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PUBLIC REVIEW REPORT

COMPREHENSIVE FISCAL ANALYSIS OF THE PROPOSED INCORPORATION OF MENIFEE VALLEY

Prepared for:

The Local Agency Formation Commission of Riverside County

Prepared by:

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I. INTRODUCTION

This report presents a Public Review Report of the Comprehensive Fiscal Analysis (CFA) of the incorporation of the City of Menifee Valley as proposed by the proponents in their incorporation petition and application to the Local Agency Formation Commission (LAFCO) of Riverside County. The CFA provides a financial evaluation of cityhood feasibility and potential impacts on the County and other affected agencies.

Financial feasibility is a key finding that must be made by LAFCO; however, LAFCO itself is instrumental in determining financial feasibility since it imposes conditions that directly affect costs and revenues accruing to the new city. These conditions include the following:

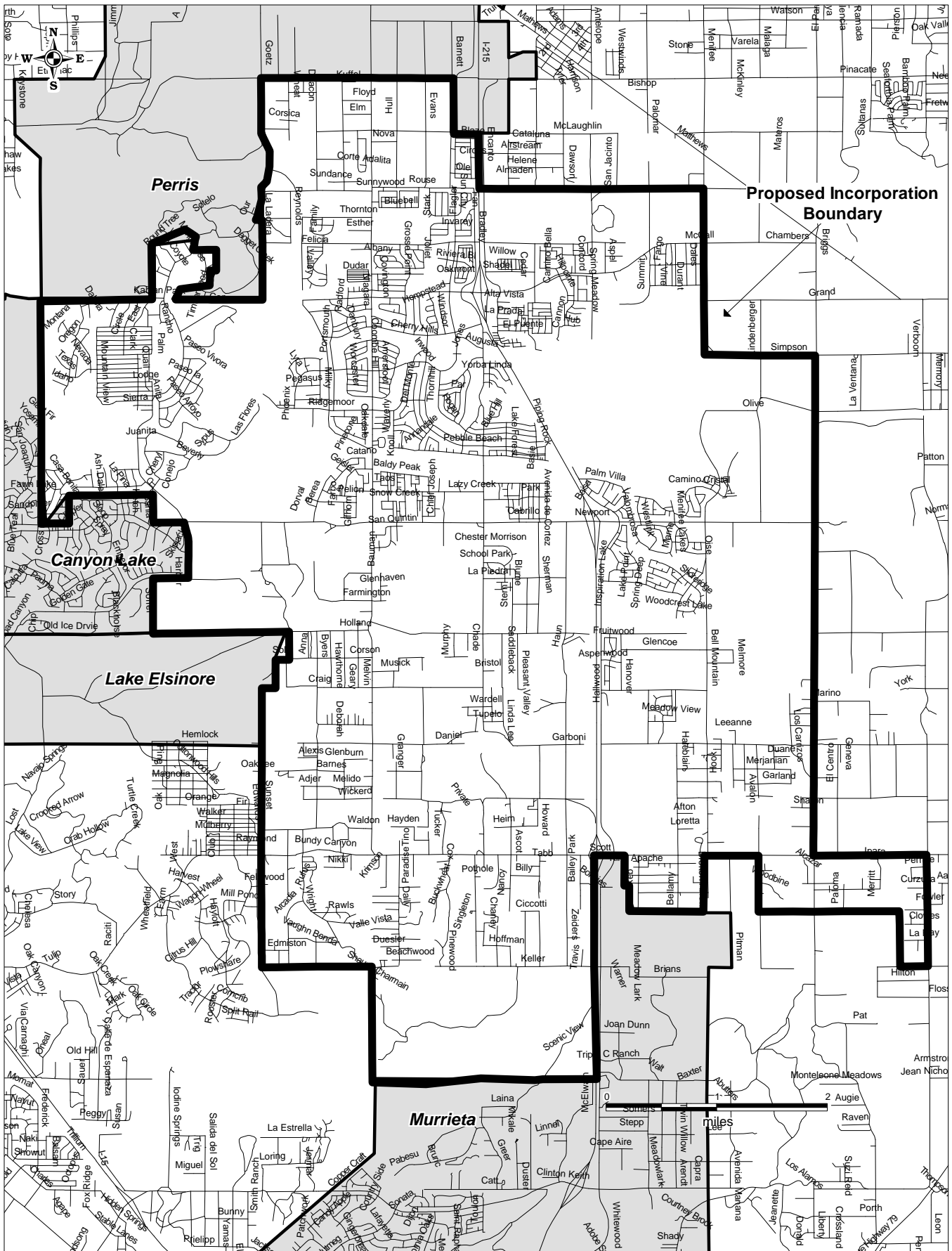
- Timing of incorporation (date of the election and the effective date of the new city)
- Boundaries of the new city
- Property tax transfer
- Mitigation terms and conditions related to “fiscal neutrality”
- Related governmental boundary changes, such as dissolutions of or detachments from County Service Areas or districts

The CFA evaluates the fiscal feasibility of a new city government, reflecting the municipal boundary and government described in the proponent’s incorporation application.

BOUNDARIES

The proposal incorporates an unincorporated area of approximately 42 square miles, commonly referred to as Menifee Valley as shown in **Figure 1**. The proposed boundaries also include the areas in Menifee Valley referred to as Sun City, Quail Valley, and Menifee Lakes. Menifee Valley is an unincorporated community in the County of Riverside, and is bordered by a number of cities, including Perris, Canyon Lake, Lake Elsinore, and Murrieta. State Highway 215 transects the proposed area boundary. Menifee Valley is home to approximately 50,000 residents and is composed predominantly of single-family homes, though it includes a small proportion of apartments. The area also includes commercial uses providing community retail, as well as service and industrial businesses.

Figure 1
Boundaries of the Proposed City of Menifee Valley



METHODOLOGY

This CFA was prepared under direction from LAFCO in cooperation with the County of Riverside, special districts, and the proponents. The requirement for the CFA is established in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 et seq.) at Section 56800 (herein referred to as the “Statute”).

The CFA provides LAFCO with information necessary to make the determinations required by the statutes. LAFCO has the authority to approve, deny, or modify the incorporation proposal (as defined in the petition) and must in all cases impose specific terms and conditions regarding the transition of governance to a municipality. If LAFCO approves the proposal, and if no formal majority protest as specified in the law occurs, an election would be held. Majority voter approval is required to create the incorporated City of Menifee Valley. A more detailed overview of the incorporation process is provided in **Appendix A**.

The analysis evaluates the feasibility of a new city government, taking into account growth projections, the legal requirements imposed by LAFCO (terms and conditions), and a projection of municipal costs and revenues for the new city. The analysis also evaluates the potential impacts of incorporation upon agencies presently providing services to Menifee Valley (e.g., the County of Riverside).

As described in forthcoming chapters, the financial evaluation is based on a municipal budget model and forecast. Revenue estimates are based on specific mandated formulas (property tax), the development schedule (growth in property tax and sales tax), and estimates of population growth (motor vehicle license fees). Cost estimates are based both on expected increases in the population, as well as on the incremental need for additional city staff and services. Cost information reflects the actual County revenues and expenditures for Fiscal Year (FY) 2003-2004.

The CFA includes a “sensitivity analysis,” an effort to test the impacts of variations in key assumptions or data upon the base cost and revenue assumptions. This analysis is necessary because of the uncertainty regarding a number of key assumptions, e.g., the State’s allocation methodology for motor vehicle in-lieu tax, and the rate of growth in the area. This sensitivity analysis has been conducted to provide LAFCO with information to assist in its factual and policy determinations.

II. CONCLUSIONS

FEASIBILITY OF INCORPORATION

1. *Menifee Valley is likely to experience significant annual shortfalls and inadequate reserves unless additional revenues are obtained.*

The conclusion that the City of Menifee Valley is financially infeasible is based upon the results of the municipal budget forecast completed as a part of this analysis. The new city is not able to accrue revenues and establish a significant fund balance as a result of: a) recent State budget changes that substantially eliminated Vehicle License Fee (VLF) revenue to newly incorporated cities, b) a minimal tax base relative to the growing need for services, including fire protection, and c) a significant increase in the contract cost required for police protection relative to the current level and type of service provision and cost. However, the city's fiscal condition improves in future years as a result of significant growth in population, property tax, sales tax and other revenues.

Table 1 shows the estimated costs by major municipal function and revenues available to the new city government. The municipal General Fund shortfall (annual revenues minus annual expenditures) is projected to be approximately \$13.5 million by its third full year of operation, which is assumed to be 2008–2009. By the tenth fiscal year, the annual net shortfall is projected to be \$10.7 million. As noted below and shown in **Table 1a**, if proposed State legislation restores VLF revenue to its previous level, the new city would experience shortfalls of \$8.8 million in year 3 and \$6.7 million by year 10. At the present time, the specific terms and amounts of VLF to new cities have not been determined.

2. *Municipal service levels will be at least equal to existing levels.*

Municipal services are funded in the CFA at a level that equals or exceeds existing service levels. In some instances service levels may improve qualitatively despite little or no difference in expenditure; for example, with the planning and building department located within the community, residents will have more convenient access to these services as well as a greater degree of local control. In other instances, actual expenditures are assumed to be higher; for example, the cost of police protection provided through the contract proposed by the County Sheriff exceeds existing expenditures due to the provision of additional officers for traffic enforcement and the increased cost of dedicating officers to the area to ensure available backup. The addition of fire stations and staffing will also be required to serve growing populations.

Table 1
Summary of Revenues and Expenses (All figures in Constant 2004\$)
Menifee Valley Incorporation Analysis
No VLF/Property Tax Swap
100% base case growth

Item	Fiscal Year									
	2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10
General Fund Revenues										
Property Taxes	\$5,534,066	\$5,986,924	\$6,454,458	\$6,937,089	\$7,435,249	\$7,949,379	\$8,479,933	\$9,027,378	\$9,592,190	\$10,174,861
VLF/Property Tax Swap	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax	\$1,842,751	\$2,018,680	\$2,194,610	\$2,370,540	\$2,546,469	\$2,722,399	\$2,898,329	\$3,074,259	\$3,250,188	\$3,426,118
Transient Occupancy Tax	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755
Real Property Transfer Tax	\$300,536	\$316,119	\$332,193	\$348,772	\$365,869	\$383,499	\$401,676	\$420,416	\$439,734	\$459,645
Franchise Fees	\$801,302	\$830,983	\$860,665	\$890,346	\$920,027	\$949,709	\$979,390	\$1,009,072	\$1,038,753	\$1,068,434
Planning and Building Fees	\$433,560	\$1,024,158	\$1,028,721	\$1,033,306	\$1,037,915	\$1,042,546	\$1,047,201	\$1,051,879	\$1,056,580	\$1,061,305
Public Works/Eng. Fees	\$364,865	\$1,613,496	\$1,615,032	\$1,616,575	\$1,618,127	\$1,619,686	\$1,621,253	\$1,622,828	\$1,624,410	\$1,626,001
Fines and Penalties	\$273,140	\$283,258	\$293,375	\$303,493	\$313,610	\$323,728	\$333,845	\$343,963	\$354,080	\$364,198
State Motor Vehicle License Fees	\$265,492	\$275,326	\$285,161	\$294,995	\$304,829	\$314,663	\$324,497	\$334,332	\$344,166	\$354,000
Investment Earnings	<u>\$98,945</u>	<u>\$124,277</u>	<u>\$131,430</u>	<u>\$138,739</u>	<u>\$146,209</u>	<u>\$153,844</u>	<u>\$161,649</u>	<u>\$169,629</u>	<u>\$177,789</u>	<u>\$186,133</u>
Total	\$9,993,411	\$12,551,976	\$13,274,398	\$14,012,609	\$14,767,059	\$15,538,207	\$16,326,529	\$17,132,508	\$17,956,645	\$18,799,449
General Fund Expenses										
Legislative	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Elections	\$0	\$60,832	\$0	\$65,178	\$0	\$69,523	\$0	\$73,869	\$0	\$78,215
City Manager and City Clerk	\$647,177	\$647,656	\$650,558	\$653,475	\$656,406	\$659,352	\$662,313	\$665,288	\$668,279	\$671,284
City Attorney	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$337,849	\$344,606	\$351,498	\$358,528
Administrative Services	\$1,000,692	\$1,229,622	\$1,233,536	\$1,237,469	\$1,464,854	\$1,469,633	\$1,474,435	\$1,479,262	\$1,484,112	\$1,488,987
Police	\$0	\$5,389,468	\$5,090,789	\$5,378,076	\$5,674,818	\$5,981,279	\$6,297,729	\$6,624,444	\$6,961,708	\$7,309,813
Fire Protection	\$0	\$9,432,390	\$10,828,563	\$11,045,134	\$11,266,037	\$11,491,357	\$11,721,185	\$11,955,608	\$12,194,720	\$12,438,615
Animal Control	\$0	\$100,674	\$104,791	\$108,947	\$113,142	\$117,376	\$121,650	\$125,963	\$130,316	\$134,710
Planning and Building	\$541,950	\$1,380,197	\$1,385,901	\$1,391,633	\$1,297,393	\$1,303,183	\$1,309,001	\$1,314,848	\$1,320,725	\$1,326,631
Public Works Administration	\$405,405	\$1,792,773	\$1,794,480	\$1,796,195	\$1,797,919	\$1,799,651	\$1,801,392	\$1,803,142	\$1,804,900	\$1,806,667
Non-Departmental										
Office Rent/Supplies	\$641,150	\$658,150	\$430,150	\$430,150	\$460,150	\$436,150	\$436,150	\$436,150	\$436,150	\$436,150
Insurance	\$107,441	\$631,283	\$656,277	\$674,089	\$693,013	\$711,112	\$726,201	\$746,045	\$761,922	\$782,838
Contingency	\$358,137	\$2,104,276	\$2,187,589	\$2,246,962	\$2,310,045	\$2,370,373	\$2,420,670	\$2,486,818	\$2,539,741	\$2,609,460
Repayment, 1st year costs	\$0	<u>\$2,037,998</u>	<u>\$2,037,998</u>	<u>\$2,037,998</u>	<u>\$2,037,998</u>	<u>\$2,037,998</u>	\$0	\$0	\$0	\$0
Total	\$4,046,953	\$25,816,319	\$26,757,750	\$27,428,667	\$28,141,505	\$28,823,211	\$27,353,574	\$28,101,043	\$28,699,072	\$29,486,899
Operating Surplus (Deficit)	\$5,946,458	(\$13,264,343)	(\$13,483,352)	(\$13,416,058)	(\$13,374,446)	(\$13,285,004)	(\$11,027,045)	(\$10,968,535)	(\$10,742,427)	(\$10,687,450)
Road Fund Revenues										
Gas Taxes	\$1,569,077	\$1,568,985	\$1,568,894	\$1,568,805	\$1,568,718	\$1,568,633	\$1,568,550	\$1,275,346	\$1,312,483	\$1,349,621
Measure A	<u>\$337,962</u>	<u>\$369,962</u>	<u>\$401,962</u>	<u>\$433,962</u>	<u>\$465,962</u>	<u>\$497,962</u>	<u>\$529,962</u>	<u>\$561,962</u>	<u>\$593,962</u>	<u>\$625,962</u>
Total	\$1,907,039	\$1,938,947	\$1,970,856	\$2,002,767	\$2,034,680	\$2,066,595	\$2,098,512	\$1,837,308	\$1,906,445	\$1,975,583
Road Fund Expenditures										
Road Maintenance	\$0	\$1,297,908	\$1,339,403	\$1,380,898	\$1,422,393	\$1,463,887	\$1,505,382	\$1,546,877	\$1,588,372	\$1,629,866
Repayment of First-Year Services	\$0	<u>\$290,200</u>	<u>\$290,200</u>	<u>\$290,200</u>	<u>\$290,200</u>	<u>\$290,200</u>	\$0	\$0	\$0	\$0
Total	\$0	\$1,588,108	\$1,629,603	\$1,671,098	\$1,712,593	\$1,754,087	\$1,505,382	\$1,546,877	\$1,588,372	\$1,629,866
Operating Surplus (Deficit)	\$1,907,039	\$350,838	\$341,253	\$331,670	\$322,088	\$312,508	\$593,129	\$290,431	\$318,073	\$345,716
TOTAL Road Fund & General Fund										
Surplus (Deficit)	\$7,853,497	(\$12,913,505)	(\$13,142,099)	(\$13,084,388)	(\$13,052,358)	(\$12,972,496)	(\$10,433,916)	(\$10,678,103)	(\$10,424,354)	(\$10,341,733)
Cumulative Surplus (Deficit)	\$7,853,497	(\$5,060,008)	(\$18,202,107)	(\$31,286,495)	(44,338,853)	(57,311,350)	(67,745,265)	(78,423,369)	(88,847,723)	(99,189,456)

Table 1a
Summary of Revenues and Expenses (All figures in Constant 2004\$)
Menifee Valley Incorporation Analysis
VLF/Property Tax Swap, (w/3*voters) **100% base case growth**

Item	Fiscal Year									
	2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10
General Fund Revenues										
Property Taxes	\$5,534,066	\$5,986,924	\$6,454,458	\$6,937,089	\$7,435,249	\$7,949,379	\$8,479,933	\$9,027,378	\$9,592,190	\$10,174,861
VLF/Property Tax Swap	\$4,660,134	\$4,660,134	\$4,660,134	\$4,660,134	\$4,660,134	\$4,660,134	\$4,660,134	\$3,672,295	\$3,783,588	\$3,894,880
Sales Tax	\$1,842,751	\$2,018,680	\$2,194,610	\$2,370,540	\$2,546,469	\$2,722,399	\$2,898,329	\$3,074,259	\$3,250,188	\$3,426,118
Transient Occupancy Tax	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755
Real Property Transfer Tax	\$300,536	\$316,119	\$332,193	\$348,772	\$365,869	\$383,499	\$401,676	\$420,416	\$439,734	\$459,645
Franchise Fees	\$801,302	\$830,983	\$860,665	\$890,346	\$920,027	\$949,709	\$979,390	\$1,009,072	\$1,038,753	\$1,068,434
Planning and Building Fees	\$433,560	\$1,024,158	\$1,028,721	\$1,033,306	\$1,037,915	\$1,042,546	\$1,047,201	\$1,051,879	\$1,056,580	\$1,061,305
Public Works/Eng. Fees	\$364,865	\$1,613,496	\$1,615,032	\$1,616,575	\$1,618,127	\$1,619,686	\$1,621,253	\$1,622,828	\$1,624,410	\$1,626,001
Fines and Penalties	\$273,140	\$283,258	\$293,375	\$303,493	\$313,610	\$323,728	\$333,845	\$343,963	\$354,080	\$364,198
State Motor Vehicle License Fees	\$265,492	\$275,326	\$285,161	\$294,995	\$304,829	\$314,663	\$324,497	\$334,332	\$344,166	\$354,000
Investment Earnings	<u>\$145,546</u>	<u>\$170,878</u>	<u>\$178,031</u>	<u>\$185,340</u>	<u>\$192,810</u>	<u>\$200,445</u>	<u>\$208,250</u>	<u>\$206,352</u>	<u>\$215,624</u>	<u>\$225,082</u>
Total	\$14,700,147	\$17,258,711	\$17,981,134	\$18,719,345	\$19,473,794	\$20,244,943	\$21,033,264	\$20,841,526	\$21,778,068	\$22,733,278
General Fund Expenses										
Legislative	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Elections	\$0	\$60,832	\$0	\$65,178	\$0	\$69,523	\$0	\$73,869	\$0	\$78,215
City Manager and City Clerk	\$647,177	\$647,656	\$650,558	\$653,475	\$656,406	\$659,352	\$662,313	\$665,288	\$668,279	\$671,284
City Attorney	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$337,849	\$344,606	\$351,498	\$358,528
Administrative Services	\$1,000,692	\$1,229,622	\$1,233,536	\$1,237,469	\$1,464,854	\$1,469,633	\$1,474,435	\$1,479,262	\$1,484,112	\$1,488,987
Police	\$0	\$5,389,468	\$5,090,789	\$5,378,076	\$5,674,818	\$5,981,279	\$6,297,729	\$6,624,444	\$6,961,708	\$7,309,813
Fire Protection	\$0	\$9,432,390	\$10,828,563	\$11,045,134	\$11,266,037	\$11,491,357	\$11,721,185	\$11,955,608	\$12,194,720	\$12,438,615
Animal Control	\$0	\$100,674	\$104,791	\$108,947	\$113,142	\$117,376	\$121,650	\$125,963	\$130,316	\$134,710
Planning and Building	\$541,950	\$1,380,197	\$1,385,901	\$1,391,633	\$1,297,393	\$1,303,183	\$1,309,001	\$1,314,848	\$1,320,725	\$1,326,631
Public Works Administration	\$405,405	\$1,792,773	\$1,794,480	\$1,796,195	\$1,797,919	\$1,799,651	\$1,801,392	\$1,803,142	\$1,804,900	\$1,806,667
Non-Departmental										
Office Rent/Supplies	\$641,150	\$658,150	\$430,150	\$430,150	\$460,150	\$436,150	\$436,150	\$436,150	\$436,150	\$436,150
Insurance	\$107,441	\$631,283	\$656,277	\$674,089	\$693,013	\$711,112	\$726,201	\$746,045	\$761,922	\$782,838
Contingency	\$358,137	\$2,104,276	\$2,187,589	\$2,246,962	\$2,310,045	\$2,370,373	\$2,420,670	\$2,486,818	\$2,539,741	\$2,609,460
Repayment, 1st year costs	\$0	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998	\$0	\$0	\$0	\$0
Total	\$4,046,953	\$25,816,319	\$26,757,750	\$27,428,667	\$28,141,505	\$28,823,211	\$27,353,574	\$28,101,043	\$28,699,072	\$29,486,899
Operating Surplus (Deficit)	\$10,653,194	(\$8,557,608)	(\$8,776,616)	(\$8,709,322)	(\$8,667,711)	(\$8,578,269)	(\$6,320,310)	(\$7,259,517)	(\$6,921,004)	(\$6,753,621)
Road Fund Revenues										
Gas Taxes	\$1,569,077	\$1,568,985	\$1,568,894	\$1,568,805	\$1,568,718	\$1,568,633	\$1,568,550	\$1,275,346	\$1,312,483	\$1,349,621
Measure A	<u>\$337,962</u>	<u>\$369,962</u>	<u>\$401,962</u>	<u>\$433,962</u>	<u>\$465,962</u>	<u>\$497,962</u>	<u>\$529,962</u>	<u>\$561,962</u>	<u>\$593,962</u>	<u>\$625,962</u>
Total	\$1,907,039	\$1,938,947	\$1,970,856	\$2,002,767	\$2,034,680	\$2,066,595	\$2,098,512	\$1,837,308	\$1,906,445	\$1,975,583
Road Fund Expenditures										
Road Maintenance	\$0	\$1,297,908	\$1,339,403	\$1,380,898	\$1,422,393	\$1,463,887	\$1,505,382	\$1,546,877	\$1,588,372	\$1,629,866
Repayment of First-Year Services	\$0	\$290,200	\$290,200	\$290,200	\$290,200	\$290,200	\$0	\$0	\$0	\$0
Total	\$0	\$1,588,108	\$1,629,603	\$1,671,098	\$1,712,593	\$1,754,087	\$1,505,382	\$1,546,877	\$1,588,372	\$1,629,866
Operating Surplus (Deficit)	\$1,907,039	\$350,838	\$341,253	\$331,670	\$322,088	\$312,508	\$593,129	\$290,431	\$318,073	\$345,716

3. The amount of VLF revenue distributed to the new city by the State will not change the findings regarding feasibility.

VLF revenue was one of the most important revenues for newly incorporating cities trying to achieve financial feasibility. It was one of the only revenue sources not transferred from the County, and, as a result, did not have to be mitigated by the new city to comply with “revenue neutrality” requirements¹. In addition, the per-capita allocation to new cities was applied to a proxy population (three times registered voters) to provide a bump or “helping hand” to newly incorporated cities for the first seven years after formation.

In August 2004 the California Legislature approved a VLF swap for property tax as part of a state-local budget agreement (“VLF for Property Tax Swap of 2004”). The most recent legislation implementing the swap did not provide funding for future incorporations. The legislation only authorizes the swap for those cities that collected VLF revenues in FY 2004-2005. As a result, future cities will not receive property tax in-lieu of VLF for what would have been their fair share of VLF prior to the new legislation. Newly incorporated communities, however, will receive a small per-capita amount of VLF equal to the amount received by other existing cities (approximately \$5 per capita). This per-capita amount is applied to the actual population in the newly incorporated city, not to the proxy population. Based on this methodology, the City of Menifee Valley is estimated to receive approximately \$270,000 per year initially in VLF from the State.

If proposed legislation² is approved and the VLF amount is allocated according to the historical methodology, the City of Menifee Valley will receive approximately an additional \$55 per capita in VLF from the State multiplied by the “proxy population” (three times registered voters) for the first seven years, resulting in about \$5.0 million annually to the new city. **Table 1a** shows the impact on incorporation feasibility if the proposed legislation passes.

4. Greater rates of new development will improve revenues. For example, a 50 percent increase in the assumed rate of residential, retail and industrial growth would increase revenues at Year 10 by more than \$4 million; however, this amount is insufficient to offset additional costs due to greater population growth. The annual shortfall at Year 10 is \$3.6 million (assuming receipt of the historical VLF amounts) as illustrated in **Appendix D**.

5. The feasibility of incorporation will be improved through a number of events. These events include the following:

- **Passage of legislation to restore VLF funding to newly incorporated cities.** As noted above, this will significantly increase annual revenues.

¹ Government Code Section 56815 et. seq.

² AB1602, 2/22/05.

- **Improvement to the area's tax base.** The CFA shows a significant improvement in sales tax revenues as the area's population grows and retail and other commercial development occurs. While some of this growth in sales will be realized at existing businesses, it will be important to assure that suitable land and infrastructure are available to enable attraction and development of revenue-generating uses. This includes land in commercial cores, as well as more industrial areas that could accommodate vehicle dealership, sales and service, etc.
- **Adequate levels of development to support required fire protection services.** The substantial growth occurring in the Menifee Valley and its relatively large geographic extent require the addition of several new fire stations and increased expenditures for staffing and other expenses. However, operation of these stations in advance of population growth, necessary to assure maintenance of service levels, also incurs a significant funding subsidy until growth and tax revenues "catch up" to an adequate funding level.
- **Creation of a special tax to fund services.** An annual special or general tax on the order of \$100 to \$300 per unit would fund the shortfall indicated by this CFA, depending on the timing and magnitude of the restoration of VLF revenues, and growth in the area's tax base. This tax potentially could be reduced or eliminated as growth occurs and other revenues increase to an adequate level.

FISCAL IMPACTS UPON OTHER AGENCIES

1. Revenues transferred to the new city are "substantially equal" to expenditures transferred.

The incorporation results in a positive impact to the County General Fund of \$230,000 based on 2003-04 costs and revenues. Therefore, there is no need for mitigation by the new city to the County for adverse fiscal impacts. The analysis also shows a positive County Road Fund impact of approximately \$900,000.

2. Other agencies serving the Menifee Valley area will not be significantly affected by the incorporation.

The incorporation area is assumed to take responsibility for fire protection services from the County Fire Department, and property taxes currently generated from the area to the County instead will accrue to the new city. Assuming that the new city fully funds a contract for the cost of services, no fiscal impact is anticipated on the County Fire Department.

REORGANIZATION IMPACTS

Other than changes to CSAs and special districts described below, no changes in organization are anticipated at this time. Other public service providers, including school districts, and private utility providers will not be affected by the proposed incorporation.

A number of County Service Areas (CSAs), Landscape and Lighting Maintenance Districts, and other special districts provide services to portions of the area, as described in **Chapter IV**. The CFA analysis assumes that these services (and services provided by other special districts) as well as funding will not be interrupted regardless of LAFCO's decision on reorganization, which may include dissolution and formation of subsidiary Community Services Districts (CSDs subsidiary to the new city). In addition, it is assumed that the potential CSA and special district reorganizations will not have a financial impact on the new city's budget or on the County, as the services provided are funded by charges for service, not general purpose revenues.

III. THE INCORPORATION PROPOSAL

PROPOSAL FOR INCORPORATION

The proponents submitted a petition and application for incorporation to LAFCO to initiate the LAFCO process. The application for incorporation defines key aspects of the incorporation proposal. The following sections describe the City of Menifee Valley municipal government.

In summary, the incorporation of Menifee Valley would transfer responsibility for many of the local services currently provided by the County to the new city. The new city would be responsible for land use planning and review, police protection, and public works, and could choose to expand services, if funding permits. The elected City Council would establish policies and priorities for the provision of services and allocation of funds, and would be accountable to the residents of Menifee Valley. Initially, the new city would contract with other providers (e.g., the County) for many services. This chapter presents specific terms that define the incorporation proposal. **Chapter IV** describes in detail the specific services that would transfer to the new city and services that would be unaffected.

NAME OF THE NEW CITY

The name of the new city is assumed to be “City of Menifee Valley.” As stated in the Cortese Knox Local Government Reorganization Act at Section 56023, a new city can be referred to as “city” or “town.”

FORM OF GOVERNMENT

Menifee Valley initially will be incorporated as a General Law city under the Constitution of the State of California. The proposed form of the new city would be the “Council/Manager” form common to small and mid-sized cities throughout the State. Under the Council/ Manager form, a five-person City Council, elected at-large, would retain a City Manager who would be responsible for the day-to-day operations of the city with an appointed City Clerk.

CITY BOUNDARY

Figure 1 shows the municipal boundary proposed for the City of Menifee Valley. The boundaries encompass a total of about 41.5 acres, and extend from the boundaries of the City of Perris in the north about nine miles to the City of Murrieta in the south. To the west, the area is contiguous with the cities of Canyon Lake and Lake Elsinore.

REORGANIZATION

The area of the new city would no longer be served by the County Fire Department, and services would become the responsibility of the new city. The new city will receive the Tax Allocation Factors that otherwise would have generated property tax to the County's "structural fire fund". It is anticipated that the new city will contract with the County Fire Department to continue to provide services at existing and future new stations.

SERVICE LEVELS

This CFA presumes and reflects municipal expenditures that maintain existing municipal service levels. The proposed service levels are discussed in **Chapter IV**.

EFFECTIVE DATE

This CFA assumes July 1, 2006 as the effective date, assuming a successful November 2005 election. The July date allows the new city a full year during which time services would continue to be provided by the County at the same level as previously provided. This period of time allows the new city time to negotiate future contracts, establish its own departments, and build a reserve from revenues received during the year. During this time, the new city will have authority over land use planning and control.

GANN LIMIT

Local agencies in California that receive proceeds of taxes are required to have a limit on how much tax money they can spend. It is called the Gann Limit. Under State law, the LAFCO resolution of approval and the ballot question before the voters must identify a provisional Gann Limit; by approving the incorporation, the voters effectively would be approving the provisional Gann Limit. Following incorporation, the City Council will place on a future ballot a permanent Gann Limit for voter approval.

In accordance with the State of California Office of Planning and Research incorporation guidelines, the CFA provides the necessary technical documentation for selecting an appropriate provisional Gann Limit, which will be included in the Public Hearing CFA.

NEW TAXES

The CFA assumes no new taxes will be imposed by the city. The existing taxes, assessments and charges for service imposed by the County Board of Supervisors to fund services in the County Service Areas are assumed to be continued by the city

government via a subsidiary CSD or other mechanism to assure uninterrupted funding and services. Similarly, it is assumed that the new city will continue to collect development impacts.

CAPITAL IMPROVEMENTS

It is assumed that the city council initially will adopt all impact fee ordinances currently enforced by the County to ensure a continual flow of existing fee revenues. The CFA assumes that new public facilities (and corresponding operating costs), including additional fire stations, will be required to serve new development. While this CFA addresses issues of fiscal feasibility, it has not evaluated the financing of future capital improvements except to assume ongoing funding resulting from established dedications and fees, and the transfer of funds to the new city following incorporation. The specific amount of these funds will require further analysis by the County, and will be the subject of future discussions between the new city and the County.

IV. PUBLIC SERVICES PLAN AND COST ASSUMPTIONS

A municipal Public Service Plan was developed to assess the feasibility of incorporation. **Table 2** presents a list of existing and proposed municipal services in Menifee Valley. The Public Service Plan is preliminary, reflecting the proponents' Application for Incorporation and judgment of the Consultant. In actuality, decisions made by LAFCO, the future Menifee Valley City Council and the Board of Supervisors will determine how public services are provided in Menifee Valley.

As with all new cities, the municipal government in the City of Menifee Valley will evolve over time. Initially, many services are likely to be provided by contract with the County or other entities. Over time, these services may be provided directly by the city. Upon its incorporation, the City of Menifee Valley could become responsible for the following municipal services currently provided by either the County of Riverside or County-governed special districts.

The following services are assumed to be the responsibility of the city initially; the city may provide additional types of services in the future:

- City Council to make policy, and to advocate for the community
- City Administration, Finance, and Legal Counsel
- Police Protection including traffic law enforcement
- Public Works (including engineering, road and local drainage maintenance, street lighting, parks and other maintenance)
- Land Use Planning and Regulation, and Building Inspection Services
- Animal Control
- Fire Protection

The following paragraphs describe the municipal services provided by the new city. Actual levels of service would be established by the City Council through the budget process. Cost projections are based on estimates of the service costs that the new city would incur because of its responsibility to provide certain public services. Level of service and staffing decisions reflect the judgment of the Consultant based on current service levels, and staffing and expenditure levels for cities of comparable size. Detailed cost assumptions are included in **Appendix B**. Staffing and expenditures levels for comparable cities are provided in **Appendix C**.

**Table 2
Municipal Service Providers (Existing and Proposed)*
Menifee Valley Comprehensive Fiscal Analysis**

Service	Service Provision		
	Present Provider	After Incorporation	Method
General Government			
Governing Board	Riverside County	City of Menifee Valley	City Council
Manager	Riverside County	City of Menifee Valley	City Staff
Attorney	Riverside County	City of Menifee Valley	City Staff/Contract
Finance/Clerk/Administrative Services	Riverside County	City of Menifee Valley	City Staff
Public Protection			
Law Enforcement	Riverside County	City of Menifee Valley	City Staff or Contract w/County Sheriff
Traffic Control/Accident Investigation	California Highway Patrol	City of Menifee Valley	Contract w/County Sheriff
Fire Protection	Riverside County Fire Department	City of Menifee Valley	Contract w/County
Ambulance	Riverside County/private contract	No Change	As is currently provided
Animal Control	Riverside County	City of Menifee Valley	Contract w/County
Land Use and Planning			
Regulation & Planning	Riverside County	City of Menifee Valley	City Staff/Contract
Community Services			
Recreation Programs	Valleywide RPD	City of Menifee Valley/Valleywide RPD	Contract w/County, Valleywide RPD
Local Parks/Recreation Facilities	CSA 145, Valleywide RPD	City governed CSD/Valleywide RPD	Contract w/County, Valleywide RPD
Library	County, schools	No Change	As is currently provided
Public Works/Public Utilities			
Public Works Administration	Riverside County	City of Menifee Valley	City Staff
Roads, Local Drainage, Bridges, Signals	County/CSA 86	City of Menifee Valley/City governed district	City and County Staff/Contract
Building Inspection	Riverside County	City of Menifee Valley	City Staff/Contract
Domestic Water	Eastern Municipal Water District	No Change	As is currently provided
Waste Water Treatment/Disposal	Eastern Municipal Water District	No Change	As is currently provided
Solid Waste Management/Disposal	Private Franchisee	No Change	As is currently provided
Flood Control	Riverside County Flood Control and Water Conservation District	No Change	As is currently provided
Street Lighting	CSA 33, 84,138	City-governed CSD	As is currently provided
Street Sweeping	CSA 152	City CSD	City of Menifee Valley or City-governed district
Public Education			
K-12 Grade Levels	Menifee Union School District and Paloma Valley High School	No Change	As is currently provided
Other Services			
Electricity	Southern California Edison	No Change	Franchise Agreement w/City of Menifee Valley
Gas	Southern California Gas Company	No Change	Franchise Agreement w/City of Menifee Valley
Cable Television	Comcast	No Change	Franchise Agreement w/City of Menifee Valley
Public Transit	Riverside Transit Agency	No Change	As is currently provided

* Proposed by applicant and IFA consultant. For illustrative purposes only; actual provision of service by the City will depend upon LAFCO actions, negotiations with service providers, and actions by the future City Council.

The following sections provide an overview of the city departments. Salary levels are assumed to increase at 0.5 percent per annum in real terms (unless otherwise noted). Actual salaries will depend on the negotiation of employment contracts and city staffing practices, as well as future costs for employee benefits and taxes. Other costs generally include supplies and materials and will vary by year depending on need. The method of service provision, staffing levels, and contract services are illustrative; actual methods may include some variation of in-house staff and contract services. The City Council ultimately will determine the method of service provision based on consideration of numerous factors including cost and availability of contractors.

CITY COUNCIL

The city council will be the governing body of the city and will include five council members elected in accordance with State law. The City Council will hire a City Manager and City Attorney, make service and budget decisions, enter into agreements with other governmental entities, and regulate land use within the city boundaries and represent the community.

The unincorporated area is governed by the Board of Supervisors. Incorporations commonly increase local involvement in government because citizens gain more direct access and ballot box control over local elected officials, and, through these elected officials, the land use, public service, and taxation decisions that affect their lives.

The CFA assumes that council members would be paid a minimal monthly stipend, and other travel and membership costs would be incurred. The stipend is estimated according to a schedule provided in Government Code Section 36516 for General Law cities; these stipends subsequently may be changed by the voters. The “membership” expenses include membership in organizations such as the League of California Cities and other professional organizations. The “travel/meeting” expenses include costs related to conference and meeting attendance.

CITY ADMINISTRATION AND FINANCE

The city would be administered by a City Manager and a professional staff, including a Finance Director. Administrative and service decisions would be focused on the City Manager, who would carry out the policy directives of the City Council. Specific activities of Administration and Finance include a City Clerk and elections, budget preparation and administration, personnel, and contract administration.

CITY MANAGER'S OFFICE

The City Manager's Office, responsible for overseeing city operations, will include a City Manager, an Assistant City Manager, and a full-time executive assistant starting in the first year of operation.

CITY CLERK'S OFFICE

The City Clerk's Office, responsible for a number of city record-keeping and administrative duties, will include a City Clerk and a Deputy City Clerk. Other costs include the cost of legal notices as well as supplies and materials. County charges for elections also are included as a line item in the new city's budget.

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

The Finance Department, responsible for financial oversight and budgeting, will include a Finance Director and a manager, a treasurer, and a staff of four accountants and clerks, in addition to one clerical staff person. The numbers of accountants and clerks are increased by about 50 percent after five years to reflect increased workload due to the growing population and economic base.

Administrative Services includes human resources functions and information services. The latter are assumed to be provided by contract initially. Start-up costs include computer hardware and software systems for all city functions.

CITY ATTORNEY

The city initially will contract with an attorney or municipal law firm to provide legal expertise. The cost of this expertise, set to \$300,000 annually beginning the initial year, is assumed to increase at 2 percent per annum, in real terms. This budget should provide adequate amounts to deal with city start-up costs. Costs for litigation and judgments, if any, are assumed to be covered by reserves set-aside by the new city.

POLICE PROTECTION

At present, the County of Riverside provides law enforcement services, and the California Highway Patrol provides traffic control services to the Menifee Valley area. The Sheriff Department's primary law enforcement services include patrol, criminal investigations, community-oriented policing, records/ warrants services, crime prevention, and crime analysis, among other services. Police protection is one of the most important responsibilities of municipal government and typically the most costly

for small cities. After incorporation, it is assumed that the city will contract with the County Sheriff Department to provide both law enforcement and traffic control services.

Currently, the Menifee Valley area is served by Sheriff's stations in Perris, Elsinore, and the Southwest Station. During the FY 2003-04 there were 13,351 calls for service. The net County cost for the area was calculated by the Sheriff's department based on calls for service multiplied by average handling time, then multiplied by a standard patrol rate for FY 2003-04. The estimated cost for service is \$1,213,633.³ The estimated cost of existing service in Menifee Valley also includes an allocation of indirect Countywide costs attributable to Sheriff services. This cost for service is approximately equivalent to a one-officer patrol 24 hours per day, seven days per week; this level of staffing reflects a low level of service requirement relative to other unincorporated communities, but is consistent with actual time recorded for service within the area. Under current unincorporated status, the area receives law enforcement support as a response to calls for service; deputies respond to calls and then move to the next call, which may not be in the Menifee Valley area.

The cost to the new city of contracting with the Sheriff's Department after incorporation is based on the Sheriff's Department's assessment of staffing and cost appropriate to a city with Menifee's characteristics. The contract level provides for deputies dedicated to the incorporated area providing response to calls for service and traffic control, as well as routine patrol. The Sheriff's Department indicates that future service cost, based on a contract city with a similar number of calls (Rancho Mirage), would be \$3,863,166 plus one-time startup costs of \$576,768 for field training.⁴ The levels of service and cost in the CFA are increased in future years proportionate to increases in population. The future city council may choose to increase levels of service particularly as the city population and economic base grows and the area becomes more urbanized, if funding is available. The proposed contract services are the minimum service level that will provide an acceptable level of officer and public safety in order to provide municipal police service.⁵

The new city would be eligible for various grants or other dedicated revenue sources (i.e., public safety sales tax); however, it is assumed that any dedicated revenues received would be utilized to purchase equipment or services over and above the level shown in the budget, due to typical grant funding "maintenance of effort" requirements and restricted uses.

Certain police services in the Quail Valley Area are funded by assessments paid by property owners (CSA 86); the CFA assumes that these assessments would continue to fund services to the area.

³ Electronic communication from Riverside County Sheriff's Department to Katherine Gifford, 2/17/05, and memorandum from John Boyd to Katherine Gifford, 2/15/2005.

⁴ Electronic communication from Riverside County Sheriff's Department to Katherine Gifford, 2/17/05.

⁵ Ibid.

EMERGENCY MEDICAL SERVICES

Ambulance Services are provided by American Medical Response (AMR), which is a fee-for-service ambulance company with subsidies from the County of Riverside Community Health Agency. AMR contracts with the County of Riverside to provide services with rates approved by the Riverside County Board of Supervisors. There will be no change in services as a result of incorporation; the Riverside County EMS Agency, through Division 2.5 of the Health and Safety Code 1797.200 and Title 22 Division 9, regulates, and will continue to regulate, EMS services for the area.⁶

PUBLIC WORKS/ENGINEERING

Currently, the Riverside County Transportation Department (part of the Transportation and Land Management Agency) provides a number of services to the unincorporated area that would be transferred to the new city. The Transportation Department's services include road construction and maintenance, transportation planning and development review, traffic engineering, and landscape and lighting maintenance. As described in **Chapter IV**, these services are funded through assessment districts, gas taxes, and other non-General Fund revenues.

The County Transportation Department would continue to provide engineering services to the new city in the initial year. In subsequent years, the new city could continue to contract with the County, increase its in-house staff, and/or utilize private consulting engineers and contractors. The Public Works Department is assumed to include a Public Works Director in the initial year, then add staff in subsequent years as it assumes responsibilities from the County. Additional staff include engineers, maintenance workers, and clerical support staff.

LANDSCAPE AND LIGHTING MAINTENANCE

Landscape maintenance is currently provided by the County Transportation Department and funded through assessments paid by property owners within a portion of Zone 3 and all of Zone 25 of Landscape and Lighting Maintenance District No. 89-1 Consolidated. For 2003-04 the assessments total \$305,500.⁷ The CFA analysis assumes that these services (and services provided by other special districts) will not be interrupted regardless of LAFCO's decision on reorganization. In addition, it is assumed that the potential reorganizations will not have a financial impact on the new city's budget or on the County, as the services provided are funded by charges for service, not general purpose revenues.

⁶ Letter from Riverside County EMS to Katherine Gifford, 5/17/2004.

⁷ Letter from Riverside County Transportation Department to EPS, 8/19/04.

A number of CSAs currently exist that collect assessments and receive a share of property tax to provide services to portions of the proposed incorporation area. These include CSA 33, CSA 84, CSA 138 and CSA 145 in the Sun City area, and CSA 86 in the Quail Valley area.⁸ As noted above, it is assumed that if LAFCO chooses to reorganize these CSAs, there will be no net financial impact on either the County or the new city; the existing responsibilities, costs and revenues would be transferred without interruption of service.

ROAD MAINTENANCE AND IMPROVEMENTS

Gas tax revenues and Measure A funds to the new city's Road Fund will help cover the cost of operational maintenance for all roads currently maintained by the County. Road maintenance services include all operational activities such as striping, sweeping, mowing, drainage, signs, bridges, lighting, signals, trees, patching, grading, storm damage, culverts, and encroachment inspection, among other services. Projected expenditures were estimated based on the approximately 181 miles of road in the proposed incorporation boundaries and the current average Road Fund expenditures of \$6,480 per mile provided by the County Transportation Department.⁹

In addition, funds from Proposition 42 (Transportation Congestion Improvement Act) are likely to be available to the new city to help prevent pavement degradation. In March 2002, Proposition 42 authorized that gasoline and diesel fuel sales tax be used to help fund local and State transportation improvements. In recent years, those funds were redirected from the County to the State because of the State's fiscal crisis, and are likely to be reimbursed to the County beginning in FY 2007-2008. Future funding is likely to be available to the County and to the new city upon incorporation; however, the CFA has not assumed receipt of these funds, nor has it made assumptions about the distribution of any retroactive payments.

It is assumed that the new city would participate in countywide fee programs, and developer impact fees and developer agreement fees currently collected by the County for transportation improvements in the area are assumed to be transferred to the new city based on further evaluation and negotiation to occur between the County and the new city. The new city is also assumed to continue to collect impact fees developer agreement fees currently collected by the County. Certain road maintenance services in the Quail Valley Area are funded by assessments paid by property owners (CSA 86); the CFA assumes that these assessments would continue to fund services to the area.

⁸ Letter from Riverside County Economic Development Agency to Katherine Gifford, 9/15/04.

⁹ Letter from Riverside County Transportation Department to EPS, 11/10/04.

FLOOD CONTROL

Riverside County Flood Control and Water Conservation District

The District's primary function is the construction and maintenance of regional flood control facilities to protect residents and properties from flooding in all cities and the unincorporated County territory within its jurisdiction. Such flood control facilities include channels, storm drains, basins and dams. In addition, the District provides a number of services related to plan development and design, development review, emergency response, mapping, and operation and maintenance of facilities. The District receives a share of property taxes, supplemented by development fees, and contributions from other governmental entities.¹⁰

Incorporation would not affect the services, responsibilities or jurisdiction of the District, with the exception of development review services, which would become a responsibility of the new city. The District recommends that the new city adopt all applicable District Master Drainage Plans which would be encompassed by the new city's boundaries, e.g., a portion of the Romoland MDP. The new city should also perpetuate the Romoland/Homeland developer fee currently in place over portions of the proposed incorporation area.

NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM

The city will be responsible for developing compliance programs and implementing a variety of programs in accordance with requirements of the National Pollution Discharge Elimination System (NPDES). Minimum program requirements include public education and outreach on storm water impacts, public involvement and participation, illicit discharge detection and elimination, construction site storm water runoff control, post construction storm water management in new development, and pollution prevention and "good housekeeping" for municipal operations. Certain cities in the County have utilized CSA 152, which was originally formed by the County to help fund NPDES functions, to collect charges to support NPDES activities. The County is also using CSA 152 within new tracts to fund street sweeping. The new city may also choose to use CSA 152 for these purposes, subject to legal requirements.

The proposed city budget includes an environmental specialist in the public works department to address NPDES and other environmental issues. It will also be necessary for the new city to request that the Regional Water Quality Control Board (RWQCB) Santa Ana Region and RWQCB San Diego Region amend their NPDES MS4 permits to incorporate the proposed city. The new city also needs to request that the permit holders amend their implementation agreements to include Menifee. Application to other entities will also be necessary to address NPDES requirements applicable to public works projects and other municipal activities.

¹⁰ Letter from RCFCWCD to EPS, 6/8/04.

PLANNING, COMMUNITY DEVELOPMENT, AND BUILDING SERVICES

The existing County Zoning Ordinance and General Plan will most likely be adopted as land use policy by the first City Council. It is assumed that the new city would start the process of developing a new general plan and zoning ordinance immediately. Consultant contracts would be used for these services in the first initial years. A Planning Commission would be appointed and begin to update the General Plan and supporting planning documents and policies.

PLANNING AND BUILDING INSPECTION DEPARTMENT

Functions and Staffing

The Planning and Building Inspection Department is responsible for General Plan preparation, code enforcement, development services, and building inspection. General Plan preparation will occur during the early years of the city's operation, and code enforcement will be ongoing. The CFA includes consultant costs related to General Plan preparation.

The Planning and Building Inspection Department is assumed to include the staff positions shown in the following table. The actual number of positions will depend on future levels of growth and plan review required (largely covered by fee revenue) and the manner of provision (staff vs. contract, etc.).

Positions	Full Time Equivalents
Planning Director	1
Planners and Technicians	7
Building/Zoning Administrators	1
Building/Grading Inspectors	3
Code Enforcement	1
Aids and Clerks	3
Administrative Secretaries	2

Other Costs

It is assumed that planning consultants will play a significant role in preparing a General Plan as well as providing other consulting services over time. Mapping reproduction costs are associated with General Plan preparation and other city needs for maps. Actual costs will depend on the extent of use and implementation of a GIS system and the exact geographic boundaries covered. The Planning Commission expense includes costs related to the preparation of the General Plan and Zoning Code, such as materials and supplies, report production, travel, and meetings.

Affordable Housing and Economic Development

The new city may choose to assume responsibility and manage functions currently provided by the County (e.g., administering HUD programs, facilitating housing development), or contract with the County for these services. If handled in-house, various grants programs for housing would cover planning and administration-related costs.

PARKS AND RECREATION

Approximately 10 percent of the incorporation area falls within the boundaries of the Valley-wide Recreation and Park District. The District is responsible for the Menifee Lakes development and some smaller areas recently annexed to the District. Responsibilities are the operation and maintenance of the streetscapes, wall surfaces, entry details, and community buildings in Menifee Lakes. Facilities include Wheatfield Park, a community building and gymnasium. Funding comes entirely from assessments paid by property owners to the Menifee LMD 88-1, and to the Wheatfield South Zone. No property tax is utilized.¹¹ No change in responsibility or funding arrangements is assumed in the CFA.

Certain recreation services in the Sun City Area are funded by assessments paid by property owners (CSA 145); the CFA assumes that these assessments would continue to fund services to the area. No expansion or change to existing recreation services are assumed in the CFA, although such decisions will depend upon actions of a future city council, and upon the availability of funding.

LIBRARY

The area is served by the Paloma Valley Library, which offers check out of materials, public computers, preschool storytime, children's summer reading programs, etc., and as part of the Riverside County Library System. No change in services, responsibilities, funding or jurisdiction is anticipated as a result of the incorporation.

ANIMAL CONTROL

At present, the County Department of Animal Services provides animal control and shelter services to the unincorporated community of Menifee Valley. The current costs are based on the cost of one animal control officer from the Hemet office, and additional officer stand-by time, plus supplies and other charges, and shelter services. A portion of these costs is covered by charges for services including license fees, adoption fees,

¹¹ Letter from VWRPD to George Spilliotis, 5/10/04.

impound charges, and spay/neuter surgery fees. The County General Fund provides funding for the balance of the costs.

After incorporation, it is assumed that the city will contract with the County for these services; alternatively, the new city could set up a city shelter, or join the Joint Powers Authority formed to pay for animal control services and shelter in the region. The estimated cost of animal control services is based on the County's current per capita cost (net of dedicated revenues) applied to the new city's population. The actual cost will depend upon a variety of factors that include the number of stray animals, inflation, employee "cost of living" increases, cost allocations of a planned new shelter, and State mandates for animal retention and the spaying/neutering of all dogs and cats adopted from the shelter.

FIRE PROTECTION

Fire protection is provided by the Riverside County Fire Department from four stations within the proposed incorporation area. The stations include Station 7 in Sun City, Station 5 in the Quail Valley area, Station 76 in the Menifee Lakes area, and Station 68 in the southwest area. Additional coverage is provided by stations outside the area. In 2003, the four Menifee Valley stations received 5,326 calls for service, of which approximately 80 percent were for medical aid.

Current costs of service for the 2003-04 fiscal year total \$4.5 million,¹² including staffing, facility and indirect charges. These costs are funded through a combination of fire district property tax, and the balance is provided by the County General Fund which, on average, provides 30 percent of the funds required for fire protection.¹³

The Department plans stations and staffing to maintain or exceed standards of service based on distance from a fire station and response time. Eighty percent of the Menifee Valley currently is considered "urban" (two to eight dwelling units per acre) requiring a fire station within three miles, or seven minutes of travel. Based on current call demands and anticipated development, the Department plans to expand staffing at Station 5 in FY 2005-2006 to improve the level of service provided by that station to the area (consistent with County staffing policy currently being phased-in throughout the County), as well as to address new development in the area.

A new Audie Murphy Station is planned for FY 2006-2007, and two new stations (Scott Station and Menifee Valley Station) are planned for the south and southeast portions of the area in FY 2007-08. The projected costs to the new city are based on the staffing and facility charges associated with the additional staff and stations, including anticipated labor cost increases. The projected costs do not include the capital costs of land acquisition and station construction, which are funded from developer impact fees.

¹² Letter from the Riverside County Fire Department to EPS, 8/16/2004.

¹³ Memorandum from the Riverside County Fire Department to Kathy Gifford, 4/26/04.

OTHER CITY EXPENDITURES

OFFICE RENT AND SUPPLIES

The new city will require office space, supplies, and equipment to conduct its operations. It is expected that the city will rent workspace for its staff and for a council chamber. The number of city staff during the period of this study is expected to stabilize at about 60 persons. Space rental cost estimates are based on the assumption that the city will rent sufficient space for 64 persons to include space for contract employees and a 5,000-square-foot space for the council chamber, for a total of approximately 20,000 square feet. Rent is assumed to be \$1.30 per square foot per month. Annual supplies and initial computer and furnishing costs are estimated using an average cost per employee method.

INSURANCE

The city will carry insurance. Insurance costs were estimated at about 3 percent of total General Fund expenses, excluding non-departmental costs.

CONTINGENCY

A number of unforeseen costs may occur that will have to be borne by the city. The cost estimates include a contingency allowance estimated at 10 percent of total General Fund costs to account for unforeseen costs or cost increases above the projected amounts in the CFA budget. If the contingency funds aren't required, they could provide a reserve that could be strategically applied to specific purposes, e.g., capital improvements.

COUNTY REPAYMENT

The County will most likely continue to provide a number of services to the city for the first fiscal year of city operation after incorporation, FY 2006-2007. Services that will continue to be provided are likely to include sheriff, animal control, land use planning, building, code enforcement, and road maintenance. It is assumed the County will request repayment of its first year expenses to provide services. The costs would be repaid by the city over a five-year period in accordance with State law; the interest rate is negotiable but is assumed to be 5 percent per year in the analysis. The analysis assumes a credit against the initial year's service cost equal to revenues received and retained by the County during the initial year. For example, sales tax revenues for the last quarter of the prior fiscal year will be paid to the County during the initial fiscal year of the new city; the CFA assumes the County will transfer these funds directly to the new city or credit the new city's repayment obligation in an equal amount.

REVENUE NEUTRALITY MITIGATION PAYMENTS

This CFA does not include any assumptions regarding revenue neutrality mitigation payments. The nature, amount, and terms of mitigation are to be negotiated between the proponents and the County. The CFA does not show a need for mitigation payments.

PUBLIC FACILITIES

All dedicated County roads would be conveyed to the new city. Typically, other new cities have continued discussions over minor assets (e.g., minor parcels, road easements, public rights-of-way) after the formation of the new city has occurred.

LOCAL GOVERNMENT SERVICES NOT PROVIDED BY THE CITY

A variety of services, including structural fire protection, parks and recreation, public utilities, water and waste water, flood control, library, public health, and environmental health, will continue to be provided by existing service providers. The city may wish to improve or enhance these services over time through cooperative arrangements with existing agencies or businesses.

V. MUNICIPAL REVENUE ESTIMATES

The CFA evaluates the City of Menifee Valley as proposed by the proponents, elaborated upon as necessary by the Consultant. This Fiscal Analysis is based upon a Municipal Budget Model that reflects a potential city budget during its first ten years of municipal operations.

Data and assumptions used in the model are realistic, and, insofar as possible, represent what could occur following incorporation. However, the structure of the municipal government and decisions reflecting staffing, level of service, and funding are ultimately at the discretion of the City Council. Key features of the fiscal analysis include the following:

- Revenue projections are based upon the revenues that can be expected by the city following incorporation. The specific amounts of these new revenues were estimated by considering current and expected development, State laws, and procedures affecting the levy and distribution of local government revenues, and tax-sharing formulas imposed by State law.
- The analysis is presented in “constant dollars,” that is, dollars of constant 2004 purchasing power. In actuality, inflation will affect both costs and revenues during the projection period. “Constant dollar” percentage increases were included in budget line items to reflect increases in costs above general inflation.

GROWTH AND DEVELOPMENT

The Menifee Valley community sits on either side of Interstate 215, between the Cities of Perris on the north and Murrieta to the south. The Menifee Valley community boundaries include approximately 42 square miles of territory.

Since the end of World War II, development has tended to proceed away from the more urbanized areas in and around Los Angeles in a predictable pattern. First, real estate developers take advantage of low land prices to construct housing tracts with single-family homes at prices that draw families from areas close to the urban center. This creates a rapid increase in population in the newly developing areas. Once the population has reached certain levels, businesses follow to provide goods and services to the new population. Finally, warehousing, distribution, manufacturing and other industries relocate to take advantage of the less expensive labor force and operating expenses.

Good examples of this progression can be seen in the San Fernando Valley, Orange County and the Ontario and Pomona areas east of Los Angeles. Each of these areas has transformed from a bedroom suburb of Los Angeles to employment centers in their own right. The ability of an area to attract substantial nonresidential development can depend upon many factors, including land availability, proximity to a large population

base, existence of multiple transportation corridors, access to passenger and cargo air transportation, etc.

As shown in **Appendix C**, Riverside County as a whole has grown quickly over the past three decades, with development tending to work its way east from the western part of the county, especially along the border with Orange County, and from San Diego County to the south. The County has grown from 1.19 million in 1990 to 1.73 million in 2003, an increase of approximately 45 percent (2.90 percent annually). Recent concentrations of high growth include Murrieta, Temecula, and the unincorporated area of French Valley. The communities surrounding Menifee Valley have grown by 76 percent or more between 1990 and 2003 (4.44 percent or more annually). Menifee, on the other hand, grew by 48 percent (3.04 percent annually), comparable to the growth of the County as a whole. This pattern suggests that there is some degree of pent up development potential for Menifee Valley as it catches up with the higher growth rates experienced in surrounding communities. Portions of Riverside County are now beginning to capture significant nonresidential uses. Not surprisingly, this nonresidential boom is occurring in portions of the County adjacent to the neighboring employment-rich Counties of Orange and San Diego.

Menifee Valley is still in the first phase of this typical progression with strong growth in residential development. The low sales tax per capita relative to nearby communities indicates Menifee is still experiencing significant leakage of taxable sales (local residents making purchases outside the community). However, Menifee is now beginning to see an increased level of neighborhood and community commercial development that will provide local goods and services and retain more local expenditures over time.

Since the opening of Interstate 15 between Murrieta and Corona, growth in the Menifee area has accelerated. As land has been developed around Murrieta and development has moved along Highway 60 and Interstate 215, development pressure has increased from both the north and south. Increasing population naturally leads to a demand for increased levels of public services and local control. A number of new communities in western Riverside County have incorporated in recent decades, including the City of Moreno Valley to the north (1984), Canyon Lake to the west (1990), and Temecula (1989) and Murrieta (1991) to the south.

RESIDENTIAL GROWTH ESTIMATES

Menifee Valley appears poised to follow the growth path experienced by surrounding areas, most notably Murrieta and Temecula to the south and Perris to the north. It appears that development has arrived at the doorstep of Menifee Valley, with low-density residential development having already moved along Interstate 215 to Perris and along Highway 15 to Murrieta.

As shown in **Appendix C**, growth in the surrounding communities from 1990-2003 has outpaced growth in Menifee Valley by a considerable margin. For the purposes of the CFA, EPS assumes that housing growth in Menifee Valley will “catch up” with this growth over the next 12 years, while the surrounding communities will grow at the rate estimated for the County as a whole (see **Table C-1**). In 2015 it is estimated that Menifee will have grown by a rate equal to the average growth rate of Hemet, Perris and Lake Elsinore over the period from 1990 to 2015 (153 percent, or 3.78 percent annually). Growth could increase to greater levels, for example as expected in Murrieta and Temecula (326 percent and 315 percent, respectively, from 1990 to 2015); however, the CFA has utilized a more conservative estimate of future growth. The CFA also evaluates the impact of higher rates of growth, e.g., rates that are 150 percent above the CFA assumptions (see **Appendix D**). It is important to note that, while the long-term forecasts are important to understand the implications of future changes, LAFCO is required by law to consider the first three years of the new city’s existence when evaluating its feasibility.

Table C-2 in Appendix C estimates that the Menifee Valley will contain approximately 70,729 residents and 26,700 households in 2015, which is an average of approximately 710 units annually. This rate of growth is slightly higher than the rate used in the General Plan (General Plan Scenario 3 projects 71,328 residents by **2020**),¹⁴ but reflects a slowing of recent growth averaging 871 units annually over the past four years¹⁵. This represents an annual average rate of population growth of approximately 3.5 percent from 2003 through 2015. This forecast includes an overall increase in persons per household over time, from 2.3 in 1990 to 2.6 in 2015, which reflects a shift in the population demographics of Menifee Valley over the past decade. The number of persons per new unit is likely to be higher than current averages; SCAG assumes 3.0 persons per household, which is assumed in the CFA for new households.

One of the first significant developments in Menifee Valley was Sun City, a retirement community composed of single-family dwellings, apartments, and hospice care facilities. Through the 1990s, however, Menifee has seen the development of a large number of single-family homes. Some of the future development is likely to be multifamily development.

RETAIL ESTIMATES

It is estimated that approximately 1 million square feet of new retail development will be constructed through 2016. The actual timing of new development will depend on specific project configurations, retail type, and future market conditions. The amount of retail is consistent with the expenditure potential of new households, and generates an average sales tax per capita that is comparable to other similar communities. As the

¹⁴ Letter from Michael Harrod to Jerry Jolliffe, County of Riverside Planning Department, 7/27/04.

¹⁵ EPS tabulation from list of final building permits provided by the County of Riverside Building and Safety Department, 9/1/04.

community continues to grow, it is likely that retail will continue to be attracted, including “big box” retailers and potentially regional retailers. The CFA also evaluates the impact of higher rates of growth, e.g., rates that are 150 percent above the CFA assumptions (see **Appendix D**).

To the extent that population growth occurs but new retail development lags, taxable sales per capita will continue to grow as the built retail development captures sales of new residents, and businesses experience above-average sales per square foot.

OFFICE AND INDUSTRIAL ESTIMATES

EPS assumes that approximately 80,000 square feet of office and industrial space will be constructed annually through 2015. The CFA has distributed this development annually; however, it is likely that development will occur less evenly and in larger increments. Actual rates of growth are likely to vary depending on economic cycles and future development trends.

The Riverside County Planning Department suggest the potential for significant industrial developments on the scale of 500,000 to 1 million square feet, which are not uncommon in Western Riverside County.¹⁶ The Menifee Valley has 602 acres designated for Light Industrial land uses and 99 acres designated for office space. No specific proposals were indicated in the near term, as the area faces significant competition from other areas closer to existing urban and industrial centers in other parts of the County; if such development occurs, future prospects for the city would be improved by additional property taxes, and potential sales taxes. The CFA evaluates the impact of higher rates of growth, e.g., rates that are 150 percent above the CFA assumptions (see **Appendix D**).

REVENUE ASSUMPTIONS

PROPERTY TAX

The property tax transfer from the County to the new city will be determined in accordance with Government Code, Section 56810, as amended. This statute requires that property tax base and increment factor be created in the following manner:

- (a) Determine the percentage of property taxes in the County’s budget of “revenues available for general purposes.” For this analysis, this amount was estimated by the County Auditor-Controller’s Office. Property taxes total \$56.4 million, and total revenues available for general purposes total \$138 million, to produce an “auditor’s ratio” of approximately 41 percent for FY 03-04.

¹⁶ Letter from Michael Harrod to Jerry Jolliffe, County of Riverside Planning Department, 7/27/05.

- (b) For those services that will be transferred to the new city, determine the existing (FY 2003-2004) net County cost of providing municipal services to the area to be incorporated in the year prior to the LAFCO action. In Menifee Valley, these services will include general government, sheriff, animal control, public works (pavement management), and land use planning and enforcement, and fire protection. Net costs were determined based upon estimates provided by the affected County departments.
- (c) Multiply [a] times [b]. This amount becomes the property tax revenue base transferred to the new city in the first year of operations. The County Auditor, in accordance with State law (Gov. Code 56810), will adjust the property tax amount according to changes in assessed value that occurred since FY 2003-2004. A city Tax Allocation Factor (TAF) was estimated based on this amount (increased to the first year of the city) and an estimate of the total property tax generated within the city's boundaries in the first year of city operations. In the following years, this TAF is then applied to the increase (increment) in the city's total property tax base to estimate the increase in property tax revenues accruing to the city.

The property tax increment represents the annual increase in the total property tax generated. It is derived by subtracting estimates of the total property tax generated in the current fiscal year from total property tax generated in the prior year. The application of the TAF to the property tax increment indicates the city's share of the additional property tax revenues. This share is then added to the city's prior year property tax revenue allocation to estimate the city's current year revenues.

The total property tax generated within the city's boundaries is estimated based on total assessed value. Total assessed value is determined by the market value of new development and the presence and turnover of existing development. This analysis assumes a 2 percent real growth in assessed value.

The property tax calculations used in the Municipal Budget Model do not model tax delinquencies nor prior year accounts, although they do include the "supplemental" roll, which includes changes in assessed value that occur only during the year.

SALES TAX

Estimates of taxable retail sales generated within city boundaries after incorporation were based on existing taxable sales, and an estimate of "unallocated sales tax" provided by the County. The CFA projects approximately 80,000 square feet of new retail development annually. The initial growth in sales tax is approximately a 9 percent annual rate, which is similar to the average of Hemet, Lake Elsinore and Murrieta.¹⁷ The average sales tax per capita for all residents of Menifee Valley grows from about the

¹⁷ Electronic correspondence from County of Riverside, 2/9/05.

current \$36 to almost \$50 per capita, reflecting reduced leakage of sales to other communities as shopping opportunities improve in the area.

Based on recent changes in the State budget, it is possible that the new city will receive a portion of sales tax revenue from the State in the form of property tax. This sales tax exchange will have no financial implications on the new city.

“Unallocated taxable sales” include taxable sales unrelated to retail permits within the incorporation area boundaries. These sales include mail order and Internet sales within California, as well as sales related to special events, and are distributed Statewide proportionate to situs sales tax. These taxable sales were estimated as a proportion of the allocable taxable sales in the city compared to the County as a whole.

PROPERTY TRANSFER TAX

Property transfer tax revenues accruing to the city are based on the assessed value of units sold and the tax rate accruing to the city of \$0.55 per 1,000 of assessed value. The assessed value that turns over each year includes the sale of existing and new development. It was assumed that 6 percent of existing residential units and 2 percent of commercial assessed value sold every year.

FRANCHISE FEES

Franchise fees that are collected in the area include cable, electric, gas, water, and refuse collection. The fees were projected based on per capita estimates derived from existing County revenues.

TRANSIENT OCCUPANCY TAX

TOT revenues are based on County revenues collected in FY 2003-2004. No new hotel developments were assumed in the revenue forecast.

PLANNING AND BUILDING REVENUES

Currently, the County recovers approximately 80 percent of its departmental costs through charges for services including building and zoning permit fees, plan review fees and other planning fees.¹⁸ It is assumed that the new city will adopt a similar rate structure that allows it to recover a significant percentage of its planning and building inspection costs.

¹⁸ County Budget 2003-04, Dept. 31201.

PUBLIC WORKS/ENGINEERING

Fees can be charged for a variety of activities conducted by the Public Works Department. The current County costs are largely recouped through a combination of development review-related revenues, gas taxes, and other funds for capital improvement planning and review.

FINES AND PENALTIES

The average fines and penalties per resident accruing to the city were based on an EPS analysis of comparable cities.

STATE MOTOR VEHICLE LICENSE FEES (VLF)

VLF was one of the most important revenues for newly incorporating cities trying to achieve financial feasibility. It was one of the only revenue sources that was not transferred from the County, and, as a result, did not have to be mitigated by the new city. In addition, the per-capita allocation to new cities was applied to a proxy population (three times registered voters) to provide a bump or “helping hand” to newly incorporated cities for the first seven years after formation.

In August 2004 the California Legislature approved a VLF swap for property tax as part of a state-local budget agreement (“VLF for Property Tax Swap of 2004”). The most recent legislation implementing the swap did not provide funding for future incorporations. The legislation only authorizes the swap for those cities that collected VLF revenues in FY 2004-2005. As a result, future cities will not receive property tax in-lieu of VLF for what would have been their fair share of VLF prior to the new legislation. Newly incorporated communities, however, will receive a small per capita amount of VLF equal to the amount received by other existing cities (approximately \$5 per capita). This per-capita amount is applied to the actual population in the newly incorporated city for the first seven years, not the proxy population.

Legislation has been proposed to address the lack of VLF to new cities, and restore the equivalent of about \$60 per capita to new cities based on the “proxy population”. This legislation (AB 1602), if approved by two-thirds of the legislature and signed by the governor, could be effective as soon as July of 2005. The specific terms have not been determined at the time of this report and are uncertain; however, the CFA includes a sensitivity analysis to model the potential revenues assuming revenues to new cities are fully restored to prior levels.

INVESTMENT EARNINGS

Investment earnings will be accumulated on annual revenues as well as earnings from reserve and fund balances.

ROAD FUND

Gas Tax

Gas taxes are the primary source of Road Fund revenues. The city would receive gas tax revenues via a number of different highway user taxes. The State Controller's Office provides current estimates of lump sum and per capita rates that would accrue to the cities. The per capita rates were applied to the projected population and added to the annual lump-sum payments to estimate the gas tax revenues accruing to the city each year.

Road Fund Sales Tax/Measure A

In 1988, Riverside County voters approved Measure A, a half-cent sales tax program that invests funding in a wide variety of transportation projects and services throughout Riverside County. Measure A dollars are spent in accordance with a voter-approved expenditure plan that was adopted as part of the election in 1988. Measure A is administered through the Riverside County Transportation Commission, which delegates appropriate administrative responsibilities to the cities and the county and other local agencies for local programs. Forty percent of the Measure A funds are allocated to local streets and roads, of which portions are assigned to jurisdictions relative to population (75 percent) and relative to the source of Measure A funds (25 percent).

Grants

The city may receive additional grant funds (not estimated) which could fund increases in road maintenance.

SENSITIVITY ANALYSIS

MOTOR VEHICLE IN-LIEU TAX REVENUE

Based on legislative changes in 2004, the new city of Menifee Valley is estimated to receive approximately \$270,000 per year in VLF from the State. If the VLF amount were allocated according to the previous methodology, the new city of Menifee Valley will receive approximately an additional \$55 per capita in VLF from the State based on the proxy population for the first seven years, resulting in a total of about \$5 million annually to the new city. The additional amount is shown in **Table 1a**, and will be transferred to the new city in the form of a "VLF/property tax swap".

The specific terms of the proposed legislation have not been determined at the time of this report and are uncertain; however, the CFA includes a sensitivity analysis to model the potential revenues assuming revenues to new cities are fully restored to prior levels. Actual amounts could be less than shown.

INCREASED RATE OF NEW DEVELOPMENT

Depending on future economic cycles, regional growth, competition from other areas, actions by the future city council and decisions by developers, the amount of new development could vary significantly from the rates shown in the CFA.

The CFA also evaluates the impact of higher rates of growth, e.g., rates that are 150 percent above the CFA assumptions (see **Appendix D**). It is important to note that, while the long-term forecasts are important to understand the implications of future changes, LAFCO is required by law to consider the first three years of the new city's existence when evaluating its feasibility.

VI. IMPACTS UPON EXISTING AGENCIES

Existing service providers will continue to provide the court system, public health, social services, water supply and wastewater disposal, flood control, library services and environmental health services. The city may wish to improve or enhance these services over time through cooperative arrangements with existing agencies or businesses.

COUNTY OF RIVERSIDE

Municipal incorporations change the operating budgets of the counties both in the short-term and long-term. In general, counties lose revenue but will also realize a reduction in expenditures. Insofar as the revenue-producing aspects of incorporation area (e.g., property tax base and sales tax base) exceed the costs of services transferred to the area, a fiscal impact on a county will occur if not mitigated.

The concern for fiscal impacts of incorporations is reflected in the Cortese Knox Local Government Reorganization Act at Section 56815 established the noted “revenue neutrality” standard. The exact language of the statute, at Section 56815(a), is “similar exchange”; at 56815(b) the exact language is “substantially equal.” These terms refer to revenues and costs subsequently defined in sub-sections (1) and (2). Revenues are those “revenues currently received by the local agency...” that would “accrue to the local agency receiving the affected territory.” Costs are “expenditures currently made by the local agency...for services which will be assumed by the local agency receiving the affected territory.”

SHORT-TERM FISCAL IMPACT UPON THE COUNTY OF RIVERSIDE

The short-term fiscal effect upon the County of Riverside government from services provided in the initial (transition) year of the city is assumed to be compensated by payments for services and by payments made as a part of the State-allowed repayment for first-year services over a five-year period.

REVENUE NEUTRALITY

As summarized in **Table 3**, this CFA has estimated the potential impacts on the County. The analysis shows a positive impact on the County; therefore, no mitigation is necessary.

Principles related to the definition of revenue neutrality and the approach to establishing mitigation payments, if payments were to be required, would be discussed and negotiated between the proponents and the County. If terms are necessary, they will be incorporated into the final CFA analysis. For purposes of this analysis, the cost reductions to the County are based upon the County’s 2003-2004 costs of service

Table 3
Change in Revenues and Expenses to Riverside County
Menifee Valley Incorporation Analysis

Item	FY 2003/2004	Notes
<u>General Fund Revenues and Expenditures</u>		
Revenues Transferred to the City		
Property Taxes	\$1,537,188	
Transient Occupancy Tax	\$78,755	
Sales Tax	\$1,683,657	includes unallocated sales
Real Property Transfer Tax	\$111,101	
Franchise Fees	\$682,576	
Animal Control	\$38,800	
Code Enforcement Revenues	\$229,710	
Planning Revenues	\$418,700	
		structural fire fund
Subtotal	\$4,780,488	
Expenditures for Services Transferred to the City		
General Government	\$137,436	
Animal Control	\$120,674	
Planning	\$958,421	
Code Enforcement	\$568,331	
Public Works		
Fire Protection	\$2,013,516	net of structural fire fund
Sheriff	<u>\$1,213,633</u>	
Subtotal	\$5,012,012	
Net County Surplus or (Deficit)	\$231,524	
<u>County Road Fund</u>		
Revenues Transferred to the City		
Gas Tax: Highway User Tax 2106c	\$60,302	
Other Road Fund Revenues (Measure A)	<u>\$305,962</u>	
Subtotal	\$366,264	
Expenditures for Services Transferred to the City		
Road Maintenance	<u>\$1,256,414</u>	
Subtotal	\$1,256,414	
Net County Road Fund Surplus or (Deficit)	\$890,150	

including indirect cost allocations estimated for the purpose of the property tax transfer calculation. The revenue reductions to the County are estimated based on the 2003-2004 revenues shifted from the County to the city.

OTHER AGENCIES AND DISTRICTS

Other agencies serving the incorporation area, including school districts, water and sanitation districts, and electrical, natural gas and telephone utilities will not be significantly affected by the incorporation. Growth in Menifee Valley, whether the area is incorporated or not, will affect demand for services from these public and private agencies.

OTHER UTILITY PROVIDERS

Other utility providers include Southern California Gas Company for gas and electricity, and Comcast Cable for cable television. These providers would be unaffected by the proposed incorporation.

K-12 PUBLIC SCHOOL DISTRICTS

Menifee Valley is served by Menifee Union School District and the Paloma Valley High School, both of which are funded primarily through property tax revenue distributed by the State of California. The incorporation of Menifee Valley will have no impact on the local school districts. The State and the County Board of Education, not LAFCO, have jurisdiction over the potential reorganization of local school districts.



**Economic &
Planning Systems**

Real Estate Economics

Regional Economics

Public Finance

Land Use Policy

APPENDIX A:

MUNICIPAL BUDGET MODEL

**Menifee Valley Comprehensive Fiscal Analysis
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Table 1
Summary of Revenues and Expenses (All figures in Constant 2004\$)
Menifee Valley Incorporation Analysis
No VLF/Property Tax Swap
100% base case growth

Item	Fiscal Year									
	2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10
General Fund Revenues										
Property Taxes	\$5,534,066	\$5,986,924	\$6,454,458	\$6,937,089	\$7,435,249	\$7,949,379	\$8,479,933	\$9,027,378	\$9,592,190	\$10,174,861
VLF/Property Tax Swap	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax	\$1,842,751	\$2,018,680	\$2,194,610	\$2,370,540	\$2,546,469	\$2,722,399	\$2,898,329	\$3,074,259	\$3,250,188	\$3,426,118
Transient Occupancy Tax	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755
Real Property Transfer Tax	\$300,536	\$316,119	\$332,193	\$348,772	\$365,869	\$383,499	\$401,676	\$420,416	\$439,734	\$459,645
Franchise Fees	\$801,302	\$830,983	\$860,665	\$890,346	\$920,027	\$949,709	\$979,390	\$1,009,072	\$1,038,753	\$1,068,434
Planning and Building Fees	\$433,560	\$1,024,158	\$1,028,721	\$1,033,306	\$1,037,915	\$1,042,546	\$1,047,201	\$1,051,879	\$1,056,580	\$1,061,305
Public Works/Eng. Fees	\$364,865	\$1,613,496	\$1,615,032	\$1,616,575	\$1,618,127	\$1,619,686	\$1,621,253	\$1,622,828	\$1,624,410	\$1,626,001
Fines and Penalties	\$273,140	\$283,258	\$293,375	\$303,493	\$313,610	\$323,728	\$333,845	\$343,963	\$354,080	\$364,198
State Motor Vehicle License Fees	\$265,492	\$275,326	\$285,161	\$294,995	\$304,829	\$314,663	\$324,497	\$334,332	\$344,166	\$354,000
Investment Earnings	<u>\$98,945</u>	<u>\$124,277</u>	<u>\$131,430</u>	<u>\$138,739</u>	<u>\$146,209</u>	<u>\$153,844</u>	<u>\$161,649</u>	<u>\$169,629</u>	<u>\$177,789</u>	<u>\$186,133</u>
Total	\$9,993,411	\$12,551,976	\$13,274,398	\$14,012,609	\$14,767,059	\$15,538,207	\$16,326,529	\$17,132,508	\$17,956,645	\$18,799,449
General Fund Expenses										
Legislative	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Elections	\$0	\$60,832	\$0	\$65,178	\$0	\$69,523	\$0	\$73,869	\$0	\$78,215
City Manager and City Clerk	\$647,177	\$647,656	\$650,558	\$653,475	\$656,406	\$659,352	\$662,313	\$665,288	\$668,279	\$671,284
City Attorney	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$337,849	\$344,606	\$351,498	\$358,528
Administrative Services	\$1,000,692	\$1,229,622	\$1,233,536	\$1,237,469	\$1,464,854	\$1,469,633	\$1,474,435	\$1,479,262	\$1,484,112	\$1,488,987
Police	\$0	\$5,389,468	\$5,090,789	\$5,378,076	\$5,674,818	\$5,981,279	\$6,297,729	\$6,624,444	\$6,961,708	\$7,309,813
Fire Protection	\$0	\$9,432,390	\$10,828,563	\$11,045,134	\$11,266,037	\$11,491,357	\$11,721,185	\$11,955,608	\$12,194,720	\$12,438,615
Animal Control	\$0	\$100,674	\$104,791	\$108,947	\$113,142	\$117,376	\$121,650	\$125,963	\$130,316	\$134,710
Planning and Building	\$541,950	\$1,380,197	\$1,385,901	\$1,391,633	\$1,297,393	\$1,303,183	\$1,309,001	\$1,314,848	\$1,320,725	\$1,326,631
Public Works Administration	\$405,405	\$1,792,773	\$1,794,480	\$1,796,195	\$1,797,919	\$1,799,651	\$1,801,392	\$1,803,142	\$1,804,900	\$1,806,667
Non-Departmental										
Office Rent/Supplies	\$641,150	\$658,150	\$430,150	\$430,150	\$460,150	\$436,150	\$436,150	\$436,150	\$436,150	\$436,150
Insurance	\$107,441	\$631,283	\$656,277	\$674,089	\$693,013	\$711,112	\$726,201	\$746,045	\$761,922	\$782,838
Contingency	\$358,137	\$2,104,276	\$2,187,589	\$2,246,962	\$2,310,045	\$2,370,373	\$2,420,670	\$2,486,818	\$2,539,741	\$2,609,460
Repayment, 1st year costs	\$0	<u>\$2,037,998</u>	<u>\$2,037,998</u>	<u>\$2,037,998</u>	<u>\$2,037,998</u>	<u>\$2,037,998</u>	\$0	\$0	\$0	\$0
Total	\$4,046,953	\$25,816,319	\$26,757,750	\$27,428,667	\$28,141,505	\$28,823,211	\$27,353,574	\$28,101,043	\$28,699,072	\$29,486,899
Operating Surplus (Deficit)	\$5,946,458	(\$13,264,343)	(\$13,483,352)	(\$13,416,058)	(\$13,374,446)	(\$13,285,004)	(\$11,027,045)	(\$10,968,535)	(\$10,742,427)	(\$10,687,450)
Road Fund Revenues										
Gas Taxes	\$1,569,077	\$1,568,985	\$1,568,894	\$1,568,805	\$1,568,718	\$1,568,633	\$1,568,550	\$1,275,346	\$1,312,483	\$1,349,621
Measure A	<u>\$337,962</u>	<u>\$369,962</u>	<u>\$401,962</u>	<u>\$433,962</u>	<u>\$465,962</u>	<u>\$497,962</u>	<u>\$529,962</u>	<u>\$561,962</u>	<u>\$593,962</u>	<u>\$625,962</u>
Total	\$1,907,039	\$1,938,947	\$1,970,856	\$2,002,767	\$2,034,680	\$2,066,595	\$2,098,512	\$1,837,308	\$1,906,445	\$1,975,583
Road Fund Expenditures										
Road Maintenance	\$0	\$1,297,908	\$1,339,403	\$1,380,898	\$1,422,393	\$1,463,887	\$1,505,382	\$1,546,877	\$1,588,372	\$1,629,866
Repayment of First-Year Services	\$0	<u>\$290,200</u>	<u>\$290,200</u>	<u>\$290,200</u>	<u>\$290,200</u>	<u>\$290,200</u>	\$0	\$0	\$0	\$0
Total	\$0	\$1,588,108	\$1,629,603	\$1,671,098	\$1,712,593	\$1,754,087	\$1,505,382	\$1,546,877	\$1,588,372	\$1,629,866
Operating Surplus (Deficit)	\$1,907,039	\$350,838	\$341,253	\$331,670	\$322,088	\$312,508	\$593,129	\$290,431	\$318,073	\$345,716
TOTAL Road Fund & General Fund										
Surplus (Deficit)	\$7,853,497	(\$12,913,505)	(\$13,142,099)	(\$13,084,388)	(\$13,052,358)	(\$12,972,496)	(\$10,433,916)	(\$10,678,103)	(\$10,424,354)	(\$10,341,733)
Cumulative Surplus (Deficit)	\$7,853,497	(\$5,060,008)	(\$18,202,107)	(\$31,286,495)	(44,338,853)	(57,311,350)	(67,745,265)	(78,423,369)	(88,847,723)	(99,189,456)

**Table A-1
Demographic Assumptions, Fiscal Year 2003/2004
Menifee Valley Incorporation Analysis**

Item	Amount
<u>Proposed City</u>	
Population (1)	46,534 EPS estimate
Registered Voters (2)	24,984
Voters as % of Pop.	54%
Housing Units (3)	20,078
City-Maintained Lane Miles (4)	181
<u>County of Riverside</u>	
Incorporated Population (5)	1,299,800
Unincorporated Population (5)	<u>477,000</u>
Total County Population	1,776,800
County-Maintained Road Miles (6)	2,597
Incorporated Assessed Value (7)	\$104.92 billion
Unincorporated Assessed Value (7)	<u>\$35.23</u> billion
Total County Assessed Value	\$140.15 billion

(1) Census 2000 and EPS estimate based on avg. annual building permits through 2003.

(2) County of Riverside Registrar of Voters 8/18/04.

(3) EPS based on building permit data

(4) County of Riverside Transportation and Land Agency (6/16/04).

(5) California Department of Finance (1/1/2004)

(6) County of Riverside Transportation Improvement Program

(7) County Assessor (2004-2005 Annual Report).

Table A-2
General Assumptions, Fiscal Year 2003/2004
Menifee Valley Incorporation Analysis

Item	Amount	
First Year of Operations	1	
Dollars Discounted to Fiscal Year (FY)	2004	
% of FY City providing Services	100%	
% of FY left when staff hired	100%	
<u>Growth Rates</u>		
Inflation (Discount) Rate	2.0%	
Property Appreciation Rate Prior to Development	2.0%	plus inflation
Assessed Value Increase of Existing Development	2.0%	plus inflation
Assessed Value Increase for New Development	2.0%	plus inflation
<u>Assessor Office Data on Assessed Value</u>		
Assessed Value per Dwelling Unit (existing) (1)	\$167,681	
Total Assessed Value 2002-03 (2)	\$2,396,101,056	
Total Assessed Value 2003-04 (2)	\$3,015,319,254	
Total Assessed Value 2004-05 (2)	\$3,740,775,499	
Property Tax Rate	1.0%	
<u>Average Market Value by Land Use for New Development (3)</u>		
Single-Family	\$375,000	per unit
Retail	\$200	per s.f.
Hotel	\$100,000	per room
Other Commercial/Industrial	\$150	per s.f.

(1) Based on existing data on residential AV and housing units in the incorporation area.

(2) County of Riverside Auditor-Controller

(3) EPS estimates.

Table A-3
Development Schedule
Menifee Valley Incorporation Analysis **100% base case growth**

Item	Note	Calendar Year													
		Existing 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Development Schedule															
New Residential Development															
Total New Units		0	710	710	710	710	710	710	710	710	710	710	710	710	710
New Non-Residential Dev. (Sq. Ft.)															
Retail			80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Hotel			0	0	0	0	0	0	0	0	0	0	0	0	0
Other Commercial/Industrial			80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Total New Sq. Ft.	0	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Cumulative New Sq. Ft.			160,000	160,000	160,000	320,000	480,000	640,000	800,000	960,000	1,120,000	1,280,000	1,440,000	1,600,000	1,760,000
Cumulative New Development Entire City															
New Residential Development															
Total Dwelling Units		0	710	1,420	2,130	2,840	3,550	4,260	4,970	5,680	6,390	7,100	7,810	8,520	9,230
New Non-Residential Dev. (Sq. Ft.)															
Retail			80,000	160,000	240,000	320,000	400,000	480,000	560,000	640,000	720,000	800,000	880,000	960,000	1,040,000
Hotel		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Commercial/Industrial		0	80,000	160,000	240,000	320,000	400,000	480,000	560,000	640,000	720,000	800,000	880,000	960,000	1,040,000
Total Non-Res. Dev. Sq. Ft.	0	160,000	320,000	480,000	640,000	800,000	960,000	1,120,000	1,280,000	1,440,000	1,600,000	1,760,000	1,920,000	2,080,000	

**Table A-4
Population Projections
Menifee Valley Incorporation Analysis**

Item	Note	Calendar Year													
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population Projections															
New Population	3.0	95% occupancy rate													
Subtotal			2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024
Cumulative Population		46,534	48,558	50,581	52,605	54,628	56,652	58,675	60,699	62,722	64,746	66,769	68,793	70,816	72,840
Cumulative Registered Voters	54%	24,984	26,070	27,157	28,243	29,330	30,416	31,502	32,589	33,675	34,762	35,848	36,935	38,021	39,107
Proxy Population (1)		--	--	--	84,730	84,730	84,730	84,730	84,730	84,730	84,730	84,730	84,730	84,730	84,730

(1) Proxy population is three times the estimated number of registered voters at the time of incorporation. Proxy population is the "official population" used to determine the distribution of certain State revenues during the first seven years after incorporation prior to 2004 legislation; proposed legislation will utilize the proxy population.

Table A-5
Assessed Value Calculation - All Figures in \$000's
Menifee Valley Incorporation Analysis

Item	Fiscal Year													
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
			1	2	3	4	5	6	7	8	9	10	11	12
Assessed Value of Existing Development														
Resid. Assessed Value in City (Constant \$000's) (1)			\$3,366,698	\$3,705,607	\$4,056,726	\$4,420,407	\$4,797,012	\$5,186,914	\$5,590,493	\$6,008,141	\$6,440,258	\$6,887,256	\$7,349,559	\$7,827,598
Comm. Assessed Value in City (Constant \$000's) (1)			\$374,078	\$406,034	\$437,991	\$469,948	\$501,904	\$533,861	\$565,818	\$597,774	\$629,731	\$661,688	\$693,645	\$725,601
(less total existing redevelopment) (2)			<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$3,740,775	\$4,111,641	\$4,494,717	\$4,890,354	\$5,298,917	\$5,720,775	\$6,156,311	\$6,605,915	\$7,069,989	\$7,548,944	\$8,043,203	\$8,553,200
Assessed Value of New Development														
A.V. from New Development (Constant \$000's)														
Total Residential			\$266,250	\$271,575	\$277,007	\$282,547	\$288,198	\$293,962	\$299,841	\$305,838	\$311,954	\$318,193	\$324,557	\$331,048
Retail			\$19,957	\$19,957	\$19,957	\$19,957	\$19,957	\$19,957	\$19,957	\$19,957	\$19,957	\$19,957	\$19,957	\$19,957
Hotel			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Commercial/Industrial			\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Resid. A.V. from New Dev. (Constant \$000's)		\$0	\$266,250	\$271,575	\$277,007	\$282,547	\$288,198	\$293,962	\$299,841	\$305,838	\$311,954	\$318,193	\$324,557	\$331,048
Comm. A.V. from New Dev. (Constant \$000's)		\$0	\$31,957	\$31,957	\$31,957	\$31,957	\$31,957	\$31,957	\$31,957	\$31,957	\$31,957	\$31,957	\$31,957	\$31,957
(less total new redevelopment) (2)			<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total		\$0	\$298,207	\$303,532	\$308,963	\$314,503	\$320,154	\$325,918	\$331,797	\$337,794	\$343,911	\$350,150	\$356,514	\$363,005
Cum. Resid. A.V. from New Dev. (Constant \$000's)		\$0	\$266,250	\$537,825	\$814,832	\$1,097,378	\$1,385,576	\$1,679,537	\$1,979,378	\$2,285,216	\$2,597,170	\$2,915,363	\$3,239,920	\$3,570,969
Cum. Comm. A.V. from New Dev. (Constant \$000's)		\$0	\$31,957	\$63,913	\$95,870	\$127,827	\$159,784	\$191,740	\$223,697	\$255,654	\$287,610	\$319,567	\$351,524	\$383,480
(less total new redevelopment) (2)			<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total		\$0	\$298,207	\$601,738	\$910,702	\$1,225,205	\$1,545,359	\$1,871,277	\$2,203,075	\$2,540,869	\$2,884,780	\$3,234,930	\$3,591,444	\$3,954,449
Total Assessed Value (Existing & New Development)														
Cumulative Resid. A.V. (Constant 2000 \$000's)	\$0	\$0	\$3,632,948	\$3,977,182	\$4,333,732	\$4,702,953	\$5,085,210	\$5,480,876	\$5,890,334	\$6,313,978	\$6,752,212	\$7,205,450	\$7,674,116	\$8,158,647
Cumulative Comm. A.V. (Constant 2000 \$000's)	<u>\$0</u>	<u>\$0</u>	<u>\$406,034</u>	<u>\$437,991</u>	<u>\$469,948</u>	<u>\$501,904</u>	<u>\$533,861</u>	<u>\$565,818</u>	<u>\$597,774</u>	<u>\$629,731</u>	<u>\$661,688</u>	<u>\$693,645</u>	<u>\$725,601</u>	<u>\$757,558</u>
Subtotal	\$0	\$0	\$4,038,982	\$4,415,173	\$4,803,680	\$5,204,858	\$5,619,071	\$6,046,693	\$6,488,108	\$6,943,709	\$7,413,900	\$7,899,094	\$8,399,717	\$8,916,205
(less total redevelopment)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$4,038,982	\$4,415,173	\$4,803,680	\$5,204,858	\$5,619,071	\$6,046,693	\$6,488,108	\$6,943,709	\$7,413,900	\$7,899,094	\$8,399,717	\$8,916,205

- (1) Residential AV assumes increase of 2%
No real increase in comm'l assessed value assumed
- (2) No redevelopment areas within the proposed boundaries.

Table B
Annual Revenue Estimate (All figures in Constant 2004\$)
Menifee Valley Incorporation Analysis
No VLF/Property Tax Swap

Item	Note (1)	Fiscal Year									
		2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10
General Fund Revenues											
Property Taxes	1	\$5,534,066	\$5,986,924	\$6,454,458	\$6,937,089	\$7,435,249	\$7,949,379	\$8,479,933	\$9,027,378	\$9,592,190	\$10,174,861
VLF/Property Tax Swap	9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax	2	\$1,842,751	\$2,018,680	\$2,194,610	\$2,370,540	\$2,546,469	\$2,722,399	\$2,898,329	\$3,074,259	\$3,250,188	\$3,426,118
Transient Occupancy Tax	3	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755
Real Property Transfer Tax	4	\$300,536	\$316,119	\$332,193	\$348,772	\$365,869	\$383,499	\$401,676	\$420,416	\$439,734	\$459,645
Franchise Fees	5	\$801,302	\$830,983	\$860,665	\$890,346	\$920,027	\$949,709	\$979,390	\$1,009,072	\$1,038,753	\$1,068,434
Planning and Building Fees	6	\$433,560	\$1,024,158	\$1,028,721	\$1,033,306	\$1,037,915	\$1,042,546	\$1,047,201	\$1,051,879	\$1,056,580	\$1,061,305
Public Works/Eng. Fees	7	\$364,865	\$1,613,496	\$1,615,032	\$1,616,575	\$1,618,127	\$1,619,686	\$1,621,253	\$1,622,828	\$1,624,410	\$1,626,001
Fines and Penalties	8	\$273,140	\$283,258	\$293,375	\$303,493	\$313,610	\$323,728	\$333,845	\$343,963	\$354,080	\$364,198
State Motor Vehicle License Fee	9	\$265,492	\$275,326	\$285,161	\$294,995	\$304,829	\$314,663	\$324,497	\$334,332	\$344,166	\$354,000
Investment Earnings	10	<u>\$98,945</u>	<u>\$124,277</u>	<u>\$131,430</u>	<u>\$138,739</u>	<u>\$146,209</u>	<u>\$153,844</u>	<u>\$161,649</u>	<u>\$169,629</u>	<u>\$177,789</u>	<u>\$186,133</u>
Total General Fund Revenues		\$9,993,411	\$12,551,976	\$13,274,398	\$14,012,609	\$14,767,059	\$15,538,207	\$16,326,529	\$17,132,508	\$17,956,645	\$18,799,449
Road Fund Revenues											
Gas Taxes	11	\$1,569,077	\$1,568,985	\$1,568,894	\$1,568,805	\$1,568,718	\$1,568,633	\$1,568,550	\$1,275,346	\$1,312,483	\$1,349,621
Other Funds (Measure A)		\$337,962	\$369,962	\$401,962	\$433,962	\$465,962	\$497,962	\$529,962	\$561,962	\$593,962	\$625,962
Total Road Fund Revenues		\$1,907,039	\$1,938,947	\$1,970,856	\$2,002,767	\$2,034,680	\$2,066,595	\$2,098,512	\$1,837,308	\$1,906,445	\$1,975,583

(1) Reference Notes are included in Figure B-1.

Table B-1
Revenue Estimate Notes
Menifee Valley Incorporation Analysis

Ref #	Item	Assumption	Fiscal Year									
			2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10
General Fund												
1	Property Tax	See Figures A-5 and B-2										
	Total Property Tax @ 1% of AV		\$48,036,797	\$52,048,577	\$56,190,710	\$60,466,934	\$64,881,084	\$69,437,094	\$74,138,999	\$78,990,943	\$83,997,172	\$89,162,047
	Property Tax Increment		\$0	\$4,011,780	\$4,142,133	\$4,276,224	\$4,414,150	\$4,556,009	\$4,701,906	\$4,851,943	\$5,006,230	\$5,164,874
	Subtotal		\$0	\$4,011,780	\$4,142,133	\$4,276,224	\$4,414,150	\$4,556,009	\$4,701,906	\$4,851,943	\$5,006,230	\$5,164,874
	Property Tax Increment to City:	See Fig B-2										
	From County	5.10% TAF	\$0.00	\$204,518	\$211,163	\$217,999	\$225,030	\$232,262	\$239,700	\$247,349	\$255,214	\$263,302
	From Structural Fire Fund	6.07% TAF	\$0	\$243,515	\$251,427	\$259,567	\$267,939	\$276,550	\$285,406	\$294,513	\$303,878	\$313,508
	Total	11.17% TAF	\$0	\$448,033	\$462,590	\$477,566	\$492,969	\$508,812	\$525,105	\$541,862	\$559,092	\$576,809
	Gross Property Tax to City											
	Base (County)		\$2,448,881									
	Base (Structural Fire Fund)		\$2,893,884									
	Share of Tax Increment		\$0	\$448,033	\$462,590	\$477,566	\$492,969	\$508,812	\$525,105	\$541,862	\$559,092	\$576,809
	Total		\$5,342,765	\$5,790,798	\$6,253,388	\$6,730,954	\$7,223,923	\$7,732,734	\$8,257,840	\$8,799,701	\$9,358,794	\$9,935,603
	Property Tax Increment: Supplemental Roll @ 50% of AV of New Dev.		\$169,491	\$172,524	\$175,618	\$178,773	\$181,992	\$185,274	\$188,623	\$192,039	\$195,523	\$199,076
	Prop. Tax Inc. to City: Supp'l Roll @ 2% of Tax Due to Turnover		\$107,294	\$116,255	\$125,507	\$135,058	\$144,917	\$155,094	\$165,596	\$176,433	\$187,615	\$199,151
	Property Tax to City Prior to Tax Admin. Fees		\$5,619,550	\$6,079,576	\$6,554,512	\$7,044,785	\$7,550,832	\$8,073,103	\$8,612,059	\$9,168,173	\$9,741,931	\$10,333,830
	Less Prop. Tax Admin. Fees	1.60% of Gross A.V	(\$85,484)	(\$92,653)	(\$100,054)	(\$107,695)	(\$115,583)	(\$123,724)	(\$132,125)	(\$140,795)	(\$149,741)	(\$158,970)
	Net General Fund Property Tax to City		\$5,534,066	\$5,986,924	\$6,454,458	\$6,937,089	\$7,435,249	\$7,949,379	\$8,479,933	\$9,027,378	\$9,592,190	\$10,174,861
2	Sales Tax	1%										
	New Cum. Retail Sales Tax	See Figure A-3	\$200	\$160,000	\$320,000	\$480,000	\$640,000	\$800,000	\$960,000	\$1,120,000	\$1,280,000	\$1,440,000
	Retail Sales Tax (1)	base= \$1,529,810	\$1,529,810	\$1,529,810	\$1,529,810	\$1,529,810	\$1,529,810	\$1,529,810	\$1,529,810	\$1,529,810	\$1,529,810	\$1,529,810
	Subtotal		\$1,689,810	\$1,849,810	\$2,009,810	\$2,169,810	\$2,329,810	\$2,489,810	\$2,649,810	\$2,809,810	\$2,969,810	\$3,129,810
			\$1,689,810	\$1,849,810	\$2,009,810	\$2,169,810	\$2,329,810	\$2,489,810	\$2,649,810	\$2,809,810	\$2,969,810	\$3,129,810
	Unallocated Sales Tax	10.1%	\$153,847	\$169,938	\$186,029	\$202,119	\$218,210	\$234,301	\$250,391	\$266,482	\$282,572	\$298,663
	(less) State admin charge	1.0%	(\$16,997)	(\$17,158)	(\$17,319)	(\$17,480)	(\$17,641)	(\$17,802)	(\$17,963)	(\$18,124)	(\$18,285)	(\$18,446)
	Total Sales Tax (General Fund)		\$1,683,657	\$1,842,751	\$2,018,680	\$2,194,610	\$2,370,540	\$2,546,469	\$2,722,399	\$2,898,329	\$3,074,259	\$3,250,188
		per capita	\$36	\$35	\$37	\$39	\$40	\$42	\$43	\$45	\$46	\$48
		2003-04										
3	Transient Occupancy Tax (2)	base= \$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755
4	Property Transfer Tax	residential commercial										
	Turnover of prior year base	6.0% 2.0%										
	Rate per \$1,000 market value	\$0.55										
	Base Resid A.V. fiscal year (constant \$000's)		\$4,333,732	\$4,702,953	\$5,085,210	\$5,480,876	\$5,890,334	\$6,313,978	\$6,752,212	\$7,205,450	\$7,674,116	\$8,158,647
	Base Comm'l A.V. fiscal year (constant \$000's)		\$469,948	\$501,904	\$533,861	\$565,818	\$597,774	\$629,731	\$661,688	\$693,645	\$725,601	\$757,558
	Prop. Tran. Tax from turnover of existing resid. units		\$143,013	\$155,197	\$167,812	\$180,869	\$194,381	\$208,361	\$222,823	\$237,780	\$253,246	\$269,235
	Prop. Tran. Tax from turnover of existing comm'l		\$5,169	\$5,521	\$5,872	\$6,224	\$6,576	\$6,927	\$7,279	\$7,630	\$7,982	\$8,333
	Prop. Tran. Tax from new residential development		\$152,354	\$155,401	\$158,509	\$161,679	\$164,912	\$168,211	\$171,575	\$175,006	\$178,506	\$182,077
	Total Property Transfer Tax		\$300,536	\$316,119	\$332,193	\$348,772	\$365,869	\$383,499	\$401,676	\$420,416	\$439,734	\$459,645

(1) County of Riverside Executive Office (12/15/04).
(2) Riverside County Tax Collector (1/5/05)

Table B-1
Revenue Estimate Notes
Menifee Valley Incorporation Analysis

Ref #	Item	Assumption	Fiscal Year										
			2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10	
5	Franchise Fees	\$6,996,797 County \$14.67 fee per resident	\$801,302	\$830,983	\$860,665	\$890,346	\$920,027	\$949,709	\$979,390	\$1,009,072	\$1,038,753	\$1,068,434	
6	Planning and Building Fees												
	% of planning/bldg. costs recaptured by fees (exc. GP)	80%	\$433,560	\$1,024,158	\$1,028,721	\$1,033,306	\$1,037,915	\$1,042,546	\$1,047,201	\$1,051,879	\$1,056,580	\$1,061,305	
7	Public Works/Engineering Fees												
	% of costs recaptured by fees	90%	\$364,865	\$1,613,496	\$1,615,032	\$1,616,575	\$1,618,127	\$1,619,686	\$1,621,253	\$1,622,828	\$1,624,410	\$1,626,001	
8	Fines and Penalties												
	Per capita est. from EPS	\$5.00	\$273,140	\$283,258	\$293,375	\$303,493	\$313,610	\$323,728	\$333,845	\$343,963	\$354,080	\$364,198	
9	State Motor Vehicle License Fees												
a	Per capita fees (recent State Budget)	yes	\$4.86	\$265,492	\$275,326	\$285,161	\$294,995	\$304,829	\$314,663	\$324,497	\$334,332	\$344,166	\$354,000
b	Property Tax In-Lieu (w/out 3*voters)	yes	\$55.00	\$2,893,248	\$3,004,540	\$3,115,833	\$3,227,125	\$3,338,418	\$3,449,710	\$3,561,003	\$3,672,295	\$3,783,588	\$3,894,880
c	Property Tax In-Lieu (w/ 3*voters)	yes	\$55.00	\$4,660,134	\$4,660,134	\$4,660,134	\$4,660,134	\$4,660,134	\$4,660,134	\$4,660,134	\$3,672,295	\$3,783,588	\$3,894,880
											3*voters ends after 7 years		
10	Investment Earnings												
	Subtotal General Fund revenues, excl. invest. earnings		\$9,894,466	\$12,427,699	\$13,142,969	\$13,873,871	\$14,620,850	\$15,384,363	\$16,164,880	\$16,962,880	\$17,778,856	\$18,613,316	
	% of General Fund revenues	1%											
	Subtotal Interest Earnings		\$98,945	\$124,277	\$131,430	\$138,739	\$146,209	\$153,844	\$161,649	\$169,629	\$177,789	\$186,133	
Road Fund													
11	Road Fund - Gas Taxes												
	Relevant population for calculation	note: based on 3*voters for 7 yrs	84,730	84,730	84,730	84,730	84,730	84,730	84,730	84,730	68,793	70,816	72,840
	Highway User Tax 2105	Per Capita	\$6.28	\$532,103	\$532,103	\$532,103	\$532,103	\$532,103	\$532,103	\$532,103	\$432,017	\$444,724	\$457,432
	Highway User Tax 2106 (a)	Per Year	\$4,800	\$4,706	\$4,614	\$4,523	\$4,434	\$4,348	\$4,262	\$4,179	\$4,097	\$4,016	\$3,938
	Highway User Tax 2106 (c)	Per Capita	\$4.00	\$339,195	\$339,195	\$339,195	\$339,195	\$339,195	\$339,195	\$339,195	\$275,394	\$283,495	\$291,595
	Highway User Tax 2107	Per Capita	\$8.11	\$687,073	\$687,073	\$687,073	\$687,073	\$687,073	\$687,073	\$687,073	\$557,838	\$574,247	\$590,656
	Highway User Tax 2107.5 (c)	Per Year	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
	Total Gas Taxes		\$1,569,077	\$1,568,985	\$1,568,894	\$1,568,805	\$1,568,718	\$1,568,633	\$1,568,550	\$1,568,500	\$1,275,346	\$1,312,483	\$1,349,621
	Measure A												
	1/2 cent generated in Menifee	50%	\$764,905	\$844,905	\$924,905	\$1,004,905	\$1,084,905	\$1,164,905	\$1,244,905	\$1,324,905	\$1,404,905	\$1,484,905	\$1,564,905
	Assume % allocated to new City	40%	\$337,962	\$369,962	\$401,962	\$433,962	\$465,962	\$497,962	\$529,962	\$561,962	\$593,962	\$625,962	\$657,962
	(note: actual amount will depend on future population and sales tax relative to other jurisdictions sharing in fund)												

Table B-2
Calculation of Property Tax Transfer
Menifee Valley Incorporation Analysis

A. Transfer of Tax Base

1. Total Expenditures Subject to Transfer	\$4,324,802
2. County Auditor's Ratio 2003-04	35.54%
3. Property Tax Base Transferred from County	\$1,537,188
4. Property Tax Base Transferred from Special Districts:	
Fire District	\$1,816,521
Subtotal Special Districts:	\$1,816,521
5. Total Property Tax Base:	\$3,353,709

B. Calculation of Tax Allocation Factor (TAF)

1. Assessed Value (FY 2003/2004):	\$3,015,319,254
Assessed Value (FY 2006/2007):	\$4,803,679,714
Change from FY03-04 to FY06-07	59.3%
2. Total Property Tax Collected '06-07 (@1% AV):	\$48,036,797
3. Property Tax Base Transferred from County:	\$1,537,188
Base Transfer * change from FY03-04 to FY06-07	\$2,448,881
4. Implied Tax Allocation Factor (#3/#2)	5.10%
5. Tax Allocation Factors from Special Districts to City General Fund	
Structural Fire	6.07%
Subtotal Special Districts:	6.07%
6. Property Tax Base Transferred from Spec. Dist.:	
Structural Fire	<u>\$1,816,521</u>
Subtotal	\$1,816,521
Base Transfer * change from fy03-04 to fy06-07	\$2,893,884
7. Implied Tax Allocation Factor: (#6/#2)	6.02%
4. Total Tax Base Transferred 2006-07	\$5,342,765
5. Implied Tax Allocation Factor (#4/#2)	11.12%

**Table B-3
County Property Tax as a Percentage of Revenue (FY 2003-04
Available for General Purposes**

Item	
PROPERTY TAX REVENUE	
Prop Taxes Curr Secured	\$109,675,322
Prop Tax Current Unsecured	\$6,211,856
Prop Tax Current Supplemental	\$5,698,939
Homeowners Tax Relief	\$2,483,410
CA- Suppl. HomeownersTax Relief	\$96,832
Total	\$124,166,359
OTHER GENERAL PURPOSE REVENUE	
Teeter Overflow	\$19,000,000
Sales & Use Taxes	\$26,632,844
Documentary Transfer Tax	\$23,744,261
Transient Occupancy	\$1,252,874
Non Commn Aircraft	\$549,472
Racehorse Tax	\$5,568
Franchises	\$4,932,856
AB233 Realignment	\$20,313,251
Penalties & Int On Del Taxes	\$1,795,554
Interest-Invested Funds	\$9,687,336
CA-Motor Vehicle In-Lieu Tax	\$87,434,999
CA- Local Govt Financial Asst	\$5,250,086
Federal In Lieu Taxes	\$1,840,314
Cash Over-Short	\$80,877
El Sobrante Land Fill	\$2,009,664
Rebates & Refunds	\$2,410,676
Unclaimed Money	\$74,399
Judgments	\$16,455,237
Sale of Real Estate	\$49,053
Residual Equity Transfers	\$1,650,221
Subtotal General Purpose Revenues	\$225,169,541
Total Net Revenue Available for General Purposes	\$349,335,901
Prop. Tax as % of General Purpose Revenue:	35.54%

Table B-4
Inputs to Calculation of Property Tax Transfer FY 03-04
Menifee Valley Incorporation Analysis

Department/Function	Gross Cost	Indirect Cost	Unincorporated Cost per cap.	Menifee Valley Cost	Indirect Cost Percentage (7)	Indirect Cost to Menifee Valley	Menifee Valley Cost including Indirects	Countywide Offsetting Revenue	Unincorporated Revenue Per Capita	Menifee Valley Offsetting Revenue	Net Cost to Menifee Valley
General Government (1)	\$5,247,709	\$621,773	\$2.95	\$137,436	11.8%	\$16,284	\$137,436			\$0	\$137,436
Animal Control (2)	\$4,905,141	\$197,625	\$10	\$116,000	4.0%	\$4,674	\$120,674			\$38,800	\$81,874
Building and Safety (3)	na										
Planning (4)	\$9,418,876	\$405,487	\$20	\$918,864	4.3%	\$39,558	\$958,421	\$4,291,911	\$9.00	\$418,700	\$539,721
Code Enforcement (4)	\$5,567,040	\$258,681	\$12	\$543,096	4.6%	\$25,236	\$568,331	\$2,354,659	\$4.94	\$229,710	\$338,621
Public Works (3)	na										
Sheriff (5)	\$43,630,080						\$1,213,633				\$1,213,633
Fire Protection (6)							<u>\$4,474,481</u>			<u>\$2,460,965</u>	<u>\$2,013,516</u>
Total				\$1,715,396		\$85,751	\$2,998,496	\$6,646,570		\$687,210	\$4,324,802

- (1) General Government includes expenditures for Board of Supervisors; other general government functions are included in the indirect cost allocation. Unincorporated cost based on total cost/total countywide population.
(2) County of Riverside Animal Services Department (11/23/04).
(3) No net cost; costs offset by fees, charges and other dedicated revenues.
(4) Costs based on per capita based on actual expenditures and revenues.
(5) Riverside County Sheriff's Department, 2/17/05
(6) Riverside County Fire Department (8/16/04); structural fire fund covers approximately 70% of total cost Countywide; property tax from Menifee accounts for approximately 55%
(7) Indirect cost allocation based on A-87 charges from the County Cost Allocation Plan.

Table C-1
Expenditure Estimate Notes
Menifee Valley Incorporation Analysis

Ref. Item	Department/Program	Estimating Cost		Notes	Fiscal Year									
		Factor	Cost Factor		2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10
1	Legislative													
	City Council Expenses	Persons	5											
	Stipend	Per month	\$500	GC 36516	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
	Memberships		\$10,000		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	Expenses (travel, meetings, etc.)		\$5,000		\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
	City Council Expenses				\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
2	Elections													
	Assumes only general elections	\$2.00 per reg. voter		need to confirm w/Registrar	\$0	\$60,832	\$0	\$65,178	\$0	\$69,523	\$0	\$73,869	\$0	\$78,215
3	City Manager and City Clerk	See Figure C-2			\$647,177	\$647,656	\$650,558	\$653,475	\$656,406	\$659,352	\$662,313	\$665,288	\$668,279	\$671,284
4	City Attorney -- Contracted Service	\$300,000 Real Incr.		2%	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$337,849	\$344,606	\$351,498	\$358,528
5	Finance and Administrative Services	See Figure C-3			\$1,000,692	\$1,229,622	\$1,233,536	\$1,237,469	\$1,464,854	\$1,469,633	\$1,474,435	\$1,479,262	\$1,484,112	\$1,488,987
6	Police													
	Initial Year Contract Cost (2004\$)	\$3,863,166		(Riverside County Sheriff, 2/15/05) \$576,768 startup costs										
	Subtotal	\$3,863,166		2% real		\$5,389,468	\$5,090,789	\$5,378,076	\$5,674,818	\$5,981,279	\$6,297,729	\$6,624,444	\$6,961,708	\$7,309,813
		18.0 officers			20.3	21.1	21.9	22.7	23.5	24.2	25.0	25.8	26.6	27.4
		0.39 per 1,000			0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
		3.0 beats (EPS estimate pending revisions)			3.4	3.5	3.7	3.8	3.9	4.0	4.2	4.3	4.4	4.6
7	Fire Protection			2% real inc.	nominal	nominal	102.0%	102.0%	102.0%	102.0%	102.0%	102.0%	102.0%	102.0%
	Station 5				\$1,419,622	\$1,488,725	\$1,518,500	\$1,548,869	\$1,579,847	\$1,611,444	\$1,643,673	\$1,676,546	\$1,710,077	\$1,744,279
	Station 7				\$1,376,002	\$1,443,887	\$1,472,765	\$1,502,220	\$1,532,264	\$1,562,910	\$1,594,168	\$1,626,051	\$1,658,572	\$1,691,744
	Station 68				\$1,318,622	\$1,488,725	\$1,518,500	\$1,548,869	\$1,579,847	\$1,611,444	\$1,643,673	\$1,676,546	\$1,710,077	\$1,744,279
	Station 76				\$1,775,965	\$1,863,240	\$1,900,505	\$1,938,515	\$1,977,285	\$2,016,831	\$2,057,168	\$2,098,311	\$2,140,277	\$2,183,083
	Audie Murphy Station				\$1,376,002	\$1,443,887	\$1,472,765	\$1,502,220	\$1,532,264	\$1,562,910	\$1,594,168	\$1,626,051	\$1,658,572	\$1,691,744
	Scott Station					\$1,443,887	\$1,472,765	\$1,502,220	\$1,532,264	\$1,562,910	\$1,594,168	\$1,626,051	\$1,658,572	\$1,691,744
	Menifee Valley Station					\$1,443,887	\$1,472,765	\$1,502,220	\$1,532,264	\$1,562,910	\$1,594,168	\$1,626,051	\$1,658,572	\$1,691,744
	Total				\$7,266,213	\$10,616,238	\$10,828,563	\$11,045,134	\$11,266,037	\$11,491,357	\$11,721,185	\$11,955,608	\$12,194,720	\$12,438,615
	Total (constant 2004\$)			3% n factor, 1st two yrs only	\$6,649,614	\$9,432,390	\$10,828,563	\$11,045,134	\$11,266,037	\$11,491,357	\$11,721,185	\$11,955,608	\$12,194,720	\$12,438,615
					(note: initial 2 years costs provided in nominal dollars and are deflated here to 2004\$; future years increased at real rate only, excluding inflation)									
8	Animal Control	\$1.76 Charge per capita, net of revenue Real Inc.		0.5%	\$96,595	\$100,674	\$104,791	\$108,947	\$113,142	\$117,376	\$121,650	\$125,963	\$130,316	\$134,710
9	Planning and Building	See Figure C-4			\$1,083,900	\$1,380,197	\$1,385,901	\$1,391,633	\$1,297,393	\$1,303,183	\$1,309,001	\$1,314,848	\$1,320,725	\$1,326,631
10	Public Works													
	Administration	See Figure C-5			\$405,405	\$1,792,773	\$1,794,480	\$1,796,195	\$1,797,919	\$1,799,651	\$1,801,392	\$1,803,142	\$1,804,900	\$1,806,667

Table C-1 (cont.)
Expenditure Estimate Notes
Menifee Valley Incorporation Analysis

Ref. Item	Department/Program	Estimating Cost Factor	Cost Factor	Fiscal Year												
				2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10			
11	Office Rent/Supplies															
	FTEs (Includes 3 additional spaces for contractual employees to use)															
	Finance, Planning & Building, Public Works Depts.			26.50	53.00	53.00	53.00	53.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00	56.00
	City Manager and City Clerk Offices			5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
	Subtotal			31.50	58.00	58.00	58.00	58.00	61.00	61.00	61.00	61.00	61.00	61.00	61.00	61.00
	Plus Contractual per Dept (police, other)			2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	Total FTE			33.50	62.00	62.00	62.00	62.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
	Staff Capacity Required			65	65	65	65	65	65	65	65	65	65	65	65	65
	Office Space Required	225 sqft/employee		14,625	14,625	14,625	14,625	14,625	14,625	14,625	14,625	14,625	14,625	14,625	14,625	14,625
	Council Chambers	5,000 sqft		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Total Space			19,625	19,625	19,625	19,625	19,625	19,625	19,625	19,625	19,625	19,625	19,625	19,625	19,625
	Total Rent	\$1.30 /sqft/month		\$306,150	\$306,150	\$306,150	\$306,150	\$306,150	\$306,150	\$306,150	\$306,150	\$306,150	\$306,150	\$306,150	\$306,150	\$306,150
	Annual Supplies	\$2,000 per FTE		\$67,000	\$124,000	\$124,000	\$124,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
	Initial Computers, and Furnishings	\$8,000 per FTE		\$268,000	\$228,000	\$0	\$0	\$24,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Rent and Supplies			\$641,150	\$658,150	\$430,150	\$430,150	\$460,150	\$436,150	\$436,150	\$436,150	\$436,150	\$436,150	\$436,150	\$436,150	\$436,150
12	Insurance	3% of GF expenses (exc. insurance & contingency)		\$107,441	\$631,283	\$656,277	\$674,089	\$693,013	\$711,112	\$726,201	\$746,045	\$761,922	\$782,838			
13	Contingency	10% of total GF expenses		\$358,137	\$2,104,276	\$2,187,589	\$2,246,962	\$2,310,045	\$2,370,373	\$2,420,670	\$2,486,818	\$2,539,741	\$2,609,460			
14	not utilized															
15	Repayment, 1st year costs (see Prop tax transfer)		repayment = yes	5%	\$0	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998			
	<u>Total 1st yr costs funded by County</u>		excludes road maintenance													
	Animal Control	\$81,874	See Table B-4, Current County Cost													
	Planning	\$539,721	See Table B-4, Current County Cost													
	Code Enforcement	\$338,621	See Table B-4, Current County Cost													
	Sheriff	\$1,213,633	See Table B-4, Current County Cost													
	Fire Protection	\$6,649,614	See Table C-1, Estimated Cost stations & staffing in first year													
		\$8,823,464														
	Less credits		credits to be based on agreement between County and new city re: retention and credit, or transfer, of revenues received by the County during the new city's initial year.													
	Subtotal	\$8,823,464	(note: additional credits may be necessary depending on timing of receipt, e.g., franchise fees are paid in arrears, and may be credited to city if retained by County in initial year).													
	Loan Repayment		5 years													
	See Table B-3															
Road Fund																
16	Road Fund Costs															
		181.00 Miles of road	111 units/mile (avg.)		194	200	207	213	219	226	232	239	245	251		
		\$6,483 Average maintenance cost per road mile	Transportation Department 11/10/04.		\$0	\$1,297,908	\$1,339,403	\$1,380,898	\$1,422,393	\$1,463,887	\$1,505,382	\$1,546,877	\$1,588,372	\$1,629,866		
17	Amortization of first year (see note 15 for terms)				\$1,256,414	\$290,200	\$290,200	\$290,200	\$290,200	\$290,200						

**Table C-2
City Manager and City Clerk Cost Estimates
Menifee Valley Incorporation Analysis**

Ref. Item	Description	Assumptions			Fiscal Year									
					2006-07 1	2007-08 2	2008-09 3	2006-07 4	2007-08 5	2008-09 6	2009-10 7	2010-11 8	2011-12 9	2012-13 10
City Manager Office														
City Manager					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$154,900	Real Inc.	Average	0.5%	\$154,900	\$155,675	\$156,453	\$157,235	\$158,021	\$158,811	\$159,605	\$160,404	\$161,206	\$162,012
Benefits		33%	Hemet/Murrieta		\$51,117	\$51,373	\$51,629	\$51,888	\$52,147	\$52,408	\$52,670	\$52,933	\$53,198	\$53,464
Subtotal					\$206,017	\$207,047	\$208,082	\$209,123	\$210,168	\$211,219	\$212,275	\$213,337	\$214,403	\$215,475
Assistant City Manager - FTE					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$97,700	Real Inc.		0.5%	\$97,700	\$98,189	\$98,679	\$99,173	\$99,669	\$100,167	\$100,668	\$101,171	\$101,677	\$102,185
Benefits		33%			\$32,241	\$32,402	\$32,564	\$32,727	\$32,891	\$33,055	\$33,220	\$33,387	\$33,553	\$33,721
Subtotal					\$129,941	\$130,591	\$131,244	\$131,900	\$132,559	\$133,222	\$133,888	\$134,558	\$135,231	\$135,907
Executive Assistant- FTE					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$50,000	Real Inc.	Average	0.5%	\$50,000	\$50,250	\$50,501	\$50,754	\$51,008	\$51,263	\$51,519	\$51,776	\$52,035	\$52,296
Benefits		33%	Hemet/Murrieta		\$16,500	\$16,583	\$16,665	\$16,749	\$16,832	\$16,917	\$17,001	\$17,086	\$17,172	\$17,258
Subtotal					\$66,500	\$66,833	\$67,167	\$67,502	\$67,840	\$68,179	\$68,520	\$68,863	\$69,207	\$69,553
Personnel Subtotal					\$402,458	\$404,470	\$406,493	\$408,525	\$410,568	\$412,621	\$414,684	\$416,757	\$418,841	\$420,935
Other Costs -Materials & Supplies		10%			\$40,246	\$40,447	\$40,649	\$40,853	\$41,057	\$41,262	\$41,468	\$41,676	\$41,884	\$42,094
Total City Manager Office Expenses					\$442,704	\$444,917	\$447,142	\$449,378	\$451,625	\$453,883	\$456,152	\$458,433	\$460,725	\$463,029
City Clerk Office														
City Clerk - FTE					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$90,210	Real Inc.	Murrieta	0.5%	\$90,210	\$90,661	\$91,114	\$91,570	\$92,028	\$92,488	\$92,950	\$93,415	\$93,882	\$94,352
Benefits		30%			\$27,063	\$27,198	\$27,334	\$27,471	\$27,608	\$27,746	\$27,885	\$28,025	\$28,165	\$28,305
Subtotal					\$117,273	\$117,859	\$118,449	\$119,041	\$119,636	\$120,234	\$120,835	\$121,440	\$122,047	\$122,657
Deputy City Clerk - FTE					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$44,000	Real Inc.		0.5%	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000
Benefits		35%			\$13,200	\$13,200	\$13,200	\$13,200	\$13,200	\$13,200	\$13,200	\$13,200	\$13,200	\$13,200
Subtotal					\$57,200	\$57,200	\$57,200	\$57,200	\$57,200	\$57,200	\$57,200	\$57,200	\$57,200	\$57,200
Other Costs														
Legal Notices	\$10,000	Real Inc.	Murrieta	0%	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Other Costs		15%			\$20,000	\$17,679	\$17,767	\$17,856	\$17,945	\$18,035	\$18,125	\$18,216	\$18,307	\$18,399
Subtotal Other Costs					\$30,000	\$27,679	\$27,767	\$27,856	\$27,945	\$28,035	\$28,125	\$28,216	\$28,307	\$28,399
Total City Clerk Office Expenses					\$204,473	\$202,738	\$203,416	\$204,097	\$204,782	\$205,469	\$206,161	\$206,856	\$207,554	\$208,256

**Table C-3
Finance and Administrative Services Department Cost Estimates
Menifee Valley Incorporation Analysis**

Ref.	Assumptions				2006-07	2007-08	2008-09	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
Item	Description				1	2	3	4	5	6	7	8	9	10	
Finance Department															
<i>Finance Director - FTE</i>															
	Annual Salary	\$104,000	Real Inc.	Average	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
	Benefits	33%		Hemet/Murrieta	\$104,000	\$104,520	\$105,043	\$105,568	\$106,096	\$106,626	\$107,159	\$107,695	\$108,234	\$108,775	
	Subtotal				\$34,320	\$34,492	\$34,664	\$34,837	\$35,012	\$35,187	\$35,363	\$35,539	\$35,717	\$35,896	
					\$138,320	\$139,012	\$139,707	\$140,405	\$141,107	\$141,813	\$142,522	\$143,234	\$143,951	\$144,670	
<i>Finance Manager - FTE</i>															
	Annual Salary	\$58,000	Real Inc.	Average	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
	Benefits	33%		Hemet/Murrieta	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	
	Subtotal				\$19,140	\$19,140	\$19,140	\$19,140	\$19,140	\$19,140	\$19,140	\$19,140	\$19,140	\$19,140	
					\$77,140	\$77,140	\$77,140	\$77,140	\$77,140	\$77,140	\$77,140	\$77,140	\$77,140	\$77,140	
<i>Treasurer - FTE</i>															
	Annual Salary	\$80,000	Real Inc.	Hemet	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
	Benefits	33%		0.5%	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	
	Subtotal				\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	
					\$106,400	\$106,400	\$106,400	\$106,400	\$106,400	\$106,400	\$106,400	\$106,400	\$106,400	\$106,400	
<i>Accountant - FTE</i>															
	Annual Salary	\$61,000	Real Inc.	Average	1.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	
	Benefits	33%		Hemet/Murrieta	\$61,000	\$122,610	\$123,223	\$123,839	\$186,688	\$187,621	\$188,559	\$189,502	\$190,449	\$191,402	
	Subtotal				\$20,130	\$40,461	\$40,664	\$40,867	\$61,607	\$61,915	\$62,224	\$62,536	\$62,848	\$63,163	
					\$81,130	\$163,071	\$163,887	\$164,706	\$248,294	\$249,536	\$250,784	\$252,037	\$253,298	\$254,564	
<i>Clerks/Account Technician- FTE</i>															
	Annual Salary	\$38,000	Real Inc.	Average	1.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	
	Benefits	33%		Hemet/Murrieta	\$38,000	\$76,380	\$76,762	\$77,146	\$116,297	\$116,879	\$117,463	\$118,050	\$118,641	\$119,234	
	Subtotal				\$12,540	\$25,205	\$25,331	\$25,458	\$38,378	\$38,570	\$38,763	\$38,957	\$39,151	\$39,347	
					\$50,540	\$101,585	\$102,093	\$102,604	\$154,675	\$155,449	\$156,226	\$157,007	\$157,792	\$158,581	
<i>Secretary/Clerical- FTE</i>															
	Annual Salary	\$39,000	Real Inc.	Average	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	
	Benefits	33%		Hemet/Murrieta	\$39,000	\$39,000	\$39,000	\$39,000	\$78,000	\$78,000	\$78,000	\$78,000	\$78,000	\$78,000	
	Subtotal				\$12,870	\$12,870	\$12,870	\$12,870	\$25,740	\$25,740	\$25,740	\$25,740	\$25,740	\$25,740	
					\$51,870	\$51,870	\$51,870	\$51,870	\$103,740	\$103,740	\$103,740	\$103,740	\$103,740	\$103,740	
Personnel Subtotal					\$505,400	\$639,078	\$641,097	\$643,125	\$831,357	\$834,077	\$836,811	\$839,559	\$842,320	\$845,095	
Other Costs					20%	\$101,080	\$127,816	\$128,219	\$128,625	\$166,271	\$166,815	\$167,362	\$167,912	\$168,464	\$169,019
Total Finance Department Expenses					\$606,480	\$766,894	\$769,316	\$771,750	\$997,628	\$1,000,893	\$1,004,173	\$1,007,471	\$1,010,784	\$1,014,115	
Administrative Services															
<i>Human Resources Director- FTE (or contract initially)</i>															
	Annual Salary	\$99,000	Real Inc.	Average	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
	Benefits	33%		Hemet/Murrieta	\$99,000	\$99,495	\$99,992	\$100,492	\$100,995	\$101,500	\$102,007	\$102,517	\$103,030	\$103,545	
	Subtotal				\$32,670	\$32,833	\$32,998	\$33,163	\$33,328	\$33,495	\$33,662	\$33,831	\$34,000	\$34,170	
					\$131,670	\$132,328	\$132,990	\$133,655	\$134,323	\$134,995	\$135,670	\$136,348	\$137,030	\$137,715	
<i>Human Resources Technician - FTE (or contract initially)</i>															
	Annual Salary	\$42,000	Real Inc.	Average	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
	Benefits	33%		Hemet/Murrieta	\$0	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	
	Subtotal				\$0	\$13,860	\$13,860	\$13,860	\$13,860	\$13,860	\$13,860	\$13,860	\$13,860	\$13,860	
					\$0	\$55,860	\$55,860	\$55,860	\$55,860	\$55,860	\$55,860	\$55,860	\$55,860	\$55,860	
<i>Information Systems Manager - FTE (or contract initially)</i>															
	Annual Salary	\$87,000	Real Inc.	Murrieta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
	Benefits	33%		0.5%	\$87,000	\$87,435	\$87,872	\$88,312	\$88,753	\$89,197	\$89,643	\$90,091	\$90,542	\$90,994	
	Subtotal				\$28,710	\$28,854	\$28,998	\$29,143	\$29,289	\$29,435	\$29,582	\$29,730	\$29,879	\$30,028	
					\$115,710	\$116,289	\$116,870	\$117,454	\$118,042	\$118,632	\$119,225	\$119,821	\$120,420	\$121,022	
<i>Network Analyst - FTE (or contract initially)</i>															
	Annual Salary	\$61,000	Real Inc.	Murrieta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
	Benefits	33%		0.5%	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000	
	Subtotal				\$20,130	\$20,130	\$20,130	\$20,130	\$20,130	\$20,130	\$20,130	\$20,130	\$20,130	\$20,130	
					\$81,130	\$81,130	\$81,130	\$81,130	\$81,130	\$81,130	\$81,130	\$81,130	\$81,130	\$81,130	
<i>Network Analyst - FTE (or contract initially)</i>															
	Annual Salary	\$50,000	Real Inc.	Murrieta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	Benefits	30%		0.5%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Subtotal				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Costs					20%	\$65,702	\$77,121	\$77,370	\$77,620	\$77,871	\$78,123	\$78,377	\$78,632	\$78,888	\$79,145
Total Administrative Services					\$394,212	\$462,728	\$464,220	\$465,719	\$467,226	\$468,740	\$470,262	\$471,791	\$473,328	\$474,873	

**Table C-4
Planning and Building Department Department Cost Estimates
Menifee Valley Incorporation Analysis**

Ref.	Assumptions				2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Item	Description				1	2	3	4	5	6	7	8	9	10
Planning and Building Department														
Planning Director														
					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$102,000	Real Inc.	Average	0.5%	\$102,000	\$102,510	\$103,023	\$103,538	\$104,055	\$104,576	\$105,099	\$105,624	\$106,152	\$106,683
Benefits	30%		Hemet/Murrieta		\$30,600	\$30,753	\$30,907	\$31,061	\$31,217	\$31,373	\$31,530	\$31,687	\$31,846	\$32,005
Subtotal					\$132,600	\$133,263	\$133,929	\$134,599	\$135,272	\$135,948	\$136,628	\$137,311	\$137,998	\$138,688
Planning Manager - FTE														
					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$85,000	Real Inc.	Murrieta	0.5%	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
Benefits	35%				\$25,500	\$25,500	\$25,500	\$25,500	\$25,500	\$25,500	\$25,500	\$25,500	\$25,500	\$25,500
Subtotal					\$110,500	\$110,500	\$110,500	\$110,500	\$110,500	\$110,500	\$110,500	\$110,500	\$110,500	\$110,500
Planners (senior and associate) - FTE														
					2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Annual Salary	\$64,000	Real Inc.	Murrieta	0.5%	\$160,000	\$160,800	\$161,604	\$162,412	\$163,224	\$164,040	\$164,860	\$165,685	\$166,513	\$167,346
Benefits	30%				\$48,000	\$48,240	\$48,481	\$48,724	\$48,967	\$49,212	\$49,458	\$49,705	\$49,954	\$50,204
Subtotal					\$208,000	\$209,040	\$210,085	\$211,136	\$212,191	\$213,252	\$214,319	\$215,390	\$216,467	\$217,549
Planners (assistant and junior) - FTE														
					2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Annual Salary	\$49,000	Real Inc.	Murrieta	0.5%	\$122,500	\$123,113	\$123,728	\$124,347	\$124,968	\$125,593	\$126,221	\$126,852	\$127,487	\$128,124
Benefits	30%				\$36,750	\$36,934	\$37,118	\$37,304	\$37,491	\$37,678	\$37,866	\$38,056	\$38,246	\$38,437
Subtotal					\$159,250	\$160,046	\$160,846	\$161,651	\$162,459	\$163,271	\$164,088	\$164,908	\$165,733	\$166,561
Development Services Technician - FTE														
					0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$43,000	Real Inc.	Murrieta	0.5%	\$21,500	\$43,215	\$43,431	\$43,648	\$43,866	\$44,086	\$44,306	\$44,528	\$44,750	\$44,974
Benefits	30%				\$6,450	\$12,965	\$13,029	\$13,094	\$13,160	\$13,226	\$13,292	\$13,358	\$13,425	\$13,492
Subtotal					\$27,950	\$56,180	\$56,460	\$56,743	\$57,026	\$57,312	\$57,598	\$57,886	\$58,176	\$58,466
Building & Safety Division														
Building and Zoning Manager - FTE														
					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$86,000	Real Inc.	Average	0.5%	\$86,000	\$86,430	\$86,862	\$87,296	\$87,733	\$88,172	\$88,612	\$89,056	\$89,501	\$89,948
Benefits	30%		Hemet/Murrieta		\$25,800	\$25,929	\$26,059	\$26,189	\$26,320	\$26,451	\$26,584	\$26,717	\$26,850	\$26,984
Subtotal					\$111,800	\$112,359	\$112,921	\$113,485	\$114,053	\$114,623	\$115,196	\$115,772	\$116,351	\$116,933
Building Inspector - FTE														
					1.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Annual Salary	\$57,000	Real Inc.	Average	0.5%	\$57,000	\$171,855	\$172,714	\$173,578	\$174,446	\$175,318	\$176,195	\$177,076	\$177,961	\$178,851
Benefits	30%		Hemet/Murrieta		\$17,100	\$51,557	\$51,814	\$52,073	\$52,334	\$52,595	\$52,858	\$53,123	\$53,388	\$53,655
Subtotal					\$74,100	\$223,412	\$224,529	\$225,651	\$226,779	\$227,913	\$229,053	\$230,198	\$231,349	\$232,506
Plans Examiner- FTE														
					0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Salary	\$58,000	Real Inc.	Average	0.5%	\$29,000	\$58,290	\$58,581	\$58,874	\$59,169	\$59,465	\$59,762	\$60,061	\$60,361	\$60,663
Benefits	30%		Hemet/Murrieta		\$8,700	\$17,487	\$17,574	\$17,662	\$17,751	\$17,839	\$17,929	\$18,018	\$18,108	\$18,199
Subtotal					\$37,700	\$75,777	\$76,156	\$76,537	\$76,919	\$77,304	\$77,690	\$78,079	\$78,469	\$78,862
Development Services Technician- FTE														
					1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Annual Salary	\$44,500	Real Inc.	Average	0.5%	\$66,750	\$89,445	\$89,892	\$90,342	\$90,793	\$91,247	\$91,704	\$92,162	\$92,623	\$93,086
Benefits	30%		Hemet/Murrieta		\$20,025	\$26,834	\$26,968	\$27,103	\$27,238	\$27,374	\$27,511	\$27,649	\$27,787	\$27,926
Subtotal					\$86,775	\$116,279	\$116,860	\$117,444	\$118,031	\$118,622	\$119,215	\$119,811	\$120,410	\$121,012
Office Specialist- FTE														
					1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Annual Salary	\$31,400	Real Inc.	Average	0.5%	\$47,100	\$63,114	\$63,430	\$63,747	\$64,065	\$64,386	\$64,708	\$65,031	\$65,356	\$65,683
Benefits	30%		Hemet/Murrieta		\$14,130	\$18,934	\$19,029	\$19,124	\$19,220	\$19,316	\$19,412	\$19,509	\$19,607	\$19,705
Subtotal					\$61,230	\$82,048	\$82,458	\$82,871	\$83,285	\$83,702	\$84,120	\$84,541	\$84,963	\$85,388
Personnel Subtotal					\$1,009,905	\$1,196,855	\$1,202,287	\$1,207,745	\$1,213,232	\$1,218,745	\$1,224,287	\$1,229,856	\$1,235,452	\$1,241,077
Other Costs														
Planning Consultants (inc. Gen'l Plan)		Real Inc.		0%	\$0	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0
Planning Consultants (other)				0%	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Mapping Reproduction	\$7,500	Real Inc.		0%	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Planning Commission Expense	\$6,000	Real Inc.	Hemet	0%	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Miscellaneous Other Costs		5% of personnel costs			\$50,495	\$59,843	\$60,114	\$60,387	\$60,662	\$60,937	\$61,214	\$61,493	\$61,773	\$62,054
Other Cost Subtotal					\$73,995	\$183,343	\$183,614	\$183,887	\$84,162	\$84,437	\$84,714	\$84,993	\$85,273	\$85,554
Total Planning and Building Department Expenses					\$1,083,900	\$1,380,197	\$1,385,901	\$1,391,633	\$1,297,393	\$1,303,183	\$1,309,001	\$1,314,848	\$1,320,725	\$1,326,631

**Table C-5
Public Works Department Cost Estimates
Menifee Valley Incorporation Analysis**

Ref.	Assumptions				2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Item	Description				1	2	3	4	5	6	7	8	9	10
Public Works Department														
Public Works Director - FTE (or contract initially)					1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Annual Salary	\$128,000	Real Inc.	Average	\$128,000	\$128,640	\$129,283	\$129,930	\$130,579	\$131,232	\$131,888	\$132,548	\$133,211	\$133,877
	Benefits		30%	Hemet/Murrieta	\$38,400	\$38,592	\$38,785	\$38,979	\$39,174	\$39,370	\$39,566	\$39,764	\$39,963	\$40,163
	Subtotal				\$166,400	\$167,232	\$168,068	\$168,909	\$169,753	\$170,602	\$171,455	\$172,312	\$173,174	\$174,040
Engineering Manager - FTE (or contract initially)					0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Annual Salary	\$92,000	Real Inc.	Murrieta	\$46,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000
	Benefits		35%		\$13,800	\$27,600	\$27,600	\$27,600	\$27,600	\$27,600	\$27,600	\$27,600	\$27,600	\$27,600
	Subtotal				\$59,800	\$119,600	\$119,600	\$119,600	\$119,600	\$119,600	\$119,600	\$119,600	\$119,600	\$119,600
Associate Civil Engineer - FTE					0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Annual Salary	\$67,000	Real Inc.	Murrieta	\$0	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000	\$67,000
	Benefits		30%		\$0	\$20,100	\$20,100	\$20,100	\$20,100	\$20,100	\$20,100	\$20,100	\$20,100	\$20,100
	Subtotal				\$0	\$87,100	\$87,100	\$87,100	\$87,100	\$87,100	\$87,100	\$87,100	\$87,100	\$87,100
Public Works Inspector - FTE (or contract initially)					0.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
	Annual Salary	\$55,000	Real Inc.	Murrieta	\$0	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000
	Benefits		35%		\$0	\$49,500	\$49,500	\$49,500	\$49,500	\$49,500	\$49,500	\$49,500	\$49,500	\$49,500
	Subtotal				\$0	\$214,500	\$214,500	\$214,500	\$214,500	\$214,500	\$214,500	\$214,500	\$214,500	\$214,500
Development Services Technician - FTE					0.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
	Annual Salary	\$43,000	Real Inc.	Murrieta	\$0	\$129,000	\$129,000	\$129,000	\$129,000	\$129,000	\$129,000	\$129,000	\$129,000	\$129,000
	Benefits		35%		\$0	\$38,700	\$38,700	\$38,700	\$38,700	\$38,700	\$38,700	\$38,700	\$38,700	\$38,700
	Subtotal				\$0	\$167,700	\$167,700	\$167,700	\$167,700	\$167,700	\$167,700	\$167,700	\$167,700	\$167,700
PW Maintenance Manager - FTE (or contract initially)					0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Annual Salary	\$81,000	Real Inc.	Murrieta	\$0	\$81,000	\$81,000	\$81,000	\$81,000	\$81,000	\$81,000	\$81,000	\$81,000	\$81,000
	Benefits		35%		\$0	\$24,300	\$24,300	\$24,300	\$24,300	\$24,300	\$24,300	\$24,300	\$24,300	\$24,300
	Subtotal				\$0	\$105,300	\$105,300	\$105,300	\$105,300	\$105,300	\$105,300	\$105,300	\$105,300	\$105,300
PW Maintenance Supervisor - FTE (or contract initially)					0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Annual Salary	\$59,000	Real Inc.	Murrieta	\$0	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000
	Benefits		35%		\$0	\$17,700	\$17,700	\$17,700	\$17,700	\$17,700	\$17,700	\$17,700	\$17,700	\$17,700
	Subtotal				\$0	\$76,700	\$76,700	\$76,700	\$76,700	\$76,700	\$76,700	\$76,700	\$76,700	\$76,700
Maintenance Worker - FTE (or contract initially)					0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Annual Salary	\$36,000	Real Inc.	Murrieta	\$0	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000
	Benefits		35%		\$0	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000
	Subtotal				\$0	\$234,000	\$234,000	\$234,000	\$234,000	\$234,000	\$234,000	\$234,000	\$234,000	\$234,000
Equipment Operators - FTE (or contract initially)					0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	Annual Salary	\$52,000	Real Inc.		\$0	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000
	Benefits		35%		\$0	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200
	Subtotal				\$0	\$135,200	\$135,200	\$135,200	\$135,200	\$135,200	\$135,200	\$135,200	\$135,200	\$135,200
Traffic Maintenance Technician - FTE (or contract initially)					0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	Annual Salary	\$43,000	Real Inc.		\$0	\$86,000	\$86,000	\$86,000	\$86,000	\$86,000	\$86,000	\$86,000	\$86,000	\$86,000
	Benefits		35%		\$0	\$25,800	\$25,800	\$25,800	\$25,800	\$25,800	\$25,800	\$25,800	\$25,800	\$25,800
	Subtotal				\$0	\$111,800	\$111,800	\$111,800	\$111,800	\$111,800	\$111,800	\$111,800	\$111,800	\$111,800
Environmental Specialist - FTE (or contract initially)					0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Annual Salary	\$52,000	Real Inc.		\$0	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000
	Benefits		35%		\$0	\$15,600	\$15,600	\$15,600	\$15,600	\$15,600	\$15,600	\$15,600	\$15,600	\$15,600
	Subtotal				\$0	\$67,600	\$67,600	\$67,600	\$67,600	\$67,600	\$67,600	\$67,600	\$67,600	\$67,600
Administrative - FTE					3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
	Annual Salary	\$36,500	Real Inc.	Murrieta	\$109,500	\$110,048	\$110,598	\$111,151	\$111,706	\$112,265	\$112,826	\$113,390	\$113,957	\$114,527
	Benefits		30%		\$32,850	\$33,014	\$33,179	\$33,345	\$33,512	\$33,680	\$33,848	\$34,017	\$34,187	\$34,358
	Subtotal				\$142,350	\$143,062	\$143,777	\$144,496	\$145,218	\$145,945	\$146,674	\$147,408	\$148,145	\$148,885
	Personnel Subtotal				\$368,550	\$1,629,794	\$1,631,345	\$1,632,904	\$1,634,471	\$1,636,046	\$1,637,629	\$1,639,220	\$1,640,818	\$1,642,425
	Other Costs	10%			\$36,855	\$162,979	\$163,135	\$163,290	\$163,447	\$163,605	\$163,763	\$163,922	\$164,082	\$164,242
Total Public Works Department Expenses					\$405,405	\$1,792,773	\$1,794,480	\$1,796,195	\$1,797,919	\$1,799,651	\$1,801,392	\$1,803,142	\$1,804,900	\$1,806,667

Table 3
Change in Revenues and Expenses to Riverside County
Menifee Valley Incorporation Analysis

Item	FY 2003/2004	Notes
<u>General Fund Revenues and Expenditures</u>		
Revenues Transferred to the City		
Property Taxes	\$1,537,188	
Transient Occupancy Tax	\$78,755	
Sales Tax	\$1,683,657	includes unallocated sales
Real Property Transfer Tax	\$111,101	
Franchise Fees	\$682,576	
Animal Control	\$38,800	
Code Enforcement Revenues	\$229,710	
Planning Revenues	\$418,700	
		structural fire fund
Subtotal	\$4,780,488	
Expenditures for Services Transferred to the City		
General Government	\$137,436	
Animal Control	\$120,674	
Planning	\$958,421	
Code Enforcement	\$568,331	
Public Works		
Fire Protection	\$2,013,516	net of structural fire fund
Sheriff	<u>\$1,213,633</u>	
Subtotal	\$5,012,012	
Net County Surplus or (Deficit)	\$231,524	
<u>County Road Fund</u>		
Revenues Transferred to the City		
Gas Tax: Highway User Tax 2106c	\$60,302	
Other Road Fund Revenues (Measure A)	<u>\$305,962</u>	
Subtotal	\$366,264	
Expenditures for Services Transferred to the City		
Road Maintenance	<u>\$1,256,414</u>	
Subtotal	\$1,256,414	
Net County Road Fund Surplus or (Deficit)	\$890,150	



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APPENDIX B:

SUMMARY OF COMPARABLE CITIES

Appendix Table B-1
Menifee Valley Comprehensive CFA
Selected Cities- General Fund Expenditures
Comparison Summary Table

FY 2003-04 General Fund Expenditures						
Expenditures	Hemet		Lake Elsinor		Murrieta	
	Total	Per Capita	Total	Per Capita	Total	Per Capita
Population	(1)	62,200	33,050		57,000	
Legislative	\$255,818	\$4 (2)	\$217,500	\$7 (11)	\$198,241	\$3
Administrative Services	\$990,134	\$16 (3)	\$1,731,009	\$52 (12)	\$1,655,509	\$29 (16)
Finance	\$862,418	\$14 (4)	\$1,044,017	\$32 (13)	\$1,141,919	(17)
City Attorney	\$0	\$0 (5)	\$300,000	\$9	\$200,000	\$4
Police	\$11,437,914	\$184	\$5,000,000	\$151	\$10,411,032	\$183
Fire	\$7,161,419	\$115	\$1,400,000	\$42	\$0	\$0 (18)
Public Works	\$236,715	\$4 (6)	\$4,063,687	\$123	\$2,651,011	\$47 (19)
Community Development	\$2,131,982	\$34 (7)	\$3,008,607	\$91	\$3,149,300	\$55 (20)
Parks and Recreation	\$715,918	\$12 (8)	\$1,967,639	\$60 (14)	\$440,000	\$8
Library	\$1,445,116	\$23	\$0	\$0	\$0	\$0 (21)
Non-Departmental	\$125,094	\$2 (9)		\$0	\$1,247,540	\$22
Other	\$138,827	\$2 (10)	\$942,456	\$29 (15)	\$100,006	\$2 (22)
Adjustment	\$42,145		\$9,218			
TOTAL GENERAL FUND EXPENDITURES:	\$25,543,500	\$34	\$19,684,133	\$50	\$21,194,558	\$35

Source: City of Hemet Annual Operating Budget, 2003-2004, City of Murrieta Operating Budgets Fiscal Year 2003-2004, City of Lake Elsinore Adopted Operating Budget Fiscal Year 2003-04.

Appendix Table B-1
Menifee Valley Comprehensive CFA
Selected Cities- General Fund Expenditures
Comparison Summary Table

Notes:

- (1) All population figures from US Census Bureau, Census 2000.
- (2) Includes City Council and Mayor.
- (3) Includes City Manager, City Clerk, Human Resources Department.
- (4) Includes Treasurer
- (5) City Attorney costs are allocated to various General Fund Departments.
- (6) Includes Street Maintenance, Engineering
- (7) Includes Planning, Building, and Housing Divisions.
- (8) Includes the Simpson Memorial Center.
- (9) Includes miscellaneous City expenditures that are not allocatable by other departmental functions.
- (10) Includes Animal Regulation.
Benefit Liability.
- (11) Includes City Council and Mayor.
- (12) Includes City Manager Administration, Information Systems, City Clerk's Office and Human Resources Department.
- (13) Includes Finance and Risk Management Division and City Treasurer.
- (14) Includes Lake Maintenance and Operation/Water, Stadium Community Services Center, and Senior Center.
- (15) Includes Litigation/Payments/Transfers.
- (16) Includes Administration (City Manager), Human Resources, Information Services and City Clerk.
- (17) Includes Risk Management.
- (18) Not included in General Fund Expenditures.
- (19) Includes Solid Waste Management, Building Maintenance, Engineering, Maintenance, Street Lights.
- (20) Includes GIS, Community Promotion, Economic Development, Community Development, and Building and Safety.
- (21) Not included in General Fund Expenditures.
- (22) Includes Business Licenses.

Appedix Table B-2
Menifee Valley Incorporation CFA
Selected Cities- General Fund Revenues
Comparison Summary Table

FY 2003-04 General Fund Revenues						
Revenues	Hemet		Lake Elsinor		Murrieta	
	Total	Per Capita	Total	Per Capita	Total	Per Capita
Population	62,200		33,050		57,000	
General Operating Revenues						
Property Tax- City General	\$2,890,000	\$46	\$1,180,000	\$36	\$2,829,900	\$50
Real Estate Transfer Tax	\$280,000	\$5	\$200,000	\$6	\$450,000	\$8
Sales and Use Tax	\$7,975,000	\$128	\$5,657,000	\$171	\$6,550,000	\$115
Utility Users Tax	N/A		\$0	\$0	\$0	\$0
Franchise Fees	\$853,000	\$14	\$952,000	\$29	\$1,348,300	\$24
Fees and Permits	\$218,750	\$4 (1)	\$5,176,500	\$157 (5)	\$10,050	\$0 (7)
Fines and Forfeitures	\$470,500	\$7.56 (2)	\$152,000	\$4.60	\$2,500	\$0
Transient Occupancy	\$450,000	\$7	\$175,000	\$5	\$70,000	\$1
Business Licenses	\$410,500	\$7	\$280,000	\$8	\$400,000	\$7
Other General Fund Revenues	\$4,858,493	\$78 (3)	\$2,692,100	\$81 (6)	\$1,339,166	\$23 (8)
Intergovernmental Revenues	\$404,700	\$7	\$161,000	\$5	\$1,500	\$0
Motor Vehicle in Lieu	\$3,700,000	\$59	\$1,730,000	\$52	\$3,228,100	\$57
Total General Fund Revenues	\$22,510,943	\$362	\$18,355,600		\$16,229,516	

Source: City of Hemet Annual Operating Budget, 2003-2004, City of Murrieta Operating Budgets Fiscal Year 2003-2004, City of Lake Elsinore Adopted Operating Budget Fiscal Year 2003-04.

Appedix Table B-2
Menifee Valley Incorporation CFA
Selected Cities- General Fund Revenues
Comparison Summary Table

Notes:

- (1) Includes Animal License, Bicycle & Other Licenses, and all Charges For Service.
- (2) Includes Vehicle Code Fines, Other Code Fines, City Parking Citations, and Forfeitures and Penalties
- (3) Includes Prop. 172 Sales Tax from Police and Fire Dept.
- (5) Includes License & Permits, Revenues/Fees
- (6) Includes Other Taxes, State Grants, Miscellaneous Revenue, and Miscellaneous Transfers.
- (7) Includes Bingo Licenses/Fees and Charges for Services.
- (8) Includes Prior Year Taxes, Delinquent Charges/Penalty, Use of Money and Property, Transfers, and Other.

Appendix Table B-3
 Menifee Valley Incorporation CFA
 Selected Cities-Staffing Levels
 Comparison Summary Table

FY 2003-04 Staffing Levels			
City	Hemet	Lake Elsinor	Murrieta
Population	62,200	33,050	57,000
Legislative	5.00	5.00	5.00
Administrative Services	6.00	9.50 (3)	15.75
Finance	17.00	6 (4)	7.25
City Attorney	0.00	2.00	0.00
Police	69.00 (1)	34.50 (5)	50.00 (6)
Fire	54.50	20.00	38.00
Public Works	2.50 (2)	21.00	25.25
Community Development	24.00	34.00	28.45
Parks and Recreation	7.00	15.00	17.80 (7)
Library	16.50	0.00	11.00 (8)
Non-Departmental	0.00	0.00	0.00
Other	1.00	0.00	1.50 (9)
TOTAL:	203	147	200

Source: City of Hemet Annual Operating Budget, 2003-2004, City of Murrieta Operating Budgets Fiscal Year 2003-2004, City of Lake Elsinore Adopted Operating Budget Fiscal Year 2003-04.

Notes:

- (1) Only includes Sworn Officers and Code Enforcement Staff.
- (2) Only includes Street Maintenance and Engineering Staff.
- (3) Not included in General Fund.
- (4) Included in Administrative Services.
- (5) Only includes Sworn Officers.
- (6) Only includes Sworn Officers.
- (7) Not included in General Fund.
- (8) Not included in General Fund.
- (9) Business License Staff.

**Appendix Table B-4
 Menifee Valley Incorporation CFA
 Police Expenditure and Service Level Comparison
 Comparison Summary Table**

FY 2003-04 Police Expenditures			
Expenditures	Hemet	Lake Elsinor	Murieta
Population	62,200	33,050	57,000
Total Expenditures	\$11,437,914	\$5,000,000	\$10,411,032
Expend./Capita	\$184	\$151	\$183
Sworn Officers	69	34.50	50
Expend./Officer	\$165,767	\$144,928	\$208,221
Officers/Thous. Pop	1.11	1.04	0.88

Source: City of Hemet Annual Operating Budget, 2003-2004, City of Murrieta Operating Budgets Fiscal Year 2003-2004, City of Lake Elsinore Adopted Operating Budget Fiscal Year 2003-04.



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APPENDIX C:

GROWTH FORECASTS

Table C-1
Riverside County Population Trends (1990-2015)
Menifee Valley CFA, EPS #14001

Area	1990	2003	2015	2003-2015		1990-2015		Percent Annually
				Difference	Percent Change	Total	Average Annual	
Population								
Riverside County	1,193,156	1,730,112	2,420,686	690,574	40%	103%	2.87%	2.90%
Hemet	35,350	62,200	87,027	24,827	40%	146%	3.67%	4.44%
Lake Elsinore	17,900	33,050	46,242	13,192	40%	158%	3.87%	4.83%
Menifee Valley	27,977	46,534	70,729	24,195	52%	153%	3.78%	3.99%
Murrieta (1)	18,717	57,000	79,752	22,752	40%	326%	5.97%	8.94%
Perris	21,050	38,200	53,448	15,248	40%	154%	3.80%	4.69%
Temecula	25,300	75,000	104,936	29,936	40%	315%	5.86%	8.72%

Source: RAND California.

Notes:

(1) No population estimate available for 1990 or 1991. Estimate extrapolated from data available for 1992.

Table C-2
Projected Households
Menifee Valley CFA, EPS #14001

Year	Population	Persons per Household (1)	Households	Households Per Year	Units Per Year
1990	27,977	2.30	12,164		
2000	39,087	2.42	16,138	397	
2003	46,534	2.50	18,620	827	
2015	70,729	2.65	26,685	672	707

- (1) Assumes that new households contain 3.0 residents.
(2) Projections assume 95% occupancy rate



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APPENDIX D:

SENSITIVITY ANALYSIS: 150% RATE OF NEW DEVELOPMENT

Table 1a
Summary of Revenues and Expenses (All figures in Constant 2004\$)
Menifee Valley Incorporation Analysis
VLF/Property Tax Swap, (w/3*voters) **150% base case growth**

Item	Fiscal Year									
	2006-07 1	2007-08 2	2008-09 3	2009-10 4	2010-11 5	2011-12 6	2012-13 7	2013-14 8	2014-15 9	2015-16 10
General Fund Revenues										
Property Taxes	\$6,136,370	\$6,776,382	\$7,437,623	\$8,120,709	\$8,826,270	\$9,554,953	\$10,307,423	\$11,084,360	\$11,886,464	\$12,714,453
VLF/Property Tax Swap	\$4,929,021	\$4,929,021	\$4,929,021	\$4,929,021	\$4,929,021	\$4,929,021	\$4,929,021	\$4,228,758	\$4,395,696	\$4,562,635
Sales Tax	\$1,930,715	\$2,194,610	\$2,458,505	\$2,722,399	\$2,986,294	\$3,250,188	\$3,514,083	\$3,777,977	\$4,041,872	\$4,305,767
Transient Occupancy Tax	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755	\$78,755
Real Property Transfer Tax	\$390,952	\$413,171	\$436,102	\$459,768	\$484,187	\$509,381	\$535,371	\$562,179	\$589,828	\$618,340
Franchise Fees	\$860,665	\$905,187	\$949,709	\$994,231	\$1,038,753	\$1,083,275	\$1,127,797	\$1,172,319	\$1,216,841	\$1,261,363
Planning and Building Fees	\$433,560	\$1,024,158	\$1,028,721	\$1,033,306	\$1,037,915	\$1,042,546	\$1,047,201	\$1,051,879	\$1,056,580	\$1,061,305
Public Works/Eng. Fees	\$364,865	\$1,613,496	\$1,615,032	\$1,616,575	\$1,618,127	\$1,619,686	\$1,621,253	\$1,622,828	\$1,624,410	\$1,626,001
Fines and Penalties	\$293,375	\$308,551	\$323,728	\$338,904	\$354,080	\$369,256	\$384,433	\$399,609	\$414,785	\$429,961
State Motor Vehicle License Fees	\$285,161	\$299,912	\$314,663	\$329,414	\$344,166	\$358,917	\$373,668	\$388,420	\$403,171	\$417,922
Investment Earnings	<u>\$157,034</u>	<u>\$185,432</u>	<u>\$195,719</u>	<u>\$206,231</u>	<u>\$216,976</u>	<u>\$227,960</u>	<u>\$239,190</u>	<u>\$243,671</u>	<u>\$257,084</u>	<u>\$270,765</u>
Total	\$15,860,473	\$18,728,675	\$19,767,577	\$20,829,314	\$21,914,543	\$23,023,939	\$24,158,194	\$24,610,753	\$25,965,487	\$27,347,267
General Fund Expenses										
Legislative	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Elections	\$0	\$66,264	\$0	\$72,783	\$0	\$79,301	\$0	\$85,820	\$0	\$92,338
City Manager and City Clerk	\$647,177	\$647,656	\$650,558	\$653,475	\$656,406	\$659,352	\$662,313	\$665,288	\$668,279	\$671,284
City Attorney	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$337,849	\$344,606	\$351,498	\$358,528
Administrative Services	\$1,000,692	\$1,229,622	\$1,233,536	\$1,237,469	\$1,464,854	\$1,469,633	\$1,474,435	\$1,479,262	\$1,484,112	\$1,488,987
Police	\$0	\$5,746,007	\$5,545,376	\$5,934,490	\$6,336,952	\$6,753,137	\$7,183,436	\$7,628,245	\$8,087,973	\$8,563,039
Fire Protection	\$0	\$9,432,390	\$10,828,563	\$11,045,134	\$11,266,037	\$11,491,357	\$11,721,185	\$11,955,608	\$12,194,720	\$12,438,615
Animal Control	\$0	\$109,664	\$115,633	\$121,659	\$127,742	\$133,884	\$140,083	\$146,341	\$152,658	\$159,035
Planning and Building	\$541,950	\$1,380,197	\$1,385,901	\$1,391,633	\$1,297,393	\$1,303,183	\$1,309,001	\$1,314,848	\$1,320,725	\$1,326,631
Public Works Administration	\$405,405	\$1,792,773	\$1,794,480	\$1,796,195	\$1,797,919	\$1,799,651	\$1,801,392	\$1,803,142	\$1,804,900	\$1,806,667
Non-Departmental										
Office Rent/Supplies	\$641,150	\$658,150	\$430,150	\$430,150	\$460,150	\$436,150	\$436,150	\$436,150	\$436,150	\$436,150
Insurance	\$107,441	\$642,412	\$670,239	\$691,390	\$713,315	\$735,056	\$753,325	\$777,129	\$796,380	\$821,588
Contingency	\$358,137	\$2,141,372	\$2,234,132	\$2,304,635	\$2,377,718	\$2,450,187	\$2,511,084	\$2,590,431	\$2,654,602	\$2,738,627
Repayment, 1st year costs	\$0	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998	\$2,037,998	\$0	\$0	\$0	\$0
Total	\$4,046,953	\$26,235,505	\$27,283,684	\$28,080,373	\$28,906,214	\$29,725,113	\$28,375,253	\$29,271,870	\$29,996,998	\$30,946,490
Operating Surplus (Deficit)	\$11,813,520	(\$7,506,830)	(\$7,516,107)	(\$7,251,059)	(\$6,991,671)	(\$6,701,174)	(\$4,217,058)	(\$4,661,117)	(\$4,031,511)	(\$3,599,223)
Road Fund Revenues										
Gas Taxes	\$1,658,994	\$1,658,902	\$1,658,811	\$1,658,722	\$1,658,636	\$1,658,550	\$1,658,467	\$1,480,038	\$1,535,783	\$1,591,529
Measure A	<u>\$353,962</u>	<u>\$401,962</u>	<u>\$449,962</u>	<u>\$497,962</u>	<u>\$545,962</u>	<u>\$593,962</u>	<u>\$641,962</u>	<u>\$689,962</u>	<u>\$737,962</u>	<u>\$785,962</u>
Total	\$2,012,956	\$2,060,864	\$2,108,773	\$2,156,684	\$2,204,598	\$2,252,512	\$2,300,429	\$2,170,000	\$2,273,745	\$2,377,491
Road Fund Expenditures										
Road Maintenance	\$0	\$1,339,403	\$1,401,645	\$1,463,887	\$1,526,129	\$1,588,372	\$1,650,614	\$1,712,856	\$1,775,098	\$1,837,340
Repayment of First-Year Services	\$0	<u>\$294,992</u>	<u>\$294,992</u>	<u>\$294,992</u>	<u>\$294,992</u>	<u>\$294,992</u>	\$0	\$0	\$0	\$0
Total	\$0	\$1,634,395	\$1,696,637	\$1,758,879	\$1,821,121	\$1,883,364	\$1,650,614	\$1,712,856	\$1,775,098	\$1,837,340
Operating Surplus (Deficit)	\$2,012,956	\$426,468	\$412,136	\$397,805	\$383,476	\$369,149	\$649,815	\$457,145	\$498,647	\$540,152