

# Initial Fiscal Analysis West Ranch/Castaic/Tesoro

*The Economics of Land Use*

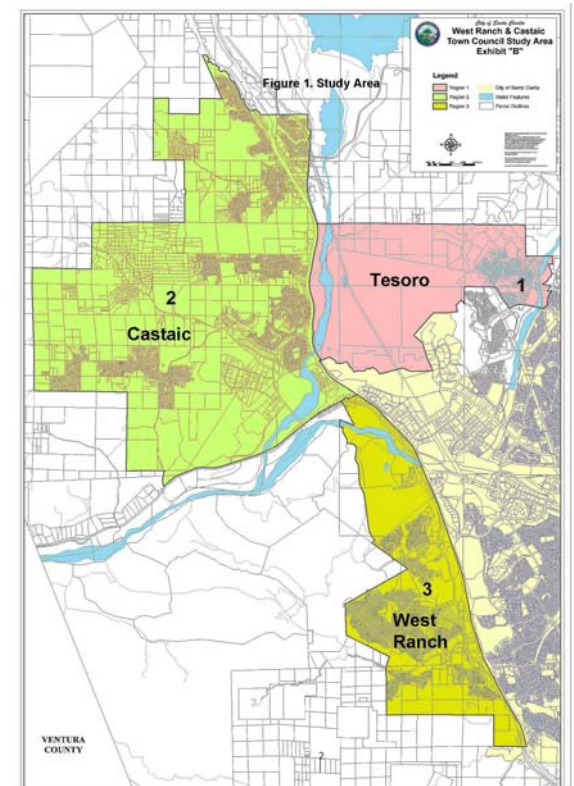


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June, 2009

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# Purpose of the IFA

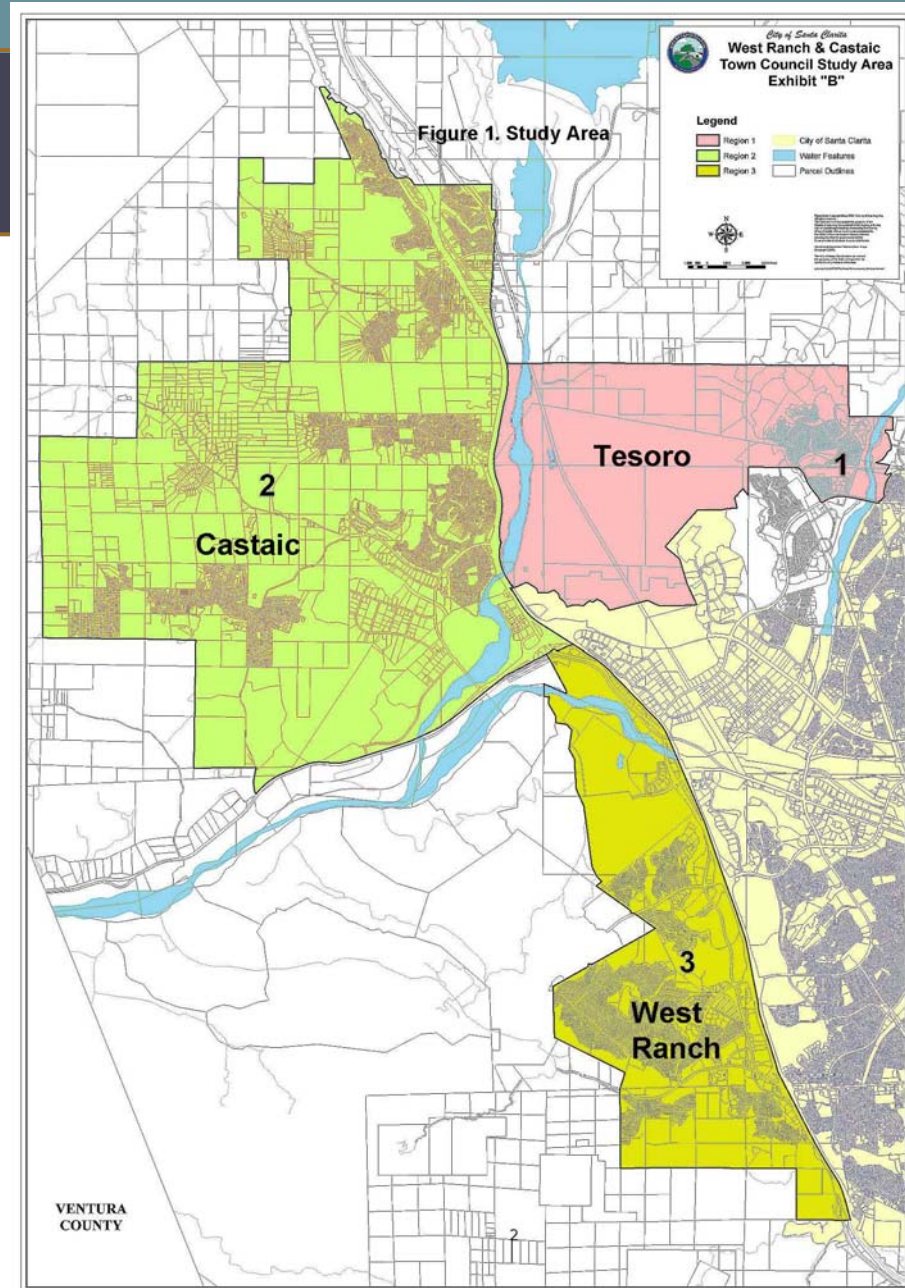
- Describe services and budget for a new city
- Assess fiscal feasibility
- Estimate impacts on County
- Identify issues affecting city services and fiscal conditions
- Provide direction to CFA, if incorporation process moves ahead
- CFA will update Base Year data and refine the analysis

# 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

# Boundaries

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



# 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

# Summary of General Fund (Base Case Tb.1)

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<b>Item</b>	<b>Third Year</b>
<b><u>Revenues</u></b>	
Total	\$ 25.0 mill.
<b><u>Expenditures</u></b>	
Total	\$ 17.8 mill.
<b>Net General Fund</b>	<b>\$ 7.2 mill.</b>

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# Summary of Road Fund (Base Case Tb.1)

<b>Item</b>	<b>Third Year</b>
<b><u>Revenues</u></b>	
Total	\$ 4.5 mill.
<b><u>Expenditures</u></b>	
Total	\$ 7.2 mill.
<b>Net Road Fund</b>	<b>\$ (2.7)mill.</b>

## Summary of All Funds (Base Case Tb.1)

<b>Item</b>	<b>Third Year</b>
<b>Net General Fund</b>	<b>\$ 7.2 mill.</b>
<b>Net Road Fund</b>	<b>\$ (2.7)mill.</b>
<b>Total, All Funds*</b>	<b>\$ 4.5 mill.</b>

\* Before “revenue neutrality” payment to County

# General Fund Revenues

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<b>Item</b>	<b>Third Year</b>
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	<u>0.2 mill.</u>
<b>Total</b>	<b>\$25.0 mill.</b>

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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>
<b>Total*</b>	<b>\$17.8 mill.</b>

\* Before "revenue neutrality" payment to County

# 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

# 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

Questions?