



**Initial Fiscal Analysis
West Ranch/Castaic/Tesoro**

The Economic Lifeline



Prepared by
Economic & Planning Systems

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Purpose of the IFA

- Describe services and budget for a new city
- Assess fiscal feasibility
- Estimate impacts on County
- Identify issues affecting city services and fiscal conditions
- Provide direction to CFA, if incorporation process moves ahead
- CFA will update Base Year data and refine the analysis

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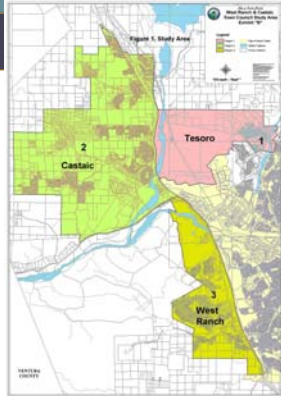
City Feasibility – Key Assumptions

- “Base Year” FY07 County numbers basis for a) property tax transfer, and b) County impact
- City budget scenarios: 1) Base Year costs and revenues, no growth or inflation; 2) adjusted revenues, future growth and inflation
- Future budget depends on economy, development, and decisions by the future city council

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Boundaries

- Boundaries preliminary for evaluation only
- IFA focuses on total area
- Application to LAFCO will include boundaries
- LAFCO will make boundary determinations



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City Feasibility - Findings

- City revenues exceed costs in first 3 years (and beyond), and city establishes GF reserves
- City should have sufficient revenues and reserves to cover "revenue neutrality" payments to County
- During the first 5 years, City faces "start-up" costs, and "bump" in revenue from State declines
- Over time, net revenues could grow assuming development returns
- Contract with Sheriff is a major uncertainty, and could affect net city revenues

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Summary of General Fund (Base Case Tb.1)

| Item | Third Year |
|-------------------------|---------------------|
| Revenues | |
| Total | \$ 25.0 mill. |
| Expenditures | |
| Total | \$ 17.8 mill. |
| Net General Fund | \$ 7.2 mill. |

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Summary of Road Fund (Base Case Tb.1)

| Item | Third Year |
|----------------------|----------------------|
| Revenues | |
| Total | \$ 4.5 mill. |
| Expenditures | |
| Total | \$ 7.2 mill. |
| Net Road Fund | \$ (2.7)mill. |

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Summary of All Funds (Base Case Tb.1)

| Item | Third Year |
|--------------------------|----------------------|
| Net General Fund | \$ 7.2 mill. |
| Net Road Fund | \$ (2.7)mill. |
| Total, All Funds* | \$ 4.5 mill. |

* Before "revenue neutrality" payment to County

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General Fund Revenues

| Item | Third Year |
|-------------------------|---------------------|
| Property Tax | \$ 3.3 mill. |
| Sales Tax | 6.8 mill. |
| Transient Occupancy Tax | 2.6 mill. |
| Transfer Tax | 0.8 mill. |
| Franchise Fees | 0.8 mill. |
| Utility User Tax | 3.5 mill. |
| Community Dev. Fees | 0.2 mill. |
| Parks and Rec. Fees | 0.3 mill. |
| Public Works Fees | 2.4 mill. |
| Fines, Penalties, Misc. | 0.2 mill. |
| Vehicle License Fees | 3.9 mill. |
| Investment Earnings | 0.2 mill. |
| Total | \$25.0 mill. |

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| General Fund Expenditures | |
|----------------------------------|---------------------|
| Item | Third Year |
| Legislative | \$ 0.2 mill. |
| Elections | 0.2 mill. |
| City Manager (inc. HR) | 1.2 mill. |
| City Attorney | 0.4 mill. |
| Administrative (Clerk, Finance) | 1.3 mill. |
| Police | 6.8 mill. |
| Animal Control | 0.1 mill. |
| Community Dev. | 1.2 mill. |
| Public Works | 3.3 mill. |
| Parks & Recreation | 1.2 mill. |
| Non-Departmental (inc. conting.) | <u>1.9 mill.</u> |
| Total* | \$17.8 mill. |

* Before "revenue neutrality" payment to County

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Revenue Neutrality

- State law requires that County revenue losses be substantially equal to County cost reductions
- Estimated County General Fund impact approximately \$4-6 million/year
- Road Fund impact is positive \$1-3 million/year
- Total impact, all funds, about \$3 million/year
- Revenue neutrality calculations will be revised by CFA, and terms will be negotiated during LAFCO incorporation process

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Boundary Options

- IFA evaluates a single boundary
- Castaic/Val Verde "break even" neutrality impact on County GF and Road Fund
- Tesoro more costly to serve vs. revenues, reduces payments to County
- Magic Mountain contributes \$500,000 to \$1 million in annual revenues
- Boundary issues would be further evaluated in CFA and resolved by LAFCO

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