>372</sup> Source: California City Finance, "Transient Occupancy Tax by City"

<sup>373</sup> California City Finance, "Assessed Valuation of Property by City"

<sup>374</sup> Source: Riverside LAFCO

revenues, including plan check fees, engineering and inspection fees, weed and lot cleaning charges, solid waste revenues, first aid and ambulance charges, housing revenues and other charges for services. The most significant charges for services are housing revenues (\$1.8 million in 2018-19), solid waste revenues (\$1.1 million), and first aid and ambulance charges (\$600,000).

### Special Benefit Assessments

Special benefit assessments accounted for \$3.5 million in 2018-19, which was about 10.4 percent of total revenues. Special benefit assessments include amounts collected for fire, lighting, and other special benefits.

### Operating Expenditures

The City's operating expenditures ranged from \$23.1 million in 2016-17 to \$29.1 million in 2018-19, as presented in Figure 272.

Figure 272: Operating Expenditures - Indian Wells

Indian Wells	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$3,085,561	\$3,112,523	\$3,032,124
Employee Benefits	3,797,541	3,071,583	3,076,303
Materials and Supplies	4,827,125	4,617,082	4,708,928
Contract Services	10,400,699	13,004,492	14,840,062
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>22,110,926</b>	<b>23,805,680</b>	<b>25,657,417</b>
Debt Service	-	-	-
Capital Outlay	999,509	4,077,251	3,423,270
<b>Total Expenditures</b>	<b>\$23,110,435</b>	<b>\$27,882,931</b>	<b>\$29,080,687</b>

Source: California State Controller's Office

The City's largest expenditure category is contract services, which represented over half (51.0 percent) of total expenditures, \$14.8 million in 2018-19. When compared to all other Riverside County and California cities, the City has disproportionately higher expenditures on contract services (51.0 percent), and materials and supplies (16.2 percent), but substantially lower expenditures on salaries and wages (10.4 percent), and employee benefits (10.6 percent). The average city in Riverside County expended 28.3 on contract services, 8.2 percent on supplies,



22.1 percent on salaries and wages, and 13.2 percent on employee benefits. Furthermore, the average city in California expended 11.9 percent on contract services, 9.3 percent on supplies, 34.0 percent on salaries and wages, and 18.8 percent on employee benefits.

The City's current expenditures are presented according to department or function in Figure 273.

Figure 273: Current Expenditures - Indian Wells

Indian Wells	2016-17	2017-18	2018-19
General Government	\$5,390,678	\$4,540,153	\$4,646,608
Public Safety	7,158,232	7,620,573	7,913,888
Transportation	3,615,281	4,651,253	5,324,535
Community Development	5,015,046	6,020,663	6,764,822
Health	931,689	973,038	1,007,564
Culture and Leisure	-	-	-
Public Utilities	-	-	-
Debt Service	-	-	-
Capital Outlay	999,509	4,077,251	3,423,270
<b>Total Current Expenditures</b>	<b>\$23,110,435</b>	<b>\$27,882,931</b>	<b>\$29,080,687</b>

Source: California State Controller's Office

Once again, the City has a unique current expenditure profile, with just 30.8 percent of expenditures, or about \$7.9 million in 2018-19 on public safety, compared to 52.2 percent for cities in Riverside County and 47.3 percent for cities in California. The City's general government expenditures are also above average, at 18.1 percent of total expenditures, compared to 14.5 and 12.2 percent for cities in Riverside County and California, respectively. As a result of the smaller proportion expended on public safety, all other expenditures are relatively larger than the average expenditures by Riverside County and California.

### Reserve Fund Balance

The City has a General Fund Emergency Reserve that grew to \$2.25 million in 2018-19 and a Capital Reserve Fund that was expected to end the fiscal year 2018-19 with \$23.9 million. The General Fund Emergency Reserve is intended to assist the City with the financial impacts of major catastrophic disasters or economic downturns that may impact the City's revenue sources, such as transient occupancy tax. The City aims to keep the General Fund Emergency Reserve Balance above 25 percent of the operating budget. The Capital Reserve Fund is set aside for

future capital projects, such as new infrastructure development, ongoing rehabilitation of existing buildings, bridges, streets, and other City-owned assets. The City aims to add \$1.4 million annually to the Capital Reserve Fund.<sup>375</sup>

## Pension and OPEB Obligations

The City's pension and OPEB obligations are outlined in Figure 274.

Figure 274: Pension and OPEB Obligations - Indian Wells

Indian Wells	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$1,526,915	\$73,946	(\$1,218,808)
Total OPEB Liability/(Surplus)	839,000	621,813	857,704
Total Benefit Liability/(Surplus)	\$2,365,915	\$695,759	(\$361,104)

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City offers one defined benefit pension plan to qualifying employees. Because the City contracts for all law enforcement, fire protection, and emergency medical services, the City does not offer a Safety Plan. The City's Miscellaneous Plan is available to qualified permanent and probationary employees. The City also offers an OPEB policy which is a multiple employer defined benefit retiree healthcare plan administered by CalPERS and available to qualified employees. In 2019-20, the City had a net pension surplus of \$1.2 million and a total OPEB liability of \$858,000, resulting in a combined net benefit surplus of about \$361,000.

The City's pension indicators provide insights into the City's pension plan health. The City's employer contribution rate compared to the actuarially determined contribution, total covered payroll, and employer contribution rate, are outlined in Figure 275.

<sup>375</sup> Source: City of Indian Wells

Figure 275: Pension Indicators - Indian Wells

Indian Wells	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$974,198	\$430,310	\$475,302
Employer Contribution	1,334,875	358,582	379,796
Covered Payroll	\$2,943,396	\$2,889,192	\$3,038,144
Employer Contribution Rate	45.4%	12.4%	12.5%

Source: 2017-18, 2018-19 and 2019-20 ACFR

Over the last three (3) years, the City made one employer contribution in 2017-18 that exceeded the actuarially determined contribution by \$360,000. Then, in 2018-19 and 2019-20, the City's employer contributions were collectively \$167,000 less than the actuarially determined contribution, resulting in a net employer contribution that exceeded the actuarially determined contribution by \$193,000. During this time frame, the City's covered payroll increased at an annualized rate of 1.6 percent. The employer contributions in the last two (2) fiscal years were 12.4 and 12.5 percent, which is below average when compared to all Riverside County cities, which ranged from 26 to 32 percent.

### Annual Audit Findings

The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City.

### California State Auditor Fiscal Health Evaluation

The City of Indian Wells ranked 352 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 119 peer cities in California, or about 25 percent of cities. The City received low risk ratings on nine (9) indicators, including liquidity, debt burden, general fund reserves, pension obligations, pension funding, pension costs, future pension costs,

OPEB obligations, and OPEB funding. One indicator, revenue trends, was given a high risk rating. Zero (0) indicators scored moderate risk ratings.<sup>376</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Indian Wells are presented by topic below:

### **1. Population, Growth, and Housing**

Indian Wells' population grew slowly over the last decade and is expected to grow slowly over the next 25 and 35 years. The City's median household income (\$108,000) is well above the County-wide median household income (\$67,369)

The City has an unusual housing and land use profile, with more than two-thirds of housing units being single-family, and zero industrial square footage.

### **2. Disadvantaged Unincorporated Communities in SOI**

The Indian Wells SOI is coterminous with the City's corporate boundary, and therefore does not contain any DUCs.

### **3. Present and Planned Capacity of Facilities**

The City currently relies on the City of Rancho Mirage for library services. It is unclear if this arrangement, and the costs associated with shared services, are mutually agreed-upon.

While City staff did not indicate any deficiencies related to electricity infrastructure, the upcoming expiration of Imperial Irrigation District's 99-year contract has resulted in deferred maintenance of some aging and inadequate electricity infrastructure in the nearby

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<sup>376</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

communities. Various entities are working towards a resolution with Imperial Irrigation District, and RSG recommends that LAFCO monitor this situation closely.

RSG did not identify any other facility capacity deficiencies.

#### **4. Financial Ability to Provide Services**

The City appears to be financially stable, with healthy reserves and minimal pension and OPEB liabilities. The City's revenue base may be the only area for concern – because the City relies on transient occupancy and event admission taxes for a large portion of its revenue base, however the City did not utilize any of its reserves during the COVID-19 pandemic.

#### **5. Opportunities for Shared Facilities**

The City may wish to formalize its relationship with the City of Rancho Mirage for the provision of library services. As a smaller city with effectively no future SOI growth potential, the City may wish to consider additional shared facility arrangements with neighboring communities.

#### **6. Accountability for Community Service Needs**

The City Council is currently elected at large, which may reduce the representation of small communities at the City Council level. The City is active on at least three (3) social media platforms.

#### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

### **SOI RECOMMENDATIONS**

The Indian Wells SOI is coterminous with the incorporated City of Indian Wells boundary. RSG is not recommending any changes to the Indian Wells SOI at this time.

### **1. Present and Planned Land Uses**

The Indian Wells SOI is largely developed, with a higher proportion of single-family housing when compared to the Countywide distribution of housing types. Because the Indian Wells SOI is largely built out, the City does not anticipate substantial shifts in the land use profile.

### **2. Present and Probable Need for Public Facilities and Services**

The City's library services are presently provided by the City of Rancho Mirage. The City may wish to formalize this provision of services. Electrical service will need to be resolved prior to the expiration of the IID contract for electrical services.

### **3. Present Capacity of Public Facilities**

City staff did not identify any deficiencies related to the capacity of public facilities located in the Indian Wells SOI.

### **4. Social or Economic Communities of Interest**

City staff did not identify any social or economic communities of interest.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Public Facilities**

The Indian Wells SOI does not contain any DUCs.

## CITY OF INDIO

The City of Indio formed in 1930 as a general law city, making it the oldest city in the Coachella Valley region of Riverside County. Indio borders unincorporated County territory to the north, the City of Coachella to the east and south, the City of La Quinta to the south and west, and the City of Palm Desert SOI on the northwest. Indio's incorporated boundary covers 30.0 square miles and its SOI extends across an additional 27.8 square miles.

Indio's demographic profile and population projections for 2035 and 2045 are presented in Figure 276.

Figure 276: Demographic Profile - Indio

Indio	City	SOI	County
Population as of 2020	90,751	1,038	2,442,304
Population as of 2010	78,997	932	2,189,641
Annual Pop. Growth Since 2010	1.40%	1.08%	1.10%
Housing Units	32,539	271	867,637
Persons / Housing Unit	2.79	3.83	2.81
Land Area (sq mi)	30.0	27.8	7,206.0
Persons / Square Mile	3,025	37	339
Median Household Income	\$57,645	\$29,660	\$67,369
Projected Population in 2035	116,170		2,995,509
Annual Proj. Growth 2020-2035	1.66%		1.37%
Projected Population in 2045	129,262		3,251,705
Annual Proj. Growth 2020-2045	2.39%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

Indio's population has grown at an average annual rate of 1.4 percent over the last decade, which is slightly above the County-wide average annual growth rate of 1.10 percent. While Indio's housing density (2.79 persons per housing unit) is very similar to the County-wide housing density (2.81 persons per housing unit), Indio's population density of 3,025 persons per square mile is



much denser than the County-wide average of 339 persons per square mile. Indio's SOI is sparsely populated with just 37 persons per square mile. The median household income across Riverside County (\$67,369) is almost 17 percent higher than the median household income in Indio (\$57,645) and is more than double the median household income in the Indio SOI (\$29,660).

Population projections for Indio foresee population growth rates continuing to exceed the County-wide growth rate through 2035 and 2045. With substantial population growth and a relatively low median household income, there may be outsized need for below market rate housing units in Indio over the next 15 to 25 years.

Indio's land use distribution is presented in Figure 277.

*Figure 277: Land Use Summary - Indio*

Indio		County	
Residential Units /1	Units	%	%
Single Family	22,216	68.3%	54.8%
Multifamily	7,127	21.9%	43.6%
Mobile Home	3,196	9.8%	1.6%
Total Units	32,539	100.0%	100.0%
New Units Since 2010	3,568		
Commercial	Gross SF	%	%
Retail	4,576,662	52.0%	26.6%
Industrial	3,146,756	35.8%	61.8%
Office	900,755	10.2%	9.6%
Other	177,686	2.0%	2.0%
Total	8,801,859	100.0%	100.0%
New Commercial Since 2010	327,270		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Indio's housing profile has substantially greater proportions of single-family (68.3 percent) and mobile home (9.8 percent) housing units, when compared to the County, of which 54.8 percent and 1.6 percent of housing units are single-family and mobile home units respectively. Indio's commercial real estate is skewed towards retail space, which represents 65.0 percent of all

commercial square footage, when compared to the County-wide average (26.6 percent). About 15.4 percent of the City's commercial space is developed as office space, which is also above the County average (9.6 percent). As a result, the proportion of commercial space used for industrial uses in Indio (18.4 percent) is substantially less than County-wide (61.8 percent).

There are an estimated 2,114 active businesses in Indio employing about 19,984 employees.<sup>377</sup> The largest employers in Indio include four (4) government and educational institutions, two (2) healthcare service providers, three (3) retailers, and one casino. The top ten employers include Desert Sands Unified School District (2,455 employees), County of Riverside (1,135 employees), Fantasy Springs Resort Casino (1,083 employees), John F. Kennedy Memorial Hospital (690 employees), Walmart Supercenter (356 employees), City of Indio (248 employees), Ralphs (169 employees), Riverside Superior Court (166 employees), Indio Nursing and Rehabilitation Center (161 employees), and Cardenas Market (151 employees).<sup>378</sup>

## CURRENT SPHERE OF INFLUENCE

The Indio SOI is made up of six (6) noncontiguous unincorporated areas that combine for 27.8 square miles. The Indio SOI and City's corporate boundary are illustrated in Exhibit 42. The largest portion of the SOI extends north and east of the existing incorporated Indio city limits. Substantial portions of the City's expansive northern SOI overlap with Multiple Species Habitat Conservation Plan areas, which are generally undevelopable, and designated for long-term habitat reservations. The Indio SOI and MSHCP habitat areas are illustrated in Exhibit 43.

Three (3) unincorporated SOI areas on Indio's southeastern boundary are recognized as LAFCO-identified pockets P14 (commonly known as Cabazon Trail and overlapping the Cabazon Tribal Reservation and Twenty-Nine Palms Tribal Reservation), P15 (Carver Tract), and P16 (Van Buren Street). Two (2) additional areas overlap Pocket P29, which, with the exception of these two (2) small areas, is almost entirely within the Palm Desert SOI. The entirety of P15 (Carver Tract) is

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<sup>377</sup> Source: ESRI Business Analyst Online

<sup>378</sup> Source: City of Indio, 2019-20 Comprehensive Annual Financial Report

also LAFCO-identified DUC1. Two (2) additional unincorporated SOI areas cover very small areas on Indio's northwestern edge adjacent to the City of Palm Desert SOI. Indio's DUCs and pockets are illustrated in Exhibit 42. The LAFCO-identified DUC located in Indio's SOI is discussed below:

- Pocket P7, which is sometimes commonly referred to as either the Vista Santa Rosa area, or the area east of Jackson Street between Avenues 50 and Avenue 52, is not within the Indio SOI. Portions of pocket P7 are within the Coachella SOI and the southwestern portion of P7 is unsphered. RSG understands that there is interest from both Indio and Coachella in assignment of the territory to their respective SOIs. Pocket P7 is pictured in Exhibit 44. Given the history of this area, RSG recommends that both Indio and Coachella begin community outreach work to seek to find a solution that is mutually acceptable to Indio, Coachella, and the property owners and residents of the Vista Santa Rosa area. Prior to designating any portion of Pocket P7, RSG additionally recommends reviewing the capacity of all potential service providers.
- Pocket P14 is an area northeast of the intersection of Van Buren Street and Dillon Road Boulevard. This area is commonly referred to as Cabazon Trail area, and sometimes referred to as the Dillon Road SOI area by City staff. P14 includes portions of the Cabazon Band of Mission Indians reservation, the Twenty-Nine Palms Band of Mission Indians Reservation and Spotlight 29 Casino, and the southern portion of the Eagle Falls Golf Course. The City has expressed interest in a sphere reduction in this area, specifically the parcels southeast of Dillon Road, citing historic problems related to the maintenance of infrastructure by a public agency on tribally owned and operated lands. Indio's proposed sphere reduction is illustrated in Exhibit 45. In a corresponding change, this area would be added to the City of Coachella SOI, based on an agreement between the two cities.
- DUC1 and P15 are commonly known as the Carver Tract, which is located in the Indio SOI between the City's corporate boundary and the City of Coachella, northeast of the intersection of Van Buren Street and Avenue 48. According to City staff, there is interest in annexation of the Carver Tract (DUC1 and P15). This area has several infrastructure issues, likely including storm water drainage and wastewater deficiencies.

- Pocket P16 is within the Indio SOI and includes the land that is within the Cabazon Band of Mission Indians Reservation. Pocket P16 is physically separated from the remainder of the Cabazon Reservation by State Route 86. City staff did not indicate any plans for this area due to the need to address the multiple tribal owners involved with the property at this time.
- Two (2) additional areas of the Indio SOI overlap Pocket P29, which primarily includes areas within the Palm Desert SOI, and is commonly known as the Sun City community. It is proposed that these two areas of Pocket P29 be included in the Palm Desert SOI as they are most easily accessible from that community. One of these areas overlaps DUC2 (small area in Sun City) which is almost entirely within the Palm Desert SOI. These areas are illustrated in Exhibit 46.

The City of Indio was previously evaluated in the May 2005 Southern Coachella Valley MSR (LAFCO 2004-61-4). The 2005 MSR made determinations regarding storm drains, fire protection, parks and recreation, and overall service provision. The determinations for storm drains, fire protection, and parks and recreation are addressed later in this MSR.

- The provision of service to two (2) unincorporated areas, as detailed previously, is inefficient. Provision of services to these areas would be more efficient if they were part of the City and services were provided by the City.

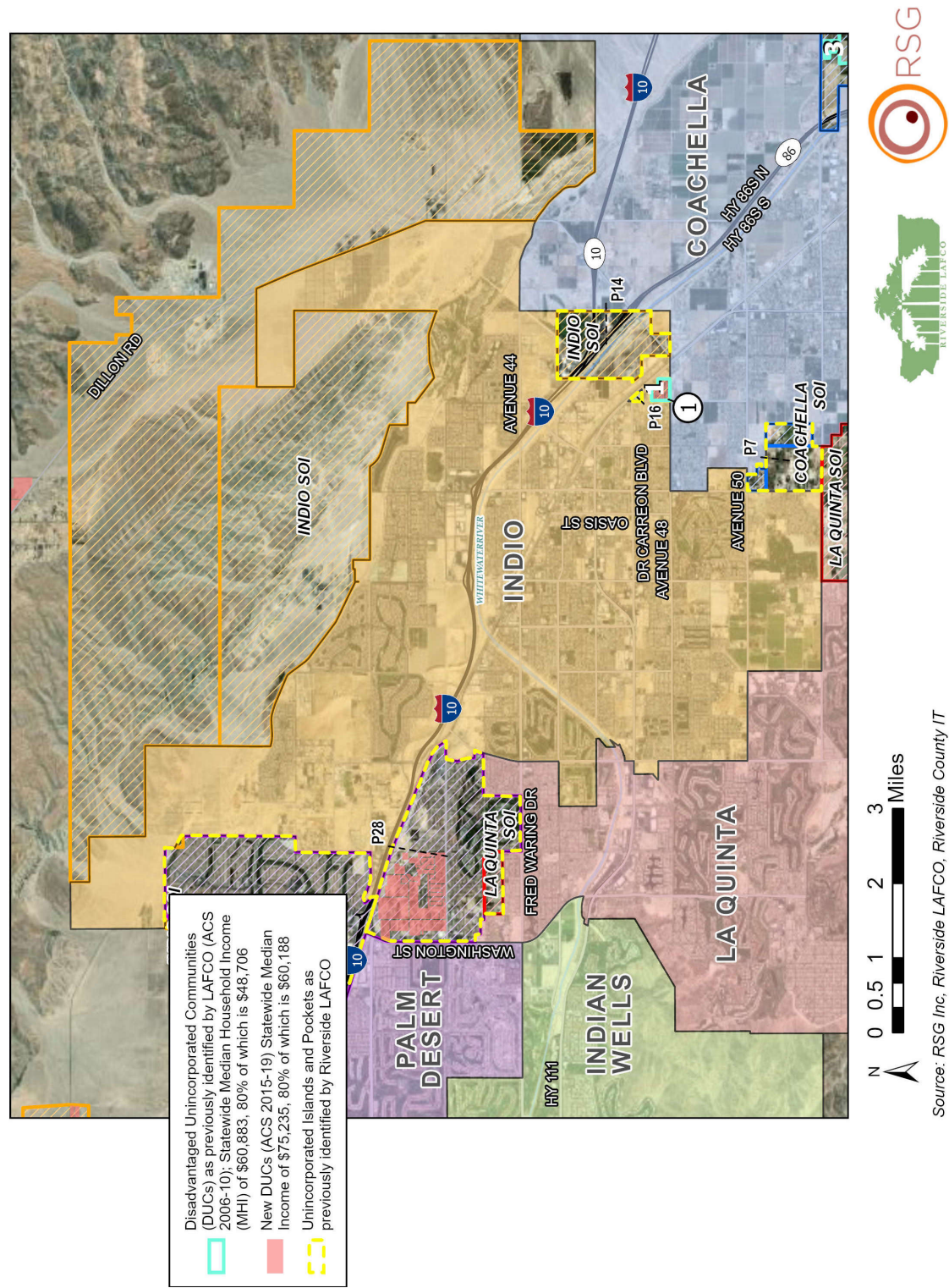
According to City staff, this MSR determination was related to the unincorporated areas known as Boe Dell Heights Island, and the Carver Tract. While the Carver Tract remains unincorporated and is identified and discussed above with respect to DUC1 and pocket P15, the Boe Dell Heights Island, which is centrally located in Indio, was previously annexed by the City subsequent to the 2005 MSR. City staff noted that a grant from the California Department of Water Resources was provided to the Indio Water Authority to assist with the required improvements to the water system in the Boe Dell Heights Island area. The City has expressed interest in utilizing an Annexation Development Plan (“ADP”) to support infrastructure improvements to the Carver Tract. Use of the

ADP would require coordination from the County of Riverside and other special districts serving the area.



Exhibit 42: Current City and SOI Boundaries - Indio

City of Indio and Sphere of Influence





*Exhibit 43: MSHCP Habitat Conservation Areas - Indio*

**City of Indio:**  
**Multiple Species Habitat Conservation Plan (MSHCP) Areas**

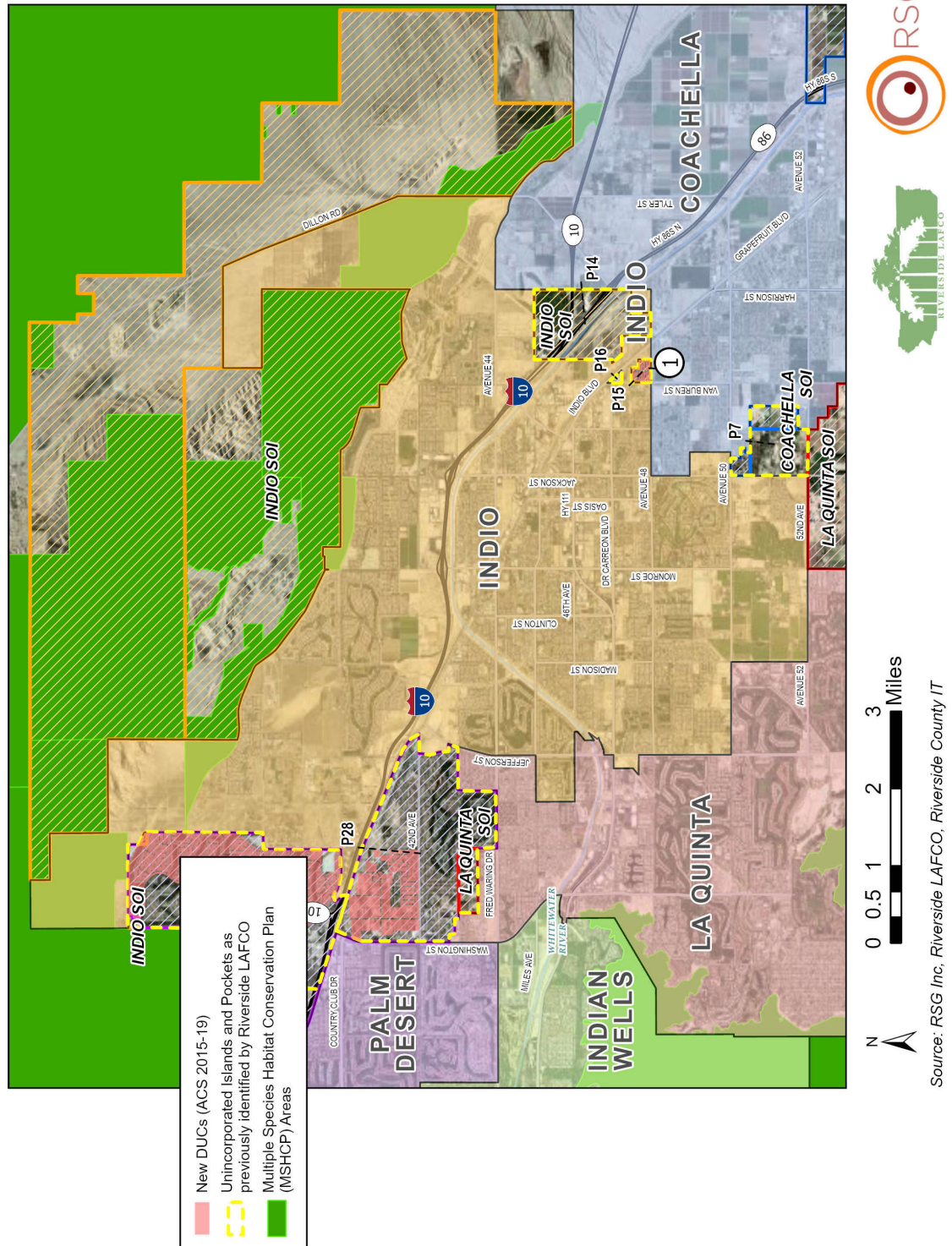




Exhibit 44: Pocket P7 (Areas proposed for inclusion in the SOI) - Indio

**Unincorporated Island/Pocket P7:  
Area Between the City of Coachella and City of Indio**

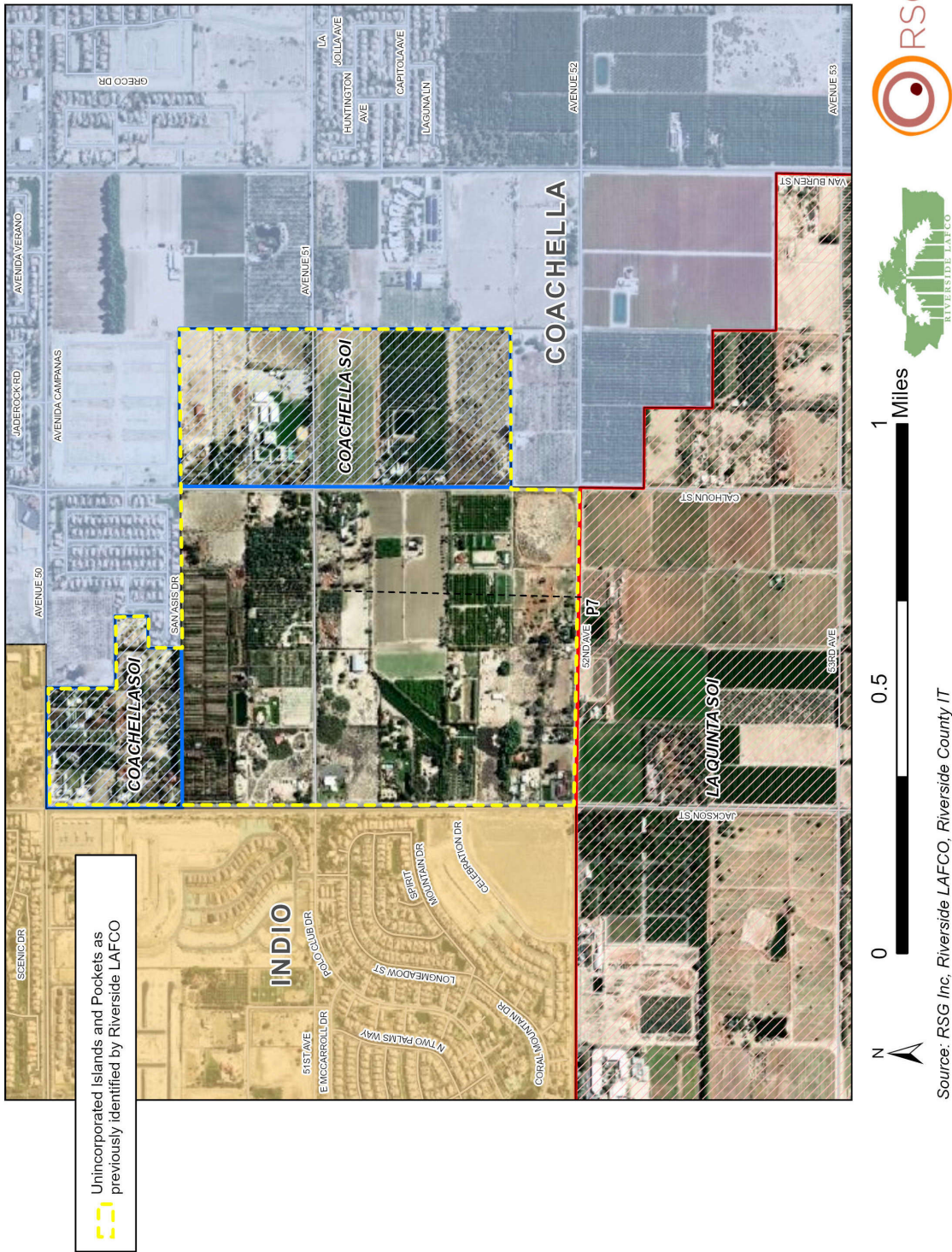
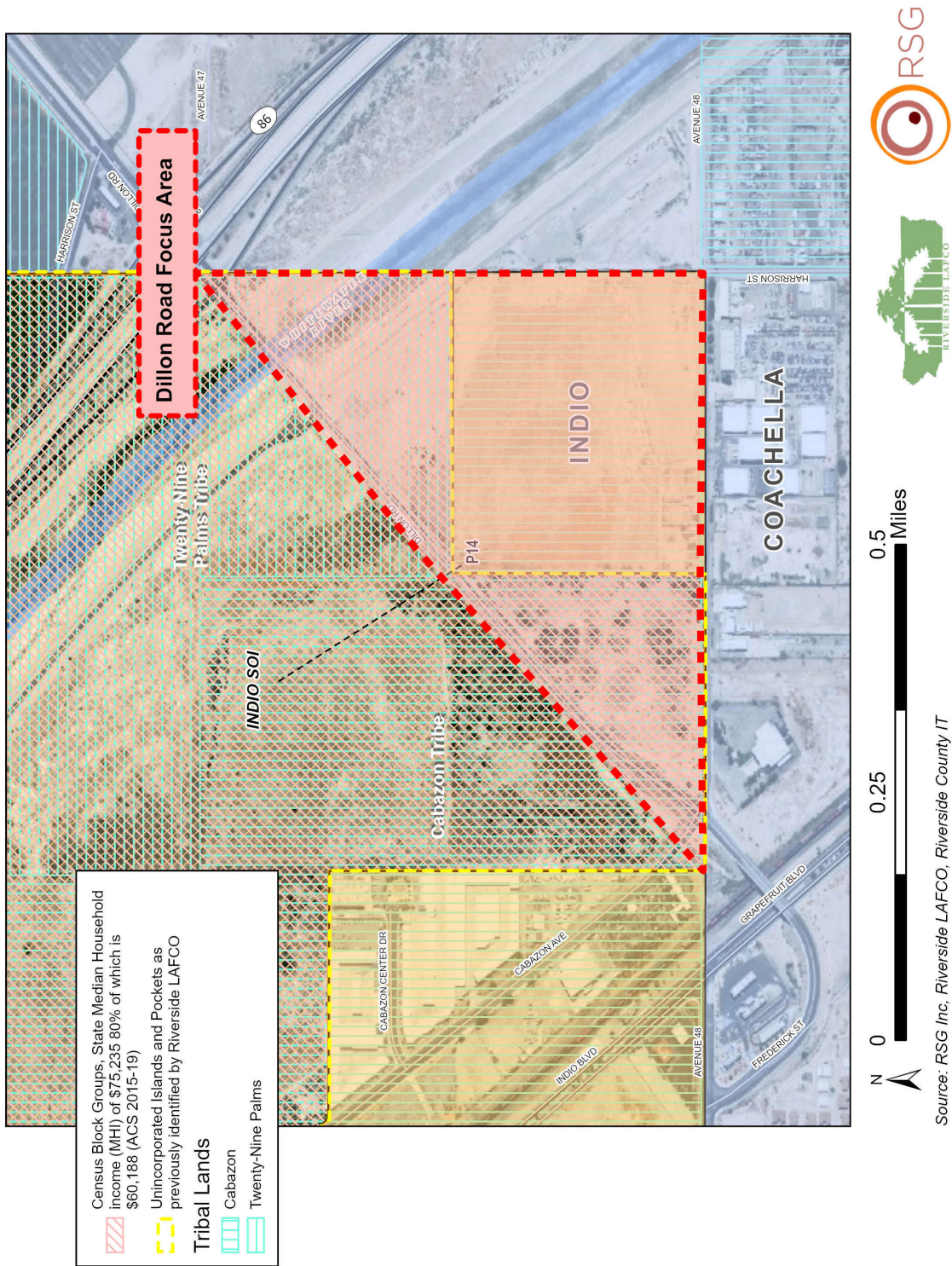




Exhibit 45: Dillon Road Proposed Sphere Reduction - Indio

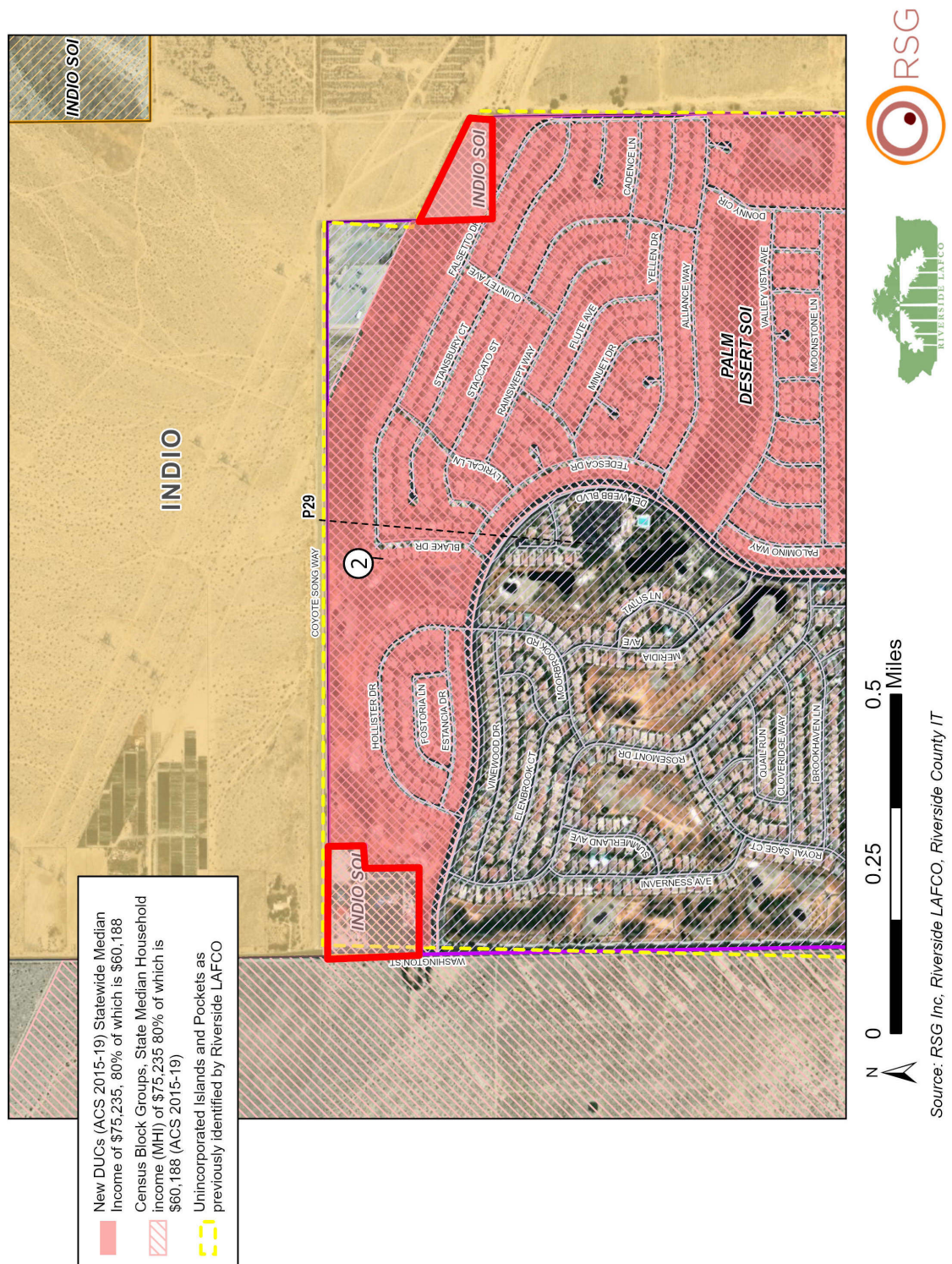
City of Indio:  
Dillon Road Proposed Sphere Reduction





*Exhibit 46: Sun City Proposed Sphere Reduction - Indio*

**City of Indio:**  
**Sun City Sphere Reduction**



## FORM OF GOVERNMENT AND STAFFING

The City of Indio operates under a “Council – Manager” form of government with a City Council consisting of five (5) councilmembers elected according to districts to staggered four (4) year terms. The Mayor is appointed by the Council from its membership and serves a one year term. The City Council appoints a City Manager, who serves as the City’s administrative head, and City Attorney, who provides legal advice to the Council and City.

The Council also serves as the Board for the Indio Water Authority, Public Finance Authority, and Successor Agency. Several boards and commissions carry out assignments at the direction of the City Council, including the Citizens’ Finance Advisory Commission, Community Services Commission, Mobile Home Fair Practices Commission, Planning Commission, Public Arts Commission, and Sustainability Commission.<sup>379</sup>

The City Manager oversees a staff of 252 full and part time employees<sup>380</sup> and annual operating expenditures that ranged from \$95.4 million to \$108.4 million between 2016-17 and 2018-19.<sup>381</sup>

## SERVICES PROVIDED

City staff are responsible for providing law enforcement, community development, housing, code enforcement, parks and recreation, landscape maintenance, streets and road maintenance, street lighting, storm water drainage, and innovation and technology services. Figure 278 illustrates the municipal services provided within Indio by the City and other service providers.

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<sup>379</sup> Source: City of Indio

<sup>380</sup> Source: City of Indio, Comprehensive Annual Financial Report 2019-20

<sup>381</sup> Source: California State Controller’s Office, “Cities Financial Data”

Figure 278: Service Provider Matrix - Indio

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Housing and Neighborhood Services										
Code Enforcement	Police Department										
Animal Control	Animal Services										
Parks and Recreation	Public Works, Desert Recreation, Regional Parks										
Library	Library System										
Museum	Coachella Valley History Museum										
Landscape Maintenance	Public Works, LLD										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	Public Works										
Lighting	LLD										
Utilities	Imperial Irrigation, So Cal Gas										
Solid Waste	Waste Resources, Burrtec										
Stormwater Drainage	Public Works, CVWD										
Innovation and Technology	Information Technology, Spectrum										
Airport	N/A										
Cemetery *	Coachella Valley Public Cemetery District										
Healthcare *	N/A										
Water *	Water Authority, Coachella Valley Water District										
Wastewater *	Valley Sanitary District										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council and appointed staff, including the City Manager and City Attorney. The City Manager is responsible for implementing the policy direction set by the City Council, providing professional expertise in the management of the City, coordinating and facilitating activities of various City departments, ensuring efficient provision of services, and providing administrative assistance to the City Council. The City Clerk is responsible for records management, legislative administration, issuing public notices, managing elections, codification of City ordinances, preparation of City Council agendas, and responding to public information requests.

## Law Enforcement

The Indio Police Department provides law enforcement services in Indio and only by mutual aid to Pocket P15 known as the Carver Tract. The Department is responsible for field patrol services, investigations, traffic safety, code enforcement, and support services. The Department has 114

full time equivalent personnel and operates out of one Police Station located at 46-800 Jackson Street and one Police Substation located at 82-851 Miles Avenue.

## **Fire Protection**

Indio contracts with the Riverside County Fire Department/CalFire for fire protection services. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

Fire Stations 80, 86, 87, and 88 are located in Indio. Fire Station 80, commonly known as the Shadow Hills Fire Station, is located at 81-025 Avenue 40 near the City's northern extents. Fire Station 86 is the headquarters for fire protection services in Indio and is located at 46-990 Jackson Street. Fire Station 87 is commonly known as the Terra Lago Station and is located at 42-900 Golf Center Parkway. Finally, Station 88 is located in west Indio at 46-621 Madison Street. According to City staff, the City owns all fire stations in Indio and at least half of the equipment.

The 2005 MSR made the following determination about fire protection:

- The Riverside County Fire Department had two (2) additional fire stations planned for the area north of the I-10 freeway. Construction was anticipated in the two (2) to five (5) years following the MSR.

As only Fire Station 80 is located north of Interstate 10, it appears that only one of the two (2) planned fire stations was built following the 2005 MSR. According to City staff, service levels are determined annually through the budget process and capital improvement projects, such as facility expansions and new fire stations, are considered at that time.



## **Emergency Medical**

The Riverside County Fire Department/CalFire also provides emergency medical services in Indio. Please refer to the previous section for more information about Riverside County Fire Department/CalFire.

## **Building/Planning and Housing (Community Development)**

Indio's Community Development Department is responsible for providing building and planning services in Indio while the Housing and Development Department oversees housing services. Building and Safety, and Planning, both divisions of the Community Development Department, have 12 and 7 full time equivalent personnel, respectively, and the Housing and Development Department has 3 full time equivalent personnel.

The Community Development Department Building and Safety is responsible for plan review, permit administration, field inspections, and evaluating and resolving damage caused by natural disasters, while Planning oversees review of proposed development projects, and implementing the City's General Plan and Specific Plans. The Housing and Development Department enhances and maintains the vitality of community neighborhoods in Indio by ensuring quality and affordable housing to residents and manages properties owned by the Successor Agency.

## **Code Enforcement**

Code enforcement is provided by the Indio Police Department. The Department has 11 full time equivalent personnel dedicated to code enforcement. The Department is responsible for enforcing nuisance abatement codes regarding zoning, graffiti, and housing violations in order to maintain and improve property values and the quality of life within the City.

## **Animal Control**

Animal control services are provided by the Riverside County Department of Animal Services. The Department provides licensing, adoption, vaccination, and spay and neutering services to the City.



## **Parks and Recreation**

The Public Works Department Parks and Parkways Division is responsible for the provision of parks and recreation services in Indio. The Division has 3.6 full time equivalent personnel and oversees the maintenance of all parks in the City. The City owns 17 parks.

The 2005 MSR made the following determination about the City's parklands:

- The City had 0.94 acres of parkland per 1,000 people, which was much lower than the City's objective of 3 acres per 1,000 population.

City staff noted that parks and recreation services are a cooperative arrangement in Indio, between the City and Desert Recreation District, and that the City is constantly working to acquire and develop new parklands, and increase opportunities for recreation services. The City also collects Quimby Fees through development that are used for the acquisition of new parklands.

The City's Community Services Department is responsible for providing recreation services in Indio. The Department has 2 full time equivalent personnel and manages all activities related to senior services, teen services, and special events.

Additionally, the Desert Recreation District provides parks and recreation services in the City. The District operates one community park, recreation center and aquatic center in Indio. The Desert Recreation District is the largest parks and recreation district in California, covering 1,800 square miles and serving more than 380,000 residents.

## **Library**

The City contracts with the County of Riverside, which provides library services in Indio. The County is responsible for providing reading materials, literacy programs, computers, and broadband access for residents of Indio. The Indio Branch Library is located at the Civic Center.

## **Museum**

The Coachella Valley History Museum provides museum services in Indio. The Museum is a historical campus that preserves the history and culture of the Indio area, including the Smiley-Tyler House, which was built in 1926, the Indio Schoolhouse, built in 1909, and the world's only Date Museum. The Museum is operated by the Coachella Valley Historical Society, which was formed in 1965 to fulfill the need of preserving culture for future generations. The Museum opened in 1985 and is primarily operated by volunteers.

## **Landscape Maintenance**

The City's Public Works Department Parks and Parkways Division provides landscape maintenance services in Indio. The Division has 3.6 full time equivalent personnel and is responsible for overseeing the operation and maintenance of all 52 Landscaping and Lighting Districts in Indio, including landscaped medians, right-of-way landscaping, tree maintenance, and public grounds of all City-owned facilities. The City's Landscaping and Lighting Districts are small dependent districts that receive a special property tax assessment, which provide funds for ongoing maintenance of landscape and lighting improvements.

## **Streets/Road Maintenance**

Streets and road maintenance services are provided by the City's Public Works Department Street Maintenance and Operations Division. The Streets Maintenance and Operations Division includes 13.1 full time equivalent personnel and maintains the City's public streets, sidewalks, dry wells, storm drains, road shoulders, and street signage.

## **Streetlights**

The City's Public Works Department Street Maintenance and Operations Division oversees operation and maintenance of the City's streetlights.

## **Utilities (Gas, Electric)**

Utility service is provided by Imperial Irrigation District and Southern California Gas Company in Indio. Imperial Irrigation District formed in 1911 and provides electricity and water service to Indio residents and businesses, and the Imperial Valley. Southern California Gas Company provides natural gas services to Indio.

Imperial Irrigation District's 99-year lease for power rights between Imperial Irrigation District and Coachella Valley Water District expires in 2033. Upon expiration of the 99-year lease, it is unclear whether publicly owned and managed electrical service would continue for customers of Imperial Irrigation District's service area. Various entities are working to address this issue. As a result of the approaching contract expiration, Imperial Irrigation District has neglected to expand capacity and maintain electrical infrastructure. The City is working with Imperial Irrigation District to extend the service contract.

The City is not a member of a Community Choice Aggregate. According to City staff, the rates offered by Imperial Irrigation District are lower than a Community Choice Aggregate would be able to offer.

## **Solid Waste**

Solid waste collection services in Indio are provided by Burrtec. Burrtec is a private solid waste disposal and recycling service provider that has been in operation since 1955. Additionally, the Riverside County Department of Waste Resources provides solid waste disposal and recycling services to Indio residents.

## **Storm Drainage**

Storm drainage services are provided jointly by the City's Public Works Department Street Maintenance and Operations Division and Coachella Valley Water District. The Street Maintenance and Operations Division oversees operations and maintenance of the City's storm drains, and NPDES permitting process. The Coachella Valley Water District provides for the development, maintenance, and operation of storm drains in Indio. The Coachella Valley Water

District is an independent special district that collects a special tax assessment and was formed in 1918 to provide water, wastewater, and storm water services to the region.

The 2005 MSR made the following determination about the City's storm drain system:

- The storm drainage system in the City was constructed over a period of time without the benefit of a master plan. As a result, portions of the storm drain system within had insufficient capacity to carry a 100-year flood event due to obstructions, under-sizing, and the general layout. The City was in the process of drafting a Stormwater Drainage Master Plan at the time of writing of the previous MSR.

According to City staff, the storm water drainage systems remain below-capacity. City staff noted that the City completed a Storm Drainage Master Plan in November 2019 designed to address storm water drainage system deficiencies.

### **Innovation and Technology**

The City's Information Technology Department provides innovation and technology services in the City. The Department is responsible for ensuring the City's information technology resources are effectively managed and used in improving organizational productivity, customer services, and public access to City information.

### **Airport**

Indio does not contain an airport. The nearest airports are the Palm Springs International Airport, located in Palm Springs, the Bermuda Dunes Airport, located in the unincorporated community of Bermuda Dunes, and the County-owned Jacqueline Cochran Regional Airport, which is a public-use airport located south of the City of Coachella.

## Extraterritorial Services Provided

The City does not provide any extraterritorial services outside of its incorporated City boundary. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS

The City's Capital Improvement Plan budget is developed each year along with the City's annual operating budget. Indio's current plans include improvements to bridges in the City and street rehabilitation.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD in January 2014, and HCD designated it in compliance with Housing Element Law.<sup>382</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports every year between 2013 and 2019.<sup>383</sup> The City's 5<sup>th</sup> Cycle housing needs and production are presented in Figure 279.

Figure 279: 5th Cycle Housing Element Summary - Indio

Indio 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	714	487	553	1,271
Permitted Units	84	0	1	1,457
Allocation Surplus/(Shortage)	(630)	(487)	(552)	186

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City permitted 1,542 housing units across all income categories during the 5<sup>th</sup> Cycle, but fell short of meeting its RHNA allocation in the very low-, low-, and moderate-income housing

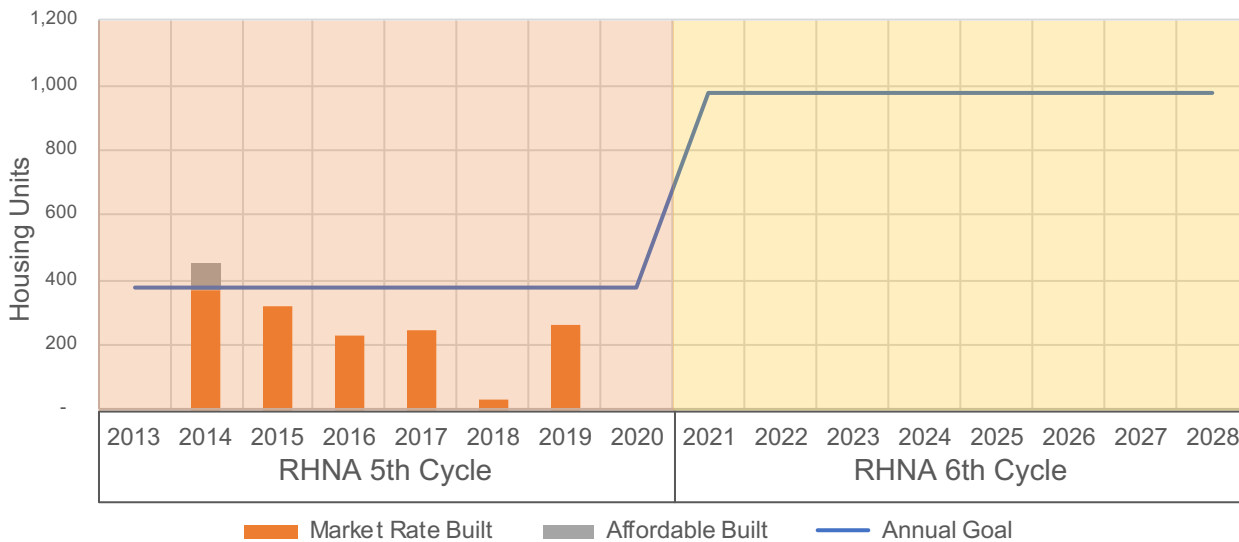
<sup>382</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Tracker," updated June 28, 2019

<sup>383</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020.

categories. The City had surplus progress on above-moderate income housing production, producing 186 units in excess of the RHNA requirement of 1,271 units. As a result, the City fell a combined 1,669 housing units short of meeting its RHNA allocation. With the 5<sup>th</sup> Cycle concluding soon, the City is not expected to produce enough units in the very low-, low-, and moderate-income categories to meet its RHNA allocation.

The 6<sup>th</sup> Cycle RHNA allocation increases to 7,793 total housing units, which is more than double the 5<sup>th</sup> Cycle RHNA allocation. During the 6<sup>th</sup> Cycle, the City's RHNA allocation annual goal, one-eighth of its 6<sup>th</sup> Cycle total, is 974 housing units. The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA allocations and the 5<sup>th</sup> Cycle historical unit production is presented in Figure 280.

Figure 280: 5th and 6th Cycle RHNA Allocation and Production - Indio



Indio is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at

least 10% affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>384</sup>

## FISCAL HEALTH

The City of Indio's fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor assessment is presented in the sections that follow. The City's net position, presented as annual revenues less expenditures in fiscal years 2016-17 through 2018-19, is illustrated in Figure 281. The City reported a \$13.5 million deficit in 2016-17, which represented about 16.4 percent of revenues at the time. In 2017-18 and 2018-19, the City had surpluses of \$4.0 and 11.7 million, respectively.

Figure 281: Net Position - Indio

Indio	2016-17	2017-18	2018-19
Total General Tax Revenues	\$47,343,821	\$57,541,638	\$61,618,107
Other Tax Revenues	2,288,576	2,785,340	2,488,872
Other Revenues	32,999,118	39,058,698	56,080,267
<b>Total Revenues</b>	<b>82,631,515</b>	<b>99,385,676</b>	<b>120,187,246</b>
Total Operating Expenditures	85,918,666	65,809,094	76,834,774
Debt Service	1,998,611	6,335,078	6,456,699
Capital Outlay	8,231,025	23,242,389	25,157,397
<b>Total Expenditures</b>	<b>96,148,302</b>	<b>95,386,561</b>	<b>108,448,870</b>
<b>Net Position</b>	<b>(\$13,516,787)</b>	<b>\$3,999,115</b>	<b>\$11,738,376</b>

Source: California State Controller's Office

## Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates

<sup>384</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"



of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

## Operating Revenues

The City's revenues, inclusive of tax revenues and non-tax revenues for fiscal years 2016-17 through 2018-19 are presented in Figure 282. The City's total revenues increased to \$120.2 million in 2018-19.

Figure 282: Operating Revenue History - Indio

Indio	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$7,350,148	\$7,740,227	\$8,343,004
Sales Tax	13,132,400	22,076,408	24,503,228
Transient Occupancy Tax	6,298,367	6,760,340	7,768,004
Property Tax in-lieu of VLF	8,583,378	8,951,786	9,418,768
Franchise Tax	2,424,339	2,466,269	2,453,482
Business License Tax	648,133	621,513	657,028
Property Transfer Tax	372,131	412,394	455,256
Utility User Tax	8,534,925	8,512,701	8,019,337
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>47,343,821</b>	<b>57,541,638</b>	<b>61,618,107</b>
Transportation Tax	1,841,834	2,316,583	2,488,872
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	446,742	468,757	-
<b>Total Tax Revenues</b>	<b>49,632,397</b>	<b>60,326,978</b>	<b>64,106,979</b>
Charges for Services	8,089,831	6,029,652	10,185,707
Special Benefit Assessments	4,291,301	4,553,252	4,884,230
Use of Money	1,551,990	1,039,211	2,165,736
Fines and Forfeitures	594,636	464,066	544,586
Licenses and Permits	2,782,257	2,562,238	2,094,725
Intergovernmental	8,606,584	13,335,676	9,995,956
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	7,082,519	11,074,603	26,209,327
<b>Total Revenues</b>	<b>\$82,631,515</b>	<b>\$99,385,676</b>	<b>\$120,187,246</b>

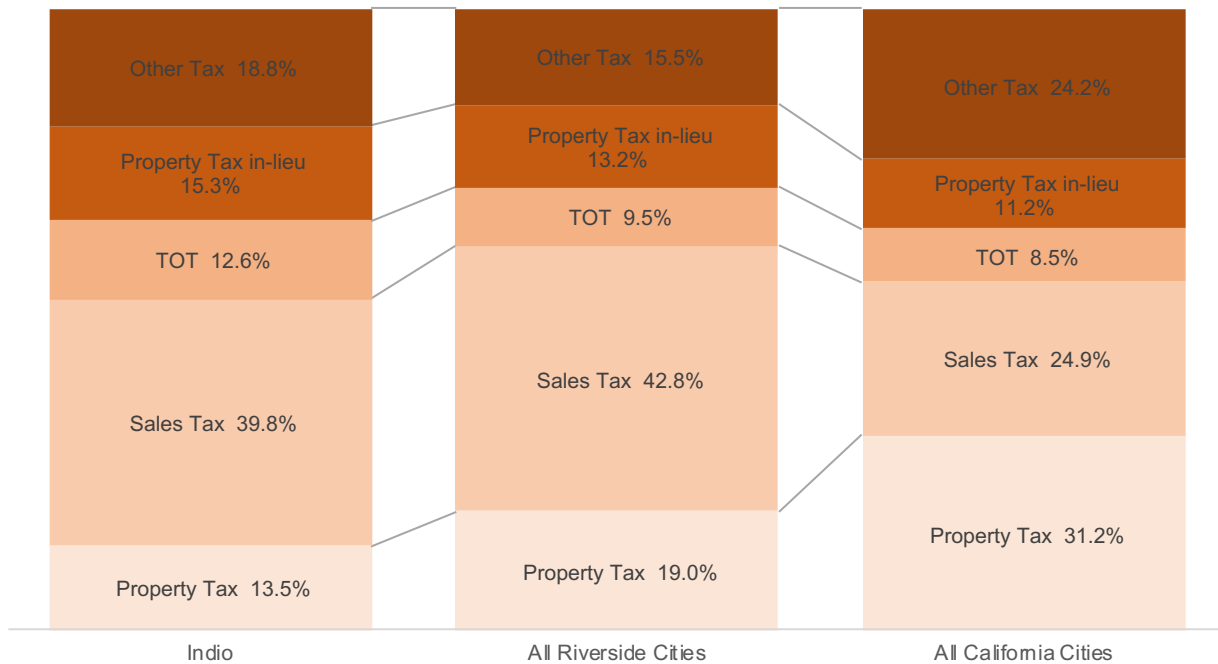
Source: California State Controller's Office

The City has a diverse general tax revenue base, with general tax revenues accounting for \$61.6 million in 2018-19, or about 51.3 percent of total revenues. The City's three (3) largest revenue

sources account for just 68.6 percent of the City’s general tax revenues, including sales tax (39.8 percent of general tax revenues, inclusive of Measure X transactions and use tax), property tax in-lieu of VLF (15.3 percent), and property tax (13.5 percent). In 2018-19, the City’s largest non-tax revenue sources were miscellaneous revenues (\$26.2 million), charges for services (\$10.2 million) and intergovernmental revenues (\$10.0 million).

The City’s revenue sources are generally aligned with the revenue sources for the average Riverside County and California city. The main exception is property tax, which accounts for 13.5 percent of the City’s general tax revenues, and is slightly below average when compared to Riverside County (19.0 percent) and California (31.2 percent) cities. The City’s general tax revenues, compared to all Riverside County and California cities, are presented in Figure 283.

Figure 283: General Tax Revenue Comparison - Indio



### Sales Tax, Measure X

Sales tax is the City’s single largest general tax revenue, accounting for 39.8 percent of all general tax revenues, or about \$24.5 million in 2018-19. Sales tax is derived from one percent of gross receipts from the sale of tangible personal property sold within Indio.

The City's sales tax revenues increased from \$13.1 million in 2016-17 to \$22.1 million in 2017-18 because the City's Measure X transaction and use tax was approved by voters in 2016 and effectively doubled the sales tax collections. Measure X was approved by over 73 percent of voters as a general tax for the purposes of maintaining emergency response times, police enforcement programs, increasing police patrols, improving water quality, fixing infrastructure, and other City service enhancements.<sup>385</sup>

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's second- and third-largest revenue sources are property tax in lieu of VLF and property tax, respectively, accounting for a combined 28.8 percent of general tax revenues, or \$17.7 million in 2018-19. Property tax is assessed on Indio's land, improvements, and personal property, which combined for a total assessed value of \$8.4 billion in 2018-19. The City's land assessed value amounted to almost \$2.6 billion, and improvement value totaled \$5.9 billion (2018-19). The City's \$8.3 million in property tax revenue represents about 10.0 percent of property tax revenues collected in Indio, and is slightly below average for cities in Riverside County.<sup>386</sup>

Property tax in-lieu of VLF accounted for \$9.4 million in general tax revenues in 2018-19, or about 15.3 percent of general tax revenues. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increases based on assessed valuation growth in the jurisdiction.

The City of Indio and County of Riverside have a mutually adopted Master Property Tax Exchange Agreement in place, which was adopted in 1981.<sup>387</sup>

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<sup>385</sup> Source: Ballotpedia, Indio, California, Sales Tax, Measure X (November 2016)

<sup>386</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>387</sup> Source: Riverside LAFCO

## **Miscellaneous Revenues**

The City reported \$26.2 million in miscellaneous revenues in 2018-19, which represented 21.8 percent of total revenues. In 2018-19, miscellaneous revenues included funds collected from developer participation, unspecified intergovernmental sources, and other sources.

## **Charges for Services**

Indio collected almost \$10.2 million in 2018-19 as charges for services. Charges for services include fees collected for zoning fees, special police department services, special fire department services, plan check fees, engineering and inspection fees, solid waste revenues, first aid and ambulance charges, and other unspecified charges for services. The largest charge for service categories were special police department services (\$5.6 million), and first aid and ambulance changes (\$1.3 million).

## **Intergovernmental Revenues**

Intergovernmental revenues are derived from County, State, and Federal sources, and represented about \$10.0 million in 2018-19. The City's largest intergovernmental revenue sources in 2018-19 were gasoline tax (\$3.4 million), other unspecified County grants (\$3.6 million), and other unspecified State grants (\$1.5 million).

## **Operating Expenditures**

The City's operating expenditures ranged from \$96.1 million in 2016-17 to \$108.4 million in 2018-19. The City's annual operating expenditures are categorized by function and presented in Figure 284.

Figure 284: Operating Expenditures - Indio

Indio	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$16,637,469	\$17,855,546	\$19,578,119
Employee Benefits	7,862,322	8,665,880	9,797,078
Materials and Supplies	12,572,003	11,540,492	12,219,370
Contract Services	29,618,307	27,747,176	35,240,207
Other Operating Expenditures	19,228,565	-	-
<b>Total Operating Expenditures</b>	<b>85,918,666</b>	<b>65,809,094</b>	<b>76,834,774</b>
Debt Service	1,998,611	6,335,078	6,456,699
Capital Outlay	8,231,025	23,242,389	25,157,397
<b>Total Expenditures</b>	<b>\$96,148,302</b>	<b>\$95,386,561</b>	<b>\$108,448,870</b>

Source: California State Controller's Office

The City's largest operating expenditure categories in 2018-19 included contract services (\$35.2 million), capital outlay (\$25.2 million), and salaries and wages (\$19.6 million). About \$20.9 million was expended on private contractors and \$14.3 million was expended via contracts with other government agencies, such as Riverside County Fire Department/CalFire. Contract service expenditures increased at an annual rate of 9.1 percent between 2016-17 and 2018-19, and represented 32.5 percent of operating expenditures. In comparison, the average city in Riverside County expends 28.3 percent of operating expenditures on contract services, and the average California city expends 11.9 percent of operating expenditures on contract services.

The City's overall current expenditures increased at a rate of 6.2 percent annually between 2016-17 and 2018-19, which is notably slower than the 14.1 percent annualized increase in general tax revenues over the same period. Of course, the rate of general tax revenue increases is largely attributed to the increase in the sales tax rate under Measure X. The City's current expenditures according to function are presented in Figure 285.

Figure 285: Current Expenditures - Indio

Indio	2016-17	2017-18	2018-19
General Government	\$24,233,695	\$5,573,788	\$5,460,825
Public Safety	38,995,842	40,763,835	44,870,202
Transportation	8,497,212	5,905,146	13,496,847
Community Development	10,140,843	9,063,508	8,070,792
Health	-	-	354,254
Culture and Leisure	4,051,074	4,502,817	4,581,854
Public Utilities	-	-	-
Debt Service	1,998,611	6,335,078	6,456,699
Capital Outlay	8,231,025	23,242,389	25,157,397
<b>Total Current Expenditures</b>	<b>\$96,148,302</b>	<b>\$95,386,561</b>	<b>\$108,448,870</b>

Source: California State Controller's Office

About 41.4 percent of current expenditures were spent on public safety programs in 2018-19, or about \$44.8 million. The largest public safety expenditures included law enforcement (\$28.5 million), and fire protection (\$10.9 million) in 2018-19. The balance of public safety expenditures was on emergency medical services, animal regulation, street lighting, disaster preparedness, and other unspecified public safety services. Public safety expenditures increased by an annual rate of 7.3 percent between 2016-17 and 2018-19.

### Reserve Fund Balance

The City aims to set aside a reserve equivalent to at least 15 percent of general revenues. In 2020-21, budgeted general revenues were \$72.5 million, meaning the target reserve amount is about \$10.9 million. The City's 2020-21 Budget outlines a year-end reserve balance of about \$5.5 million, or about which is well-below the City's 15 percent reserve goal. The City did budget for a \$6.5 million draw from reserves to maintain 2019-20 service delivery through 2020-21 as a result of the COVID-19 pandemic.<sup>388</sup>

### Pension and OPEB Obligations

The City's pension and OPEB obligations are outlined in Figure 286.

<sup>388</sup> Source: City of Indio, 2019-20 Budget

Figure 286: Pension and OPEB Obligations - Indio

Indio	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$66,126,814	\$64,825,268	\$67,533,711
Total OPEB Liability/(Surplus)	37,045,900	50,465,790	51,768,946
Total Benefit Liability/(Surplus)	\$103,172,714	\$115,291,058	\$119,302,657

Source: 2017-18, 2018-19 and 2019-20 ACFR

Qualifying City of Indio employees are eligible to participate in either of the Miscellaneous or Safety Plan. Both plans are multiple-employer cost-sharing defined benefit pension plans providing retirement, disability, and death benefits. The Miscellaneous Plan covers general City staff while the Safety Plan covers the City's law enforcement and public safety staff. Eligible staff may also participate in the City's OPEB policy, which provides medical/prescription drug coverage to current and retired employees. In 2019-20, the City had \$67.5 and 51.8 million in pension and OPEB liabilities, for a combined \$119.3 million total benefit liability.

Between 2017-18 and 2019-20, the City's total benefit liability increased at an annualized rate of 7.5 percent. However, according to City staff, the current debt and pension costs are not unmanageable and pension and OPEB levels are expected to decline in the next few years. The City has already made pension and OPEB policy changes to counterbalance the rising burden, and is also considering a pension bond issue.

The City's pension indicators are presented in Figure 287, including the City's employer contribution compared to the actuarially determined contribution, the City's total covered payroll, and the contribution rate as a percent of covered payroll. These indicators give insight into the City's pension plan health.

Figure 287: Pension Indicators - Indio

Indio	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$6,010,075	\$7,094,896	\$7,670,529
Employer Contribution	6,010,075	7,094,896	7,670,529
Covered Payroll	\$18,548,869	\$19,964,310	\$16,676,676
Employer Contribution Rate	32.4%	35.5%	46.0%

Source: 2017-18, 2018-19 and 2019-20 ACFR



Over the three (3) year period, the City made employer contributions equivalent to the actuarially determined contributions. The City's employer contribution rate increased from 32.4 to 46.0 percent during the same time frame, partially as a result of increased employer contributions and decreases to covered payroll. The employer contribution rate was above average when compared to other Riverside County cities, which ranged from 26 to 32 percent during the same time frame.

### **California State Auditor Fiscal Health Evaluation**

The City of Indio ranked 95 out of 471 jurisdictions and received an overall risk rating of moderate. The City is considered higher risk than 376 peer cities in California, or about 80 percent of cities. The City received low risk ratings on two (2) indicators, including liquidity and OPEB obligations. Five (5) indicators were given moderate risk ratings, including debt burden, general fund reserves, pension obligations, pension costs, and future pension costs. Three (3) indicators scored high-risk ratings, including revenue trends, pension funding, and OPEB funding.<sup>389</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Indio are presented by topic below:

### **1. Population, Growth, and Housing**

Indio's population grew at an annual pace of 1.4 percent, which is in excess of County-wide average of 1.1 percent annually over the last decade. During the same time frame the City increased its housing inventory at an annual rate of 1.2 percent. In 2020, the City's housing inventory was disproportionately skewed towards single-family and mobile-home housing units. While the City produced 1,542 housing units during the 5th Cycle, it fell short of meeting its 5th Cycle RHNA allocation (3,025 units) and will have a 6th Cycle RHNA allocation of 7,793 housing units.

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<sup>389</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

## **2. Disadvantaged Unincorporated Communities in SOI**

The Indio SOI contains one DUC known as the Carver Tract.

## **3. Present and Planned Capacity of Facilities**

With the voter-approval of Measure X sales tax increase in 2016, the City's streets and road infrastructure is improving. Still, City staff indicated that there are deficiencies in storm water drainage, which largely relies on natural storm water flows, and aging and inadequate electricity infrastructure as a result of an approaching contract expiration with Imperial Irrigation District. While the City is currently working towards a resolution with Imperial Irrigation District, RSG recommends that LAFCO monitor this situation closely.

## **4. Financial Ability to Provide Services**

As previously mentioned, the City's voters approved Measure X, which effectively doubled the City's sales tax revenues in 2017-18, and provided the City with the resources it needed to expand services. The COVID-19 pandemic had an impact on the City's financial position, but the City was able to budget for the losses by utilizing a portion of its reserves.

## **5. Opportunities for Shared Facilities**

The City owns its library and fire stations, which are shared with contract service providers. City staff did not identify any additional opportunities for shared facilities.

## **6. Accountability for Community Service Needs**

The City Council is elected according to a district map, which increases representation throughout the community. The City shares information and communicates with the public through at least three (3) different social media networks and keeps updated calendars of events and notifications on the City website.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

The City is interested in making several changes to the unincorporated portions of its southern boundary, including annexation of pocket P15 (the “Carver Tract”). There are ongoing discussions about the future SOI and corporate boundaries of Indio and Coachella in pocket P7, and current provision of services to this area may help define this boundary. The City also expressed interest in a sphere reduction in Pocket P14 (south of Dillon Road), citing historical issues with maintenance of infrastructure on tribally owned lands. City staff indicated that the Dillon Road Focus Area within Pocket P14 would be included in the Coachella SOI based on previous communications with the City of Coachella. The Dillon Road Focus Area is illustrated in Exhibit 45.

Two (2) small areas within the Indio SOI in Pocket P29 are proposed to be detached from the Indio SOI and added to the Palm Desert SOI in a corresponding change. The two (2) areas in Pocket P29 are primarily accessible from the existing Sun City community in the adjacent Palm Desert SOI. RSG’s recommendations related to the Indio SOI are presented by topic below.

### **1. Present and Planned Land Uses**

Large portions of the City’s expansive northern SOI overlap with Multiple Species Habitat Conservation Plan areas, which are undevelopable habitat reserves.

### **2. Present and Probable Need for Public Facility and Services**

With future projected population growth, the City’s public facilities and services will need to grow accordingly over the next 15 to 25 years. If the City’s pension and OPEB liabilities continue to grow, the City may have issues delivering services and maintaining or expanding

facilities for the growing population. Much of this growth will occur in the City's incorporated boundary as much of the SOI overlaps the above-mentioned Multiple Species Habitat Conservation Plan areas. The Indio SOI and MSHCP areas are illustrated in Exhibit 43.

### **3. Present Capacity of Public Facilities**

The City of Indio does not provide services in the SOI. City staff indicated that the SOI lacks adequate storm water drainage and wastewater facilities.

### **4. Social or Economic Communities of Interest**

The Indio SOI overlaps Cabazon and Twenty-Nine Palms Tribal lands. Pocket P7 is within the Vista Santa Rosa Community Council boundaries.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The City does not provide services to the unincorporated SOI, but is discussing plans to annex areas that include DUC(s). The City recognizes that these areas have substantial infrastructure deficiencies.

The City is interested in annexation of Pocket P15 in the Indio SOI.

## CITY OF LA QUINTA

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The City of La Quinta is a charter city that was incorporated in 1982<sup>390</sup>, making it one of the newer cities in the County and has a population of 40,660<sup>391</sup>. The City's incorporated area includes 35 square miles<sup>392</sup> and is bounded by the cities of Palm Desert and unincorporated County to the north, Indio and unincorporated County to the east, unincorporated County to the south, and Indian Wells and unincorporated County to the west. La Quinta city limits span a total of 35.3 square miles and has an unincorporated SOI of approximately 12.7 square miles. The 12.7 square miles of unincorporated SOI areas include one large area to the southeast of the City, and one small area to the north of the City.

Figure 288 presents a demographic profile for La Quinta.

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<sup>390</sup> Source: City of La Quinta website, accessed January 14, 2021

<sup>391</sup> Source: California Department of Finance, City/County Population Estimates with Annual Percent Change, dated May 1, 2020

<sup>392</sup> Source: City of La Quinta website "History of La Quinta" accessed January 14, 2021

Figure 288: Demographic Profile - La Quinta

La Quinta	City	SOI	County
Population as of 2020	40,660	2,664	2,442,304
Population as of 2010	37,467	2,464	2,189,641
Annual Pop. Growth Since 2010	0.82%	0.78%	1.10%
Housing Units	24,957	795	867,637
Persons / Housing Unit	1.63	3.35	2.81
Land Area (sq mi)	35.3	12.7	7,206.0
Persons / Square Mile	1,153	210	339
Median Household Income	\$87,208	\$72,358	\$67,369
Projected Population in 2035	45,034		2,995,509
Annual Proj. Growth 2020-2035	0.68%		1.37%
Projected Population in 2045	47,662		3,251,705
Annual Proj. Growth 2020-2045	1.06%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

As illustrated in Figure 288, La Quinta's population density is 1,153 persons per square mile. This is relatively low compared to an average population density across all Riverside County cities of 2,347. Population growth between 2010 and 2020 was also low in La Quinta when compared to County-wide growth, and SCAG projects moderate to low growth through 2035 and 2045. In order to accommodate a projected 7,000 additional residents over the next 25 years, La Quinta will require substantial increases in housing development.

The City includes a variety of land uses, including residential, planned residential, commercial retail, neighborhood-serving commercial, and hospitality. The City's residential units are disproportionately skewed towards single-family detached housing. Areas of the La Quinta SOI that are agricultural land uses are illustrated in Exhibit 47.

As shown in Figure 289, La Quinta has approximately 24,957 residential units, of which over 77 percent are single-family dwellings. Since 2010, La Quinta has seen the number of new units

increase by 1,468, or 0.6 percent annually. La Quinta also has over 4.2 million square feet of commercial buildings, of which retail is the largest share at over 89 percent of the total.

Figure 289: Land Use Summary - La Quinta

La Quinta		County	
Residential Units	Units	%	%
Single Family	19,423	77.8%	54.8%
Multifamily	5,303	21.2%	43.6%
Mobile Home	231	0.9%	1.6%
Total Units	24,957	100.0%	100.0%
New Units Since 2010	1,468		
Commercial	Gross SF	%	%
Retail	3,798,578	89.2%	26.6%
Industrial	9,176	0.2%	61.8%
Office	449,713	10.6%	9.6%
Other	-	0.0%	2.0%
Total	4,257,467	100.0%	100.0%
New Commercial Since 2010	733,926		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

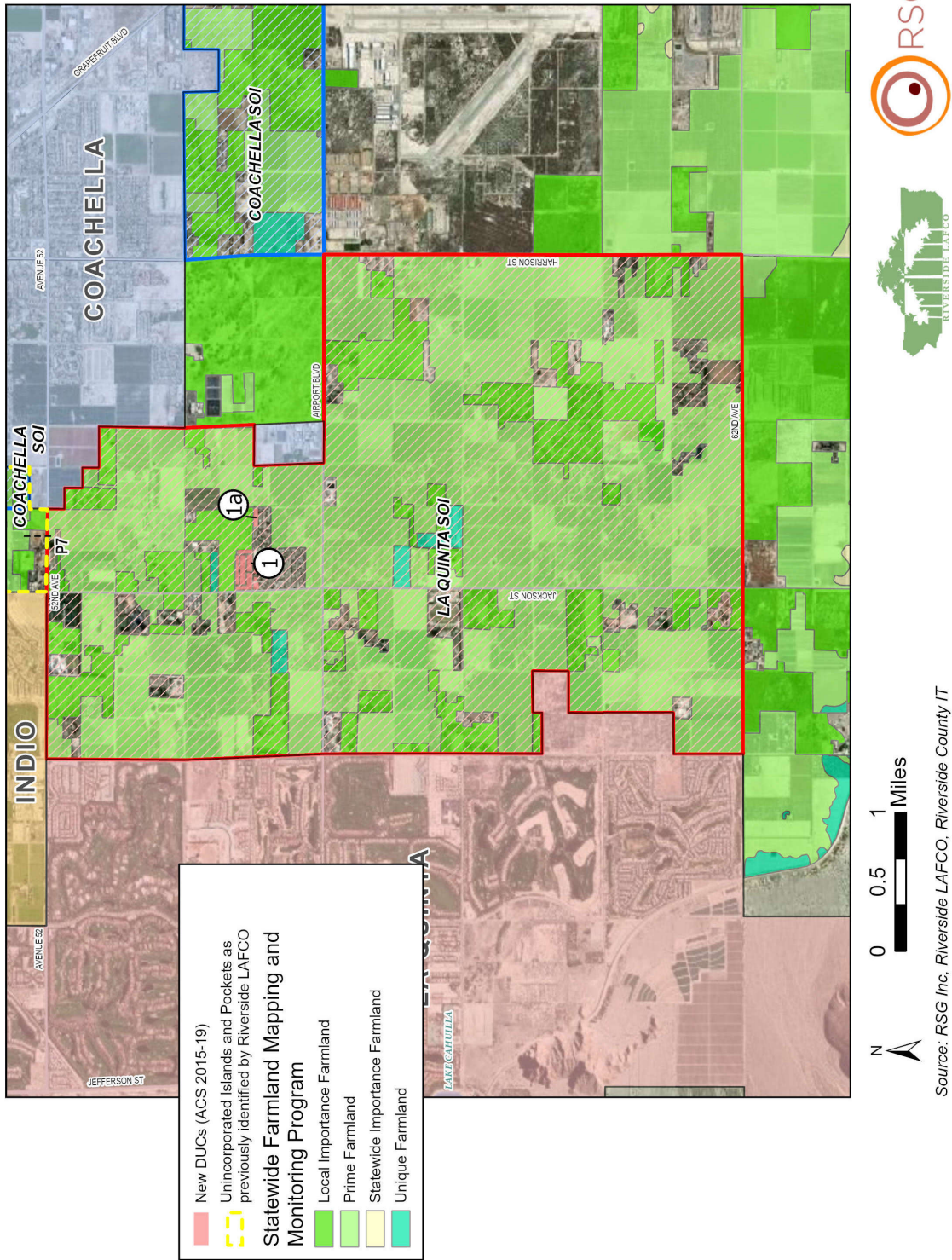
La Quinta has 1,382 businesses, and 13,556 employed persons<sup>393</sup>. The largest employers in La Quinta include Desert Sands Unified School District (2,852 employees), La Quinta Resort and Club/PGA West (1,412 employees), Wal-Mart Super Center (300 employees), Costco (290 employees), Home Depot (212 employees), Target (180 employees), Lowes Home Improvement (150 employees), Imperial Irrigation District (134 employees), In N Out (84 employees), and Vons (83 employees). Seven (7) of the ten largest employers listed are engaged in retail, food service and grocery. One of the most significant changes over the last ten years is the reduction in Golf Resort employment – in 2010, five (5) of the top ten employers were Golf Resort businesses.

<sup>393</sup> ESRI Business Analyst Online



Exhibit 47: Farmland in the La Quinta SOI - La Quinta

**City of La Quinta:  
Farmland in the Sphere of Influence**



## CURRENT SPHERE OF INFLUENCE

LAFCO's adopted La Quinta SOI encompasses an area of approximately 47.9 square miles consisting of the 35.3 square mile city limits and a 12.7 square mile unincorporated SOI that includes portions of unincorporated areas on Darby Road to the North of the City, and a large unincorporated area to the East of the City, extending to the Jacqueline Cochran Regional Airport, the one-square-mile Augustine Reservation, home of the Federally recognized Augustine Band of the Cahuilla Indians, and the City of Coachella.

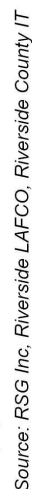
Approximately 2,664 persons reside in the La Quinta unincorporated SOI, compared to 40,660 within the City limits. The La Quinta SOI contains two (2) LAFCO-designated DUCs, illustrated in Exhibit 48 and discussed below. The La Quinta SOI is sparsely populated, with just 210 persons per square mile compared to La Quinta's 1,153 persons per square mile. While the unincorporated La Quinta SOI has a higher median income than the County, the median household income in the SOI is approximately 17 percent lower than the incorporated La Quinta median household income.

- DUC1 is generally located northeast of the intersection of Jackson Street and 55<sup>th</sup> Avenue. This DUC is a small single-family subdivision. This area is commonly known as Vista Santa Rosa.
- DUC1a, also commonly known as Vista Santa Rosa, is generally located southwest of the intersection of Calhoun Street and 55<sup>th</sup> Avenue.

La Quinta's boundary was previously studied and reconfirmed in the May 2005 Southern Coachella Valley MSR (LAFCO 2004-61-4). The 2005 MSR made determinations regarding streets and roads, law enforcement, and parks and recreation. These determinations are described later in the MSR.



## City of La Quinta and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City of La Quinta City Charter established a municipal government colloquially known as a “Council – Manager” form of government. In 2016, the City elects a City Council using an “at-large” election structure. The City Council consists of five (5) members elected at-large to four (4) year terms. Voters also elect a Mayor to a two (2) year term.

The City Council is responsible for appointing a City Manager and City Attorney. The City Manager is the head of the administrative branch of the City Government and reports to the City Council. The City Council also serves as the Board of Directors for the Financing Authority, Successor Agency, Housing Authority, and as the legislative authority for the La Quinta Lighting and Landscape District.

Several boards and commissions carry out assignments at the request of the City Council, including the Community Services Commission, Construction Board of Appeals, Housing Commission, Financial Advisory Commission, Planning Commission, and Short-Term Vacation Rental Ad-Hoc Committee.<sup>394</sup>

The City Manager oversees the day-to-day operations of the City, including a General Fund budget of \$47.9 million in 2020-21 and a total of 85 full time positions and 11 part time positions.<sup>395</sup> The City contracts out fire suppression and law enforcement, and provides a most other services internally, including planning, code enforcement, and public works.

## SERVICES PROVIDED

The City of La Quinta city staff provides general government, community resources (such as wellness center operations and recreation programs), public works, planning and building

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<sup>394</sup> City of La Quinta website, Boards, Commissions and Committees accessed January 14, 2021

<sup>395</sup> La Quinta 2020-21 Adopted Budget

services. The following section describes municipal services provided within La Quinta and identifies the service provider.

Figure 290 presents a matrix summarizing the services provided by La Quinta including the department or contractor/franchisee responsible for doing so.

Figure 290: Service Provider Matrix – La Quinta

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Design and Development										
Housing	Housing Authority										
Code Enforcement	Code Compliance Division										
Animal Control	Animal Services										
Parks and Recreation	Public Works, Desert Recreation										
Library	Library and Museum Fund, Library System										
Museum	Library and Museum Fund, Riverside County										
Landscape Maintenance	Public Works, LLF, CSA										
Streets/Road Maintenance	Public Works, Transportation Dept CSA										
Streetlights	CSA										
Lighting	LLF										
Utilities	Imperial Irrigation, So Cal Gas										
Solid Waste	Burrtec										
Stormwater Drainage	City Gas Tax Fund, CVWD										
Innovation and Technology	Private Contractor, Charter, Frontier										
Airport	N/A										
Cemetery *	Coachella Valley Public Cemetery District										
Healthcare *	N/A										
Water *	Coachella Valley Water District										
Wastewater *	N/A										

\* Not included in this MSR

## Government Services

General government services are primarily provided by elected officials and city management. The City Manager's and City Clerk's offices include 12 full time equivalent personnel. The City Manager serves as the chief executive officer of the City and is tasked with ensuring the effective delivery of municipal services, and oversees the operation of all City departments, programs and services, including financial oversight, executive level leadership, public information, legislative advocacy, public safety, grants coordination, and responses to citizen concerns.

The City Clerk's office is responsible for preparing and distributing City Council agendas, maintaining accurate records and history of City Council actions, ensuring storage of the City's official records and archives, and providing records and legislative research for City departments and the public.

## **Law Enforcement**

La Quinta has contracted with the Riverside County Sheriff's Department for law enforcement services since the City was founded in 1982. Contract services include investigations, special enforcement, school resources, traffic enforcement and patrols, community services, crime prevention, and administration of the volunteer program and Explorer youth program. Additionally, La Quinta has access to the resources of the Riverside County Sheriff, the fourth largest law enforcement agency in the State, which provides law enforcement services to 13 cities in Riverside County. The level of service is set by the Council and City Manager to meet the needs of the community.

The 2005 MSR presented the following finding for law enforcement services in La Quinta:

- The operations at the time of the 2005 MSR had far outgrown the existing facility. Due to this and the projected growth within the area, the Department was in the process of expanding infrastructure to meet service demands.

According to City staff, the County of Riverside completed the Thermal Sheriff's Station in 2012, which is a 77,000 square foot facility that enables the Sheriff to provide law enforcement services to several communities, including La Quinta.

## **Fire Protection**

La Quinta contracts with the Riverside County Fire Department/CalFire for fire protection and prevention services. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection



and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

Fire Stations 32, 70 and 93 are located within the City of La Quinta. The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

### **Emergency Medical**

The Riverside County Fire Department/CalFire provides emergency medical services in La Quinta. Refer to the previous Fire Protection section for additional information about the Riverside County Fire Department/CalFire.

### **Building/Planning and Housing (Community Development)**

La Quinta's Design and Development department provides building, planning, permitting, engineering, and drainage services. The department includes 18 full time equivalent personnel, inclusive of 5 full time equivalent building personnel and 3 full time equivalent planning personnel. Additionally, building and planning contract for plan check and professional services in the amount of \$100,000 and \$80,000 respectively.

The building division is responsible for the administration and enforcement of building codes and ordinances for construction, use and occupancy. Services provided by the building division include plan check, issuance of permits, inspections for new construction, remodels, additions, and demolition of existing residential and commercial structures in the City. The planning division oversees enhancement of well-being for residents, businesses, property owners, and visitors to the City. Services provided by the planning division include entitlement processing, advanced planning, historic preservation, updates to the La Quinta zoning code and General Plan



## **Code Enforcement**

La Quinta's Code Enforcement division operates within the Community Resources department. The Code Enforcements division provides code enforcement, violation investigation, and issues violations of the City's municipal codes. The divisions investigation and inspection services include vehicle abatement, parking violations, blight and nuisance, vector control, weed abatement, illegal construction, illegal dumping, and other code violations.

## **Animal Control**

La Quinta contracts with the Riverside County Department of Animal Services for pick-up of stray or confined animals, dead animal removal, humane, dangerous, nuisance, or permit investigations, leash law enforcement, wild animal trapping and removal, patrol of parks and other areas of concern, and other animal related issues.

## **Parks and Recreation**

La Quinta's Public Works department is responsible for parks maintenance. City parks are maintained by the Public Works maintenance and operations parks and landscape division. Permanent full time personnel within the parks maintenance division includes seven (7) staff members that are also 50% funded by the lighting and landscape fund.

The Desert Recreation District provides parks and recreation services within La Quinta. The Desert Recreation District is the largest park and recreation district in California, covering 1,800 square miles in the Coachella Valley and serving more than 380,000 residents.

Riverside County Regional Parks and Open Space District provides parks and recreation services in La Quinta. La Quinta falls into the Regional Parks and Open Space District's Western Coachella Valley Area Plan, which includes 658 square miles and over 419 miles of planned trails. In La Quinta, the District manages Lake Cahuilla Veterans Regional Park and campground.

The 2005 MSR made the following determination about parks and recreation service provisions:

- The provision of recreational services by both the City and CVRPD appear to be an overlapping provision of service within the community. Provision of service may be more efficient if one agency provided all recreation services within the community.

According to City staff, the City provides efficient and effective recreation services to the community, including operation of a fitness center, community programs, events, library, museum, makerspace, sports leagues, pool services, cultural arts programs, and nutrition and fitness programs. While the Desert Recreation District overlaps the City, the City coordinates with the District on a regular basis to identify efficient and expanded service allocation and to avoid duplication of services.

### **Library**

La Quinta's Community Resources department oversees the library and museum fund, which partially supports the salaries of four (4) full time personnel. Otherwise, the City contracts with the County of Riverside for library services and museum facility operations. The La Quinta library located in the City's Civic Center, also offers the Creation Station Maker Space, a facility open to La Quinta residents on annual membership basis, that provides access to training and equipment, including 3D printing, electronics, laser cutting, sewing, computer aided drafting and hand tools. The Maker Space is also operated under contract with the County of Riverside.

### **Museum**

The La Quinta Museum is owned and maintained by La Quinta, with funding coming from the library and museum fund. The City contracts with the County of Riverside for staffing and operations of the museum.

### **Landscape Maintenance**

La Quinta's Lighting and Landscape District (No. 89-1), a small dependent district that receives a special property tax assessment, provides landscape maintenance services throughout the City. Six (6) permanent full-time personnel are partially funded by the Lighting and Landscape fund and oversee landscaping services under a citywide landscaping contract.

## **Streets/Road Maintenance**

La Quinta's Public Works department oversees capital improvement projects, including landscaping, sidewalk, parking lot, parks, infrastructure, and street improvements. The Maintenance and Operations division provides street and storm water maintenance, traffic operations maintenance, parks maintenance, facilities and fleet maintenance, and lighting and landscape assessment district services. Traffic operations includes maintaining traffic collision data, preparing speed limit studies, maintaining the traffic signal master plan, and preparation of the annual traffic safety report. The division also provides maintenance of city-owned buildings, including the Civic Center, City Hall, Fire Stations 32, 70 and 93, La Quinta Community Park, La Quinta Library, La Quinta Museum, and the Wellness Center.

The 2005 MSR made the following determinations about La Quinta's streets and roads:

- For peak operating periods, level of service "D" was considered by the City to be the generally acceptable level of service. To maintain adequate service levels, the City will need to implement roadway improvements and upgrades as growth occurs.
- At the time of the 2005 MSR, the City only had a partially developed system of sidewalks and bicycle lanes. There is a need to fill in linkages and gaps in the existing system.

The City's implementation of the Capital Improvement Program has included roadway improvements and upgrades. Additionally, new developments are approved conditionally on road improvements. The City has added new bicycle and golf cart lanes alongside street and road improvements and pavement projects where road widths can accommodate the new lanes.

## **Streetlights**

La Quinta's Lighting and Landscape District (No. 89-1) is coterminous with the boundaries of the City and operates as a small dependent district. The City collects annual levies and special assessments in order to provide and maintain facilities, improvements, and services within the district pursuant to the Landscaping and Lighting Act of 1972. The City is authorized to oversee the installation and construction of public lighting facilities and facilities that are necessary or

convenient for the maintenance or service, provide ongoing maintenance and service to lighting facilities and appurtenant facilities, and acquisition of existing lighting and landscaping improvements within the district boundaries.<sup>396</sup>

### **Utilities (Gas, Electric)**

The Imperial Irrigation District operates as a large independent district, providing electricity services in La Quinta. Imperial Irrigation District's 99-year lease for power rights between Imperial Irrigation District and Coachella Valley Water District expires in 2033. Upon expiration of the 99-year lease, it is unclear whether publicly owned and managed electrical service would continue for customers of Imperial Irrigation District's service area. Various entities are working to address this issue.

Southern California Gas Company provides natural gas services in La Quinta.

Cities in Riverside County are at varying stages of evaluating Community Choice Aggregates for the provision of electricity services. La Quinta is eligible for formation of a Community Choice Aggregate but has not taken any steps towards evaluation or implementation.

### **Solid Waste**

La Quinta has a franchise agreement with Burrtec Waste Industries Inc for solid waste collection. Burrtec services residential waste collection and recycling, commercial waste collection and recycling, roll-off services, construction and demolition waste collection, portable restrooms, special events, temporary bin rentals, temporary roll-off rentals, and concrete washout. Burrtec has been in operation since 1955.

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<sup>396</sup> City of La Quinta Street Lighting and Landscape District No 89-1 Engineer's Report

## **Storm Drainage**

Storm drainage services are provided by Coachella Valley Water District, with support from the City of La Quinta. La Quinta's Gas Tax/Streets Fund is a restricted fund dedicated to the maintenance of and improvements to the City's streets, traffic control, and storm drains. Coachella Valley Water District was formed in 1918 to protect and conserve the Coachella Valley's water resources. A large independent district, the Coachella Valley Water District provides a range of services, including irrigation and domestic drinking water, collection and recycling of wastewater, regional storm water protection, groundwater basin replenishment, and water conservation services.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables. City staff noted that County Service Area 152 provides an annual tax assessment of \$9.98 per unit, with annual revenues of approximately \$300,000. Funds are held with the County until the City submits statements for reimbursements.

## **Innovation and Technology**

La Quinta has franchise agreements with Charter Cable and Frontier Cable to provide cable broadband, television and telephone services within the City. La Quinta contracts with a private contractor for internal information technology services.

## **Airport**

Neither La Quinta's city boundary nor SOI contains an airport. The nearest airport is immediately to the east of the City's northern SOI extent – the Bermuda Dunes Airport (Crown Aero), located at 79880 Avenue 42. Additionally, the Jacqueline Cochran Regional Airport is located east of the La Quinta SOI.

## **Extraterritorial Services Provided**

City staff did not indicate that they provide services to any areas beyond the City's incorporated boundary. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

La Quinta develops a five-year Capital Improvement Program and the current plan ranges from FY 2020-21 through 2024-25. The City has previously completed or is planning to make improvements in the areas including landscape renovations, drainage enhancements, pavement and street improvements, and bridge construction. All of these projects are either funded or will be funded once the projects begin.

## **HOUSING NEEDS AND HOUSING ELEMENT REPORTING**

La Quinta submitted its 5<sup>th</sup> Cycle Housing Element to HCD on December 4, 2013. The Housing Element was reviewed by HCD on February 19, 2014 and was ruled in compliance with Housing Element law.<sup>397</sup> As required by law, La Quinta submitted Housing Element Annual Progress Reports in 2017, 2018, and 2019. La Quinta did not submit Annual Progress Reports between 2013 and 2016. Charter cities were not required to submit annual progress reports until 2017.<sup>398</sup>

The City's progress towards meeting its RHNA allocation is a component of the Annual Progress Report. HCD reports every city's progress towards meeting its RHNA allocation annually. The City's RHNA progress is outlined in Figure 291.

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<sup>397</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>398</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 291: 5th Cycle Housing Element Summary – La Quinta

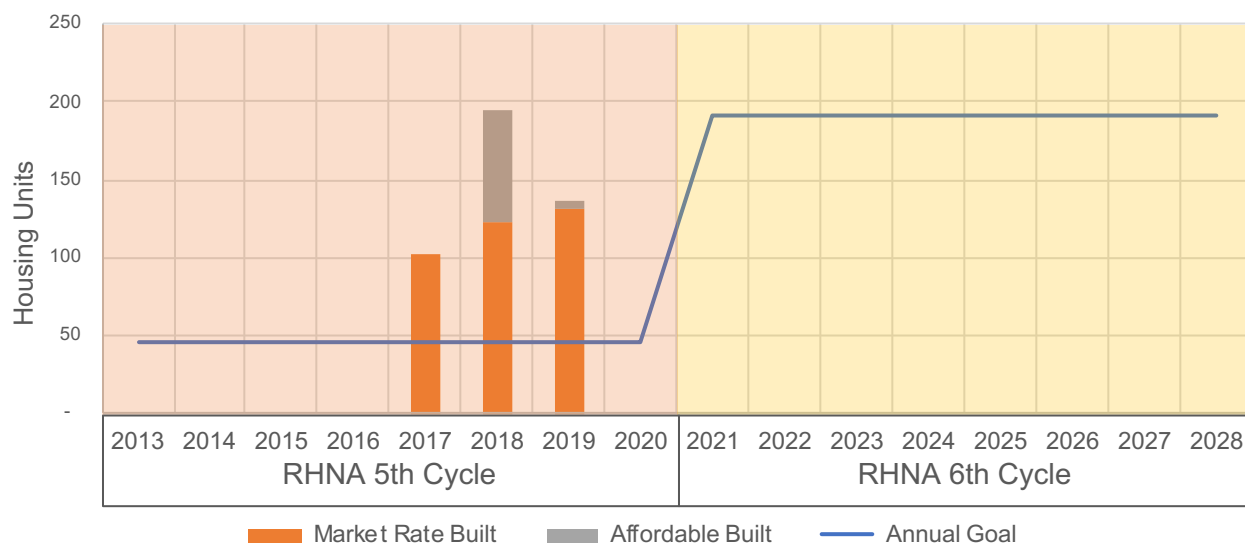
La Quinta 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	91	61	66	146
Permitted Units	68	0	10	356
Allocation Surplus/(Shortage)	(23)	(61)	(56)	210

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

La Quinta has made progress on encouraging development of very low income, moderate income, and above moderate income housing. Compared to the City's RHNA allocation, La Quinta has permitted excess units affordable to moderate and above moderate income households. La Quinta has made progress on meeting very low income housing need in the community, but has not met the RHNA allocation for very low or low income housing units. With the 5<sup>th</sup> Cycle nearly complete, the City is not expected to meet its housing production needs in very low and low income categories.

The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle production goals and unit production is presented in Figure 292.

Figure 292: 5th and 6th Cycle RHNA Allocation and Production - La Quinta



La Quinta is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest



(2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at least 10% affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>399</sup>

## FISCAL HEALTH

The sections that follow evaluate the City's fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. Figure 293 presents the City's net position as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded surpluses each year between 2016-17 and 2018-19, and each surplus exceeded 12.8 percent of annual revenues.

Figure 293: Net Position - La Quinta

La Quinta	2016-17	2017-18	2018-19
Total General Tax Revenues	\$33,600,609	\$45,175,892	\$48,404,973
Other Tax Revenues	942,484	1,363,797	1,953,310
Other Revenues	21,592,565	20,066,803	25,700,197
<b>Total Revenues</b>	<b>56,135,658</b>	<b>66,606,492</b>	<b>76,058,480</b>
Total Operating Expenditures	41,162,941	45,471,591	56,572,255
Debt Service	935,407	809,578	668,038
Capital Outlay	6,145,395	8,800,057	9,096,459
<b>Total Expenditures</b>	<b>48,243,743</b>	<b>55,081,226</b>	<b>66,336,752</b>
<b>Net Position</b>	<b>\$7,891,915</b>	<b>\$11,525,266</b>	<b>\$9,721,728</b>

Source: California State Controller's Office

## Operating Revenues

In the City's last audited fiscal year of 2018-19, revenues exceeded \$76 million. Figure 294 illustrates the City's revenue sources.

<sup>399</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

Figure 294: Operating Revenue History – La Quinta

La Quinta	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$9,160,269	\$8,760,078	\$9,280,841
Sales Tax	8,597,655	18,956,985	20,905,243
Transient Occupancy Tax	9,353,868	10,633,658	11,084,001
Property Tax in-lieu of VLF	3,813,213	3,941,348	4,086,536
Franchise Tax	1,725,851	1,821,007	1,924,353
Business License Tax	364,420	344,344	410,762
Property Transfer Tax	585,333	718,472	713,237
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>33,600,609</b>	<b>45,175,892</b>	<b>48,404,973</b>
Transportation Tax	-	-	-
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	942,484	1,363,797	1,953,310
<b>Total Tax Revenues</b>	<b>34,543,093</b>	<b>46,539,689</b>	<b>50,358,283</b>
Charges for Services	10,468,135	8,950,734	9,051,549
Special Benefit Assessments	953,699	950,541	961,633
Use of Money	1,839,821	2,203,061	6,163,428
Fines and Forfeitures	348,345	375,390	375,491
Licenses and Permits	693,823	1,193,511	1,164,583
Intergovernmental	5,397,429	5,969,741	7,678,498
Other Taxes in-Lieu	1,462,650	-	-
Miscellaneous Revenues	428,663	423,825	305,015
<b>Total Revenues</b>	<b>\$56,135,658</b>	<b>\$66,606,492</b>	<b>\$76,058,480</b>

Source: California State Controller's Office

General tax revenues represent approximately 63 percent of total revenues collected by the City, inclusive of sales tax, property tax, property tax in-lieu of MVLF, utility user tax, franchise taxes, transient occupancy tax and other taxes. In 2016, La Quinta residents approved ballot Measure G which increased the transaction and use (sales) tax by 1 percent.<sup>400</sup> The tax measure increased La Quinta's sales tax revenues by nearly \$10 million beginning in fiscal year 2017-18. While over 70 percent of La Quinta's tax revenues were derived from property tax (19.2 percent), property tax in-lieu of motor vehicle license fees (8.4 percent) or sales tax (43.2 percent) in 2018-19,

<sup>400</sup> La Quinta Annual Measure G Sales Tax Oversight Report for period ended June 30, 2019

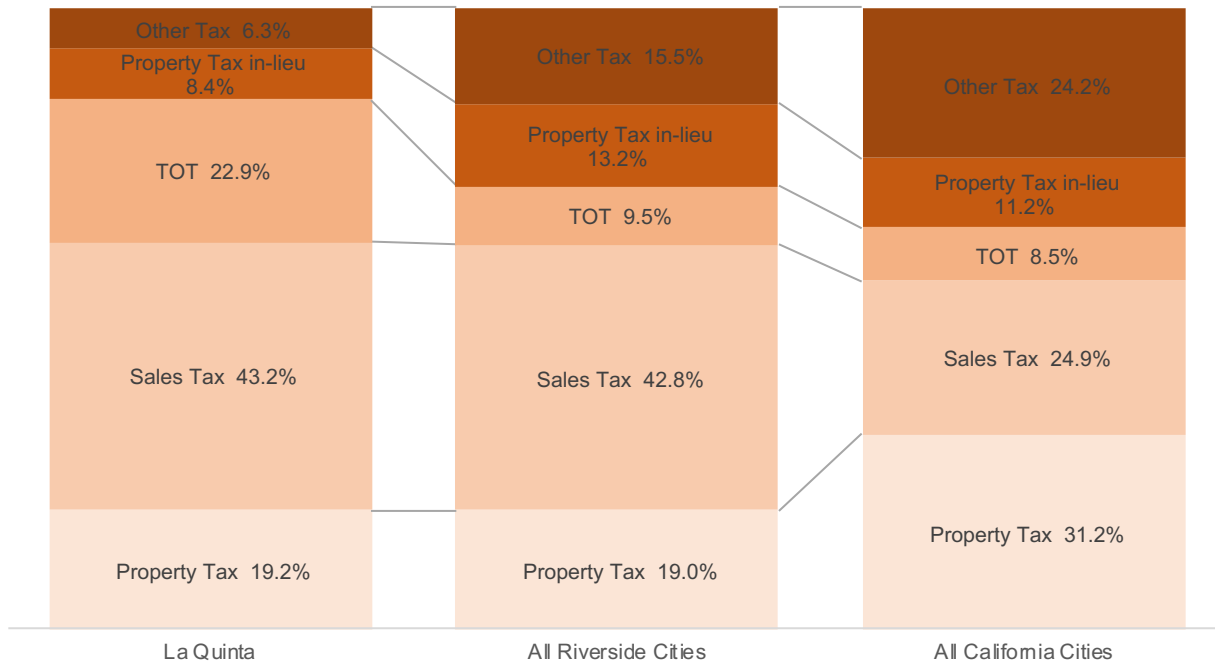
transient occupancy taxes were also a significant portion of the City's revenue base, accounting for 22.9 percent of total tax revenues in 2018-19.

After tax revenues, La Quinta's next largest revenue source is charges for services. Only a small fraction – historically less than \$1 million, of charges for services are considered General Fund revenues. Charges for services are derived from building plan check fees, public works plan check fees, wellness center memberships, and a variety of other services.

When compared to all other Riverside cities and California cities, La Quinta receives a disproportionate share of transient occupancy tax and sales tax, partially a result of Measure G. The City's share of tax revenues compared to all other Riverside cities and California cities is presented in Figure 295.

Because a smaller share of La Quinta's total tax revenues is derived from property tax and property tax in-lieu of motor vehicle license fees, the fiscal foundation may be less resilient than other Riverside or California cities. Further, because sales tax and transient occupancy taxes make up almost two-thirds (66.1 percent) of the total tax revenues the City may be more susceptible abrupt economic shifts, such as impacts similar to the ongoing COVID-19 pandemic.

Figure 295: General Tax Revenue Comparison – La Quinta



### Property Tax and Property Tax in-lieu of Motor Vehicle License Fees

La Quinta contains land, improvements, and personal property with a secured and unsecured assessed value in excess of \$13.3 billion (2018-19).<sup>401</sup> With about \$7 million in combined secured and unsecured general property tax revenues the City of La Quinta receives about 5.26 percent of property tax revenues collected within the City's boundaries. As stated, about 27.6 percent of the City of La Quinta's tax revenues are derived from property tax and property tax in-lieu of MVLF. For the fiscal years 2019-20 and 2020-21, the City projected 1.1 and 3.7 percent increases in property tax revenues.

La Quinta has a Master Property Tax Exchange Resolution with the County that dates to 1984.<sup>402</sup>

<sup>401</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>402</sup> Source: Riverside LAFCO

## **Sales Tax, Measure G**

Cities receive one percent of gross receipts from the sale of tangible personal property sold within their municipalities. As previously mentioned, the La Quinta residents approved Measure G, an additional one percent sales tax increase in 2016. Measure G does not have a sunset date, and proceeds are deposited to the General Fund for uses such as law enforcement, parks, streets, landscaping, flood control, economic development, sports and recreation programs, youth and senior programs, and preservation of property values and quality of life.<sup>403</sup> Approximately 43.2 percent of general tax revenues collected by the City of La Quinta are derived from sales tax revenues.

## **Transient Occupancy Tax**

La Quinta imposes an 11 percent tax on overnight occupancies of hotels, group hotels, and resorts, and a 10 percent tax on short-term vacation rentals and bed and breakfasts in the City.<sup>404</sup> La Quinta's 2020-21 adopted budget projects that approximately \$4 million will be generated by hotels, \$2.1 million will be generated by short term vacation rentals, \$250,000 will be attributed to resort fees, and \$80,000 will be generated by bed and breakfasts.

## **Charges for Services**

La Quinta's charges for services account for about 12 percent, or \$9.1 million in 2018-19, of annual total revenues. However, only a portion, approximately \$1 million, of charges for services are general revenues. As previously stated, the primary sources of charges for services include building plan check fees, public works plan check fees, and wellness center memberships.

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<sup>403</sup> Source: City of La Quinta, "Measure G Sales Tax"

<sup>404</sup> Source: Source: California City Finance, "Transient Occupancy Tax by City"

## Intergovernmental Revenues

La Quinta recorded intergovernmental revenues of almost \$7.7 million in 2018-19. The largest sources of intergovernmental revenues include fire service credit, fire service reserves, and CSA 152 assessments.

## Operating Expenditures

Figure 296 shows the actual City of La Quinta operating expenditures from 2016-17 through 2018-19, based on the SCO's dataset and City ACFR for these respective years. Total operating expenditures ranged from \$48.2 million in 2016-17 and \$66.3 million annually in 2018-19.

As shown in Figure 296, the more than half of La Quinta's annual expenditures are allocated to contract services. In 2018-19, approximately \$8.2 million in contract services were awarded to private entities and the remaining \$26.6 million was awarded to governmental agencies.

Figure 296: Operating Expenditures – La Quinta

La Quinta	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$6,042,981	\$7,958,093	\$15,999,991
Employee Benefits	2,444,039	2,756,705	2,352,116
Materials and Supplies	359,373	902,026	3,374,886
Contract Services	29,087,649	30,927,577	34,845,262
Other Operating Expenditures	3,228,899	2,927,190	-
<b>Total Operating Expenditures</b>	<b>41,162,941</b>	<b>45,471,591</b>	<b>56,572,255</b>
Debt Service	935,407	809,578	668,038
Capital Outlay	6,145,395	8,800,057	9,096,459
<b>Total Expenditures</b>	<b>\$48,243,743</b>	<b>\$55,081,226</b>	<b>\$66,336,752</b>

Source: California State Controller's Office

In 2018-19, the total number of full-time La Quinta personnel included 89 employees. The City does not account for employees serving the City through contract services, including the contracts with the Riverside Sheriff's Department, Riverside County Fire Department/CalFire, and Landmark Golf, the operator of the city-owned golf course. City staff noted that in 2018-19, the City funded its PARS pension trust, which caused salaries and wages to increase from almost \$7.9 million in 2017-18 to almost \$16.0 million in 2018-19.

Figure 297 illustrates the City's departmental current expenditures by function or program between 2016-17 and 2018-19.

Figure 297: Current Expenditures – La Quinta

La Quinta	2016-17	2017-18	2018-19
General Government	\$5,159,115	\$6,528,522	\$15,467,769
Public Safety	21,507,358	22,741,918	23,179,595
Transportation	2,889,965	3,028,830	5,103,351
Community Development	7,778,514	8,887,034	7,759,888
Health	560,324	670,786	642,585
Culture and Leisure	3,267,665	3,614,501	4,419,067
Public Utilities	-	-	-
Debt Service	935,407	809,578	668,038
Capital Outlay	6,145,395	8,800,057	9,096,459
<b>Total Current Expenditures</b>	<b>\$48,243,743</b>	<b>\$55,081,226</b>	<b>\$66,336,752</b>

Source: California State Controller's Office

The City of La Quinta's expenditures on public safety account for about 34.9 percent of the City's expenditures. Between 2016-17 and 2018-19, public safety expenditures increased at a comparatively modest annualized rate of 3.8 percent. Many cities in Riverside County are experiencing public safety expenditure increases well above the annual increase rate for the City of La Quinta.

### Reserve Fund Balance

La Quinta aims to hold emergency reserves equivalent to 40 percent of the operating budget and a working capital reserve equivalent to 10 percent of the operating budget. City staff noted that the City is transitioning away from a reserve budget based on a percentage of the operating budget, to a reserve budget based on a dollar amount. The City's 2020-21 budgeted reserve amount was almost \$42 million and the City was self evaluated to be in compliance with its reserve policies.<sup>405</sup> City staff added that there are an additional \$8.7 million in Measure G reserves and \$10.5 million in fire safety reserves (held with the County of Riverside).

<sup>405</sup> Source: City of La Quinta, 2020-21 Budget



## Pension and OPEB Obligations

The City's long-term pension and OPEB liabilities are outlined in Figure 298.

Figure 298: Pension and OPEB Obligations – La Quinta

La Quinta	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$12,612,523	\$12,403,691	\$13,458,200
Total OPEB Liability/(Surplus)	1,380,949	(6,016)	(47,052)
Total Benefit Liability/(Surplus)	\$13,993,472	\$12,397,675	\$13,411,148

Source: 2017-18, 2018-19 and 2019-20 ACFR

All qualified La Quinta employees are eligible to participate in the City's Miscellaneous Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the CalPERS. The benefit provisions under the Miscellaneous Employee Pension Plan are established by State statute and City resolutions. As of 2019-20, the City had a \$13.5 million net pension liability.

La Quinta has faced rising pension costs like all other municipalities in California. La Quinta is addressing the increased costs by establishing and funding Pension and Other Post Employment Benefit Trusts. The City committed about \$1.5 million in 2017-18 to establish and fund an OPEB trust. Then, in 2018-19, La Quinta committed \$6,540,000 to establish and fund a pension trusts. The City added \$3,460,000 to the pension trust in 2019-20.

The City of La Quinta and the employee associations negotiated the Other Post Employment Benefits. La Quinta's Retiree Health Plan is a single-employer defined benefit healthcare plan. The City contributed \$133 and \$136 on behalf of all eligible retirees every month for the calendar years 2018 and 2019, respectively. The City's contribution amount will increase in all future years according to the rate of medical inflation. In 2018-19, La Quinta fully eliminated its Other Post Employment Benefit liability.

The City's pension indicators provide insight into the City's pension plan health. The City's employer contribution rate, compared to the actuarially determined contribution, total covered payroll, and employer contribution rate are outlined in Figure 299.

Figure 299: Pension Indicators – La Quinta

La Quinta	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$1,061,439	\$1,284,275	\$1,479,137
Employer Contribution	1,061,439	1,284,275	1,479,137
Covered Payroll	\$6,064,875	\$6,669,204	\$7,066,830
Employer Contribution Rate	17.5%	19.3%	20.9%

Source: 2017-18, 2018-19 and 2019-20 ACFR

La Quinta's employer contribution rate has trended upward over the last three (3) years. The City has also made the minimum recommended actuarially determined contribution to its' pension plans over the last three (3) fiscal years. City staff added that La Quinta has made additional discretionary payments of \$37,000 in 2018-19, \$30,000 in 2019-20, and \$1.06 million in 2020-21 to reduce pension liabilities.

### Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### California State Auditor Fiscal Health Evaluation

The City of La Quinta ranked 410 out of 471, considered less risky than 87 percent of California cities, and received an overall classification of low risk. Eight (8) fiscal indicators were given a low-risk rating – liquidity, debt burden, general fund reserves, pension obligations, pension costs, future pension costs, OPEB obligations, and OPEB funding. Two (2) fiscal indicators were

categorized as moderate-risk ratings – revenue trends and pension funding. The State Auditor did not assign any of La Quinta’s fiscal indicators a high-risk rating.<sup>406</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for this MSR for La Quinta are presented by topic below:

### **1. Population, Growth, and Housing**

La Quinta’s population grew at a below-average rate when compared to other Riverside County cities. In the current 5th Housing Element Cycle, La Quinta will likely fall short of production goals for affordable housing but has produced a surplus of above-moderate income units. The next 6th Round RHNA cycle may cause even more pressure with more ambitious housing production targets. La Quinta’s 6th Cycle RHNA requirement (1,526 units) is more than four (4) times it’s 5th Cycle RHNA requirement (364 units).

### **2. Disadvantaged Unincorporated Communities in SOI**

The La Quinta SOI contains two (2) LAFCO-identified DUCs (DUCs 1 and 1a). The City does not extend services to either of the DUCs.

### **3. Present and Planned Capacity of Facilities**

While City staff did not indicate any deficiencies related to electricity infrastructure, the upcoming expiration of Imperial Irrigation District’s 99-year contract has resulted in deferred maintenance of some aging and inadequate electricity infrastructure in the nearby communities. Various entities are working towards a resolution with Imperial Irrigation District, and RSG recommends that LAFCO monitor this situation closely.

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<sup>406</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

#### **4. Financial Ability to Provide Services**

With the recently approved Measure G sales tax increase, the City is in good financial position to maintain service levels. The City's growing pension liabilities may present future strains on the City's financial position.

#### **5. Opportunities for Shared Facilities**

City staff did not identify any opportunities for shared facilities.

#### **6. Accountability for Community Service Needs**

The City Council is elected at-large, which may reduce representation of some communities. The City connects with residents through at least five (5) different social networks and maintains up-to-date calendars and notifications on its City website.

#### **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

### **SOI RECOMMENDATIONS**

RSG is recommending no change to the La Quinta SOI. RSG's recommended determinations related to the La Quinta SOI are presented by topic below:

#### **1. Present and Planned Land Uses**

Much of the City's SOI overlaps areas currently designated for agricultural uses. Exhibit 47 illustrates the agricultural land uses in the La Quinta SOI.

#### **2. Present and Probable Need for Public Facility and Services**

City staff did not recognize any public facility or service deficiencies.

### **3. Present Capacity of Public Facilities**

The City does not provide services in the SOI and staff did not identify any issues with capacity of public facilities.

### **4. Social or Economic Communities of Interest**

The Vista Santa Rosa Community Council area is located east of the City's corporate boundary. The County's Thermal Community Plan is south of the City corporate boundary.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The City does not provide services to either DUC1 or DUC1a. While the existing infrastructure in DUC1 is in good condition, most of the infrastructure between the City's corporate boundary and DUC1 would require substantial improvements to meet the City's target level of service.

## CITY OF PALM DESERT

The City of Palm Desert incorporated in 1973 as a charter city.<sup>407</sup> Palm Desert is located in Riverside County's Coachella Valley and is bordered on the north by the Cathedral City SOI, northeast by the City of Indio, east by the incorporated cities of La Quinta and Indian Wells, the south by unincorporated Riverside County, and west by the incorporated cities of Palm Springs and Rancho Mirage. Palm Desert's incorporated city boundary includes about 26.8 square miles while the unincorporated SOI extends over an additional 42.6 square miles.<sup>408</sup> Most of the Palm Desert SOI is south of the City into the San Jacinto and Santa Rosa Mountain National Monument.

The current and projected demographic profiles for Palm Desert are presented in Figure 300.

Figure 300: Demographic Profile - Palm Desert

Palm Desert	City	SOI	County
Population as of 2020	52,986	15,425	2,442,304
Population as of 2010	48,450	14,611	2,189,641
Annual Pop. Growth Since 2010	0.90%	0.54%	1.10%
Housing Units	38,677	9,280	867,637
Persons / Housing Unit	1.37	1.66	2.81
Land Area (sq mi)	26.8	42.6	7,206.0
Persons / Square Mile	1,977	362	339
Median Household Income	\$64,857	\$71,002	\$67,369
Projected Population in 2035	60,888		2,995,509
Annual Proj. Growth 2020-2035	0.93%		1.37%
Projected Population in 2045	64,053		3,251,705
Annual Proj. Growth 2020-2045	1.27%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>407</sup> Source: City of Palm Desert

<sup>408</sup> Source: Riverside LAFCO

The City's population grew at a rate of 0.9 percent annually over the last decade, which is slightly below the Riverside County average annual growth rate of 1.1 percent. The City's housing density (1.37 persons per housing unit) is less than half that of the County (2.81 persons per housing unit) – anecdotally, this may be indicative of much of the Coachella Valley is used as a second home or a winter getaway for households that live in Canada or northern latitudes. The population density, meanwhile, is much denser than the County-wide average. The City's median households income is slightly below the County-wide median household income. The demographics of the Palm Desert SOI include a slightly higher housing density (1.66 persons per housing unit), much lower population density (576 persons per square mile), and a higher median household income (about \$71,000).

The Palm Desert land use summary is presented in Figure 301.

Figure 301: Land Use Summary - Palm Desert

Palm Desert		County	
Residential Units	Units	%	%
Single Family	15,427	39.9%	54.8%
Multifamily	19,546	50.5%	43.6%
Mobile Home	3,704	9.6%	1.6%
Total Units	38,677	100.0%	100.0%
New Units Since 2010	1,604		
Commercial	Gross SF	%	%
Retail	6,319,037	50.1%	26.6%
Industrial	2,674,594	21.2%	61.8%
Office	2,571,865	20.4%	9.6%
Other	1,044,147	8.3%	2.0%
Total	12,609,643	100.0%	100.0%
New Commercial Since 2010	133,529		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality,



The City has a variety of land uses, but substantial above-average concentrations of multifamily and mobile home housing units, retail and office space relative to the County. Palm Desert added just 1,604 housing units over the last decade, a 0.42 percent annualized increase.<sup>409</sup>

Palm Desert contains about 4,095 businesses with 33,685 employed persons.<sup>410</sup> The largest employers in the City include JW Marriot Desert Springs Resort and DS Villas (2,304 employees), Universal Protection Services (1,500 employees), Securitas Security Service USA (700 employees), Avida Caregivers (550 employees), Organization of Legal Pro's (501 employees), Sunshine Landscape (500 employees), Costco Wholesale (250 employees), Bighorn Golf Club (250 employees), Yellow Cab of Desert (160 employees), and Whole Foods Market (150 employees). Interestingly, four (4) of the top employers are engaged in various services (legal, caregiving, landscaping, and transportation) while two (2) of the top employers provide security services.<sup>411</sup>

## CURRENT SPHERE OF INFLUENCE

The Palm Desert corporate and SOI boundaries are illustrated in Exhibit 49. Palm Desert has two (2) noncontiguous SOI areas, located on the City's northeastern and southern boundaries. The largest unincorporated SOI area is on the City's southern boundary and extends south into the San Jacinto and Santa Rosa Mountain National Monument along State Route 74, also commonly known as the Palms to Pines Highway. This portion of the SOI is sparsely developed. The City's northeastern SOI area extends along Interstate 10's north and south sides to the incorporated City of Indio boundary. The northeastern SOI encompasses LAFCO-identified unincorporated islands or pockets P28 and P29.

The Palm Desert SOI currently includes the majority of Pocket P29. The City of Indio proposed that two (2) small areas that are currently within Pocket P29 be detached from the Indio SOI and

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<sup>409</sup> Source: Costar and California Department of Finance

<sup>410</sup> Source: ESRI Business Analyst Online

<sup>411</sup> Source: City of Palm Desert, 2018-19 Comprehensive Annual Financial Report

added to the Palm Desert SOI in a corresponding change. The two (2) small areas are readily accessible from the Sun City community in the Palm Desert SOI. The two (2) areas proposed for realignment are illustrated in Exhibit 46.

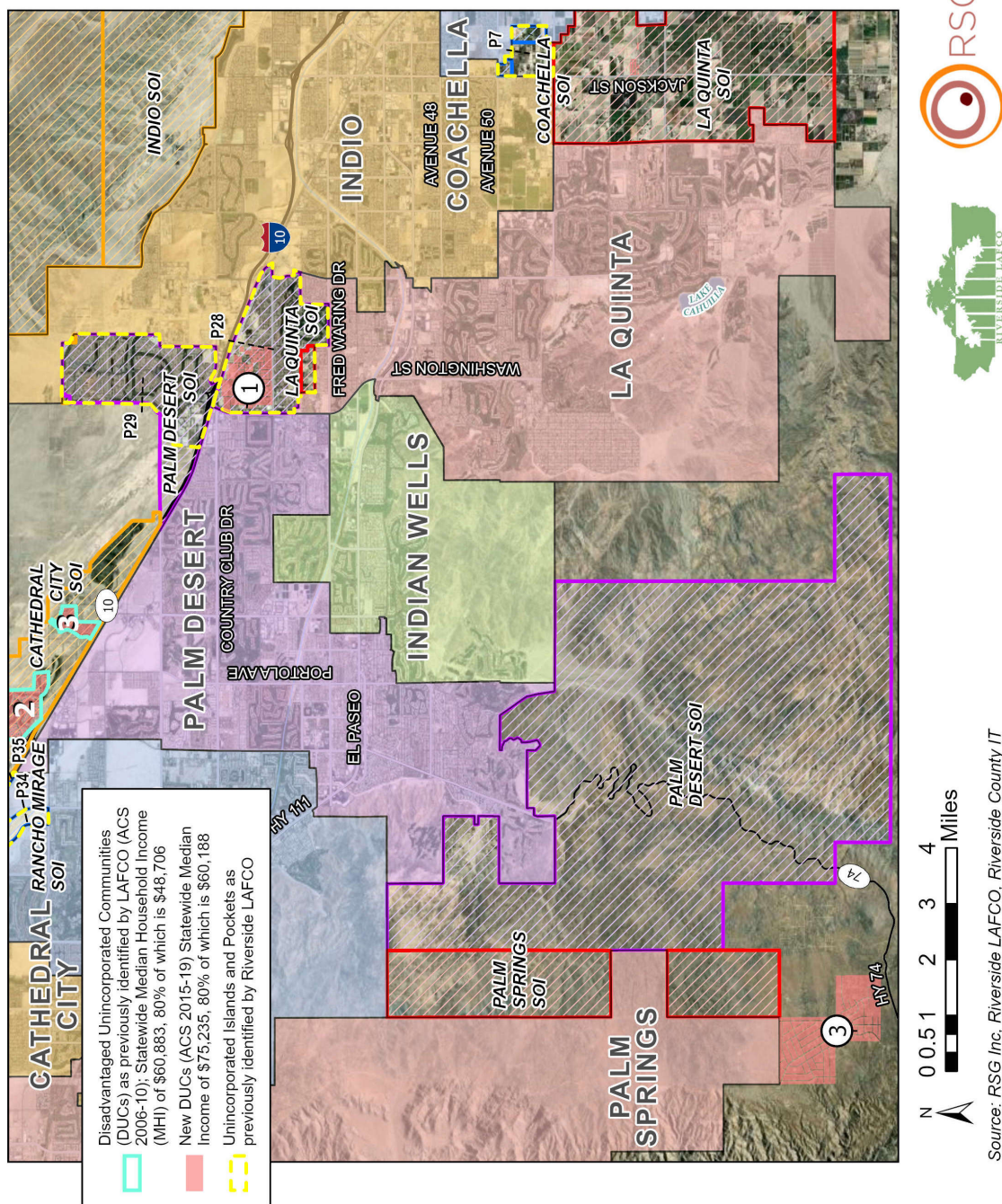
The Palm Desert SOI contains one (1) LAFCO-identified DUCs, which is described below, and two (2) additional DUCs are located in the Cathedral City SOI immediately north of the City, outside the current incorporated Palm Desert boundary. DUC2, described below, was reclassified by Riverside LAFCO and is no longer designated as a DUC.

- DUC1 is commonly known as Bermuda Dunes and is located northeast of the intersection Washington Street and Avenue 42. DUC1 is bordered by Interstate 10 on the north.
- DUC2 was reclassified by Riverside LAFCO on May 26, 2022, and is no longer classified as a DUC. DUC2 was located north of Interstate 10, occupying the portion of the Mountain Vista Golf Club at Sun City Palm Desert that is east of Del Webb Boulevard. DUC2 was commonly known as Del Webb Sun City.

Palm Desert's sphere was previously reconfirmed in the October 2009 City of Palm Desert MSR. The 2009 MSR made determinations regarding fire protection, parks and recreation, and general service provisions. The determinations for fire protection, parks and recreation are described later and the general service provisions are as follows:

- The City of Palm Desert is mostly developed and provides a higher level of services compared to the services rendered in the unincorporated areas. While this high level of service indicates that it can accommodate growth, it can also indicate that maintaining these levels while annexing large areas could be very costly to the City. It would be appropriate for the City to evaluate the financial impact of annexing additional large areas.

## City of Palm Desert and Sphere of Influence



## FORM OF GOVERNMENT AND STAFFING

The City government is structured as a “Council – Manager” form of government with five (5) elected City Councilmembers. The City Council is elected according to district boundaries to serve staggered four (4) year terms. The City’s Mayor is appointed by the City Council from its membership to serve a one year term. The City Council appoints a City Manager and City Attorney. The City Manager serves as the administrative head of the local government.

The City Council also serves as the Successor Agency, Housing Authority, Financing Authority, and Parking Authority. In Palm Desert, the Architectural Review Commission, Art in Public Places Commission, Building Board of Appeals, Citizens Advisor Committee for Project Area No. 4, Citizen’s Sustainability Committee, Cove Commission, Finance Committee, Hotel & Signature Events committee, Housing Commission, Landscape Beautification Committee, Library Promotion Committee, Marketing Committee, Parks and Recreation Commission, Planning Commission, Public Safety Commission, Rent Review Commission, and Youth Committee serve at the direction of the City Council.<sup>412</sup>

The City Manager oversees the daily operations of the City, managing the General Fund operating expenditures of \$87.9 million (2018-19)<sup>413</sup> and 112 full time employees<sup>414</sup>.

## SERVICES PROVIDED

The City of Palm Desert staff provide general government, building, planning and housing, code enforcement, parks and recreation, museum, landscape maintenance, streets and road maintenance, streetlights, storm water drainage, and innovation and technology services. Figure 302 outlines the municipal services provided by the City and other service providers in Palm Desert.

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<sup>412</sup> Source: City of Palm Desert

<sup>413</sup> Source: California State Controller’s Office, “Cities Financial Data”

<sup>414</sup> Source: City of Palm Desert 2019-20 Comprehensive Annual Financial Report



Figure 302: Service Provider Matrix - Palm Desert

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development										
Housing	Community Development										
Code Enforcement	Community Development										
Animal Control	Animal Services										
Parks and Recreation	Landscape Services, Desert Recreation										
Library	Library System										
Museum	Art in Public Places Fund, Palm Springs Art Museum										
Landscape Maintenance	Landscape Services, LLMD										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	Street Light and Traffic Safety, LLMD										
Lighting	LLMD, CSA										
Utilities	Edison, So Cal Gas, IID										
Solid Waste	Waste Resources, Burrtec										
Stormwater Drainage	Public Works, CVWD										
Innovation and Technology	Information Technology, Time Warner, Frontier										
Airport	N/A										
Cemetery *	Coachella Valley Public Cemetery District										
Healthcare *	Desert Healthcare District										
Water *	Coachella Valley Water District										
Wastewater *	N/A										

\* Not included in this MSR

## Government Services

General government services are provided by elected officials and appointed City staff, including the City Manager. The City Manager is the City's chief executive and oversees coordination and implementation of Council policies and programs, enforces City municipal code, verifying observance of City franchises, contracts, and permits, and responsible for the organization of City departments to ensure effective and efficient conduct of municipal services. The City Clerk is responsible for keeping minutes for the City Council, compiling Council agendas and processing actions after each meeting, recording official documents, managing all City records, conducting municipal elections, and serves as the main point of community between citizens and the City Council. The City has 12 full time employees providing general government services.

## Law Enforcement

Law enforcement services are provided under contract with the Riverside County Sheriff's Department. The Sheriff's Department's services include investigations, special enforcement,

school resources, traffic enforcement and patrols, community services, crime prevention, and administration of the volunteer program and Explorer youth program. The Department provides municipal police services to 12 other cities in Riverside County and it is the fourth largest law enforcement agency in California. Palm Desert contains one police station and one substation.

## **Fire Protection**

Fire protection services are provided by Riverside County Fire Department/CalFire. The Fire Department/CalFire is responsible for fire protection and prevention, medical response, review of planning cases, review of inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services.

There are three (3) fire stations located in Palm Desert, all of which are owned by the City and operated by the Fire Department/CalFire. Fire Station 33, the Palm Desert Station, is located at 44-400 Town Center Way. Fire Station 67, the Mesa View Station, is located at 73-200 Mesa View Drive. Fire Station 71, the North Palm Desert Station, is located at 73-995 Country Club Drive. Fire Station 81 (the North Bermuda Dunes Station), is outside the City's corporate boundary located at 37-955 Washington Street.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

The 2009 MSR made the following determination regarding fire services:

- The City's contract for fire protection services allowed for the City to maintain an average fire response time of 5.1 minutes. The City's goal was to provide a five-minute response time. The service being provided at that time was below the City's target.

City staff noted that the City now targets a 4 minute response time, and the average response is 5 minutes and 47 seconds.

### **Emergency Medical**

The Riverside County Fire Department/CalFire is also under contract to provide emergency medical services in Palm Desert. Refer to the previous Fire Protection section for additional information about the Fire Department/CalFire.

### **Building/Planning and Housing (Community Development)**

Building and Planning services are provided by the City's Community Development Department. The Department includes 13 full time personnel dedicated to building and safety services and 7 full time personnel working in planning. The Department is responsible for providing building and safety services that include administration of the Municipal Code, plan review, permit issuance, and code enforcement, and planning services including land use planning, preparation of General and Specific Plans, and administration of the zoning ordinance.

The City's Housing Division has two (2) full time equivalent personnel and is responsible for providing administration of all Housing Authority assets, maintenance, leasing, vacancy turnover, and reporting services. The City's Housing Authority has 15 affordable housing developments with 1,100 units.

### **Code Enforcement**

Code enforcement services are provided by the Community Development Department. The Department has nine (9) full time equivalent personnel dedicated to code enforcement, and is responsible for ensuring City neighborhoods are consistent with community standards, and issuing citations for violations.



## **Animal Control**

The City contracts with the Riverside County Department of Animal Services for animal control services. The Department is responsible for picking up stray or confined animals, removing dead animals, investigations of humane, dangerous, nuisance, or permit violations, leash law enforcement, wild animal trapping and removal, patrol of parks and other areas of concern, and other animal related services.

## **Parks and Recreation**

Parks and recreation services are provided by the City's Landscape Services Division and Desert Recreation District. The Landscape Services Division has \$637,000 budgeted in 2020-21 for a park maintenance services contract, and oversees parks maintenance and administration of contracts. The City has 13 total parks with 16 playgrounds, two (2) community centers, and one aquatic center. The Desert Recreation District provides additional parks and recreation services in Palm Desert. The Desert Recreation District is responsible for nine (9) facilities in the City. The Desert Recreation District is the largest park and recreation district in California, with over 1,800 square miles and 380,000 Coachella Valley residents within its jurisdiction.

The 2009 MSR made the following determination about the City's parkland:

- For every 1,000 residents the City operated and maintained 4.13 acres of parkland at the time of the MSR. The City's goal at the time was to have 5 acres of parkland for every 1,000 residents.

City staff did not provide a response or update for this determination

## **Library**

The City contracts with the County of Riverside for library services. The County provides reading materials, literacy programs, computers, and broadband access for Palm Desert residents. The Palm Desert Branch Library is located at 73-300 Fred Waring Drive.

## **Museum**

The Palm Springs Art Museum in Palm Desert is a 501(c)(3) non-profit corporation with three (3) locations in the Coachella Valley. The Museum has multiple exhibits focusing on fine art and architecture.

## **Landscape Maintenance**

The City's Landscaping Services Department is responsible for maintaining landscaping in Palm Desert. The Department has four (4) full time equivalent personnel and provides technical support for landscape guidelines and plan reviews, capital projects, education of City landscaping crews, street median landscape rehabilitation, and overseeing contracts. Funding for landscaping and lighting maintenance originates from the City's 33 Landscaping and Lighting Maintenance Districts. The Districts are dependent special districts that collect special tax assessments.

## **Streets/Road Maintenance**

The City's Public Works Department Street Maintenance Division is responsible for streets and roads maintenance. The Division has 11 full time equivalent personnel and is responsible for street and parking lot sweeping, pothole repairs, sign installation, drain drywell maintenance, concrete repairs, City lot maintenance, painting, graffiti removal, curb and gutter repair, street paving, and lane striping.

## **Streetlights**

The City's Streetlight and Traffic Safety Division is responsible for providing repair, maintenance, and utility costs for streetlights and contracts associated with them. The Division does not have any full time personnel. Funding is derived from the City's 33 Landscaping and Lighting Maintenance Districts.

## **Utilities (Gas, Electric)**

The City's utilities are provided by Imperial Irrigation District, Southern California Edison, and Southern California Gas Company.

Imperial Irrigation District provides electricity service to Palm Desert. The District was formed in 1911 and provides electricity and water services primarily to the Imperial Valley. Imperial Irrigation District's 99-year lease for power rights between Imperial Irrigation District and Coachella Valley Water District expires in 2033. Upon expiration of the 99-year lease, it is unclear whether publicly owned and managed electrical service would continue for customers of Imperial Irrigation District's service area. Various entities are working to address this issue.

Southern California Edison also provides electricity service to Palm Desert as a private utility. Southern California Gas Company is a private natural gas provider for Palm Desert.

## **Solid Waste**

The City contracts with Burrtec for solid waste collection services. Burrtec is a private solid waste disposal company that has been in operation in 1955. Burrtec services residential waste collection and recycling, commercial waste collection and recycling, roll-off services, construction and demolition waste collection, portable restrooms, special events, temporary bin rentals, temporary roll-off rentals, and concrete washout.

The City is also supported by the Riverside County Department of Waste Resources, which provides solid waste disposal and recycling services in Palm Desert.

## **Storm Drainage**

The City's Public Works Department has 11 full time personnel and is responsible for overseeing the maintenance and operation of the City's storm drainage facilities. Additionally, the Coachella Valley Water District provides storm drainage facilities in the City. Coachella Valley Water District is an independent special district that collects a special tax assessment. It was formed in 1918 to provide water, wastewater recycling, and storm water services in the Coachella Valley.

## **Innovation and Technology**

The City's Information Technology Department provides innovation and technology services for the City, including delivering the highest possible value to the City and its constituents through leveraging emerging technologies to improve services and provide innovative and cost effective technology services. The Department has 5 full time equivalent personnel. Time Warner Cable and Frontier Communications provide internet and cable services in Palm Desert – both are private telecommunications companies.

## **Airport**

The City does not contain an airport. The nearest airports are the Palm Springs International Airport, located in Palm Springs, and the Bermuda Dunes Airport, located in the unincorporated community of Bermuda Dunes.

## **Extraterritorial Services Provided**

According to City staff, the City does not extend services beyond the City's incorporated boundary. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

Palm Desert has a five-year Capital Improvement Program that proposes a capital budget for proposed improvements and existing projects that are underway. The current program spans from FY 2020-21 through FY 2024-25 and has improvements including bikeway and pedestrian improvements, golf course improvements, drainage projects, interchange construction, and street and road improvements.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD on September 30, 2013 and HCD designated it in compliance with Housing Element law on November 13, 2013.<sup>415</sup> The City submitted Housing Element Annual Progress Reports from 2014 through 2019.<sup>416</sup>

The City's 5<sup>th</sup> Cycle RHNA allocation and progress is presented in Figure 303.

Figure 303: 5<sup>th</sup> Cycle Housing Element Summary - Palm Desert

Palm Desert 5 <sup>th</sup> Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	98	67	76	172
Permitted Units	38	36	0	437
Allocation Surplus/(Shortage)	(60)	(31)	(76)	265

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City's RHNA allocation for the 5<sup>th</sup> Housing Element Cycle (2013-2020) was 413 housing units. During the 5<sup>th</sup> Cycle, the City produced 511 housing units, including 437 moderate-income units, 36 low-income housing units, and 38 very low-income housing units. While the City made progress in very low- and low-income housing unit production, it failed to meet its RHNA allocation in very low-, low- and moderate-income housing units, and with the 5<sup>th</sup> Cycle concluding soon, the City is not expected to meet its 5<sup>th</sup> Cycle RHNA allocation.

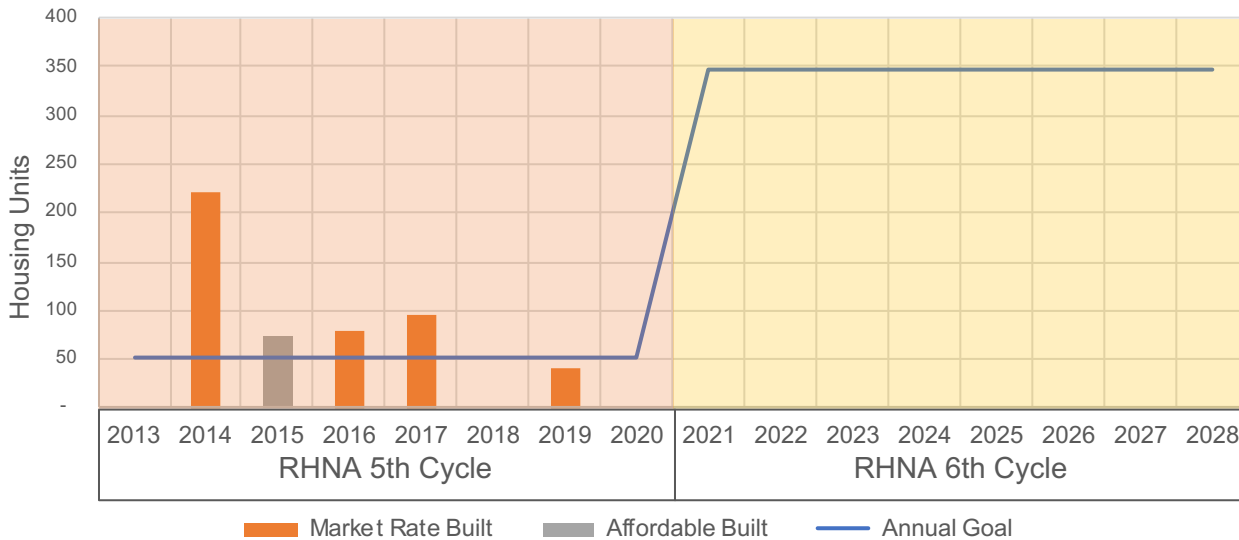
The 6<sup>th</sup> Cycle (2021-2029) RHNA allocation for the City of Palm Desert increases to 2,783 housing units, which is 574 percent more units than the 5<sup>th</sup> Cycle RHNA allocation.

The annual production goal for the 5<sup>th</sup> and 6<sup>th</sup> Cycles, and units built during the 5<sup>th</sup> Cycle are presented in Figure 304. The annual goal is presented as one-eighth of the full-cycle RHNA allocation.

<sup>415</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>416</sup> Source: California Department of Housing and Community Development, "Annual Progress Report Permit Summary," dated October 6, 2020

Figure 304: 5th and 6th Cycle RHNA Allocation and Production - Palm Desert



Palm Desert is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at least 10% affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>417</sup>

## FISCAL HEALTH

The sections that follow evaluate the City of Palm Desert's fiscal health, inclusive of audit findings, revenue sources and major expenditure categories, long-term obligations and reserves, as well as State Auditor assessments. The City's net position is presented in Figure 305 as annual

<sup>417</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

revenues less expenditures for fiscal years 2016-17 through 2018-19. The City recorded surpluses in each year between 2017-18, ranging from 5.2 to 12.8 percent of annual revenues.

Figure 305: Net Position - Palm Desert

Palm Desert	2016-17	2017-18	2018-19
Total General Tax Revenues	\$50,130,863	\$52,826,844	\$57,082,590
Other Tax Revenues	3,556,620	3,457,181	3,983,319
Other Revenues	35,094,664	32,323,090	40,051,086
<b>Total Revenues</b>	<b>88,782,147</b>	<b>88,607,115</b>	<b>101,116,995</b>
Total Operating Expenditures	79,589,787	82,703,128	84,041,183
Debt Service	400,820	410,971	690,560
Capital Outlay	2,167,815	915,418	3,396,511
<b>Total Expenditures</b>	<b>82,158,422</b>	<b>84,029,517</b>	<b>88,128,254</b>
<b>Net Position</b>	<b>\$6,623,725</b>	<b>\$4,577,598</b>	<b>\$12,988,741</b>

Source: California State Controller's Office

## Operating Revenues

The City of Palm Desert's revenues in fiscal year 2018-19 were over \$101.1 million. Figure 306 outlines the City's revenue sources between 2016-17 and 2018-19.



Figure 306: Operating Revenue History - Palm Desert

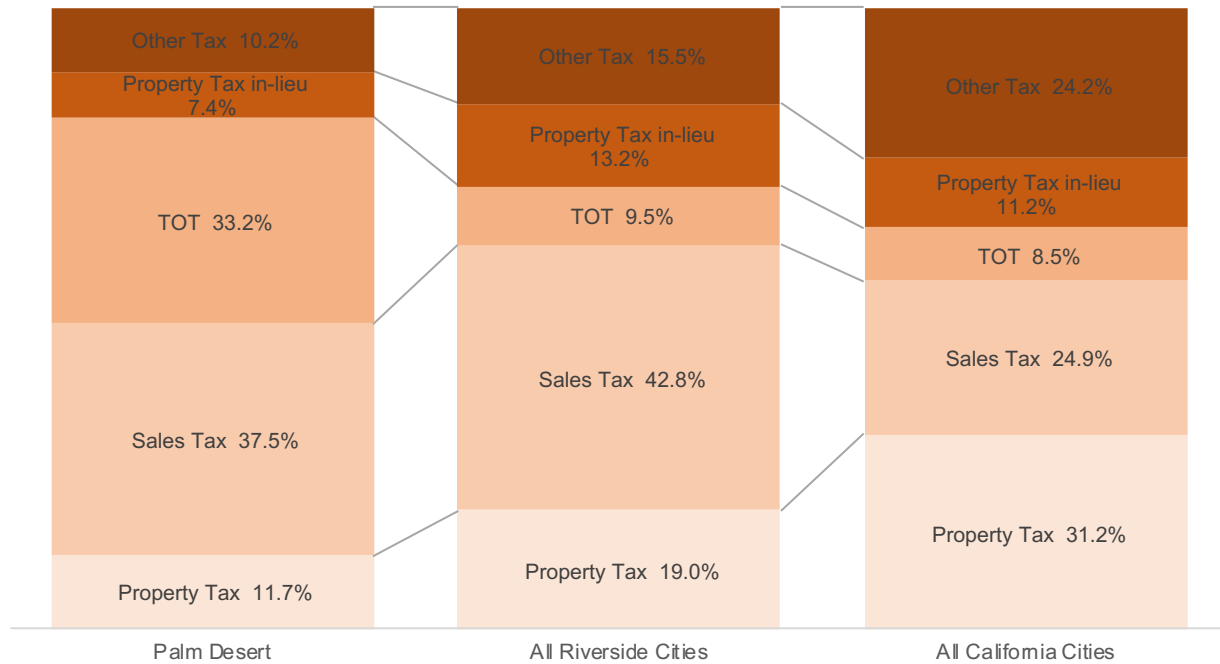
Palm Desert	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$6,195,673	\$6,668,668	\$6,686,946
Sales Tax	18,505,449	18,627,704	21,434,387
Transient Occupancy Tax	16,521,287	18,562,796	18,929,218
Property Tax in-lieu of VLF	3,952,594	4,051,058	4,218,564
Franchise Tax	3,146,702	3,097,521	3,078,855
Business License Tax	1,118,183	1,154,275	1,216,692
Property Transfer Tax	690,975	664,822	727,978
Utility User Tax	-	-	-
Other Tax Revenues	-	-	789,950
<b>Total General Tax Revenues</b>	<b>50,130,863</b>	<b>52,826,844</b>	<b>57,082,590</b>
Transportation Tax	2,627,896	2,765,692	2,928,433
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	928,724	691,489	1,054,886
<b>Total Tax Revenues</b>	<b>53,687,483</b>	<b>56,284,025</b>	<b>61,065,909</b>
Charges for Services	12,669,041	12,515,141	14,835,285
Special Benefit Assessments	8,648,977	9,111,105	9,733,559
Use of Money	1,595,083	2,761,894	5,885,341
Fines and Forfeitures	201,573	211,733	441,182
Licenses and Permits	1,471,968	1,249,450	1,232,343
Intergovernmental	2,907,647	2,089,927	2,854,420
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	7,600,375	4,383,840	5,068,956
<b>Total Revenues</b>	<b>\$88,782,147</b>	<b>\$88,607,115</b>	<b>\$101,116,995</b>

Source: California State Controller's Office

The City's general tax revenues account for 56.5 percent of total revenues, or about \$57.1 million in 2018-19. The largest general tax revenue sources for the City include sales tax (37.5 percent of general tax revenues), transient occupancy tax (33.2 percent), and property tax (11.7 percent). Aside from general tax revenues, the City received \$14.8 million from charges for services, and \$9.7 million from special benefit assessments in 2018-19.

Compared to all other Riverside County and California cities, the proportion of the City collects a disproportionate amount of transient occupancy taxes. The City's proportional shares of each significant general tax revenue is presented in Figure 307.

Figure 307: General Tax Revenue Comparison - Palm Desert



## Sales Tax

In 2018-19, the City collected \$21.4 million in sales tax revenues, which was 37.5 percent of general tax revenues collected. The City receives one percent of gross receipts from the sales of tangible personal property sold within the City's municipal boundaries.

## Transient Occupancy Tax

The City collected over \$18.9 million in transient occupancy taxes in 2018-19. The City's transient occupancy tax rate is 11 percent, assessed on overnight occupancies within Palm Desert.<sup>418</sup> Beginning in July 2021, the City approved an additional one percent assessment on short term vacation rentals. The additional short term vacation rental assessment is collected by the City but remitted to the Greater Palm Springs Tourism Business Improvement District.<sup>419</sup>

<sup>418</sup> Source: California City Finance, "Transient Occupancy Tax by City"

<sup>419</sup> Source: City of Palm Desert, "Transient Occupancy Tax – Short-Term Rentals" <https://www.cityofpalmdesert.org/our-city/departments/finance/transient-occupancy-tax-short-term-rentals>

## Property Tax

The City's third-largest general tax revenue is derived from property tax. In 2018-19, property tax represented 11.7 percent of general tax revenues, or about \$6.7 million. Palm Desert land, improvements, and personal property combined for a secured and unsecured assessed valuation of almost \$15.0 billion in 2018-19. Land accounted for about \$4.6 billion while improvements accounted for \$10.5 billion in assessed value.<sup>420</sup> The City's \$6.7 million collected in 2018-19 was about 4.5 percent of property tax collected in Palm Desert, which is among the lowest shares of property tax for a city in Riverside County.

Palm Desert and the County mutually adopted Master Property Tax Exchange Agreements in 1981, but the Agreement was rescinded in 2002.<sup>421</sup>

## Charges for Services

Charges for services accounted for \$14.8 million in revenues in 2018-19, or about 14.7 percent of total revenues. Charges for services are derived from zoning fees, plan check fees, engineering and inspections fees, weed and lot cleaning, housing revenues, and other charges for current services. The most significant charges for services include housing revenues (\$8.3 million), and other charges for services (\$5.0 million).

## Special Benefit Assessments

Palm Desert had \$9.7 million in special benefit assessment revenues in 2018-19, which was about 9.6 percent of the City's total revenues. The primary sources of special benefit assessment revenues were fire assessments (\$8.7 million) and lighting assessments (\$853,000).

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<sup>420</sup> Source: California City Finance, "Assessed Valuation of Property by City"

<sup>421</sup> Source: Riverside LAFCO

## Operating Expenditures

The City's total operating expenditures ranged from \$82.1 to \$88.1 million between 2016-17 and 2018-19. The City's annual operating expenditures are outlined by expenditure category in Figure 308.

Figure 308: Operating Expenditures - Palm Desert

Palm Desert	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$10,766,562	\$10,109,095	\$10,090,113
Employee Benefits	6,840,376	8,121,255	8,632,913
Materials and Supplies	23,462,770	26,376,418	23,178,928
Contract Services	38,520,079	37,842,038	42,139,229
Other Operating Expenditures	-	254,322	-
<b>Total Operating Expenditures</b>	<b>79,589,787</b>	<b>82,703,128</b>	<b>84,041,183</b>
Debt Service	400,820	410,971	690,560
Capital Outlay	2,167,815	915,418	3,396,511
<b>Total Expenditures</b>	<b>\$82,158,422</b>	<b>\$84,029,517</b>	<b>\$88,128,254</b>

Source: California State Controller's Office

The City's largest expenditure categories in 2018-19 included contract services (\$42.1 million), materials and supplies (\$23.2 million), and salaries and wages (\$10.1 million). Because law enforcement and fire protection services are provided on a contract basis, the City's contract service expenditures are above-average when compared to other Riverside county and California cities.

The City expends more than \$35.1 million on public safety expenditures, which accounts for about 40.0 percent of total current expenditures. About \$20.6 million was expended on law enforcement services while \$14.0 million was expended on fire protection services in 2018-19. Between 2016-17 and 2018-19, the City's public safety expenditures increased at a below-average annual rate of 3.4 percent. While public safety is the City's single largest expenditure category (41.9 percent of expenditures net of capital outlay and debt service), it is below-average when compared to Riverside County (52.2 percent) and California (47.3 percent) cities.

The City's current expenditures according to function for fiscal years 2016-17 through 2018-19 are presented in Figure 309.

Figure 309: Current Expenditures - Palm Desert

Palm Desert	2016-17	2017-18	2018-19
General Government	\$10,256,174	\$11,479,770	\$14,297,388
Public Safety	32,860,626	34,675,292	35,109,716
Transportation	10,086,045	12,096,198	9,637,416
Community Development	18,044,907	16,332,313	16,555,105
Health	732,945	1,031,790	426,602
Culture and Leisure	7,609,090	6,833,443	7,756,334
Public Utilities	-	-	-
Debt Service	400,820	410,971	690,560
Capital Outlay	2,167,815	915,418	3,396,511
<b>Total Current Expenditures</b>	<b>\$82,158,422</b>	<b>\$83,775,195</b>	<b>\$87,869,632</b>

Source: California State Controller's Office

The City's general government and community development expenditures combined for \$30.9 million in 2018-19, which was about 35.1 percent of total expenditures. The City's expenditures on general government and community development are above average, at 17.1 and 19.8 percent respectively. The average Riverside County city expends 14.5 and 12.6 percent of expenditures on general government and community development respectively. Meanwhile, the average California city expended about 12.2 and 11.5 percent on general government and community development respectively.

### Reserve Fund Balance

The City has a General Fund reserve balance of \$82.0 million in 2020-21, of which more than \$12.0 million was committed to an emergency contingency reserve. According to City staff, the City projected a \$3 million budget deficit in 2020-21 as a result of the COVID-19 pandemic. This amount can be easily accommodated by the City's healthy reserve balance.

### Pension and OPEB Obligations

The City's pension and OPEB obligations are outlined in Figure 310.

Figure 310: Pension and OPEB Obligations - Palm Desert

Palm Desert	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$38,965,978	\$34,837,580	\$34,824,923
Total OPEB Liability/(Surplus)	4,120,584	3,478,672	(40,999)
Total Benefit Liability/(Surplus)	\$43,086,562	\$38,316,252	\$34,783,924

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City's Miscellaneous Plan covers qualified personnel under a multiple-employer defined benefit pension plan. The City also offers an OPEB policy, which is a defined benefit healthcare plan. In 2019-20, the City had a \$38.4 million pension liability and a \$50,000 OPEB surplus. Over the last three (3) fiscal years, the City has managed to decrease both pension and OPEB liabilities.

The City's pension indicators are presented in Figure 311. The City's employer contribution, compared to the actuarially determined contribution, total covered payroll, and City contribution rate as a percent of covered payroll provide insight into the City's pension plan fiscal health.

Figure 311: Pension Indicators - Palm Desert

Palm Desert	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$4,219,764	\$4,225,204	\$4,736,668
Employer Contribution	5,396,908	5,963,737	4,521,813
Covered Payroll	\$10,751,687	\$9,807,088	\$11,392,639
Employer Contribution Rate	50.2%	60.8%	39.7%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City made employer contributions totaling \$15.9 million between 2017-18 and 2019-20, which is in excess of the combined actuarially determined contribution of \$13.2 for the same period. This indicates that the City is aggressively attempting to reduce its pension and OPEB liabilities. During the same time frame, the covered payroll increased at an annualized rate of 2.9 percent. The City's employer contribution rate ranged from 39.7 to 60.8 as the City made large employer contributions, which is above-average compared to Riverside County cities, which ranged from 26 to 32 percent between 2017-18 and 2019-20.

## **Annual Audit Findings**

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

## **California State Auditor Fiscal Health Evaluation**

The City of Palm Desert ranked 396 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 75 peer cities in California, or about 16 percent of cities. The City received low risk ratings on eight (8) indicators, including liquidity, debt burden, general fund reserves, pension obligations, pension costs, future pension costs, OPEB obligations, and OPEB funding. One (1) indicator was given moderate risk rating – pension funding, and one (1) indicator was rated high-risk – revenue trends.<sup>422</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Palm Desert are presented by topic below:

### **1. Population, Growth, and Housing**

Palm Desert's population grew at a below-average rate when compared to Riverside County and is expected to be outpaced by the region over the next 15 to 25 years. The City has an unusually low housing density, indicative of the region's population that migrates seasonally with the weather. While the City added 1,604 housing units between 2010 and 2020, this represents a 0.42 percent annual increase. The City also made progress but is not expected

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<sup>422</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20



to permit sufficient very low-, low-, and moderate-income housing units during the 5th Cycle to meet its RHNA allocation.

## **2. Disadvantaged Unincorporated Communities in SOI**

The City's SOI contains one (1) DUC. The City does not extend services to the DUC.

## **3. Present and Planned Capacity of Facilities**

While City staff did not indicate any deficiencies related to electricity infrastructure, the upcoming expiration of Imperial Irrigation District's 99-year contract has resulted in deferred maintenance of some aging and inadequate electricity infrastructure in the nearby communities. Various entities are working towards a resolution with Imperial Irrigation District, and RSG recommends that LAFCO monitor this situation closely.

## **4. Financial Ability to Provide Services**

The City has a healthy reserve balance and has made progress towards reducing its pension liabilities. The City also had \$24.7 million of revenues in excess of expenditures between 2016-17 and 2018-19.

## **5. Opportunities for Shared Facilities**

The City shares some parks and recreation facilities with Desert Recreation District. No other opportunities for shared facilities were identified.

## **6. Accountability for Community Service Needs**

The City Council is elected according to district boundaries, which is considered best practices for municipal elections. The City engages with the community on at least three (3) social networks and provides a calendar of city events and news releases on the City's website.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

Two (2) small areas currently in the Indio SOI may be detached from the Indio SOI, and added to the Palm Desert SOI. These two (2) areas are accessible from the Sun City community in the Palm Desert SOI. RSG's recommendations related to the Palm Desert SOI are presented by topic below.

### **1. Present and Planned Land Uses**

Much of the southern portion of the Palm Desert SOI extends over the Santa Rosa and San Jacinto Mountains National Monument. The City's northern SOI area along Interstate 10 is likely to be developed with freeway-oriented uses.

### **2. Present and Probable Need for Public Facility and Services**

The City will need to make appropriate additions to public facilities and services to accommodate future growth and development in the SOI.

### **3. Present Capacity of Public Facilities**

Public facilities in the SOI are sufficient to meet current community needs.

### **4. Social or Economic Communities of Interest**

The City did not identify any social or economic communities of interest.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Palm Desert SOI contains one (1) DUC. DUC1 (Bermuda Dunes) lacks infrastructure improvements sufficient to meet the City's level of service standards.

DUC2 (Del Webb Sun City) was reclassified by Riverside LAFCO on May 26, 2022 and is no longer considered a DUC. DUC2 is a residential subdivision development that was constructed by developer Del Webb between 1992 and 2003.

## CITY OF PALM SPRINGS

The City of Palm Springs incorporated in 1938 as a charter city,<sup>423</sup> making it the second oldest city in Riverside County's Coachella Valley region. Palm Springs is bordered on the north by the City of Desert Hot Springs, northeast by the City of Cathedral City, east by Rancho Mirage and the Palm Desert SOI, and unincorporated County land on the south, west and northwest. The City boundary is the largest in Riverside County, with 94.1 square miles within the incorporated boundary. The Palm Springs SOI extends beyond an additional 42.0 square miles.<sup>424</sup>

The Palm Springs demographic profile and population projections for 2035 and 2045 are presented in Figure 312.

Figure 312: Demographic Profile - Palm Springs

Palm Springs	City	SOI	County
Population as of 2020	47,427	1,393	2,442,304
Population as of 2010	44,574	1,340	2,189,641
Annual Pop. Growth Since 2010	0.62%	0.39%	1.10%
Housing Units	36,012	861	867,637
Persons / Housing Unit	1.32	1.62	2.81
Land Area (sq mi)	94.1	42.0	7,206.0
Persons / Square Mile	504	33	339
Median Household Income	\$55,452	\$40,142	\$67,369
Projected Population in 2035	56,315		2,995,509
Annual Proj. Growth 2020-2035	1.15%		1.37%
Projected Population in 2045	61,612		3,251,705
Annual Proj. Growth 2020-2045	1.76%		1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>423</sup> Source: City of Palm Springs

<sup>424</sup> Source: Riverside LAFCO

Population growth in Palm Springs over the last decade has been well-below average, at 0.62 percent annually, compared to 1.10 percent annually County-wide. The Palm Springs housing density was 1.32 persons per household, which is also significantly below the County-wide average of 2.81 persons per household. Much of the housing in the Coachella Valley is being used as a second home, vacation rental, or a winter getaway for households or non-permanent residents that live in Canada or northern latitudes, which contributes to lower household densities.

The City's population density, 504 persons per square mile, is also much lower than population densities of neighboring communities, largely due to the expansive incorporated boundary. The median household income in Palm Springs is \$55,452, which is about 17.6 percent lower than the County median household income of \$67,369. SCAG's population projections expect population growth to increase above levels seen in the last decade, but still remain below the County-wide projected growth rates.

The Palm Springs land use distribution is presented in Figure 313.

Figure 313: Land Use Summary - Palm Springs

Palm Springs		County	
Residential Units	Units	%	%
Single Family	13,706	38.1%	54.8%
Multifamily	20,159	56.0%	43.6%
Mobile Home	2,147	6.0%	1.6%
Total Units	36,012	100.0%	100.0%
New Units Since 2010	1,218		
Commercial	Gross SF	%	%
Retail	4,480,913	51.3%	26.6%
Industrial	1,782,494	20.4%	61.8%
Office	2,225,215	25.5%	9.6%
Other	242,226	2.8%	2.0%
Total	8,730,848	100.0%	100.0%
New Commercial Since 2010	(625,636)		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

Palm Springs contains a variety of land uses, with disproportionate concentrations of multifamily and mobile home housing units, and retail and office square footage, when compared to the County-wide distribution of land uses. Multifamily and mobile home housing units account for 56.0 and 6.0 percent of housing units in Palm Springs, compared to 43.6 and 1.6 percent throughout the County, respectively. While Palm Springs had a net loss of about 626,000 square feet of commercial space between 2010 and 2020, retail square footage is still the largest concentration of space, accounting for 51.3 percent of square footage, or about 4.5 million square feet in Palm Springs.

Palm Springs has 3,161 operating businesses with 28,065 employed persons.<sup>425</sup> The City's largest employers include five (5) resorts or hotels, two (2) retailers, the City of Palm Springs, a hospital, and a school district. Palm Springs Unified School District is the City's largest employer with

<sup>425</sup> Source: ESRI Business Analyst Online

2,918 employees, followed by Agua Caliente Spa Resort Casino (2,464 employees), Desert Regional Medical Center (2,221 employees), City of Palm Springs (472 employees), Walmart Super Center (372 employees), Riviera Palm Springs Resort (264 employees, no longer operating), Ace Hotel and Swim Club (235 employees), Home Depot (210 employees), Le Parker Meridien Palm Springs (189 employees), and Renaissance Palm Springs (182 Employees).<sup>426</sup> The Riviera Palm Springs Resort was acquired and underwent a complete renovation, reopening in November 2020 as Margaritaville Resort Palm Springs. Employment figures for the new Margaritaville Resort Palm Springs are not published.<sup>427</sup>

## CURRENT SPHERE OF INFLUENCE

The Palm Springs SOI includes six (6) noncontiguous unincorporated areas and corporate boundary are illustrated in Exhibit 50. Two (2) of the SOI areas are located on the City's northeastern and northern boundary, extending to Interstate 10. One of the City's most unusual SOI areas, which is also LAFCO-identified unincorporated island or pocket P30, is located on the City's eastern boundary, adjacent to the City of Cathedral City and containing the Dunn Road Access Trail off Channel Drive in Cathedral City. The City also has two (2) SOI areas on the City's southeastern boundary, extending eastward to the City of Palm Desert's SOI. The fifth and largest unincorporated SOI area is on the City's western boundary in the Santa Rosa and San Jacinto Mountain National Monument. While the Palm Springs SOI does not contain any DUCs, four (4) DUCs, described below, are located near the City and Palm Springs SOI.

- DUC1 is commonly known as San Geronio (West) and is north of Interstate 10 near the intersection of Tamarack Road and Rushmore Avenue. DUC1 is west of the Palm Springs SOI.

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<sup>426</sup> Source: City of Palm Springs, 2018-19 Comprehensive Annual Financial Report

<sup>427</sup> Source: Desert Sun, "First Look: Palm Springs Margaritaville Opens in Former Riviera Hotel" dated November 24, 2020.  
<https://www.desertsun.com/story/money/business/tourism/2020/11/24/palm-springs-margaritaville-opens-former-riviera-hotel/6365346002/>



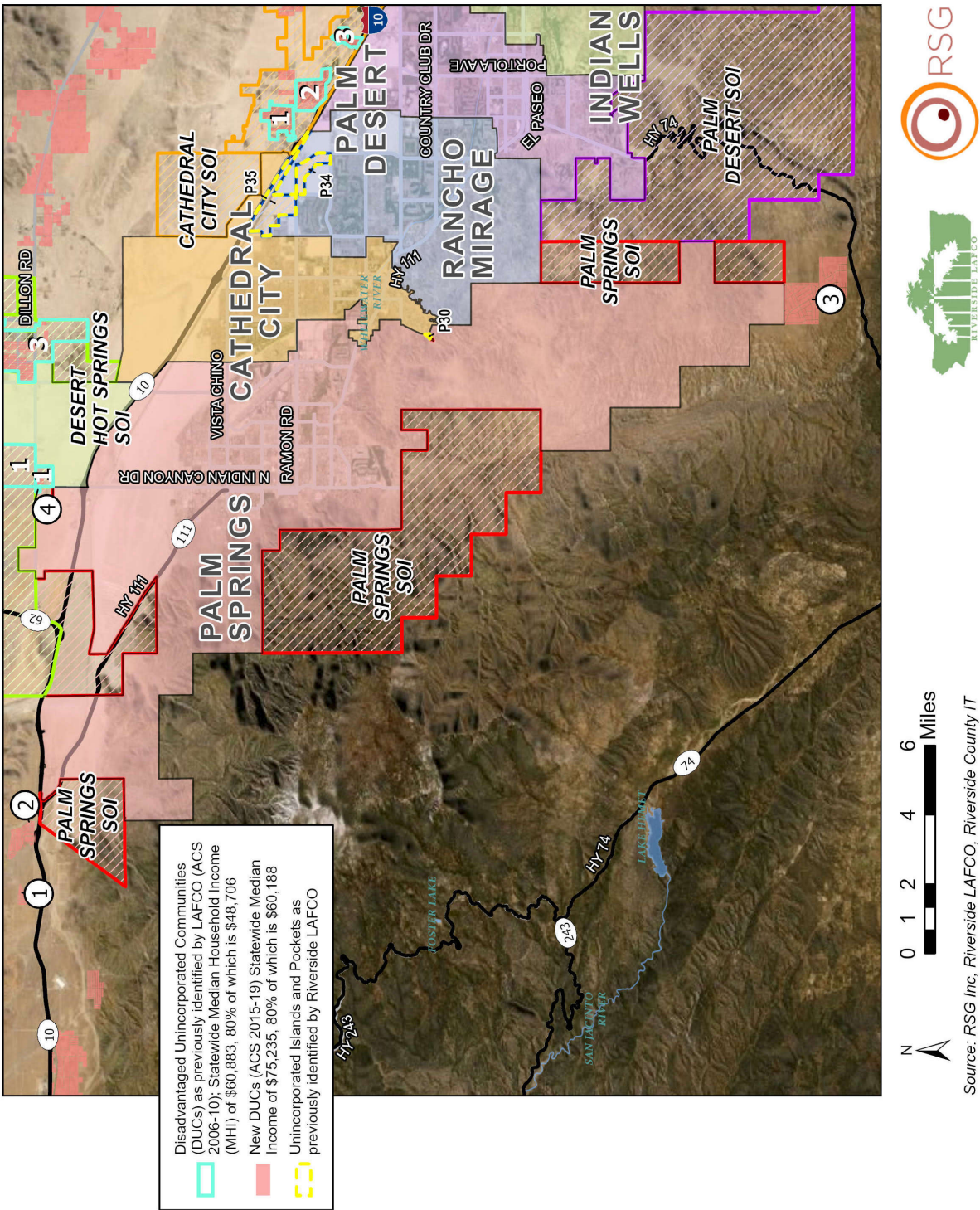
- DUC2 is known as San Geronio (East) and is a sparsely developed residential area north of Interstate 10 near the intersection of Tamarack Road and Haugen-Lehmann Way. The Pacific Crest Trail passes through this community. DUC2 is west of the Palm Springs SOI.
- DUC3 is located outside the southern extent of the City's corporate boundary accessible from State Route 74 (known as the Palms to Pines Highway). This area is known as South of Palm Springs and includes the Alpine Village and Pinyon Pines neighborhood.
- DUC4 is within the Desert Hot Springs SOI near the intersection of Dillon Road and Indian Canyon Drive. DUC4 is commonly known as North Palm Springs.

Palm Springs municipal border was previously evaluated and reconfirmed in the February 2007 Western Coachella Valley MSR. The 2007 MSR made determinations regarding fire protection, library, and general fiscal health of the City, which are discussed later in this MSR.

City staff indicated that the City has recently received multiple proposals for large developments in the City's northern SOI areas. According to City staff, because of the geography, these areas would be difficult for the City to effectively provide water, sewer, law enforcement, and fire protection services to these areas.

Exhibit 50: Current City and SOI Boundaries - Palm Springs

**City of Palm Springs and Sphere of Influence**



## FORM OF GOVERNMENT AND STAFFING

The City of Palm Springs operates as a “Council – Manager” form of government with a City Council that consists of five (5) Councilmembers elected according to district boundaries to serve four (4) year terms. The City’s Mayor is appointed by the Council from its membership and serves a one year term. The City Council also appoints the City Manager, City Clerk, and City Attorney. The City Manager serves as the head of the administrative branch of local government, overseeing 485.25 full time equivalent personnel<sup>428</sup> and operating expenditures of \$134.2 million (2018-19)<sup>429</sup>.

The City Council also serves as the Successor Agency, Palm Springs Financing Authority, Administrative Appeals Board, Historic Site Preservation Board, Small Hotel Tourism Business Improvement District Advisory Board, and Village Fest Board. The Airport Commission, Architectural Advisory Committee, Human Rights Commission, Library Board of Trustees, Measure “J” Commission, Parks and Recreation Commission, Planning Commission, Public Arts Commission, Rent Review Commission, and Sustainability Commission carry out assignments at the direction of the City Council.<sup>430</sup>

## SERVICES PROVIDED

City staff provide a full slate of services, including law enforcement, fire protection, emergency medical, building and planning, housing, code enforcement, animal control, parks and recreation, library, landscape maintenance, streets and road maintenance, streetlighting, storm water drainage, innovation and technology, and airport services. Figure 314 illustrates the municipal services provided by the City and by other service providers in Palm Springs.

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<sup>428</sup> Source: City of Palm Springs, 2019-20 Comprehensive Annual Financial Report

<sup>429</sup> Source: California State Controller's Office, “Cities Financial Data”

<sup>430</sup> Source: City of Palm Springs, City Website

Figure 314: Service Provider Matrix - Palm Springs

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire Department										
Emergency Medical	Fire Department										
Building/Planning	Building & Safety and Planning										
Housing	Community Development										
Code Enforcement	Police										
Animal Control	Police										
Parks and Recreation	Parks and Recreation										
Library	Public Library, Library System										
Museum	N/A										
Landscape Maintenance	Maintenance and Facilities, PMD, CSA										
Streets/Road Maintenance	Maintenance and Facilities, CSA										
Streetlights	Maintenance and Facilities, CSA, Southern California Edison										
Lighting	LMD										
Utilities	Edison, So Cal Gas, Desert Community Energy										
Solid Waste	Waste Resources, Palm Springs Disposal Services										
Stormwater Drainage	Engineering, CVWD, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum										
Airport	International Airport										
Cemetery *	Palm Springs Public Cemetery District										
Healthcare *	San Geronio Pass Memorial, Desert Healthcare District										
Water *	Desert Water Agency, Mission Springs Water District										
Wastewater *	Community and Economic Development										

\* Not included in this MSR

## Government Services

General government services are provided by the elected City Council and appointed City Manager and City Clerk. The City Manager is responsible for the implementation of City Council policies, administration of City departments and staff, enforcement of City laws and ordinances, and maintenance of an open environment which encourages input for residents and businesses on City operations and programs. The City Clerk's responsibilities include providing support to the City Council and appointed commissions and boards, administration of City elections, records management and public records request responses, municipal zoning code modification, conflict of interest filings, campaign disclosure filings, contract processing, legal notices and subpoenas, and other support services.

## Law Enforcement

Law enforcement services are provided by the City of Palm Springs Police Department. The Department includes two (2) area commands, divided into six (6) service areas or beats, policing

organized neighborhoods. The Department provides patrol, traffic, investigative, records, animal control, crime lab, support services, and dispatch. The Police Department operates out of a full-service headquarters, located at 200 South Civic Drive.<sup>431</sup> The Department has 136 full time equivalent personnel.<sup>432</sup>

## Fire Protection

The City's Palm Springs Fire Department provide fire protection services within Palm Springs. The Department is responsible for fire suppression, Paramedic emergency medical response, Aircraft Rescue Fire Fighting (ARFF), hazardous materials response, swift water rescue, low angle rescue, trench rescue, confined space rescue and vehicle extrication, fire and safety code enforcement, and building plan checks. The Department operates out of Fire Stations 1 through 5. Fire Station 1 is located at 277 North Indian Canyon. Fire Station 2 is located at 300 North El Cielo Road and provides 24 hour fire protection, emergency services, and daily runway inspections to the Palm Springs International Airport. Fire Station 3 is located at 590 East Racquet Club. Fire Station 4 is located at 1300 La Verne Way. And Fire Station 5 is located at 5800 Bolero Road.

The 2007 MSR made the following determination about fire protection services:

- The Palm Springs Fire Department had identified the following needs over the five (5) years following the MSR: 1) upgrade to 3-person staffing on all engine companies; 2) acquire an aerial ladder truck and two (2) fire engines; 3) construct a sixth station to serve the northeastern portion of the City; 4) develop mobile GIS mapping and data terminals for engines; 5) replace the fire training classroom; and 6) staff a Fire Prevention Supervisor position.

According to City staff, the Palm Springs Fire Department fulfilled most of the needs identified in the 2007 MSR. The City upgraded to 3-person staffing on all engine companies, acquired an

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<sup>431</sup> Source: City of Palm Springs, Police Department Website

<sup>432</sup> Source: City of Palm Springs, 2018-19 Comprehensive Annual Financial Report



aerial ladder truck and two (2) fire engines, developed mobile GIS mapping and data terminals for engines, replaced the fire training classroom, and staffed a fire prevention supervisor position. The City has not constructed a sixth fire station to serve the northeastern portion of the City.

### **Emergency Medical**

The Palm Springs Fire Department provides emergency medical services to Palm Springs. Please refer to the previous section for more on the Fire Department.

### **Building/Planning and Housing (Community Development)**

Building and planning are provided by the Palm Springs Planning and Building Departments while housing services are provided by the Palm Springs Community Development Department. The Planning Department is responsible for providing the public complete information regarding community planning, historic preservation, and land use entitlements. The Building Department is responsible for responsible for the permitting and inspection of construction projects regulated under Title 24, as well as insuring property maintenance standards are met on all properties within the City Limits. The Community Development Department's housing responsibilities include managing and monitoring the development and operation of the affordable housing supply in the City. The Planning Department has 10.34 full time equivalent personnel and \$80,000 budgeted for contract services, and the building department has 13.33 full time equivalent personnel and \$510,000 budgeted for contract plan check services.

### **Code Enforcement**

Code enforcement services are provided by the Palm Springs Police Department. The Department's code enforcement responsibilities include abatement of substandard, vacant, and dangerous buildings, unsafe and illegal rental units, abandoned vehicle abatement, landscape maintenance issues, zoning and building violations, and business violations. The Department has 11 full time equivalent personnel dedicated to code enforcement.

## **Animal Control**

The Palm Springs Police Department provides animal control services in Palm Springs. The Department has three (3) full time equivalent personnel dedicated to care and control of animals, rabies control, neighborhood animal issues, stray animals, lost and found pets, dog licensing, vaccine and microchip services, and pet adoption. The Police Department's Animal Control staff operate out of the Animal Shelter Facility, which is located at 4575 East Mesquite Avenue.

## **Parks and Recreation**

The City's Parks and Recreation Department is responsible for providing parks and recreation services in Palm Springs. The Department is responsible for maintenance of all City parks, parkways, uptown/downtown areas, and railroad station, planning, and implementation of recreation programs. The Department has 31.35 full time equivalent personnel overseeing ten (10) City-owned parks and three (3) recreation centers.

## **Library**

The City's Palm Springs Public Library is responsible for providing library services in Palm Springs. The Public Library is responsible for operations and administration of the City's Library Center and the Welwood Murray Memorial Library. The Library is the hub of the community, providing reading materials, literacy programs, and online resources. The Public Library operates out of the Public Library Center is located at 300 South Sunrise Way and Welwood Murray Memorial Library is located at 100 South Palm Canyon Drive.

The 2007 MSR made the following determination about City's library services:

- Palm Springs operates its own City library. The City completed a study identifying the need to expand its existing library by 25,000 square feet in order to serve the needs of the City over the next 20 years. The City also noted that a satellite facility would be needed to serve North Palm Springs, an area that was underserved due to lack of transportation.



City staff noted that the City has not expanded the existing library and does not currently have plans to develop a branch library.

The Public Library Center has operated out of 12 different locations prior to moving into its current located at 300 South Sunrise Way with over 100,000 items in its collection.<sup>433</sup> The Welwood Murray Memorial Library was opened in 1941 in its current location.<sup>434</sup> The expansion of the physical footprint of the library's facilities remains a goal for the Public Library. One of the Public Library's major strategic goals is to expand its footprint either through renovation of a new facility, expansion of the existing facility, or construction of a new facility.<sup>435</sup>

## **Museum**

Three (3) entities provide museum services in Palm Springs – the Palm Springs Art Museum, Palm Springs Air Museum, and Agua Caliente Cultural Museum. The Palm Springs Art Museum was founded in 1938 and continues to operate as a 501(c)(3) non-profit.<sup>436</sup> The Palm Springs Air Museum opened in 1996 and continues to operate as a non-profit with 85,000 square feet of hangar space housing 59 vintage flying and static aircraft and ancillary facilities.<sup>437</sup> The Agua Caliente Cultural Museum is in the planning and development phases for a new museum located at the corner of East Tahquitz Canyon Way and South Indian Canyon Drive in downtown Palm Springs with a mission to celebrate the history, culture, and modern times of the Agua Caliente Band of Cahuilla Indians.<sup>438</sup> The City does not financially support any of the operating museums.

## **Landscape Maintenance**

The City's Parkway Maintenance Districts are small dependent districts that receive special property tax assessments dedicated to the provision of landscape maintenance services in Palm

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<sup>433</sup> Source: Palm Springs Library, "About Us"

<sup>434</sup> Source: Palm Springs Historical Society, "Research Library"

<sup>435</sup> Source: Palm Springs Public Library, 2019-21 Strategic Plan

<sup>436</sup> Source: Palm Springs Art Museum, "About Us and "Institutional Information"

<sup>437</sup> Source: Palm Springs Air Museum, "History"

<sup>438</sup> Source: Agua Caliente Cultural Museum

Springs. The City's Department of Maintenance and Facilities is responsible for maintenance of all City-owned parks and downtown landscaping.

### **Streets/Road Maintenance**

The City's Department of Maintenance and Facilities is responsible for maintenance and repair of City streets including asphalt repair, concrete maintenance, right-of-way maintenance, installation and maintenance of street signs, and graffiti abatement. The Department has 8.75 full time equivalent personnel.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

### **Streetlights**

The City's Department of Maintenance and Facilities is responsible for maintenance and repairs of streetlights in the downtown area. The Department does not have any personnel assigned to streetlight maintenance. County Service Area 15, a large dependent special district that collects a special property tax assessment, is also responsible for the operation and maintenance of streetlights in Palm Springs. Southern California Edison currently owns a majority of the streetlights in Palm Springs and is responsible for the operation and maintenance of the streetlights. Southern California Edison is a private energy provider. The City provides lighting services through the Lighting Maintenance Districts, which are small dependent special districts that collect special property tax assessments, and oversee operation and maintenance of lighting within the assessed districts.

### **Utilities (Gas, Electric)**

Southern California Edison provides electricity services to residents that opt out of using the Desert Community Energy Community Choice Aggregate ("CCA"). Edison still delivers energy to all customers, maintains the power grid, and provides customer service and billing to all Palm Springs residents. Edison is a private electricity provider.

Southern California Gas Company provides gas services to Palm Springs. The Gas Company is a private natural gas provider.

Desert Community Energy is a Community Choice Aggregate that provides power to the Cities of Palm Springs, Cathedral City, and Palm Desert. The CCA was formed in April 2020 and offers customers the choice to buy cleaner electricity at competitive rates. According to City staff, the CCA has been well-received by residents.

### **Solid Waste**

Palm Springs Disposal Services is responsible for providing solid waste collection and disposal services in Palm Springs. Palm Springs Disposal Services is a private solid waste disposal company. The Riverside County Department of Water Resources also provides solid waste and recycling services in Palm Springs. The Department primarily provides household waste collection, recycling, and composting services to County residents.

### **Storm Drainage**

Riverside County Flood Control and Water Conservation District, Coachella Valley Water District, and the City's Engineering Division provide storm water drainage services in Palm Springs. The Riverside County Flood Control and Water Conservation District is responsible for construction of flood control structures and facilities, regulation of drainage development, and maintenance and operation of completed storm drain structures. The Riverside County Flood Control and Water Conservation District was formed in 1945 and is a large dependent special district governed by the Riverside County Board of Supervisors that serves the western portion of the County of Riverside. The Coachella Valley Water District also provides storm drain repair and maintenance services in Palm Springs as a large independent special district. The City's Engineering Division indicates that they also provide storm water drainage services in Palm Springs.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

## **Innovation and Technology**

The City's Information Technology Department provides innovation and technology services to Palm Springs staff. The Department provides high quality technology-based services in a cost-effective manner, data processing, IT support, Website services, hardware and software management, and telecommunications and radio communications support.

## **Airport**

The Palm Springs International Airport provides airport services in Palm Springs. The Palm Springs International Airport provides a travel hub for the entire Coachella Valley and services commercial and personal flights 24 hours a day, offering flights to more than 20 destinations. The City provides administrative services, maintenance, airport rescue, and control center operations, at the Airport.

## **Extraterritorial Services Provided**

The City provides any services to the City's SOI. City staff indicated that the City provides sewer services to a small portion of the City of Cathedral City. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

City staff indicated that the City was working on a Capital Improvement Plan to cover the five-year period from fiscal years 2021-22 through 2025-26. The Capital Improvement Plan was unavailable. City staff indicated that the projects outlined in the Plan are obtainable assuming the necessary grants can be identified and secured. One of the City's main capital project challenges is that the City contains six (6) federally funded bridges which are dependent on federal fund distributions. The City's Measure J, discussed later in this MSR, provides funding for capital projects.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 6<sup>th</sup> Cycle Housing Element to HCD in February, 2019 and it was designed in compliance by HCD in April, 2019.<sup>439</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports every year between 2013 and 2019.<sup>440</sup> The City's 5<sup>th</sup> Cycle housing needs and production are presented in Figure 315.

Figure 315: 5<sup>th</sup> Cycle Housing Element Summary - Palm Springs

Palm Springs 5 <sup>th</sup> Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	63	43	50	116
Permitted Units	0	0	4	983
Allocation Surplus/(Shortage)	(63)	(43)	(46)	867

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

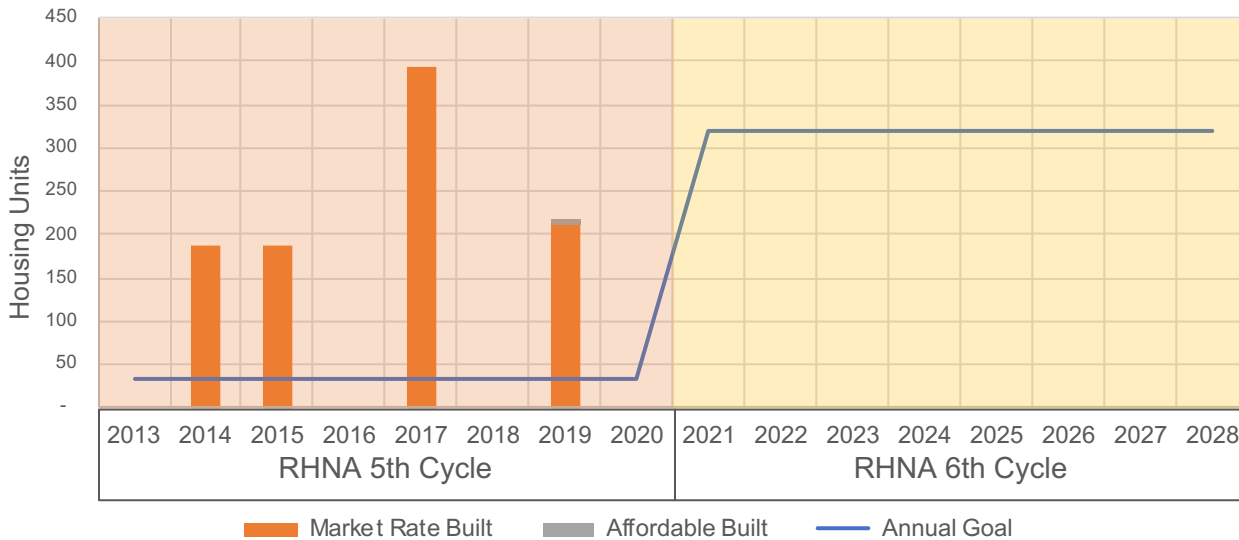
The City permitted a combined 987 housing units during the 5<sup>th</sup> Cycle but fell short of producing enough units to meet its very low-, low-, and moderate-income RHNA allocations. The City had a surplus of 867 above moderate-income housing units. With the 5<sup>th</sup> Cycle concluding soon, the City is not expected to produce enough units in the very low-, low-, and moderate-income categories to meet its RHNA allocation.

The City's combined 5<sup>th</sup> Cycle RHNA allocation was for 272 housing units. The 6<sup>th</sup> Cycle RHNA allocation increases by 838 percent to 2,552 housing units. During the 6<sup>th</sup> Cycle, the City's annual RHNA production goal, which is one-eighth of its 6<sup>th</sup> Cycle RHNA total, is 319 housing units, which is more than its entire 5<sup>th</sup> Cycle eight (8) year goal. The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA allocations, and the 5<sup>th</sup> Cycle historical unit production, is presented in Figure 316.

<sup>439</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>440</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker," updated June 28, 2019

Figure 316: 5th and 6th Cycle RHNA Allocation and Production - Palm Springs



Palm Springs is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at least 10% affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>441</sup>

## FISCAL HEALTH

The City of Palm Springs fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor assessment is presented in the sections that follow.

The 2007 MSR made the following determination about the City's financial condition:

<sup>441</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

- The City of Palm Springs had a budgeted deficit in its operating fund for the 3 years previous to the 2007 MSR. The financial condition was improving through economic and development growth. The City established a Community Facilities Public Safety District in 2005 which provided a new source of funding for public safety services.

City staff identified several initiatives that the City has undertaken to improve financial conditions. In 2018, the City's Measure D increased sales tax by 0.5 percent, and Measure E updated and replaced the existing tax on cannabis businesses in the City.

Figure 317 presents the City's net position as annual revenues less expenditures between 2016-17 and 2018-19. The City recorded healthy surpluses in each year between 2016-17 and 2018-19, ranging from \$15.0 to 33.5 million and representing 11.4 to 20.0 percent of annual revenues.

Figure 317: Net Position - Palm Springs

Palm Springs	2016-17	2017-18	2018-19
Total General Tax Revenues	\$100,606,193	\$109,138,736	\$125,006,385
Other Tax Revenues	3,864,175	2,308,573	3,031,819
Other Revenues	27,395,614	28,261,435	39,685,270
<b>Total Revenues</b>	<b>131,865,982</b>	<b>139,708,744</b>	<b>167,723,474</b>
Total Operating Expenditures	86,568,790	100,477,474	110,375,990
Debt Service	11,726,236	10,716,722	10,753,846
Capital Outlay	18,546,887	12,476,166	13,059,097
<b>Total Expenditures</b>	<b>116,841,913</b>	<b>123,670,362</b>	<b>134,188,933</b>
<b>Net Position</b>	<b>\$15,024,069</b>	<b>\$16,038,382</b>	<b>\$33,534,541</b>

Source: California State Controller's Office

## Operating Revenues

The City's revenues are presented in Figure 318, inclusive of tax revenues and non-tax revenues, which ranged from \$131.9 million to \$167.7 million between fiscal years 2016-17 through 2018-19.



Figure 318: Operating Revenue History - Palm Springs

Palm Springs	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$24,863,210	\$26,695,162	\$28,508,914
Sales Tax	25,650,340	32,597,820	39,434,645
Transient Occupancy Tax	32,400,267	34,241,233	36,475,057
Property Tax in-lieu of VLF	4,471,828	4,776,570	5,084,458
Franchise Tax	3,189,778	3,075,279	3,723,066
Business License Tax	968,187	-	-
Property Transfer Tax	710,153	696,614	863,865
Utility User Tax	7,345,201	7,056,058	7,081,134
Other Tax Revenues	1,007,229	-	3,835,246
<b>Total General Tax Revenues</b>	<b>100,606,193</b>	<b>109,138,736</b>	<b>125,006,385</b>
Transportation Tax	1,982,585	2,093,404	2,308,021
Parking Tax	51,010	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	1,830,580	215,169	723,798
<b>Total Tax Revenues</b>	<b>104,470,368</b>	<b>111,447,309</b>	<b>128,038,204</b>
Charges for Services	9,803,763	10,338,761	10,766,775
Special Benefit Assessments	1,511,674	2,084,481	3,113,053
Use of Money	1,627,547	1,703,394	4,340,871
Fines and Forfeitures	197,245	842,975	723,779
Licenses and Permits	1,887,835	5,890,456	6,214,002
Intergovernmental	10,725,066	5,852,158	7,406,521
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	1,642,484	1,549,210	7,120,269
<b>Total Revenues</b>	<b>\$131,865,982</b>	<b>\$139,708,744</b>	<b>\$167,723,474</b>

Source: California State Controller's Office

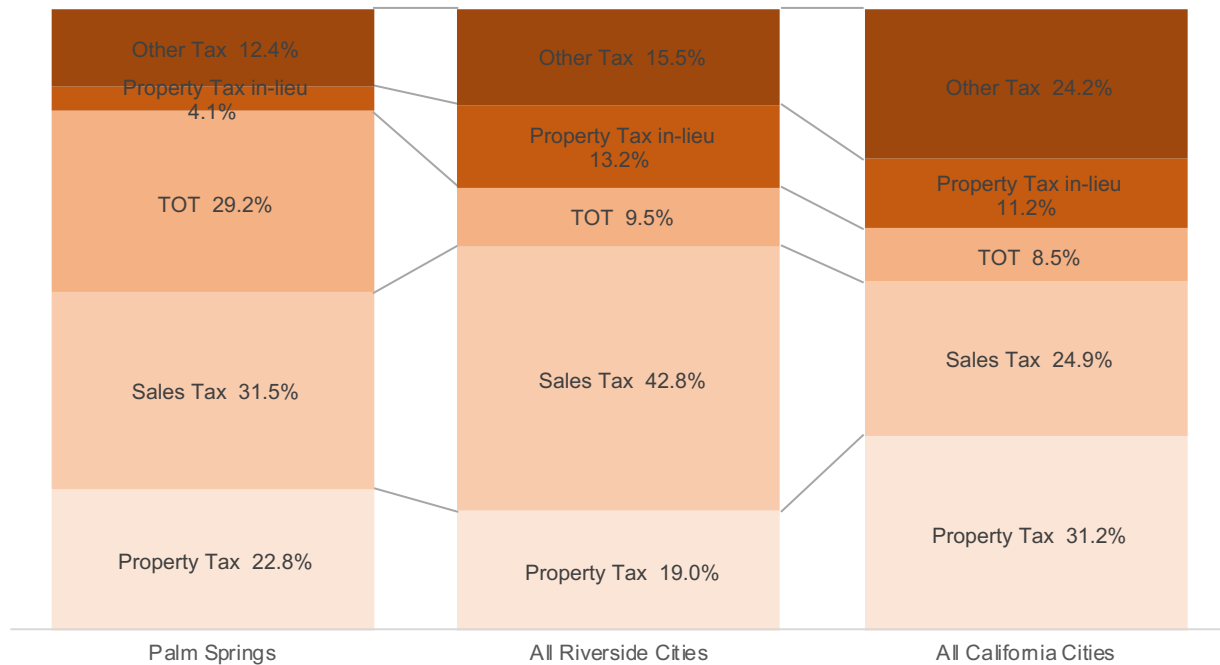
The City's revenue base is heavily reliant on sales tax revenues and transient occupancy tax, which combine to account for 60.7 percent of general tax revenues, or \$75.9 million in 2018-19. The third-largest revenue source for the City is property tax, which was about \$28.5 million, or 22.8 percent of general tax revenues in 2018-19. The City's largest non-tax revenue sources included charges for services (\$10.8 million in 2018-19), intergovernmental revenues (\$7.4 million), and miscellaneous revenues (\$7.1 million).

While property tax revenues for the City are proportionate to the average Riverside County and California city, transient occupancy tax revenues are well-above average compared to Riverside County and California cities, and sales tax revenues are below average when compared to the

typical revenue profile for a city in Riverside County. The City also collects a very small proportion of property tax in-lieu of VLF.

The City's general tax revenues, compared to the average revenue profiles for Riverside County and California cities, is presented in Figure 319.

Figure 319: General Tax Revenue Comparison - Palm Springs



### Sales Tax, Measure J

Sales tax is the City's single-largest source of revenues, representing 31.5 percent of general tax revenues, or over \$39.4 million in 2018-19. The base sales tax is derived from one percent of gross receipts from the sale of tangible personal property sold in Palm Springs. A portion of the City's sales tax revenues are derived from Measure J, which was approved by 57.5 percent of Palm Springs voters in 2011.<sup>442</sup> Measure J dedicated a one percent sales tax increase to downtown projects, streets and sidewalks, police and fire facilities, parks and recreation,

<sup>442</sup> Source: Ballotpedia.org "Palm Springs Sales Tax Increase, Measure J (November 2011)"

community projects, and other City facilities.<sup>443</sup> In 2017, 56.4 percent of voters approved Measure D, which added an additional one-half (0.5) percent to the City's sales tax rate.<sup>444</sup> The City now collects a total of 2.5 percent of gross receipts from the sale of tangible personal property sold in Palm Springs. The City's sales tax revenues increased from about \$25.7 million in 2016-17 to \$39.4 million in 2018-19, which is a 24.0 percent annualized increase.

### **Transient Occupancy Tax**

The City collects 13.5 percent of revenues derived from overnight occupancies within Palm Springs as transient occupancy taxes.<sup>445</sup> Transient occupancy tax accounted for \$36.5 million in 2018-19, or about 29.2 percent of general tax revenues. Between 2016-17 and 2018-19, transient occupancy taxes increased at an annualized rate of 6.1 percent.

### **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

The City's third-largest tax revenue source is property tax, which was \$28.5 million, or about 22.8 percent of general tax revenues in 2018-19. Property tax is derived from a portion of one percent of the assessed value of land, improvements, and personal property within Palm Springs. In 2018-19, Palm Springs contained about \$3.8 billion in assessed land value and \$9.0 billion in assessed improvement value.<sup>446</sup> The City's \$28.5 million in property taxes in 2018-19 represents about 22.1 percent of property tax collections in Palm Springs, which is among the highest apportionment rates for a city in Riverside County.

Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004. Property tax in-lieu of VLF increases based on the growth in assessed valuations within Palm Springs over time. In 2018-19, the City collected almost \$5.1 million in property tax in-lieu of VLF

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<sup>443</sup> Source: City of Palm Springs, "Measure J Sales Tax"

<sup>444</sup> Source: Ballotpedia.org "Palm Springs, California, Sales Tax, Measure D (November 2017)"

<sup>445</sup> Source: California City Finance, "Transient Occupancy Tax by City"

<sup>446</sup> Source: California City Finance, "Assessed Valuation of Property by City"

revenues, representing just 4.1 percent of general tax revenues. This is proportionally about one-third of what the average Riverside County and California city collects.

The City of Palm Springs and County of Riverside mutually adopted a Master Property Tax Exchange Agreement in 1981.<sup>447</sup>

### **Charges for Services**

The City's largest non-tax revenue source is charges for services, which was almost \$10.8 million in 2018-19, or about 6.4 percent of total revenues. The City collects charges for services related to zoning and subdivision fees, special police department services, special fire department services, engineering and inspection fees, weed and lot clearing charges, fire aid and ambulance charges, library fines and fees, parks and recreation, and quasi-external transactions. The most significant charges for services include special police department services (\$2.5 million in 2018-19), quasi-external functions (\$2.2 million) and special fire department services (\$1.2 million).

### **Intergovernmental Revenues**

Intergovernmental revenues accounted for 4.4 percent of total revenues in 2018-19, or about \$7.4 million. The largest intergovernmental revenue sources included other unspecified Federal grants (\$2.7 million), gasoline tax (\$2.0 million in 2018-19), and other unspecified State grants (\$1.7 million).

### **Operating Expenditures**

The City's operating expenditures ranged from \$116.8 million in 2016-17 to \$134.2 million in 2018-19. The City's annual operating expenditures are presented in Figure 320.

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<sup>447</sup> Source: Riverside LAFCO

Figure 320: Operating Expenditures - Palm Springs

Palm Springs	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$36,145,337	\$34,565,968	\$36,578,080
Employee Benefits	23,172,090	25,775,227	28,492,841
Materials and Supplies	1,147,284	1,390,400	2,022,625
Contract Services	11,654,221	16,377,550	19,785,266
Other Operating Expenditures	14,449,858	22,368,329	23,497,178
<b>Total Operating Expenditures</b>	<b>86,568,790</b>	<b>100,477,474</b>	<b>110,375,990</b>
Debt Service	11,726,236	10,716,722	10,753,846
Capital Outlay	18,546,887	12,476,166	13,059,097
<b>Total Expenditures</b>	<b>\$116,841,913</b>	<b>\$123,670,362</b>	<b>\$134,188,933</b>

Source: California State Controller's Office

The City's largest operating expenditure categories included salaries and wages (\$36.6 million in 2018-19), employee benefits (\$28.5 million), and other operating expenditures (\$23.5 million). Salaries and wages alone accounted for 27.3 percent of total expenditures, while employee benefits represented another 21.2 percent of total expenditures. Between 2016-17 and 2018-19, contract services expenditures increased from \$11.7 million to \$19.8 million, a 30.3 percent annualized increase. The City's salaries and wages increased by just \$432,000 from 2016-17 to 2018-19, a 0.6 percent annualized increase. Total expenditures during the same period increased at an annualized rate of 7.2 percent.

The City's departmental current expenditures are presented in Figure 321 according to function or program between 2016-17 and 2018-19.

Figure 321: Current Expenditures - Palm Springs

Palm Springs	2016-17	2017-18	2018-19
General Government	\$11,534,639	\$14,136,027	\$16,662,956
Public Safety	44,094,315	47,896,007	53,324,636
Transportation	3,787,329	3,669,832	6,042,484
Community Development	11,088,284	16,664,722	15,703,446
Health	202,286	221,265	288,785
Culture and Leisure	15,861,937	17,889,621	18,353,683
Public Utilities	-	-	-
Debt Service	11,726,236	10,716,722	10,753,846
Capital Outlay	18,546,887	12,476,166	13,059,097
<b>Total Current Expenditures</b>	<b>\$116,841,913</b>	<b>\$123,670,362</b>	<b>\$134,188,933</b>

Source: California State Controller's Office

Public safety costs increased from \$44.1 million to 53.3 million between 2016-17 and 2018-19, a 10.0 percent annualized increase. On the surface, this may appear unsustainable, but general tax and total revenues increased at annualized rates of 11.5 and 12.8 percent. Compared to other Riverside County cities, the share of expenditures on public safety (48.3 percent for Palm Springs in 2018-19) is below-average (52.2 percent County-wide).

### Reserve Fund Balance

The City does not have a formally adopted reserve policy but had an unassigned fund balance of \$26.0 million at the end of fiscal year 2018-19.

### Pension and OPEB Obligations

The City's pension and OPEB obligations are presented in Figure 322.

Figure 322: Pension and OPEB Obligations - Palm Springs

Palm Springs	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$167,874,462	\$163,631,157	\$170,859,515
Total OPEB Liability/(Surplus)	-	-	-
Total Benefit Liability/(Surplus)	\$167,874,462	\$163,631,157	\$170,859,515

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City utilizes CalPERS to offer a Miscellaneous Plan and a Safety Plan to qualifying employees of the City. The Safety Plan provides retirement and disability benefits to law enforcement and fire protection employees. The Miscellaneous Plan covers all other City employees. The City also offers retiree medical insurance benefits under the CalPERS health plan to eligible retirees and their spouses according to the terms of various labor agreements. The City had a \$170.9 million pension liability in 2019-20. RSG was unable to identify the City's OPEB liability/(surplus), and as a result, the City's pension and OPEB positions may be over or understated.

The City's pension indicators on pension health, including employer and actuarially determined contributions, total covered payroll, and the employer contribution rate, are presented in Figure 323.

Figure 323: Pension Indicators - Palm Springs

Palm Springs	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$13,255,434	\$15,075,332	\$16,790,548
Employer Contribution	13,255,434	15,075,332	16,790,548
Covered Payroll	\$37,126,602	\$38,177,795	\$39,323,129
Employer Contribution Rate	35.7%	39.5%	42.7%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City made employer contributions equivalent to the actuarially determined contributions between 2017-18 and 2019-20. During the same time frame, covered payroll increased at an annualized rate of 2.9 percent. The Employer contribution rate increased from 35.7 percent in 2017-18 to 42.7 percent in 2018-19. The average employer contribution rate among Riverside County cities ranged from 26 to 32 percent during the same time frame.

### Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

### California State Auditor Fiscal Health Evaluation

The City of Palm Springs ranked 72 out of 471 jurisdictions and received an overall risk rating of moderate. The City is considered higher risk than 399 peer cities in California, or about 85 percent of cities. The City received low risk ratings on one (1) indicator, liquidity. Five (5) indicators were given moderate risk ratings, including debt burden, general fund reserves, pension obligations,



pension costs, and OPEB obligations. Four (4) indicators scored high risk ratings, including revenue trends, pension funding, future pension costs, and OPEB funding.<sup>448</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Palm Springs are presented by topic below:

### **1. Population, Growth, and Housing**

The City's population increased slowly over the last decade, and is expected to grow at below-average rates for the next 15 to 25 years. The City's housing density is 1.32 persons per household, which is less than half of the County-wide average of 2.81 persons per household. This illustrates the Coachella Valley's popularity as a seasonal home for Canadians and homeowners in cold-weather climates.

### **2. Disadvantaged Unincorporated Communities in SOI**

The Palm Springs SOI does not contain any DUCs. Four (4) DUCs are located outside but within close proximity to the Palm Springs SOI. The City does not extend services to any DUCs.

### **3. Present and Planned Capacity of Facilities**

According to the 2007 MSR, the City's library facilities were undersized. The City has not made investments to expand the City's library facilities.

### **4. Financial Ability to Provide Services**

The City's voters approved two (2) separate sales tax measures over the last decade, strengthening the City's financial position, which now relies heavily on sales tax and transient occupancy tax revenues. The City has accumulated reserves, but it also has a substantial

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<sup>448</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20

pension liability. The City has managed to keep law enforcement and fire protection services internal without costs increasing unsustainably.

## **5. Opportunities for Shared Facilities**

The City did not identify any opportunities for shared facilities.

## **6. Accountability for Community Service Needs**

City Councilmembers are elected according to district boundaries, which is considered best practices for municipal elections. The City connects with residents through at least four (4) different social networks and maintains calendars of events and news information on the City website.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

# **SOI RECOMMENDATIONS**

RSG does not recommend making any changes to the existing Palm Springs SOI. Riverside LAFCO may consider future detachment of Pocket P30 from Palm Springs and addition of this area to the Cathedral City SOI. Pocket P30 is not physically accessible from Palm Springs by normal means, and may already be receiving informal services from the Cathedral City.

## **1. Present and Planned Land Uses**

Much of the City's SOI overlaps the Santa Maria and San Jacinto Mountains National Monument. Large portions of the SOI are not physically accessible by normal means and may be extremely difficult for the City to extend municipal services. Even the City's northern SOI areas along Interstate 10 present challenges due to their remote and secluded geographies.

## **2. Present and Probable Need for Public Facility and Services**

The City's SOI areas are largely undeveloped and the City does not extend services to these areas. Growth or development in the SOI would require expansion of the City's public facilities and services, particularly the City's northern SOI areas.

## **3. Present Capacity of Public Facilities**

Aside from streets and roads, very little public facilities or infrastructure exist in the City's SOI.

## **4. Social or Economic Communities of Interest**

No social or economic communities of interest were identified in the City's SOI.

## **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The City's SOI does not contain any DUCs. Four (4) DUCs within close proximity to the Palm Springs SOI may lack adequate infrastructure improvements. While DUC3 (South of Palm Springs) is immediately outside the City's corporate boundary, the remote nature of this area would make it very challenging for the City to provide services or facilities.

## CITY OF RANCHO MIRAGE

The City of Rancho Mirage incorporated in 1963 as a charter city.<sup>449</sup> Rancho Mirage is located in Riverside County's Coachella Valley Region and is bordered by the City of Cathedral City to the west and north, Cathedral City SOI to the northeast, the City of Palm Desert to the east and southeast, unincorporated Palm Desert SOI and Palm Springs SOI to the south, and City of Palm Springs to the southwest. The City's incorporated boundary covers 24.4 square miles and the Rancho Mirage SOI extends beyond another 1.5 square miles.<sup>450</sup>

Rancho Mirage's demographic profile and population projections for 2035 and 2045 are presented in Figure 324.

Figure 324: Demographic Profile - Rancho Mirage

Rancho Mirage	City	County
Population as of 2020	19,114	2,442,304
Population as of 2010	17,220	2,189,641
Annual Pop. Growth Since 2010	1.05%	1.10%
Housing Units	14,788	867,637
Persons / Housing Unit	1.29	2.81
Land Area (sq mi)	24.4	7,206.0
Persons / Square Mile	783	339
Median Household Income	\$85,128	\$67,369
Projected Population in 2035	22,769	2,995,509
Annual Proj. Growth 2020-2035	1.17%	1.37%
Projected Population in 2045	25,193	3,251,705
Annual Proj. Growth 2020-2045	1.86%	1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

<sup>449</sup> Source: City of Rancho Mirage

<sup>450</sup> Source: Riverside LAFCO

Rancho Mirage's population grew at a rate of 1.05 percent annually over the last decade, roughly the same rate as the County of Riverside as a whole (1.10 percent). The City's housing density was 1.29 persons per housing unit, which below average for Riverside County, but is aligned with other jurisdictions in Coachella Valley where a large portion of the housing stock is owned or rented by households that permanently reside in colder climates, such as Canada. The median household income was \$815,128 in 2020, which is about 26 percent higher than the County-wide median household income. The Rancho Mirage SOI is completely undeveloped and therefore does not have any demographics or population attributed to it.

SCAG population projections for Rancho Mirage expect higher growth rates through 2035 and 2045. Rancho Mirage, however, is expected to continue to grow at a slower rate as the County.

Rancho Mirage's land use profile includes a below-average proportion of multifamily units and above-average proportion of mobile home units. Rancho Mirage's housing inventory increased at an average annual rate of 0.4 percent between 2010 and 2020, which was well-below the population growth during the same time frame. Rancho Mirage's commercial square footage is almost entirely retail and office space, with just 10,001 square feet designated for industrial uses, which is very unusual for Riverside County. The Rancho Mirage land use summary is presented in Figure 325.

Figure 325: Land Use Summary - Rancho Mirage

Rancho Mirage		County	
Residential Units	Units	%	%
Single Family	8,144	55.1%	54.8%
Multifamily	5,747	38.9%	43.6%
Mobile Home	897	6.1%	1.6%
Total Units	14,788	100.0%	100.0%
New Units Since 2010	545		
Commercial	Gross SF	%	%
Retail	1,734,632	59.7%	26.6%
Industrial	10,001	0.3%	61.8%
Office	1,158,697	39.9%	9.6%
Other	-	0.0%	2.0%
Total	2,903,330	100.0%	100.0%
New Commercial Since 2010	(50,853)		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

The City contains 989 businesses with 14,363 employed persons. The largest industries by total employment in Rancho Mirage include health services (34.5 percent), retail (19.8 percent of total employment), and motion pictures and amusements (14.6 percent).<sup>451</sup>

## CURRENT SPHERE OF INFLUENCE

The Rancho Mirage SOI includes two (2) noncontiguous unincorporated areas on the City's northern perimeter. Both Rancho Mirage SOI areas have been identified by LAFCO as unincorporated islands or pockets P34 and P35. The City's corporate boundary and Rancho Mirage SOI are illustrated in Exhibit 51.

According to City staff, P34 and P35 is tribal land owned by the Agua Caliente Band of Cahuilla Indians. Land uses and development are entirely approved by the Tribal Council and permitted

<sup>451</sup> Source: ESRI Business Analyst Online

by the County. City staff indicated that the City is currently engaged with the Agua Caliente Band of Cahuilla Indians on the potential annexation of pocket P34. Exhibit 52 illustrates the area that the City is interested in annexing.

The City of Rancho Mirage's was previously reconfirmed in the February 2007 Western Coachella Valley MSR. The 2007 MSR made determinations in regard to parks and recreation which is addressed later in this MSR.



Exhibit 51: Current City and SOI Boundaries - Rancho Mirage

City of Rancho Mirage and Sphere of Influence

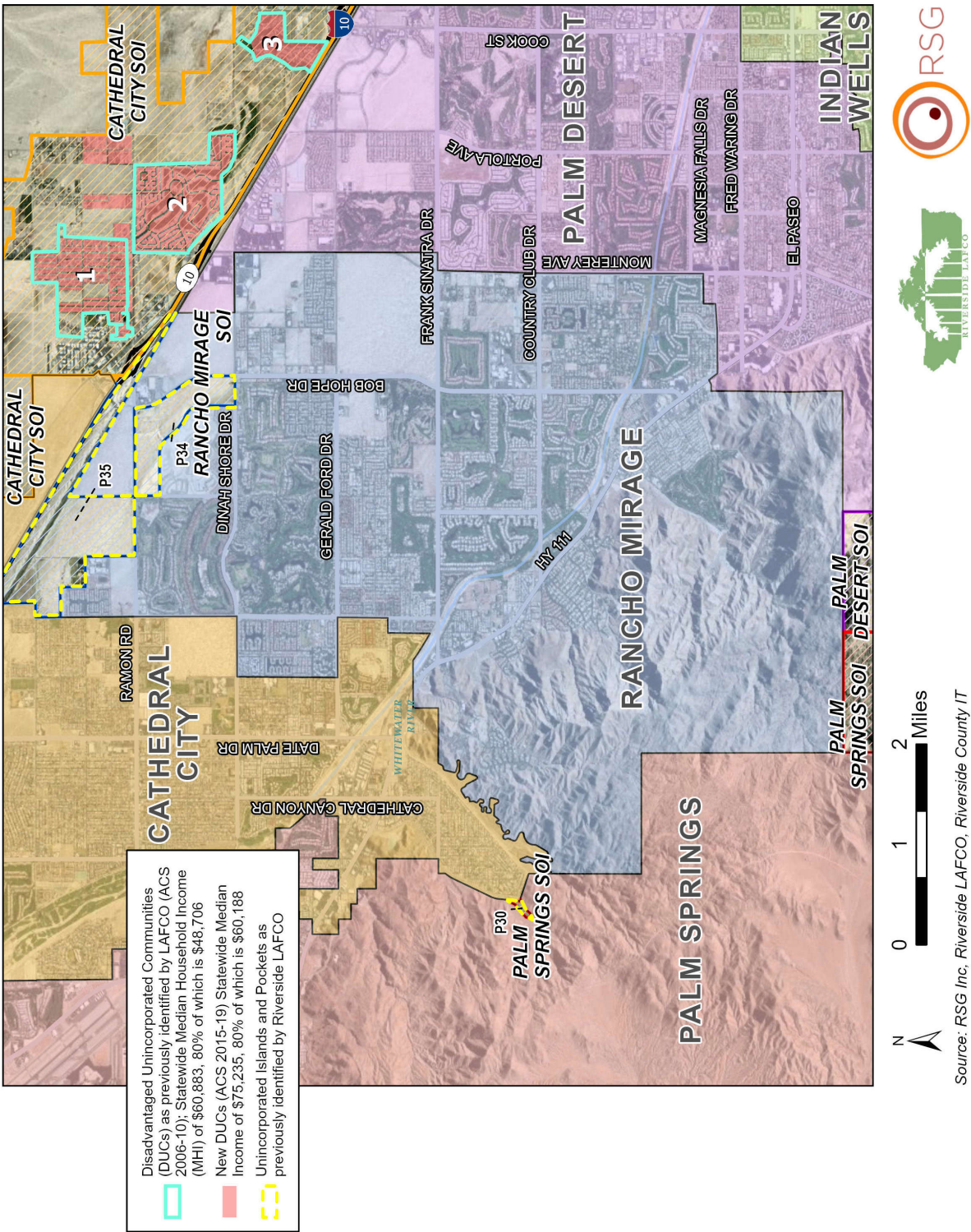
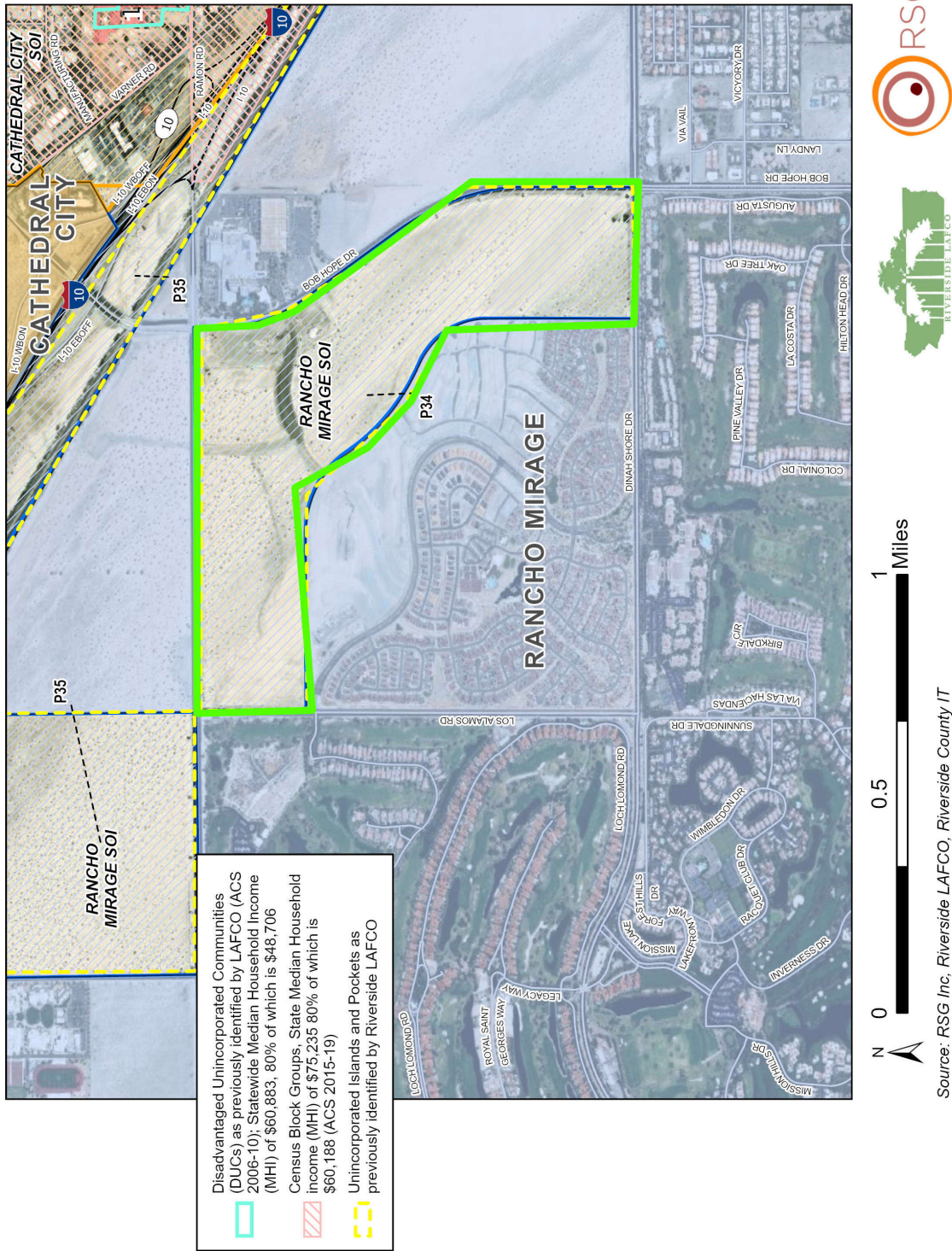




Exhibit 52: Pocket P34 (Areas proposed for annexation into the City) - Rancho Mirage

**City of Rancho Mirage Proposed Annexation:  
Unincorporated Island P34**



## FORM OF GOVERNMENT AND STAFFING

The City of Rancho Mirage operates as a “Council – Manager” form of government, with five (5) City Councilmembers elected at-large by the voters of Rancho Mirage to serve four (4) year terms.<sup>452</sup> The City’s Mayor is appointed by the Council to serve a one year term. The City Council also appoints the City Manager, City Attorney, and City Clerk.

The City Council also serves as the Board of the Successor Agency, Housing Authority, Community Services District, and Joint Powers Financing Authority. The Housing Commission, Planning Commission, Library and Observatory Foundation Board, Mobile Home Fair Practices commission, Architectural Review Board, Community Cultural Commission, Emergency Preparedness Commission, Citizens on Patrol Services, Community Parks and Trails Commission, Cove Communities Services Commission, Historic Preservation Commission, Speaker Series Commission, and Traffic Safety Commission carry out assignments at the direction of the City Council.

The City Manager oversees the daily operations of the city’s 84 full time and 10.98 part time employees<sup>453</sup> with annual General Fund operating expenditures of \$43.5 million in 2018-19<sup>454</sup>. The City contracts for fire protection and law enforcement services.

## SERVICES PROVIDED

The City of Rancho Mirage staff provide general government, building, planning, housing, code enforcement, animal control, parks and recreation, library, streets and roads maintenance, utilities, storm water drainage, and innovation and technology services. Figure 326 summarizes the municipal services provided in Rancho Mirage by the City or by other service providers.

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<sup>452</sup> Source: City of Rancho Mirage, Municipal Code Section 2.03.020 Election of City Council Members

<sup>453</sup> Source: City of Rancho Mirage, 2019-20 Comprehensive Annual Financial Report

<sup>454</sup> Source: California State Controller’s Office, “Cities Financial Data”

Figure 326: Service Provider Matrix - Rancho Mirage

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Sheriff										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Land Use										
Housing	Housing Authority										
Code Enforcement	Land Use										
Animal Control	Land Use										
Parks and Recreation	Public Works, Desert Recreation										
Library	Library and Observatory, Library System										
Museum	Children's Discovery Museum of the Desert										
Landscape Maintenance	LLF										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	LLF										
Lighting	LLF										
Utilities	Energy Authority, Edison, So Cal Gas										
Solid Waste	Waste Resources, Burrtec										
Stormwater Drainage	Public Works, CVWD, Flood Control & Water Conservation										
Innovation and Technology	Information Services, Frontier, Charter, Spectrum										
Airport	N/A										
Cemetery *	Coachella Valley Public Cemetery District										
Healthcare *	Desert Healthcare District										
Water *	Coachella Valley Water District										
Wastewater *	N/A										

\* Not included in this MSR

## Government Services

General government services are provided by elected officials and appointed City staff, including the City Manager, City Attorney, and City Clerk. The City Manager provides professional leadership in the management of the City, executes the Council's policies, manages diverse operations and services provided by City staff, serves as an advisor to the City Council, and provides oversight, coordination, and project management for general government services. The City Clerk administers elections, manages and provides access to City records, coordinates the preparation and distribution of City Council agendas, updates the City Municipal Code, coordinates recruitment for City Boards and Commissions, and serves as the secretary for other City Council Boards.

## Law Enforcement

Law enforcement services are provided under contract by the Riverside County Sheriff's Department. The Sheriff's Department services include investigations, special enforcement,

school resources, traffic enforcement and patrols, community services, crime prevention, and administration of the volunteer program and Explorer youth program. The Sheriff's Department also provides municipal police services to 12 other cities in Riverside County, and it is the fourth largest law enforcement agency in the State. According to City staff, the City owns a small Sheriff's substation located in Rancho Mirage.

## **Fire Protection**

Fire protection services are provided by Riverside County Fire Department/CalFire. The Fire Department/CalFire is responsible for fire protection and prevention, medical response, review of planning cases, review of inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services.

There are two (2) fire stations located in Rancho Mirage. Fire Station 50 is located in south Rancho Mirage at 70-801 Highway 111. Fire Station 69 is located in north Rancho Mirage at 71-751 Gerald Ford Drive. According to City staff, a fire safety specialist also operates out of an office in City Hall. The City owns both fire stations.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

## **Emergency Medical**

The Riverside County Fire Department/CalFire also provides emergency medical services in Rancho Mirage under contract. Please refer to the previous section for more information about the Department.

## **Building/Planning and Housing (Community Development)**

The City's Land Use Department oversees building and planning services in Rancho Mirage, while the City's Housing Authority is responsible for providing housing services. The Land Use Department has seven (7) full time equivalent personnel dedicated to planning services and four (4) full time equivalent personnel dedicated to building and safety services. The Department also has \$10,000 budgeted for planning consulting services and \$120,000 for building and safety consulting services. The Department is responsible for reviewing and approving development plans within the City, conducting periodic inspections, ensuring development is consistent with general and specific plans, reviewing project submittals, issuing permits, and conducting field inspections. The Housing Authority has two (2) full time equivalent personnel and is responsible for promoting and encouraging the retention, rehabilitation, and development of affordable housing. The Housing Authority oversees four (4) active affordable housing properties.

## **Code Enforcement**

The City's Land Use Department is also responsible for providing code enforcement services. The Department has four (4) full time equivalent personnel dedicated to code enforcement services and is responsible for compliance and reviewing violations related to zoning, signage, graffiti, parking, business licenses, animal control, State and local laws, property and lake maintenance, housing and building codes, and short-term rentals.

## **Animal Control**

The City's Land Use Department is responsible for animal control services. The Code Compliance Division, discussed in the previous section is also responsible for enforcing various codes related to animals and animal licensing.

## **Parks and Recreation**

The City's Public Works Department Facilities and Fleet Maintenance Division is responsible for parks maintenance. The Division has seven (7) full time equivalent personnel and oversees maintenance of five (5) City-owned parks.



The Desert Recreation District also provides parks and recreation services in Rancho Mirage. The Desert Recreation District is the largest park and recreation district in California, covering 1,800 square miles in the Coachella Valley and serving more than 380,000 residents.

The 2007 MSR made the following determination of the City's parkland:

- The City of Rancho Mirage had a parkland ratio of 1.35 acres per 1,000 residents which is lower than the City's goal.

City staff noted that the 2017 General Plan update concluded that the City had 55 acres of parkland and 18,295 residents, resulting in a parkland ratio of 3.0 acres per 1,000 residents. The City's General Plan Policy (Conservation and Open Space Policy 2.2) sets the parkland standard at 3.0 acres per 1,000 residents, meaning that the City is currently meeting its parkland standards.

## **Library**

The Rancho Mirage Library and Observatory provides library services in Rancho Mirage. The Library and Observatory is operated by a tax exempt 501(c)(3) nonprofit corporation with an independent board of directors. The Library and Observatory operates out of a single facility located at 71-100 Highway 111. The Library and Observatory is responsible for providing books and educational resources, computer workstations, wireless connections, public meeting spaces, and access to an observatory to help teach about astronomy.

## **Museum**

Museum services are provided by the Children's Discovery Museum of the Desert in Rancho Mirage. The City makes special contributions to the museum on an annual basis. The Museum provides an environment where children's intellectual curiosity and self-expression can be freely expressed through play. The Museum is located at 71-701 Gerald Ford Drive and is overseen by a tax exempt 501(c)(3) nonprofit corporation.



## **Landscape Maintenance**

Landscape maintenance services are provided by the City's Landscape and Lighting Funds 201-2017, and Citywide Landscape and Lighting Fund. The Funds provide a mechanism for funding ongoing maintenance of City-owned landscaping under service contracts. The Funds are small dependent districts that receive special property tax assessments.

## **Streets/Road Maintenance**

The City's Public Works Department is responsible for providing streets and road maintenance services in Rancho Mirage. The Department has seven (7) full time equivalent personnel and oversees maintenance of all public streets, traffic signals, traffic signs, street striping, street sweeping, and horse trails.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

## **Streetlights**

Streetlight services are provided by the City's Landscape and Lighting Funds 201-2017, and Citywide Landscape and Lighting Fund. The Funds provide a mechanism for funding ongoing maintenance of City-owned streetlighting under service contracts. The Funds are small dependent districts that receive special property tax assessments.

## **Utilities (Gas, Electric)**

The Rancho Mirage Energy Authority, Southern California Edison, and Southern California Gas Company provide utility services in Rancho Mirage.

Rancho Mirage Energy Authority is a Community Choice Aggregate that provides local control power procurement, rate setting, and generation choices for City residents. The Energy Authority purchases electricity and provides it to customers at more affordable rates which are set by City

Council. All energy continues to flow through Southern California Edison's infrastructure, but the City purchases and delivers power to customers at rates designated by the City.

Southern California Edison provides electricity services to City residents that opt out of the Community Choice Aggregate. The Rancho Mirage Energy Authority provides power to most of the City residents, but Southern California Edison still provides transmission and distribution services, maintenance of power lines, customer service, and billing.

A portion of Rancho Mirage is within the Imperial Irrigation District electricity service boundary. Imperial Irrigation District's 99-year lease for power rights between Imperial Irrigation District and Coachella Valley Water District expires in 2033. Upon expiration of the 99-year lease, it is unclear whether publicly owned and managed electrical service would continue for customers of Imperial Irrigation District's service area. Various entities are working to address this issue.

Southern California Gas Company provides natural gas services to residents and businesses.

### **Solid Waste**

Solid waste collection services are provided in Rancho Mirage by Burrtec, a private solid waste disposal company that has been in operation in 1955. Burrtec services residential waste collection and recycling, commercial waste collection and recycling, roll-off services, construction and demolition waste collection, portable restrooms, special events, temporary bin rentals, temporary roll-off rentals, and concrete washout.

### **Storm Drainage**

Storm water drainage services are provided by the City's Public Works Department Streets Maintenance Division. The Division has seven (7) full time equivalent personnel and oversees maintenance of storm drain system and administration of the NPDES program.

The Coachella Valley Water District also provides water and storm water services throughout the Coachella Valley. The Coachella Valley Water District was formed in 1918 as an independent special district and is governed by a 5-member independent board of directors.

Additionally, Riverside County Flood Control and Water Conservation District provides construction and maintenance of flood control structures and facilities, regulates drainage development, and maintains and operates completed storm drain structures within Coachella. The Conservation District is a large dependent special district that is governed by the Riverside County Board of Supervisors. The Conservation District formed in 1945 in response to significant flooding and services the western portion of the County.

County Service Area 152 provides funding for the management of the City's NPDES permit program, which is aimed at reducing pollution to underground water tables.

### **Innovation and Technology**

The City's Information Services Division provides innovation and technology services to City staff.

### **Airport**

There are no airports in Rancho Mirage. The nearest airports are the Palm Springs International Airport, located in Palm Springs, and the Bermuda Dunes Airport, located in the unincorporated community of Bermuda Dunes.

### **Extraterritorial Services Provided**

According to City staff, the City does not provide services to areas outside of the municipal boundary. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

## **RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS**

The City has existing or planned projects including bridge improvements, traffic signal interconnections, pavement rehabilitation, and a water recycling facility construction. All of the projects are funded or will be funded before construction starts.

## HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5<sup>th</sup> Cycle Housing Element to HCD in December 2013 and it was designated in compliance with Housing Element Law in January 2014.<sup>455</sup> The City submitted 5<sup>th</sup> Cycle Housing Element Annual Progress Reports in 2017, 2018 and 2019. The City failed to submit Annual Progress Reports from 2013 through 2016.<sup>456</sup>

The City's 5<sup>th</sup> Cycle housing needs and production are presented in Figure 327.

Figure 327: 5<sup>th</sup> Cycle Housing Element Summary - Rancho Mirage

Rancho Mirage 5 <sup>th</sup> Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	23	15	18	39
Permitted Units	0	0	2	231
Allocation Surplus/(Shortage)	(23)	(15)	(16)	192

Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City permitted 231 above moderate-income (market rate) housing units and two (2) moderate-income housing units during the 5<sup>th</sup> Cycle, resulting in a surplus of above moderate-income units and a shortage of very low-, low-, and moderate-income units. The combined shortfall of very low-, low-, and moderate-income housing units is 58 units. With the 5<sup>th</sup> Cycle concluding soon, the City is not expected to produce enough units in the very low-, low-, and moderate-income categories to meet its RHNA allocation.

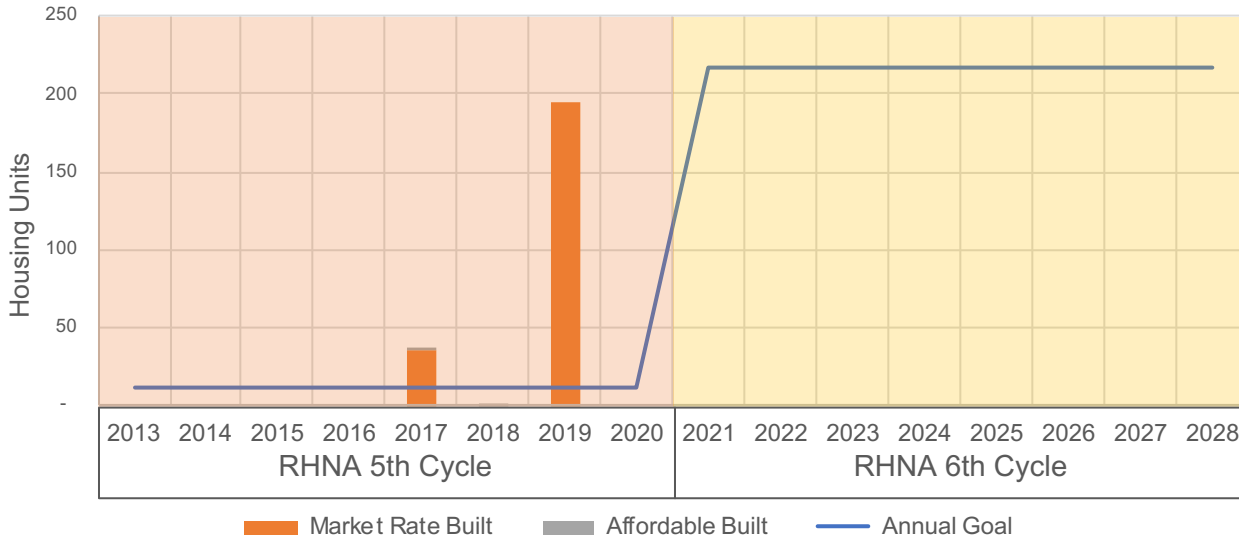
The 6<sup>th</sup> Cycle RHNA allocation is more than 18 times larger than the 5<sup>th</sup> Cycle RHNA allocation, or 1,741 housing units. During the 6<sup>th</sup> Cycle, the RHNA allocation annual goal is 218 units, which is one-eighth of its 6<sup>th</sup> Cycle total, which is more than double the 5<sup>th</sup> Cycle RHNA allocation for

<sup>455</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker" updated June 28, 2019

<sup>456</sup> Source: California Department of Housing and Community Development, "Housing Element Implementation Status Tracker," updated June 28, 2019

the entire eight (8) year period. The City's 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA allocations and 5<sup>th</sup> Cycle unit production is presented in Figure 328.

Figure 328: 5th and 6th Cycle RHNA Allocation and Production - Rancho Mirage



Rancho Mirage is one of 220 California jurisdictions that have not made sufficient progress toward either lower income (very low and low income) RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 50 percent affordable units. If the jurisdiction also has insufficient progress toward their above-moderate income RHNA unit production, then they are subject to the more inclusive streamlining for developments with at least 10% affordability. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.<sup>457</sup>

## FISCAL HEALTH

The City of Rancho Mirage's fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor's

<sup>457</sup> Source: California Department of Housing and Community Development, "SB 35 Statewide Determination Summary"

assessment is presented in the sections that follow. Presents the City's net position as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. The City had deficits of \$3.9 and 2.8 million in 2016-17 and 2017-18, respectively. In 2018-19, the City had a surplus of almost \$7.6 million, which represents about 14.8 percent of total annual revenues in the same year.

Figure 329: Net Position - Rancho Mirage

Rancho Mirage	2016-17	2017-18	2018-19
Total General Tax Revenues	\$20,134,932	\$22,955,755	\$25,170,836
Other Tax Revenues	1,721,909	2,680,831	2,596,279
Other Revenues	22,827,545	20,420,614	23,241,849
<b>Total Revenues</b>	<b>44,684,386</b>	<b>46,057,200</b>	<b>51,008,964</b>
Total Operating Expenditures	34,527,253	40,506,295	39,511,971
Debt Service	22,920	22,920	22,711
Capital Outlay	14,073,105	8,336,586	3,916,026
<b>Total Expenditures</b>	<b>48,623,278</b>	<b>48,865,801</b>	<b>43,450,708</b>
<b>Net Position</b>	<b>(\$3,938,892)</b>	<b>(\$2,808,601)</b>	<b>\$7,558,256</b>

Source: California State Controller's Office

## Operating Revenues

The City had revenues that ranged from \$44.7 million in 2016-17 to \$51.0 million in 2018-19. The City's revenues between 2016-17 and 2018-19 are presented in Figure 330.

Figure 330: Operating Revenue History - Rancho Mirage

Rancho Mirage	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$1,823,119	\$3,003,916	\$3,014,310
Sales Tax	5,305,336	6,316,508	7,407,639
Transient Occupancy Tax	9,737,434	10,154,348	11,277,452
Property Tax in-lieu of VLF	1,429,253	1,457,720	1,502,922
Franchise Tax	1,274,512	1,299,089	1,320,455
Business License Tax	240,684	244,883	232,325
Property Transfer Tax	324,594	479,291	415,733
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
<b>Total General Tax Revenues</b>	<b>20,134,932</b>	<b>22,955,755</b>	<b>25,170,836</b>
Transportation Tax	973,336	-	-
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	748,573	2,680,831	2,596,279
<b>Total Tax Revenues</b>	<b>21,856,841</b>	<b>25,636,586</b>	<b>27,767,115</b>
Charges for Services	2,777,571	4,346,688	5,279,670
Special Benefit Assessments	9,605,662	6,375,741	6,572,538
Use of Money	(164,362)	(86,062)	4,392,646
Fines and Forfeitures	132,826	133,675	194,794
Licenses and Permits	452,219	127,846	148,917
Intergovernmental	973,984	2,280,528	1,560,407
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	9,049,645	7,242,198	5,092,877
<b>Total Revenues</b>	<b>\$44,684,386</b>	<b>\$46,057,200</b>	<b>\$51,008,964</b>

Source: California State Controller's Office

The City is heavily reliant on transient occupancy taxes, which grew to \$11.3 million in 2018-19 and represented about 44.8 percent of general tax revenues. The two (2) next-largest general tax revenue sources for the City were sales tax (\$7.4 million in 2018-19), and property tax (\$3.0 million). The City's largest non-tax revenue sources were special benefit assessments (\$6.6 million), charges for services (\$5.3 million), and miscellaneous revenues (\$5.1 million).

Between 2016-17 and 2018-19, the City's general tax revenues increased at an annualized rate of 11.8 percent while overall revenues increased at a 6.8 percent annualized rate. General tax revenues accounted for about 49.3 percent of total revenues for the City, which is below-average

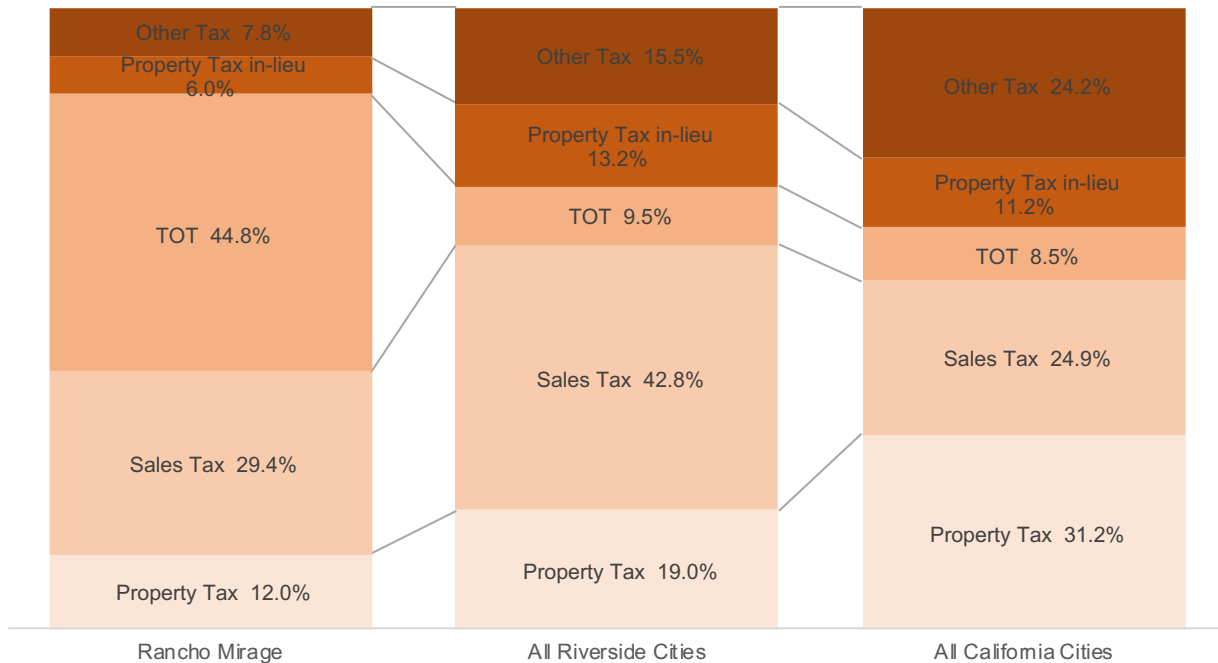


and indicates that the City collects more revenues from operational sources, such as charges for services, and intergovernmental revenues than the average Riverside County city.

The City's transient occupancy taxes represent 44.8 percent of general tax revenues, which is significantly higher than the average transient occupancy tax collections for cities in Riverside County and California which was 9.5 and 8.5 percent respectively. As a result, the City's proportional shares of sales tax, property tax, property tax in-lieu, and other tax revenues were disproportionately smaller than the average Riverside County and California cities.

The City's general tax revenues are compared to the average Riverside County and California cities in Figure 331.

Figure 331: General Tax Revenue Comparison - Rancho Mirage



### Transient Occupancy Tax

As previously stated, transient occupancy tax revenues were the City's single-largest revenue source in 2018-19. The City's transient occupancy tax rate is 10 percent, assessed on overnight

occupancies within Rancho Mirage.<sup>458</sup> Between 2016-17 and 2018-19, the City's transient occupancy tax revenues increased at an annualized rate of 7.6 percent. According to City staff, the COVID-19 pandemic is expected to impact the City's fiscal position. The City expects to respond to the fiscal challenges with reserves. The City's reserve funds are discussed later in this MSR.

## **Sales Tax**

The City's second-largest general tax revenue source is sales tax, which accounted for \$7.4 million in 2018-19, or about 29.4 percent of general tax revenues. Sales tax is derived from one percent of gross receipts from the sale of tangible personal property sold within Rancho Mirage. Between 2016-17 and 2018-19, the City's sales tax revenues increased from \$5.3 to \$7.4 million, an 18.2 percent annualized growth rate. According to City staff, the COVID-19 pandemic is expected to impact the City's sales tax revenue collections, and like transient occupancy tax shortfalls, the City expects to respond by using reserve funds.

## **Property Tax and Property Tax in-lieu of Motor Vehicle License Fees**

Property tax revenues are the City's third-largest general tax revenue, representing about 12.0 percent of general tax revenues in 2018-19, or about \$3.0 million. Property tax is assessed on Rancho Mirage's land, improvements, and personal property which combined for a total assessed valuation of \$8.6 billion in 2018-19. The City's land assessed valuation was \$2.7 billion while the City's improvement assessed valuation was \$6.4 billion.<sup>459</sup> The City's 2018-19 property tax revenues of \$3.0 million represent about 3.5 percent of property tax revenues collected in Rancho Mirage, which is one of the smallest apportionment rates for a city in Riverside County.

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<sup>458</sup> Source: California City Finance, "Transient Occupancy Tax by City"

<sup>459</sup> Source: California City Finance, "Assessed Valuation of Property by City"

Property tax in-lieu of VLF accounted for \$1.5 million in general tax revenues in 2018-19. Property tax in-lieu of VLF replaced vehicle license fees as a revenue source for cities in 2004, and increased based on assessed valuation growth in the jurisdiction.

The City of Rancho Mirage does not have a Master Property Tax Exchange Agreement with the County in place.<sup>460</sup> City staff indicated that they would provide information about Master Property Tax Exchange Agreements to the City Manager to determine if there is any interest in pursuing an Agreement. Because the City's remaining unincorporated SOI areas overlap tribal land, there may not be any incentive for the City to pursue a Master Property Tax Exchange Agreement at this time.

### **Special Benefit Assessments**

Special benefit assessments amounted to \$6.6 million in 2018-19, or about 12.9 percent of total revenues. While special benefit assessments were a major source of revenue for the City in 2018-19, the revenue source has been volatile in the past, having decreased from \$9.6 million in 2016-17. Special benefit assessments are functional revenues derived from special fire, lighting and other services.

### **Charges for Services**

The City's second-largest non-tax revenue source is charges for services. Charges for services includes fees charged for zoning and subdivision review, special fire department services, plan check, engineering and inspections, weed and lot cleaning, solid waste disposal, library fines, housing, and other miscellaneous charges for services. The City's most significant charges for services in 2018-19 included housing revenues (\$1.5 million), special fire department services (\$1.3 million), and zoning and subdivision fees (\$793,000). Between 2016-17 and 2018-19, charges for services increased from \$2.8 to \$5.3 million, a 37.9 percent annualized increase.

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<sup>460</sup> Source: Riverside LAFCO

## Operating Expenditures

The City's operating expenditures in 2018-19 were \$43.5 million, which is a decrease of about \$5.4 million from 2017-18, and an average annual decrease of 5.5 percent between 2016-17 and 2018-19. The City's annual operating expenditures are categorized by function in Figure 332.

Figure 332: Operating Expenditures - Rancho Mirage

Rancho Mirage	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$7,265,795	\$7,287,985	\$7,449,967
Employee Benefits	3,410,434	3,082,007	3,120,989
Materials and Supplies	6,769,439	4,683,798	6,394,726
Contract Services	17,081,585	25,452,505	22,546,289
Other Operating Expenditures	-	-	-
<b>Total Operating Expenditures</b>	<b>34,527,253</b>	<b>40,506,295</b>	<b>39,511,971</b>
Debt Service	22,920	22,920	22,711
Capital Outlay	14,073,105	8,336,586	3,916,026
<b>Total Expenditures</b>	<b>\$48,623,278</b>	<b>\$48,865,801</b>	<b>\$43,450,708</b>

Source: California State Controller's Office

More than half (51.9 percent) of the City's expenditures are on contract services, which increased by 14.9 percent annually between 2016-17 and 2018-19, and accounted for \$22.5 million in operating expenditures in 2018-19. The City's second and third largest expenditure categories were salaries and wages, which was \$7.4 million in 2018-19, or about 17.1 percent of total expenditures, and materials and supplies, which was \$6.4 million in 2018-19, or about 14.7 percent of total expenditures. The City has managed to keep debt service low while capital outlay expenditures decreased from about \$14.1 million in 2016-17 to \$3.9 million in 2018-19.

The City's current expenditures according to function are presented in Figure 333.

Figure 333: Current Expenditures - Rancho Mirage

Rancho Mirage	2016-17	2017-18	2018-19
General Government	\$7,054,336	\$11,212,884	\$8,348,571
Public Safety	13,148,960	15,205,157	17,304,170
Transportation	4,130,028	4,098,086	3,671,133
Community Development	6,666,833	6,579,969	6,708,672
Health	-	21,826	254,228
Culture and Leisure	3,527,096	3,388,373	3,225,197
Public Utilities	-	-	-
Debt Service	22,920	22,920	22,711
Capital Outlay	14,073,105	8,336,586	3,916,026
<b>Total Current Expenditures</b>	<b>\$48,623,278</b>	<b>\$48,865,801</b>	<b>\$43,450,708</b>

Source: California State Controller's Office

The City's largest departmental expenditure is on public safety, which was \$17.3 million in 2018-19 and represented about 43.8 percent of the City's total current expenditures. Between 2016-17 and 2018-19, public safety expenditures increased from \$13.1 to \$17.3 million, an annual average increase of 14.7 percent. During the same time frame, the City's general tax revenues increased at just 11.8 percent annually and total revenues increased at an annual rate of 6.8 percent, indicating that the rapid increase in public safety costs is unsustainable for the City. However, during the same time frame, the City decreased total current expenditures by \$5.2 million, an average annual decrease of 5.5 percent.

### Reserve Fund Balance

The City does not have an adopted reserve policy. The City's budget estimated an unassigned fund balance of \$10.2 million as of June 30, 2019. The City's Prudent Reserve, which was about \$25.0 million at the end of the 2018-19 fiscal year, is set aside to respond to future revenue shortfalls if the State makes changes to municipal revenue streams or if economic conditions cause General Fund revenues to decline by more than 9 percent.

### Pension and OPEB Obligations

The City's pension and OPEB obligations are outlined in Figure 334.

Figure 334: Pension and OPEB Obligations - Rancho Mirage

Rancho Mirage	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$4,561,269	(\$1,582,004)	(\$578,798)
Total OPEB Liability/(Surplus)	841,770	629,936	(200,766)
Total Benefit Liability/(Surplus)	\$5,403,039	(\$952,068)	(\$779,564)

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City's eligible employees participate in the Miscellaneous Plan, which is a cost sharing multiple employer defined benefit pension plan administered by CalPERS. The City does not have any staff that qualify for a Safety Plan. The City's OPEB Policy is a retiree service stipend that is a multiple employer defined benefit retiree healthcare plan, also administered by CalPERS. The City had accumulated a net pension and net OPEB surplus in 2019-20, for a combined benefit surplus of \$780,000.

The City's pension indicators are presented in Figure 335, which includes the City's employer contribution compared to the actuarially determined contribution, the City's total covered payroll, and the contribution rate as a percent of covered payroll.

Figure 335: Pension Indicators - Rancho Mirage

Rancho Mirage	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$547,736	\$566,522	\$589,107
Employer Contribution	5,976,949	566,522	589,107
Covered Payroll	\$6,320,402	\$7,067,601	\$6,785,205
Employer Contribution Rate	94.6%	8.0%	8.7%

Source: 2017-18, 2018-19 and 2019-20 ACFR

The City made a substantial employer contribution of almost \$6.0 million to the City's pension plan in 2017-18. The City has a history of making large employer contributions, having also made a \$10.7 million employer contribution, which was \$9.7 million in excess of the actuarially determined contribution, in 2014-15. Aside from 2017-18, when the City's employer contribution exceeded the actuarially determined contribution by \$5.4 million, the City's employer contribution rate was 8.0 and 8.7 percent in 2018-19, which is significantly lower than the County-wide average contribution rates of 26 to 32 percent during the same time period.

## **Annual Audit Findings**

RSG reviewed the City's Annual Audits for 2018-19 and 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits in 2018-19 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

## **California State Auditor Fiscal Health Evaluation**

The City of Rancho Mirage ranked 418 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 53 peer cities in California, or about 11 percent of cities. The City received low risk ratings on nine (9) indicators, including liquidity, debt burden, general fund reserves, pension obligations, pension funding, pension costs, future pension costs, OPEB obligations, and OPEB funding. Zero (0) indicators were given a moderate risk rating. One (1) indicator scored a high risk rating, including revenue trends.<sup>461</sup>

## **MSR DETERMINATIONS**

Requisite CKH determinations for Rancho Mirage are presented by topic below:

### **1. Population, Growth, and Housing**

The population of Rancho Mirage grew at a rate that nearly-matched the County-wide growth rate between 2010 and 2020. However, going forward, Rancho Mirage has very little opportunity for development, and the vacant land in the SOI is mostly tribal land. Rancho Mirage may not grow according to its 2035 and 2045 projected growth rates.

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<sup>461</sup> Source: California State Auditor, Financial Data for Fiscal Year 2019-20



## **2. Disadvantaged Unincorporated Communities in SOI**

The Rancho Mirage SOI does not contain and DUCs.

## **3. Present and Planned Capacity of Facilities**

While City staff did not indicate any deficiencies related to electricity infrastructure, the upcoming expiration of Imperial Irrigation District's 99-year contract has resulted in deferred maintenance of some aging and inadequate electricity infrastructure in the nearby communities. Various entities are working towards a resolution with Imperial Irrigation District, and RSG recommends that LAFCO monitor this situation closely.

## **4. Financial Ability to Provide Services**

The City has managed to keep debt, pensions, and OPEB liabilities under control, but the City's public safety costs are increasing at an unsustainable rate.

## **5. Opportunities for Shared Facilities**

City staff did not identify any opportunities for shared facilities.

## **6. Accountability for Community Service Needs**

The City Council is elected at-large, which may prevent small communities from being adequately represented in the local government. However, the City has many boards and commissions for residents to participate in local decision-making processes. The City connects with residents through at least four (4) different social networks and provides relevant news and event information on its website.

## **7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.**

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

## **SOI RECOMMENDATIONS**

RSG recommends reconfirming the existing boundary of the Rancho Mirage SOI. City staff indicated a desire to annex pocket P34. RSG's findings related to the Rancho Mirage SOI are presented by topic below.

### **1. Present and Planned Land Uses**

The land uses and development in the Rancho Mirage SOI is largely governed by the Agua Caliente Band of Cahuilla Indians.

### **2. Present and Probable Need for Public Facility and Services**

Needs for public facilities and services in the Rancho Mirage SOI will be provided by the Agua Caliente Band of Cahuilla Indians.

### **3. Present Capacity of Public Facilities**

The Rancho Mirage SOI is entirely vacant land – no public facilities exist in the Rancho Mirage SOI.

### **4. Social or Economic Communities of Interest**

The Rancho Mirage SOI is entirely vacant and does not contain any social or economic communities of interest.

### **5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services**

The Rancho Mirage SOI does not contain any DUCs.

