

APPENDIX 9

Fiscal Impact Analysis

County of Riverside

Fiscal Impact Analysis

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EXECUTIVE SUMMARY

Global Investment & Development, LLC (the "Client") has engaged Zimmerman Group, Inc. to analyze the recurring fiscal impacts to the County of Riverside (the "County") general fund (the "County General Fund") as well as County library services, fire protection services, transportation services, and flood control services (the "County Services") all resulting from development of approximately 170 gross acres represented by APN 466-210-029 through 466-210-036 and APN 466-210-038 (the "Project"). The fiscal impact analysis is based on the land uses and Project descriptions provided by the Client. The proposed Project is located within the unincorporated area of the County, south east of the City of Menifee, known as French Valley. The Project is bordered by El Centro Lane to the west, Wickerd Road to the south, and Garbani Road to the north.

Land Uses and Infrastructure

The Project is a proposed residential development planned for a total of 523 single-family dwelling units. The Project is anticipated to have a population of approximately 1,661 new residents at build-out based on an average of 3.18 persons per dwelling unit. Assessed values for the proposed residential land uses are based on sales price information provided by the Client. At build-out, the total assessed value of the Project is estimated at \$194,199,000, based on an average value per home of \$371,317.

Scope and Methodology

The purpose of the analysis is to estimate the fiscal impact of the Project on the County General Fund and the County Services. That is, the analysis estimates whether the revenues generated by the Project will cover the costs of providing public operations and maintenances services related to the Project. The fiscal impacts identified in this report include recurring revenues and costs that result from development of the Project. Costs are associated with a variety of services such as public safety services, health and sanitation services, and County-wide general government services. The methodology used to estimate the fiscal impacts in this analysis focuses on the per capita multiplier method for numerous cost and revenue categories. This methodology involves calculating the average cost of County services per person served and applying this cost factor to the Project at build-out. Revenues are generated from a variety of sources, including several

types of taxes and fees. Some of the revenues and costs, including property taxes and sheriff protection services, are calculated using the case study method.

Summary of Recurring General Fund Fiscal Impacts

Table 1-1 below illustrates the estimated annual recurring revenues to the County General Fund at Project build-out, including \$297,908 in secured property taxes (33.9% of total revenues), \$182,809 in Property Tax in lieu of VLF (20.8%), and \$117,623 in sales and use tax (13.4%). Total estimated annual recurring revenues related to the Project are anticipated to be approximately \$879,659. Section 3 provides details on all recurring revenues and the assumptions used in their derivation.

**TABLE 1-1
GENERAL FUND - RECURRING REVENUES**

<u>Description</u>	<u>Amount</u>	<u>Percent</u>
Property Tax (Secured)	\$297,908	33.9%
Property Tax (Unsecured)	5,547	0.6%
Property Transfer Tax - Turnover 10%	21,362	2.4%
Property Tax in Lieu of VLF	182,809	20.8%
Sales and Use Tax	117,623	13.4%
Public Safety Sales Tax (Prop. 172)	96,896	11.0%
Franchise Fee	22,842	2.6%
Transient Occupancy Tax	7,702	0.9%
Licenses and Permits	42,420	4.8%
Cable TV Licenses	15,350	1.7%
Vehicle Code Fines and Traffic School	21,203	2.4%
Fines, Forfeitures and Penalties	19,815	2.3%
Rents and Use of Property	2,633	0.3%
Current Services	23,645	2.7%
Net Interest Earnings	1,904	0.2%
Total Recurring Revenues	<u>\$879,659</u>	<u>100%</u>

Table 1-2 below illustrates the estimated annual recurring costs to the County General Fund at Project build-out, including \$297,379 in Sheriff Protection (46.2% of total recurring costs), \$173,139 in Public Protection costs (26.9%), and \$80,876 in General Government (12.6%). Total

annual recurring costs related to the Project are anticipated to be approximately \$643,775. Section 3 provides details on all recurring costs and the assumptions used in their derivation.

TABLE 1-2
GENERAL FUND - RECURRING COSTS

<u>Description</u>	<u>Amount</u>	<u>Percent</u>
General Government	\$80,876	12.6%
Public Protection	173,139	26.9%
Sheriff Protection Costs	297,379	46.2%
Animal Services	15,053	2.3%
Health and Sanitation	54,378	8.4%
Public Assistance	21,830	3.4%
Education, Recreation and Culture	388	0.1%
Debt Service	732	0.1%
Total Countywide Recurring Costs	\$643,775	100%

General Fund Fiscal Impacts

As shown in Table 1-3 below, the overall annual fiscal impact of the Project to the County General Fund is estimated to be \$235,884 based on \$879,659 in recurring annual revenues and \$643,775 in recurring annual costs. This results in a revenue/cost ratio of approximately 1.37 as shown in Table 1-3 below.

TABLE 1-3
GENERAL FUND – OVERALL FISCAL IMPACTS

<u>County General Fund</u>	<u>Amount</u>
Total Recurring Revenues	\$879,659
Less Total Recurring Costs	643,775
Net Fiscal Impact	<u>\$235,884</u>

Revenue/Cost Ratio **1.37**

Summary of Fiscal Impacts on Other Funds/Services

Table 1-4 below summarizes the fiscal impacts on other County Services analyzed in this report. The Project has a positive fiscal impact on County Library, Transportation, and Flood Control. The Project has small negative fiscal impact on Fire Protection. The fiscal impact on County

Service Areas is expected to be zero as revenues are anticipated to equal costs. When combined with the County General Fund, the overall fiscal impact is estimated to be \$360,172.

TABLE 1-4
SUMMARY OF FISCAL IMPACTS

<u>Fund</u>	<u>Net Impact</u>
General Fund	\$235,884
Library Fund	15,108
Fire Protection Fund	(7,390)
Transportation Fund	33,662
Flood Control	82,908
CSAs	-
Total Fiscal Impact	\$360,172

SECTION 1 INTRODUCTION

1.1 Background

As stated in the Executive Summary, this fiscal impact report provides an analysis of the recurring fiscal impacts on the County General Fund and County Services resulting from the development of the Project. The Project is located south of Garbani Road and east of El Centro Lane as shown in figures 1-1A and 1-1B below. The Project encompasses approximately 170 acres and is proposed for 523 single family residences with an estimated build-out population of approximately 1,661 based on a population factor of 3.18 persons per household.

Figure 1-1A

Regional Location

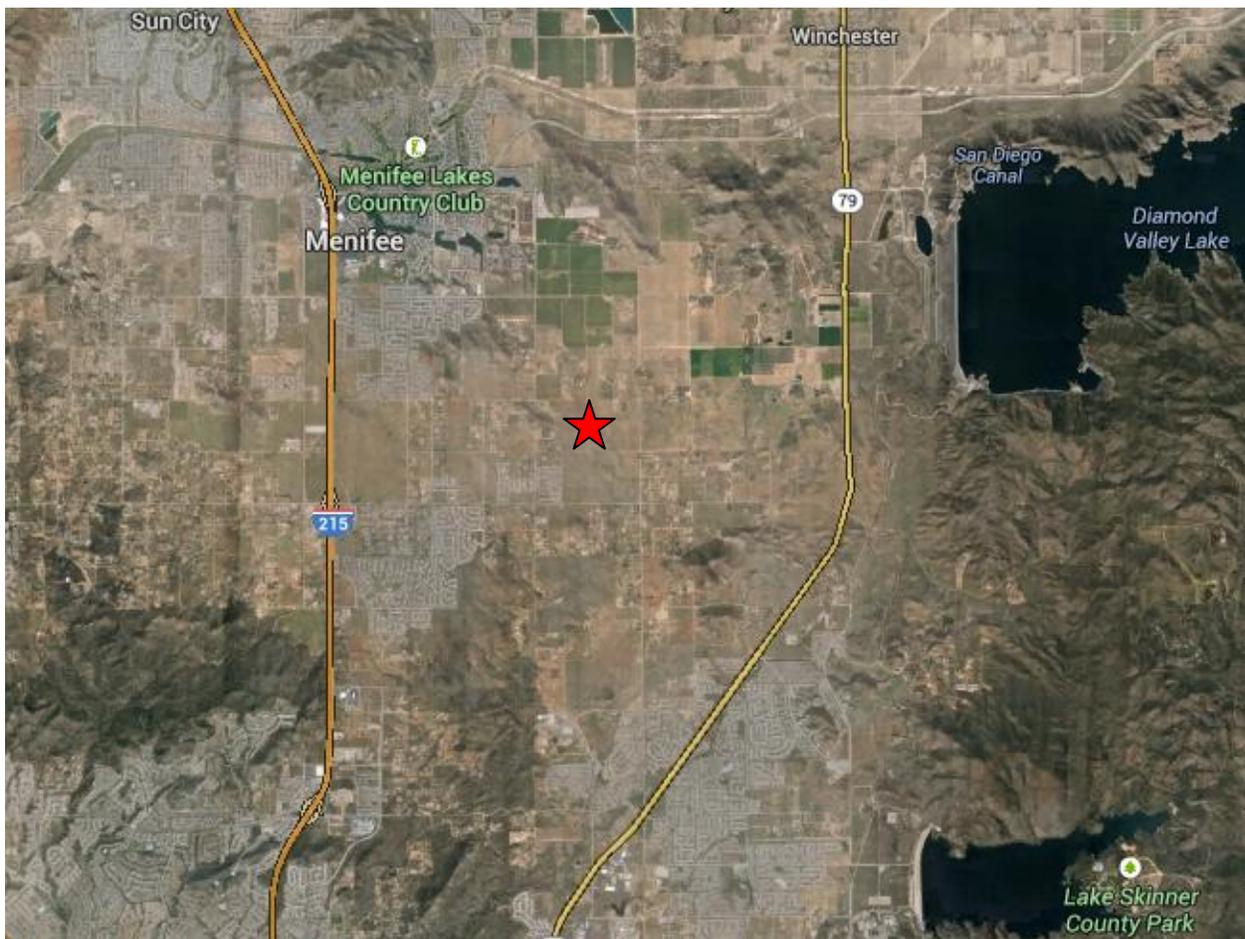
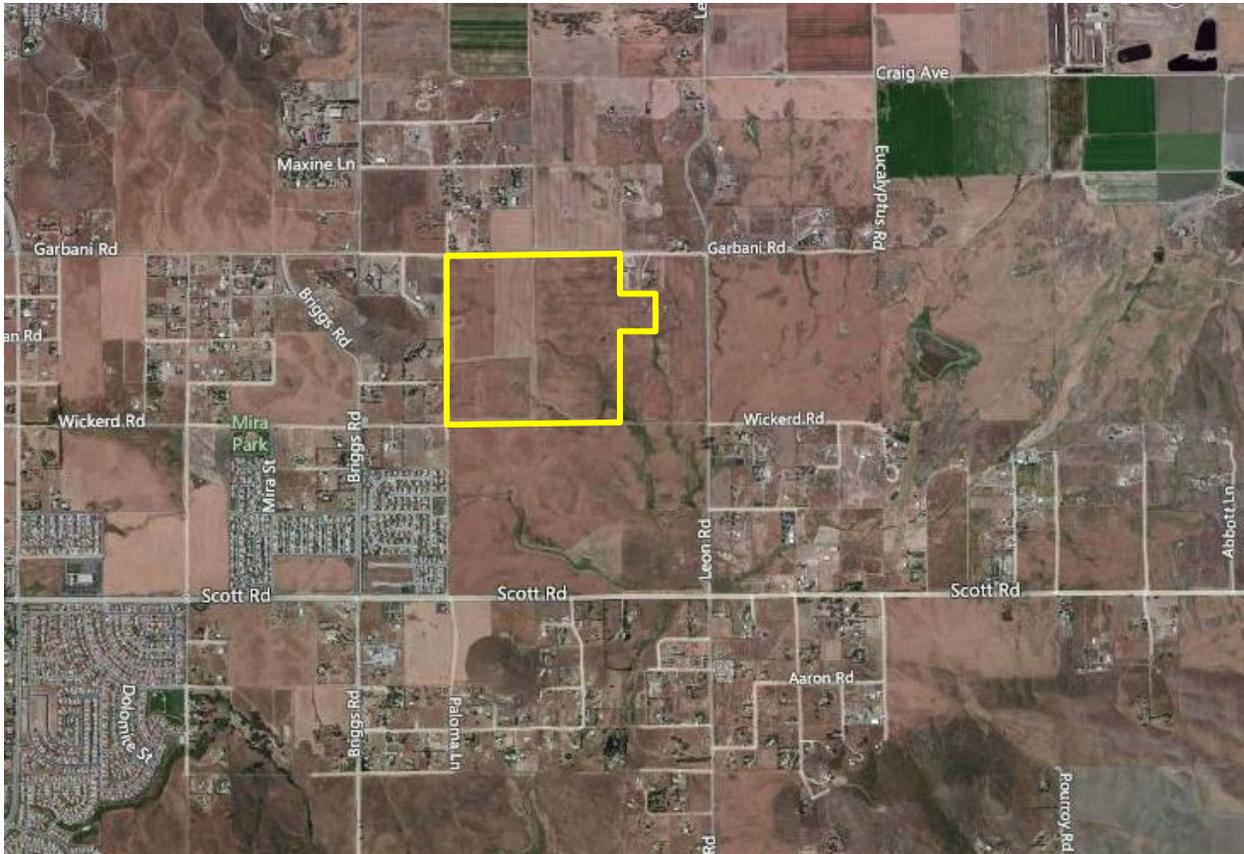


Figure 1-1B
Project Location



1.2 Approach

Fiscal impacts arising from a land development project can be broadly categorized as one of two types: recurring impacts or one-time impacts. Each of these broad types may, in turn, be divided into a revenue component and a cost component. For purposes of this analysis, it has been assumed that one-time revenues directly offset one-time costs; thus, the fiscal impacts considered in this report focus on ongoing, or recurring, fiscal impacts of the Project.

It is often difficult to determine appropriate levels of service for new development in cases where current levels of service within the existing jurisdiction may not apply. For example, the number of police officers or firemen per person may vary depending upon whether a brand new police or

fire station is to be constructed, or whether staffing and equipment within an existing facility are sufficient to adequately serve the new project. The methodology employed in estimating fiscal impacts on the County utilizes a “Per Capita Multiplier” method for most revenue and cost categories. This method assumes that recurring costs or revenues will result from the Project at the same rates per person as currently prevail within the County.

Fiscal impacts on the County General Fund have been estimated based on an analysis of the County’s budget for fiscal year 2013-2014, except where noted otherwise. All fiscal impacts are stated in constant year 2014 dollars. This report is primarily based upon the following information sources:

- Analysis of the County of Riverside 2013/14, Adopted Budget (“Adopted Budget”).
- Property tax allocation from the Riverside County Auditor-Controller Office.
- Residential product valuation and information provided by the Client.
- Demographic data from the California Department of Finance, January 2014 Data.
- Various County Budget discussions with County Executive Office staff.

1.3 Report Overview

Section 2 presents the description for the Project. Section 3 is an evaluation of the projected recurring fiscal impacts to the County General Fund. Sections 4 through 8 discuss fiscal impacts on the County Services, and Section 9 illustrates the aggregate fiscal impact of the Project on all of the County functions analyzed. The Appendix includes supporting tables and source information used in preparation of the fiscal impacts presented in this report.

SECTION 2
DEVELOPMENT DESCRIPTION

This section presents the build-out development description for the Project. The Project description includes the residential units, population, and assessed valuation.

2.1 Housing Units, Population, and Project Valuation

The Project is planned for 523 single family detached residential dwelling units. As shown in Table 2-1, build-out population for the development is estimated at approximately 1,661 persons based on an average of 3.18 persons per housing unit. County population per housing unit is based on the 2014 California Department of Finance, E5 Population and Housing for Cities, Counties and the State.

As shown in Table 2-1, total assessed valuation for the Project is estimated at \$194,199,000 after build-out, based on an average value per home of \$371,317. Average home value is based on information provided by Client.

TABLE 2-1
DEVELOPMENT DESCRIPTION

Project Acres	(1)	170
Residential Units	(1)	523
Estimated Project Population	(2)	1,661
Estimated Assessed Value Per Home	(1)	\$371,317
Projected Assessed Valuation at Build-out	(1)	\$194,199,000

Notes:

-
- (1) Homes values, residential units, and acreage based on information provided by the Client. Estimated assessed value per home based on selling prices of homes in nearby communities.
 - (2) Population is projected on 3.18 persons per household for the unincorporated area of the County, based on the E5 City/County Population and Housing Estimates as of 1/1/14.

SECTION 3
FISCAL IMPACTS

This Section presents the fiscal impacts to the County General Fund at build-out. Table 3-1 below details each of the assumed recurring revenues and costs for the Project. Section 3.1 provides additional details regarding the County General Fund revenues. Section 3.2 provides additional details regarding County General Fund costs. Fiscal impacts are shown in constant 2014 dollars.

TABLE 3-1
GENERAL FUND – RECURRING FISCAL IMPACTS

Recurring Revenues:	<u>Amount</u>	<u>Percent</u>
Property Tax (Secured)	\$297,908	33.9%
Property Tax (Unsecured)	5,547	0.6%
Property Transfer Tax - Turnover 10%	21,362	2.4%
Property Tax in Lieu of VLF	182,809	20.8%
Sales and Use Tax	117,623	13.4%
Public Safety sales Tax (Prop. 172)	96,896	11.0%
Franchise Fee	22,842	2.6%
Transient Occupancy Tax	7,702	0.9%
Licenses and Permits	42,420	4.8%
Cable TV Licenses	15,350	1.7%
Vehicle Code Fines and Traffic School	21,203	2.4%
Fines, Forfeitures and Penalties	19,815	2.3%
Rents and Use of Property	2,633	0.3%
Current Services	23,645	2.7%
Net Interest Earnings	1,904	0.2%
Total Recurring Revenues	\$879,659	100%
Recurring Costs:		
General Government	\$80,876	12.6%
Public Protection	173,139	26.9%
Sheriff Protection Costs	297,379	46.2%
Animal Services	15,053	2.3%
Health and Sanitation	54,378	8.4%
Public Assistance	21,830	3.4%
Education, Recreation and Culture	388	0.1%
Debt Service	732	0.1%
Total Recurring Costs	\$643,775	100%
Total Impact to General Fund	\$235,884	
Revenue/Cost Ratio	1.37	

3.1 County General Fund – Recurring Revenues

Secured Property Taxes

The County Auditor-Controller identifies property tax rates as a percentage of total assessed valuation by Tax Rate Area ("TRA"). The Project is located in TRA 054 018. The TRA apportionment factors are used to forecast property tax revenues resulting from the Project to the County General Fund. Based on information provided by the Auditor-Controller's office, the County receives approximately 15.34% of the basic one percent ad valorem property tax levy. Based on projected assessed value for the Project, total property tax revenues to the County General Fund are projected to be \$297,908 at build-out. See Table A-3 of the Appendix for an allocation of the one percent property tax levy.

Unsecured Property Taxes

Unsecured property taxes are levied on tangible personal property that is not secured by real property such as boats and airplanes. Unsecured property tax revenues are estimated at \$3.34 per capita based on the Adopted Budget amount \$7,614,017, divided by the County population of 2,279,967. Annual unsecured property taxes are estimated to be \$5,547 for the Project.

Property Transfer Taxes

The property transfer tax applies to all sales of real property, and is passed through to the County at a rate of \$1.10 per \$1,000 of sale or resale value, excluding assumed liens or encumbrances. This Report assumes that residential property changes ownership every 10 years (the State average), yielding annual turnover rates of 10% for residential property. Based on the projected assessed value of the Project and assuming that continuing liens and encumbrances are insignificant, annual property transfer taxes to the County General Fund are projected to total approximately \$21,362.

Property Tax In Lieu of VLF

Historically, approximately three-fourths of Vehicle License Fee (VLF) revenue was allocated to cities and counties as general purpose funding. Beginning in 1998-99, the State reduced the VLF payment required from vehicle owners. However, the State made up the revenue impact of the VLF rate reductions with State general fund revenue (the “VLF Backfill”). The VLF Backfill was eliminated in the 2004-05 State Budget. In that year, the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (Property Tax In Lieu of VLF). This increase was funded by decreases in property tax revenues allocated to schools and community colleges.

Annual Property Taxes in Lieu of VLF are estimated to be \$182,809 for the Project. Revenues from Property Taxes In Lieu of VLF are estimated at .0941% of Project assessed valuation. This percentage is based on the total County assessed valuation of \$205,689,575,778 divided by the Adopted Budget amount \$193,626,057.

Sales and Use Tax

Sales tax revenues are generated by purchases made within the County. The County’s 1995 Guide to Preparing Fiscal Impact Reports provides a formula for estimating household income as well as income spent on taxable sales. That formula produces an unrealistically high household income that does not seem appropriate for the Project. A more realistic calculation of household income based on current mortgage rates and housing expense assumptions has been estimated as noted in Table A-2. Furthermore, the Bureau of Labor Statistics Consumer Expenditures Report indicates taxable expenditures are approximately 32% of total expenditures. It is expected that a substantial portion of the taxable purchases of Project residents will occur in nearby cities. To account for this, it is assumed that the County will capture only 50% of the taxable sales from the Project. Use tax revenues generated from the state and County pool are estimated at 10% of sales tax revenues.

Based on an average home value of \$371,317, sales and use tax revenues accruing directly to the County General Fund from the Project are projected at \$117,623 per year at Project build-out.

Public Safety Sales Tax (Prop. 172)

Public Safety Sales Tax or Proposition 172 (“Prop. 172”), effective on January 1, 1994, established a permanent one-half cent sales tax. These additional revenues support public safety services in cities and counties. These funds partially replace the shift in property taxes to the Educational Revenue Augmentation Fund (ERAF). The tax is collected by the state and allotted to each county based on its proportionate share of statewide taxable sales. Total revenue from Prop. 172 is estimated at \$96,896 per year at Project build-out. Prop. 172 revenues are estimated at \$58.33 per capita, based upon the Adopted Budget Public Safety Sales Tax amount of \$133,000,000 divided by the total County population of 2,279,967.

Franchise Fee

Franchise Fee revenues include fees paid by businesses such as utility companies for use of public streets and roadways. Franchise Fee revenues are estimated to be approximately \$22,842 annually for the Project at build-out. Franchise Fee revenues are estimated at \$13.75 per capita based upon the Adopted Budget Franchise Fee amount of \$5,000,000, divided by the unincorporated County population of 363,590.

Transient Occupancy Tax

Transient Occupancy Tax revenues result from persons staying 30 days or less in hotels, motels and similar lodgings. Transient Occupancy Tax revenues are estimated to be approximately \$7,702 annually for the Project at build-out. Transient Occupancy Tax revenues are estimated at \$4.64 per capita based upon the Adopted Budget amount of \$1,686,000, divided by the unincorporated County population of 363,590.

Licenses and Permits

License and Permit revenues include fees from animal licenses, business licenses, hazardous waste permits, gun permits, etc. License and Permit revenues are estimated to be approximately \$42,420 annually for the Project at build-out. Licenses and Permits revenues are estimated at \$25.54 per capita based on the Adopted Budget amount of \$9,285,502, divided by the unincorporated County population of 363,590.

Cable TV Licenses

Cable TV License revenues are paid by cable TV companies for the use of public streets and roadways and are projected at \$15,350 annually at build out. These revenues are estimated at \$9.24 per capita based upon the Adopted Budget amount of \$3,360,000, divided by the unincorporated County population of 363,590.

Vehicle Code Fines and Traffic School

Vehicle Code Fines and Traffic School revenues are projected at \$21,203 annually at Project build-out. Vehicle Code Fines and Traffic School revenues are estimated at \$12.76 per capita based upon the Adopted Budget amount of \$4,641,124, divided by the unincorporated County population of 363,590.

Fines, Forfeitures and Penalties

Fines, Forfeitures and Penalties includes court fines, penalties and interest on late or unpaid taxes, bail forfeitures, etc. and are anticipated to generate approximately \$19,815 annually at Project build-out. Revenues from Fines, Forfeitures and Penalties are estimated at \$11.93 per capita based upon the Adopted Budget amount of \$27,198,279, divided by the total County population of 2,279,967.

Rents and Use of Property

Rents and Use of Property includes building use, exhibits, parking, rental of buildings, and other miscellaneous revenues. At build-out the Project is anticipated to generate approximately \$2,633 annually. Rents and Use of Property are estimated at \$1.58 per capita based upon the Adopted Budget amount of \$3,613,482, divided by the total County population of 2,279,967.

Current Services

Charges for Current Services include recording fees, permits, personnel services, and other miscellaneous revenues. At build-out the Project is anticipated to generate approximately \$23,645 annually. Current Services are estimated at \$14.23 per capita based upon the Adopted Budget amount of \$32,455,014, divided by the total County population of 2,279,967.

Net Interest Earnings

Net Interest Earnings include interest on invested funds and departmental interest and are anticipated to generate approximately \$1,904 annually at Project build-out. Net Interest Earnings revenues are estimated at \$1.15 per capita based on the Adopted Budget amount of \$2,612,924, divided by the total County population of 2,279,967.

3.2 County General Fund - Recurring Costs

Recurring costs are estimated based on either a case study or a per capita approach. Average per capita costs applied to the Project don't necessarily reflect marginal costs increases as a result of the development of the Project. Pursuant to feedback from the County, marginal cost increases are anywhere from 10% to 90% of the average per capita cost. Actual estimated marginal cost will depend on cost category and the amount of fixed vs. variable costs associated with the specific budget component. In an effort to be conservative and not understate marginal costs, this analysis applies 80% (close to the top of the suggested marginal cost range) to all per capita costs.

General Government

The General Government performs services that are for the benefit of the community overall and affect multiple functions and activities. Specific lines of work carried on by the County to perform this function include legislative and administrative, finance, counsel, personnel, elections, property management, plant acquisition, and promotion. The total annual costs to the County are estimated at \$80,876 at build-out. The General Government costs are estimated at \$48.69 per capita based upon the adjusted budget amount of \$111,011,301, divided by the total County population of 2,279,967.

Public Protection

Specific lines of work carried on by the County to perform the Public Protection function include judicial, detention and corrections, fire protections, and inspection. The Public Protection costs to the County General Fund are projected at \$173,139 per year at build-out. Public Protection costs are estimated at \$104.23 per capita based upon the adjusted budget amount of \$237,651,290, divided by the total County population of 2,279,967.

Sheriff Protection

Public Protection also includes police and sheriff protection services. Since many cities do not contract with the County for such services, the population served by the County needs to be calculated to produce the appropriate per capita costs. In addition to providing sheriff services to the unincorporated areas of the County, the County provides contract sheriff services to 17 cities/towns. The total estimated population served, based on the 17 cities on a contract basis and the unincorporated area, and cost for sheriff services is shown in Table A-5 of the Appendix. The sheriff protection costs (administration and support), net of patrol for the Project are projected at \$25,103 per year at build-out. The County sheriff protection costs, net of patrol cost, are estimated at \$15.11 per capita based upon the Adopted Budget amount of \$19,941,829, divided by the County population served of 1,319,517.

The Adopted Budget states that the Board of Supervisors is committed to a minimum level of service for patrol of one deputy per 1,000 residents. With a projected population of 1,661 residents, the number of additional patrol deputies needed to serve the Project is 1.661. The cost per deputy is calculated by dividing total patrol expenditures (salaries and benefits, services and supplies, fixed assets, other charges, and interfund transfers) in the Adopted Budget (\$278,004,934) by the number of filled patrol positions shown in the Adopted Budget (1,696), which is \$163,918 per filled deputy position on patrol. The patrol costs for the Project are estimated at \$272,268 ($\$163,918 \times 1.661$), or \$163.92 per capita.

The total Public Protection costs for the Project are estimated at \$297,379 ($\$25,103 + 272,268$) and the cost per capita is estimated at \$179.03 ($\$15.11 + 163.92$).

Animal Services

The department of Animal Services provides contract services to 11 cities within the County. In addition, veterinary, field, shelter, public information and community outreach services are provided in unincorporated areas not served by contracts with non-profit organizations. Animal Services costs for the Project are projected at \$15,053 annually at build-out. The Animal Services costs are estimated at \$9.06 per capita based on a cost of \$6,584,217 and a population of 726,545 for the 11 contract cities. The population served and Animal Services costs for the 11 contract cities are shown on Table A-6 of the Appendix.

Health and Sanitation

Specific lines of work carried on by the County to perform the Health and Sanitation function are related to health, hospital care, and sanitation. Total Health and Sanitation costs for the Project are estimated at \$54,378 per year at build-out. The Health and Sanitation costs are estimated at \$32.74 per capita based upon the adjusted budget amount of \$74,639,673, divided by the total County population of 2,279,967.

Public Assistance

Specific lines of work carried on by the County to perform the Public Assistance function are related to aid programs, general relief, care of court wards, and veteran services. Total Public Assistance costs for the Project are projected at \$21,830 annually at build-out. The Public Assistance costs are estimated at \$13.14 per capita based upon the adjusted budget amount of \$29,963,659, divided by the total County population of 2,279,967.

Education, Recreation and Culture

Specific lines of work carried on by the County to perform the Education function are related to library services and cooperative extension with the University of California, Riverside. The specific lines of work carried on by the County to perform the Recreation and Culture function are related to recreation facilities and cultural services. The library services were removed from the Education, Recreation and Culture costs as they will be analyzed separately through a case study. The library costs and revenues are detailed in Section 4. Total Education, Recreation and Culture costs (less library costs) for the Project are projected at \$388 annually at build-out. The Education, Recreation and Culture costs are estimated at \$0.23 per capita based on the adjusted budget amount of \$533,156, divided by the total County population of 2,279,967.

Debt Service

Specific lines of work carried on by the County to perform the Debt Service function are related to the retirement of long-term debt, principal, and interest on notes and warrants. Debt Service costs for the Project are projected at \$732 annually at build-out. The Debt Service costs are estimated at \$0.44 per capita based on the adjusted budget amount of \$1,004,858, divided by the total County population of 2,279,967.

3.3 County General Fund – Net Recurring Impact

Based on the assumptions in this analysis, the Project will have a positive fiscal impact on the County General Fund. The Project is anticipated to generate \$879,659 in recurring annual revenues with anticipated annual recurring costs of \$643,775, for a revenue-to-cost ratio of 1.37. As a result, the County can anticipate a net recurring surplus of \$235,884 per year from the Project at build-out. The net recurring impacts of the Project to the County General Fund are summarized in Table 3-2 below.

TABLE 3-2
SUMMARY OF FISCAL IMPACTS AFTER BUILD-OUT

County General Fund	
Total Recurring Revenues	\$879,659
Total Recurring Costs	<u>643,775</u>
Net Fiscal Impact	\$235,884
Revenue/Cost Ratio	1.37

SECTION 4
LIBRARY SERVICES

This section presents the fiscal impacts of the Project at build-out on the County Library Fund. The Riverside County Free Library System consists of 35 library branches and 2 bookmobiles providing library services, computer and web access, youth and adult literacy programs for the residents of the County. The revenues for the Project are based on the basic tax rate applicable to the County Free Library. As shown on Table A-3 of the Appendix, the County Free Library generates \$30,401 in revenues for the Project at build-out. This is calculated by multiplying the portion of the 1% ad valorem tax of 0.01565446% by the Project assessed valuation at build-out of \$194,199,000.

The total annual costs of library services for the Project are estimated at \$15,292 at build-out. The costs for library services are estimated at \$9.21 per capita based on the Adopted Budget amount of \$20,990,394, divided by the County population of 2,279,967.

Based on these calculations, the Project will have a positive fiscal impact on the library services. The Project is anticipated to generate \$30,401 in recurring annual revenues with anticipated recurring costs of \$15,292, for a revenue-to-cost ratio of 1.99. As a result, the County can anticipate a net recurring surplus of \$15,108 per year from the Project at build-out. The net recurring impacts for the Project are summarized in Table 4-1 below.

TABLE 4-1
SUMMARY OF FISCAL IMPACTS AFTER BUILD-OUT

Library Fund	
Total Recurring Revenues	\$30,401
Total Recurring Costs	15,292
Net Fiscal Impact	\$15,108
 Revenue/Cost Ratio	 1.99

SECTION 5

FIRE PROTECTION

The Fire Department contracts with the California Department of Forestry and Fire Protection (CalFire) for services. The revenues for the Project are based on the basic tax rate applicable to County Structure Fire Protection. As shown on Table A-3 of the Appendix, the County Structure Fire Protection generates \$124,289 in revenues for the Project at build-out. This is calculated by multiplying the portion of the 1% ad valorem tax of 0.06400078% by the Project assessed valuation at build-out of \$194,199,000.

It is suggested in the County of Riverside Guide to Preparing Fiscal Impact Reports (January 1995) that the Fire Fund costs are be estimated by analyzing the Structural Fire Protection Fund (non-forest, non-contractual fire protection budget) separately from other funds. Per conversations with County Fire Department Staff, the Adopted Budget no longer separates structural (non-forest) and forest revenues and expenditures and they are now unable to separate costs between the two functions. Although the Adopted Budget shows a non-forest fire fund (Budget Unit: FIRE: NON FOREST), fire department staff who deal with the department budget have indicated that the fund for this budget unit (Fund 21000) is just a pass through fund to hold revenues temporarily before transferring them to Fund 10000 related to overall fire protection services. Since structural fire costs are no longer separated from other fire costs, this section analyzes the Project's impact on all fire protection services. The analysis of the fire protection impacts of the Project is based on the same type of case study approach as was used for animal services.

The County provides contract fire protection services to 21 cities and one community services district at a cost of \$75,423,878. The population of the 21 cities (excluding the community services district) is 1,137,527 as shown on Table A-7. This results in a per capita cost of \$66.31. The two closest fire stations to the Project (Station #76 and Station #68) are in the City of Menifee. Since per capita fire protection costs for the contract cities vary substantially depending on the city, this analysis assumes that the per capita costs for the City of Menifee are the best estimate of per capita costs for the Project upon build-out. According to the Adopted Budget, the actual contract fire protection costs for the City of Menifee for the 2012-13 fiscal

year were \$6,636,569. This analysis assumes that the fire protection costs will be similar in fiscal year 2013-14. Based on a population of 83,716, this results in a per capita cost of \$79.27

Based on these calculations, the Project will have a small negative fiscal impact on fire protection services. The Project is anticipated to generate \$124,289 in recurring annual revenues with anticipated recurring costs of \$131,679, for a revenue-to-cost ratio of 0.94. As a result, the County can anticipate a net recurring deficit of \$7,390 per year from the Project at build-out. The net recurring impacts for the Project are summarized in Table 5-1 below.

TABLE 5-1
SUMMARY OF FISCAL IMPACTS AFTER BUILD-OUT

Fire Protection Fund	
Total Recurring Revenues	\$124,289
Total Recurring Costs	131,679
Net Fiscal Impact	\$(7,390)
Revenue/Cost Ratio	0.94

SECTION 6
TRANSPORTATION FUND

The estimated Transportation revenue from the Highway Users/Gas Tax is approximately \$39,847 annually for the Project at build-out. These revenues are estimated at \$23.99 per capita based on the Adopted Budget amount of \$54,698,447, divided by the total County population of 2,279,967. The estimated Transportation revenue from the Measure A fund is approximately \$113,912 annually for the Project at build-out. These revenues are estimated at \$68.58 per capita based on the 2013/2014 revenues of \$156,355,894 (per the Riverside County Transportation Commission Comprehensive Annual Financial Report), divided by the total County population of 2,279,967.

The annual costs for the Transportation Fund include the estimated annual costs of maintaining public streets in the Project. The Riverside County Transportation & Land Management Agency (TLMA) estimates the cost per mile to be \$15,000, but TLMA staff indicated that it is unlikely that new roads for the Project will require maintenance by the County for many years. In addition, maintenance of these new roads is expected only every few years. Notwithstanding, this report estimates annual maintenance costs for the 8 miles of roads within the Project at \$15,000 per mile or \$120,000.

Based on these calculations, the Project will have a positive fiscal impact on the Transportation Fund. The Project is anticipated to generate \$153,762 in annual revenues with anticipated recurring costs of \$120,000, for a revenue-to-cost ration of 1.28. As a result, the County can anticipate a net recurring surplus of \$33,662 per year from the Project at build-out. The net recurring impacts for the Project are summarized in Table 6-1 below.

TABLE 6-1
SUMMARY OF FISCAL IMPACTS AFTER BUILD-OUT

Transportation Fund	
Total Recurring Revenues	\$153,762
Total Recurring Costs	<u>120,000</u>
Net Fiscal Impact	\$33,762
 Revenue/Cost Ratio	 1.28

SECTION 7
FLOOD CONTROL

The Riverside County Flood Control and Water Conservation District (“Flood District”) will service the Project as an independent agency. The revenues for the Project are based on the basic tax rate applicable to the Flood Control. As shown on Table A-3 of the Appendix, Flood Control generates \$82,908 (\$4,973 + \$77,935) in revenues for the Project at build-out. This is calculated by multiplying the portion of the 1% ad valorem tax of 0.00256080% by the Project assessed valuation at build-out of \$194,199,000 for Flood Control Administration and 0.04013151% by the Project assessed valuation at build-out for Flood Control Zone 4.

The costs to maintain the flood control facilities are paid up front by the developer of a project pursuant to a Cooperative Agreement with Flood District. Therefore, there are no anticipated recurring costs to Flood District at build-out of the Project. The net recurring impacts for the Project are summarized in Table 7-1 below.

TABLE 7-1
SUMMARY OF FISCAL IMPACTS AFTER BUILD-OUT

Flood Control	
Total Recurring Revenues	\$82,908
Total Recurring Costs	-
Net Fiscal Impact	\$82,908
Revenue/Cost Ratio	NA

SECTION 8
COUNTY SERVICE AREAS

Services and facilities provided by the County Service Areas (“CSAs”) include street maintenance, street lighting, landscape maintenance, drainage control, fire hydrants, golf course maintenance, water and sewage treatment, trash collection, fire and police protection, and community centers. CSAs levy property taxes to fund the costs of these services. The Project is within CSA 146 and CSA 152. Actual services provided to the Project by these CSAs as well as the costs of providing these services will be determined in the future. It is expected that the property taxes levied on the Project by each CSA will cover the costs of the services provided. Therefore, it is expected that there will be no net fiscal impact to the CSAs from development of the Project.

**SECTION 9
CONCLUSION**

The following Table 9-1 shows the combined fiscal impact of the various County funds and services analyzed in this report. The aggregate recurring fiscal impact to the County at build-out of the Project is \$360,172.

**TABLE 9-1
SUMMARY OF OVERALL FISCAL IMPACTS AFTER BUILD-OUT**

Fund	Net Impact
General Fund	\$235,884
Library Fund	15,108
Fire Protection Fund	(7,390)
Transportation Fund	33,662
Flood Control	82,908
CSAs	-
Total Fiscal Impact	\$360,172

APPENDIX
ASSUMPTIONS AND SOURCES

TABLE A-1
SUMMARY OF GENERAL ASSUMPTIONS

<u>Description</u>	<u>Assumption</u>
Project Households	523
Average Persons Per Household (1)	3.18
Estimated Project Population	1,661
Riverside County Total Population (1)	2,279,967
Riverside County Unincorporated Population (1)	363,590
Sheriff Total Population Served - Riverside (2)	1,319,517
Animal Services Population Served (3)	726,544

Notes:

- (1) State of California, Department of Finance, Table 2: E-5 City/County Population and Housing Estimates, 1/1/2014.
- (2) See Table A-5 for calculation of sheriff population served.
- (3) See Table A-6 for calculation of animal services population served.

TABLE A-2
SUMMARY OF REVENUE ASSUMPTIONS

<u>General Fund Revenue Source</u>	<u>FY 2013-2014</u>	<u>Projection Basis</u>	<u>Projection</u>	<u>Totals</u>
	<u>Budget</u>		<u>Factor</u>	
Property Tax (Secured)	Case Study	Assessed Valuation	Case Study (1)	\$297,908
Property Tax (Unsecured)	\$7,614,017	Total County Population	\$3.34 Per Capita	\$5,547
Property Transfer Tax	Case Study	Assessed Valuation	Case Study (2)	\$21,362
Property Tax in Lieu of VLF	Case Study	Assessed Valuation	Case Study (3)	\$182,809
Sales and Use Tax	Case Study	Discretionary Income	Case Study (4)	\$117,623
Public Safety Sales Tax (Prop. 172)	\$133,000,000	Total County Population	\$58.33 Per Capita	\$96,896
Franchise Fee	\$5,000,000	Unincorporated County Population	\$13.75 Per Capita	\$22,842
Transient Occupancy Tax	\$1,686,000	Unincorporated County Population	\$4.64 Per Capita	\$7,702
Licenses and Permits	\$9,285,502	Unincorporated County Population	\$25.54 Per Capita	\$42,420
Cable TV Licenses	\$3,360,000	Unincorporated County Population	\$9.24 Per Capita	\$15,350
Vehicle Code Fines and Traffic School	\$4,641,124	Unincorporated County Population	\$12.76 Per Capita	\$21,203
Fines, Forfeitures and Penalties	\$27,198,279	Total County Population	\$11.93 Per Capita	\$19,815
Rents and Use of Property	\$3,613,482	Total County Population	\$1.58 Per Capita	\$2,633
Current Services	\$32,455,014	Total County Population	\$14.23 Per Capita	\$23,645
Net Interest Earnings	\$2,612,924	Total County Population	\$1.15 Per Capita	\$1,904

Notes:

(1) Based on 15.34% of the 1% basic ad valorem tax (See Table A-3) and total Project assessed value of \$194,199,000

(2) Projected impact at 10% turnover rate, \$1.10 per \$1,000 of assessed value, and total Project assessed value of \$194,199,000.

(3) Based on .0941% of Project assessed valuation. Percentage based on total County assessed valuation of \$205,689,575,778 divided by Property Tax in Lieu of VLF revenues of \$193,626,057.

(4) Housing expense is calculated using a 5% mortgage rate to calculate principle and interest. Including estimated taxes and insurance, total monthly housing expense is estimated at \$2,662.17, which is assumed to represent 25% of monthly income. Per the U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, it is also assumed that 32% of monthly income will be spent on taxable sales. A 50% capture rate is used to represent taxable sales captured within the Unincorporated County. Use tax is estimated at 10% of sales tax.

Source:

County of Riverside, Auditor Controller.

County of Riverside, Adopted Budget 2013-14.

State of California, Department of Finance, 2014.

See Table A-1 for Total County Population and Unincorporated Population

TABLE A-3

TRA: 054 018 - BREAKDOWN OF 1% AD VALOREM TAX

<u>District</u>	<u>District Name</u>	<u>Agency Pct of Revenue</u>	<u>2013/14</u>
01 0000	General Purpose	0.00000000	\$0
01 1001	General	0.15340341	297,908
01 1121	County Free Library	0.01565446	30,401
01 1123	County Structure Fire Protection	0.06400078	124,289
03 3901	Menifee School	0.03403503	66,096
03 8601	Perris Union High School	0.19471269	378,130
03 9201	Mt San Jacinto Junior College	0.04322870	83,950
03 9831	Perris Area Elem School Fund	0.10479154	203,504
03 9832	Perris JR High Area Fund	0.06992095	135,786
03 9896	Riv. Co. Office of Education	0.04587210	89,083
04 1030	County Waste Resource Mgmt Dist	0.00000000	0
04 1110	Riv Co. Reg Park & Open Space	0.00378653	7,353
04 1351	Flood Control Administration	0.00256080	4,973
04 1364	Flood Control Zone 4	0.04013151	77,935
04 1846	CSA 146	0.00000000	0
04 1852	CSA 152	0.00000000	0
04 4038	Perris Valley Cemetery	0.00165589	3,216
04 4371	Valley Health System Hosp Dist	0.00000000	0
04 5300	So. Calif, JT (19, 30, 33, 36, 37, 56)	0.00000000	0
04 5301	Metro Water East 1301999	0.00000000	0
04 5401	Eastern Municipal Water	0.03193415	62,016
28 4743	San Jacinto Basin Resource Cons	0.00000000	0
88 7109	ERAF Fund	0.19431146	377,351
Total		1.00000000	\$1,941,990

Source:

Provided by Riverside County Auditor - Controller office
 Master Agency List, effective 2/3/2014

TABLE A-4
SUMMARY OF COST ASSUMPTIONS

<u>Net Countywide Costs</u>	<u>Net Cost</u>	<u>Adjusted Cost (3)</u>	<u>Projection Basis</u>	<u>Projection Factor</u>	<u>Total</u>
General Government	\$138,764,126	\$111,011,301	County Total Population	\$48.69 Per Capita	\$80,876
Public Protection	\$297,064,112	\$237,651,290	County Total Population	\$104.23 Per Capita	173,139
Sheriff Protection Costs (1)	\$297,946,763		Cost Per Deputy (Case Study)	\$179.03 Per Capita	297,379
Animal Services (2)	\$6,584,217		Contract Population	\$9.06 Per Capita	15,053
Health and Sanitation	\$93,299,591	\$74,639,673	County Total Population	\$32.74 Per Capita	54,378
Public Assistance	\$37,454,574	\$29,963,659	County Total Population	\$13.14 Per Capita	21,830
Education, Recreation and Culture	\$666,445	\$533,156	County Total Population	\$0.23 Per Capita	388
Debt Service	\$1,256,073	\$1,004,858	County Total Population	\$0.44 Per Capita	732
					\$643,775

- Notes:**
- (1) See Table A-5 calculation of net cost for Sheriff Protection Services and determination of Population Served.
 - (2) See Table A-6 calculation of net cost for Animal Control Services and determination of Population Served.
 - (3) The Adjusted Cost is reduced to 80% of Net Costs. This reduction is due to certain fixed costs (e.g., support staff) not changing as a result of development to the project.

Source:
Riverside County, Adopted Budget, 2013-14.
State of California, Department of Finance, Table 2: E-5 City/County Population and Housing Estimates, 1/1/2014.

TABLE A-5
COUNTY SHERIFF PROTECTION COSTS

<u>Jurisdiction (1)</u>	<u>1/1/2014</u> <u>Population</u>
Calimesa	8,231
Canyon Lake	10,826
Coachella	43,633
Eastvale	59,185
Indian Wells	5,137
Jurupa Valley	97,774
Lake Elsinore	56,718
La Quinta	39,032
Menifee	83,716
Moreno Valley	199,258
Norco	26,582
Palm Desert	50,417
Perris	72,103
Rancho Mirage	17,745
San Jacinto	45,563
Temecula	106,289
Wildomar	<u>33,718</u>
Total City Population	955,927
Unincorporated	<u>363,590</u>
Total Population Served	1,319,517
Net Sheriff Protection Admin/Support Costs (1)	\$19,941,829
Sheriff Protection Cost Per Capita (Admin/Support)	\$15.11
Sheriff Patrol Cost Per Capita	<u>163.92</u>
Total Sheriff Protection Cost Per Capita	\$179.03

Notes:

(1) The County Sheriff's Department provides police protection to 17 cities on a contract basis, in addition to serving the unincorporated County area.

Source:

County of Riverside, Adopted Budget 2013-14.

State of California, Department of Finance, Table 2: E-5 City/County Population and Housing Estimates, 1/1/2014.

TABLE A-6
COUNTY ANIMAL SERVICES COSTS

<u>Jurisdiction (1)</u>	<u>1/1/2014</u> <u>Population</u>
Blythe	18,992
Cathedral City	52,595
Coachella	43,633
Desert Hot Springs	28,001
Eastvale	59,185
Indian Wells	5,137
Jurupa Valley	97,774
La Quinta	39,032
Palm Desert	50,417
Rancho Mirage	17,745
Riverside	314,034
Total Population Served	726,545
 Net Animal Control Costs	 \$6,584,217
 Animal Control Cost Per Capita	 \$9.06

Notes:

(1) The Department of Animal Services provides contract services to 11 cities on a contract basis at a cost of \$6,584,217.

Source:

County of Riverside, Adopted Budget 2013-14.

State of California, Department of Finance, Table 2: E-5 City/County Population and Housing Estimates, 1/1/2014.

TABLE A-7
FIRE PROTECTION COSTS

<u>Jurisdiction (1)</u>	<u>1/1/2014</u> <u>Population</u>
Banning	30,325
Beaumont	40,876
Calimesa	8,231
Canyon Lake	10,826
Coachella	43,633
Desert Hot Springs	28,001
Eastvale	59,185
Indian Wells	5,137
Indio	82,398
Jurupa Valley	97,774
Lake Elsinore	56,718
La Quinta	39,032
Menifee	83,716
Moreno Valley	199,258
Norco	26,582
Palm Desert	50,417
Perris	72,103
Rancho Mirage	17,745
San Jacinto	45,563
Temecula	106,289
Wildomar	33,718
Total Population Served	1,137,527
Total Fire Protection Costs	\$75,423,878
Fire Protection Cost Per Capita	\$66.31

Notes:

(1) The Fire Department contracts with the California Department of Forestry and Fire Protection (CalFire) for services. The Department provides services in all county unincorporated areas, 21 cities, and a community services district in Rubidoux.

Source:

County of Riverside, Adopted Budget 2013-14.

State of California, Department of Finance, Table 2: E-5 City/County Population and Housing Estimates, 1/1/2014.