

Public Review CFA – Executive Summary

Comprehensive Fiscal Analysis of the Proposed Incorporation of East Los Angeles

The Economics of Land Use



Prepared for:

Local Agency Formation Commission for the County of Los Angeles

Prepared by:

Economic & Planning Systems, Inc.

*Economic & Planning Systems, Inc.
2501 Ninth Street, Suite 200
Berkeley, CA 94710-2515
510 841 9190 tel
510 841 9208 fax*

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EPS #18133

*Berkeley
Sacramento
Denver*

www.epsys.com

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1. INTRODUCTION

This report presents a Comprehensive Fiscal Analysis (CFA) of the potential formation of a new city, or “incorporation,” of the unincorporated East Los Angeles (ELA) area in Los Angeles County. Incorporation would create a new city of approximately 126,000 residents. The new city would provide residents with a greater level of control over planning and economic development issues, levels of public services, and priorities for the use of revenue generated by the new city. Initially, many city services would be provided under contract from the County to the new city, although the new city may choose to augment those services over time with its own programs and staff or contract services with private firms.

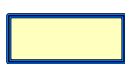
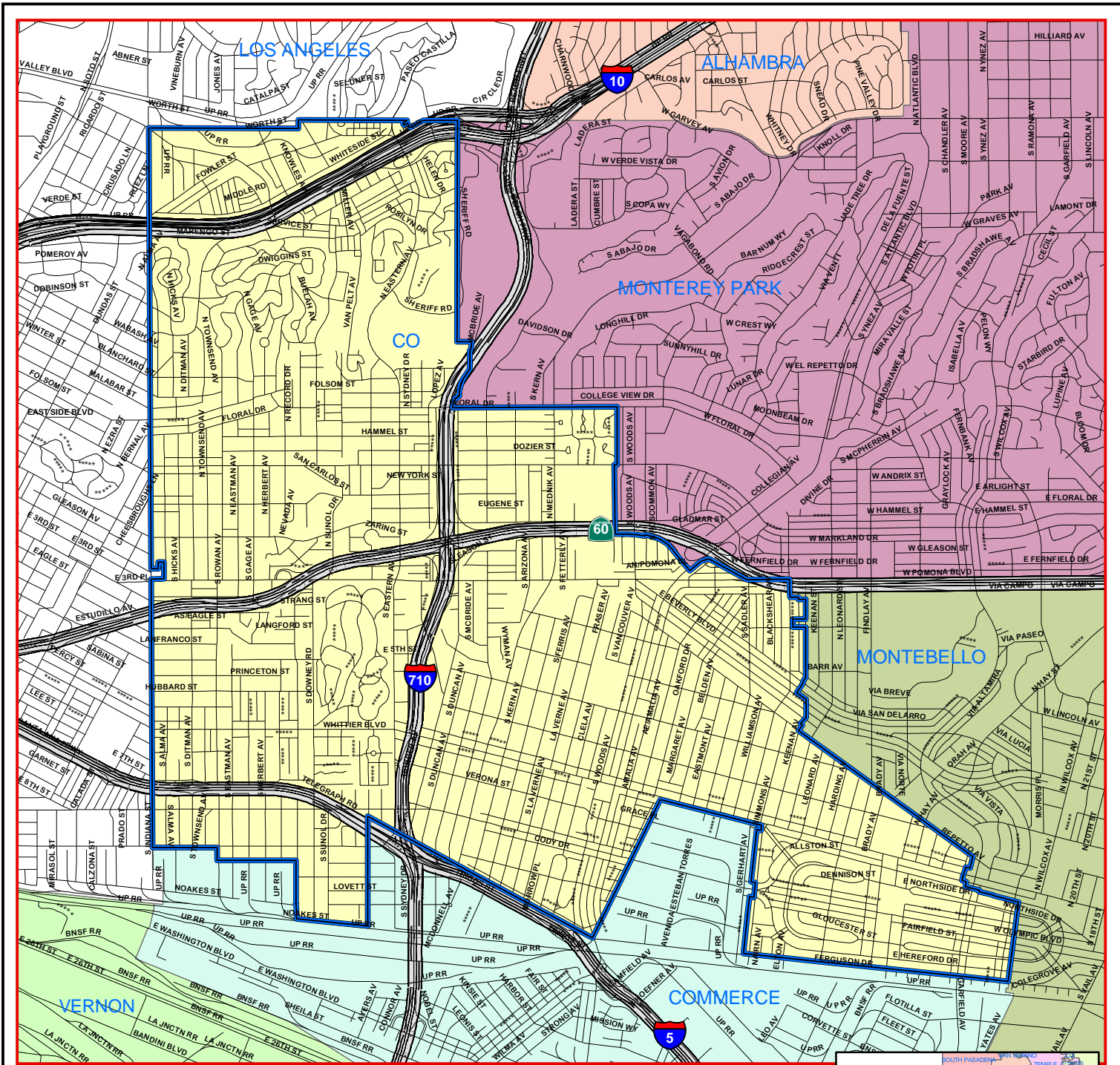
This CFA provides the Local Agency Formation Commission for the County of Los Angeles (LAFCO) with information necessary to make the determinations required by State statutes regarding city feasibility, property tax transfers, and potential impacts on other agencies (“revenue neutrality”). LAFCO has the authority to approve, deny, or modify the incorporation proposal. If LAFCO concludes that the new city would be fiscally viable, LAFCO must impose specific terms and conditions regarding the transition of governance to a municipality, including but not limited to, the transfer of property tax from the County to the new city, “Transition Year” services and repayment, revenue neutrality payments to mitigate impacts on other agencies, and the disposition of certain existing assets, special districts, and other funds. If LAFCO approves the proposal, an election would be held. Majority voter approval is required to create the incorporated city.

East Los Angeles Incorporation Background

ELA is located in the County of Los Angeles, adjacent to the eastern boundary of the City of Los Angeles. As shown in **Figure 1**, the unincorporated community is entirely surrounded by cities, including Los Angeles to the west and north, Commerce to the south, Monterey Park to the northeast, and Montebello to the southeast. Three major freeways extend through the area; Interstate 10 runs east-west near the northern boundary, Interstate 5 runs along portions of the southern boundary, and Highway 60 runs east-west centrally through the community. Interstate 710 runs north-south through the middle of ELA.

There have been three previous attempts at incorporation in ELA in 1961, 1963 and 1974.¹ The current cityhood effort was initiated in 2007 by the East Los Angeles Residents Association (ELARA). An application was submitted to LAFCO on April 29, 2009, accompanied by a petition signed by registered voters in the area to be incorporated.

¹ Initial Fiscal Analysis of Proposed Incorporation, Report to the East Los Angeles Residents Association, Burr Consulting, October 25, 2007.



Proposed East LA Incorporation



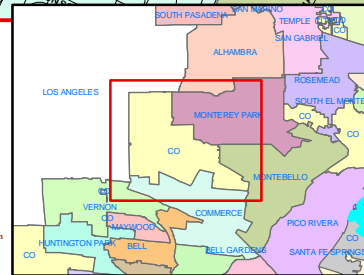
Unincorporated County Territory

East Los Angeles Incorporation No. 2009-08

0 0.2 0.4 0.8 Miles



LAFCO
Local Agency Formation Commission
For The County of Los Angeles



June 21, 2011

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Figure 1 Incorporation Boundary

2. CONCLUSIONS

Feasibility of Incorporation

1. ***The new City of East Los Angeles does not generate sufficient revenues to cover projected operating costs unless anticipated revenues are augmented, e.g., by an increase in the existing Utility User Tax (UUT).***

As shown in **Table 1**, revenues are less than anticipated costs, assuming no change in the existing UUT. The General Fund shortfall initially is approximately \$11 million (before considering the impact of SB 89, as noted below), then grows as Vehicle License Fee (VLF) revenues from the State decline. The ongoing shortfall is approximately \$7.6 million beginning in Year 7 after repayments to the County for initial Transition Year services are complete. General Fund shortfalls during early years could be covered by reserves generated during the initial Transition; however, these reserves would be exhausted by the fourth year.

The initial reserves are the result of Los Angeles County continuing to provide services during the new city's first year, while the new city accumulates revenues. The new city would be required to repay the County for the cost of County services provided during the Transition Year. This repayment is shown as spread over the subsequent five years.

2. ***Recent changes in State law (SB 89) eliminated VLF revenues, a loss of up to \$9 million in annual revenues.***

SB 89, urgency legislation effective immediately upon the Governor's signing on June 30, 2011, eliminated VLF revenues to cities. SB 89 affects all pending and future cityhood applications Statewide. **Table 1a** shows the impact of SB 89, which would result in initial General Fund shortfalls of \$20 million. There is a possibility that future legislation would restore VLF revenues; however, the timing, magnitude, and probability of this outcome are unknown at this time.

3. ***Additional revenues could be generated from several sources to help to fund the operating shortfall.***

An increase in the existing UUT from 4.5 percent of electricity, gas, and telephone (wireless and landline) to 10 percent on those utilities plus water and cable (not currently charged a UUT) could generate an additional \$6.7 million. This increase would require a vote of ELA residents, concurrent with the ELA cityhood vote. ELA cityhood would only succeed if both votes (cityhood and the UUT increase) were approved by a majority of ELA voters.

A garbage collection franchise fee of 10 percent could generate approximately \$850,000. Revenues of \$750,000 could be made available if Belvedere Park remains a County facility.

The changes noted above total \$8.3 million, which would fund the \$7.6 million annual shortfall (before considering the effects of SB 89) beginning in Year 7 after the repayment for initial year Transition Services is complete. The additional revenues, combined with the reserves shown, should be sufficient to fund shortfalls up until Year 6. These conclusions assume that the current recession stabilizes by the time the new city is formed and that modest revenue growth subsequently occurs.

4. City feasibility depends on a Los Angeles County Sheriff's Department (LASD) contract for reduced levels of sworn officers.

This CFA assumes that the new city negotiates a contract with LASD that includes patrol, traffic enforcement, and investigation, as well as a range of other crime enforcement and prevention, and community services. The contract estimate assumed in **Table 1** and **Table 1a** is for an amount lower than estimated by the LASD. The LASD proposal estimated an annual cost of \$31.2 million plus \$6.8 million for capital improvements to upgrade and expand existing equipment and facilities to accommodate the additional staff required (i.e., traffic enforcement staff, in addition to current staff serving the area).

This CFA has evaluated a potential contract that would provide reduced levels of staffing more similar to contract services provided to other communities. This cost is estimated at \$21.1 million. No significant capital improvements are assumed since the number of staff is reduced compared to current levels.

5. City reserves would be insufficient unless projected revenues are augmented.

The California Office of Planning and Research recommends that operating reserve funds equal to 20 to 30 percent of annual expenditures be established and maintained.² As shown in **Table 1**, this level of reserve is maintained only in the first three years (before considering the effect of SB 89). The General Fund reserves last two years due to SB 89 impacts..

General Fund reserves would be exhausted by the fourth year, unless additional revenues are obtained as described above. Road Fund revenues are shown to be fully drawn down by the fifth year, and Transit Fund reserves diminished by the sixth year, if General Fund revenues are not transferred to cover shortfalls.

The budget forecast shown in **Table 1** includes a 5 percent annual contingency allocation which could help to accrue an additional \$10 million in General Fund reserves if it is not needed to cover increases in annual operating expenditures. This increase would help to fund one additional year of projected General Fund shortfalls before depletion of the reserve.

Fiscal Impacts on Other Agencies

6. The new city would not have an adverse fiscal impact on the County of Los Angeles.

The revenues lost by the County of Los Angeles as a result of the incorporation would be more than offset by reductions in service costs.

7. The new city would not have an adverse fiscal impact on other service providers.

The new city would continue to provide services currently provided by certain special districts, including the Belvedere Garbage Disposal District, the Bella Vista Recreation and Park District, and the Montebello Recreation and Park District. Services are assumed to be continued at the same level as currently provided, and property taxes, rate revenue, and assessments would become the responsibility of the new city and would continue to fund the services provided by the new city.

² A guide to the LAFCO Incorporation Process, Governor's Office of Planning and Research, October 2003.

Table 1
Summary of Results (all figures in constant \$\$s)
East Los Angeles CFA

Item	Fiscal Year									
	2013-14 Transition Year	2014-15 2	2015-16 3	2016-17 4	2017-18 5	2018-19 6	2019-20 7	2020-21 8	2021-22 9	2022-23 10
1 GENERAL FUND										
2 Revenues										
3 Property Taxes	\$14,465,757	\$14,490,966	\$14,516,427	\$14,542,143	\$14,568,116	\$14,594,349	\$14,620,844	\$14,647,604	\$14,674,632	\$14,701,930
4 Sales Tax	\$3,070,337	\$3,702,827	\$3,721,341	\$3,739,948	\$3,758,647	\$3,777,441	\$3,796,328	\$3,815,310	\$3,834,386	\$3,853,558
5 Transient Occupancy Tax	<i>Transition</i>	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969
6 Real Property Transfer Tax	\$56,424	\$56,988	\$57,558	\$58,133	\$58,715	\$59,302	\$59,895	\$60,494	\$61,099	\$61,710
7 Franchise Fees	<i>Transition</i>	\$832,850	\$837,001	\$841,152	\$845,303	\$849,454	\$853,604	\$857,755	\$861,906	\$866,057
8 Utility User Tax	\$2,746,807	\$2,760,565	\$2,774,323	\$2,788,081	\$2,801,839	\$2,815,597	\$2,829,355	\$2,843,113	\$2,856,872	\$2,870,630
9 Public Wks/Building Fees	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189
10 Parks and Recreation Fees	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611
11 Business Licenses	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107
12 Fines, Penalties, Misc.	\$1,916,640	\$1,926,240	\$1,935,840	\$1,945,440	\$1,955,040	\$1,964,640	\$1,974,240	\$1,983,840	\$1,993,440	\$2,003,040
13 State Motor Vehicle License Fees	\$680,156	\$638,008	\$595,403	\$552,342	\$508,824	\$464,850	\$467,133	\$469,415	\$471,698	\$473,980
14 VLF (AB 1602)	\$9,166,518	\$8,598,484	\$8,024,298	\$7,443,960	\$6,857,469	\$6,264,825	\$6,295,588	\$6,326,351	\$6,357,114	\$6,387,876
15 Investment Earnings	\$248,974	\$256,139	\$252,053	\$247,921	\$243,741	\$239,515	\$240,314	\$241,116	\$241,920	\$242,727
16 Subtotal	\$33,445,519	\$34,407,942	\$33,859,121	\$33,303,996	\$32,742,571	\$32,174,849	\$32,282,177	\$32,389,874	\$32,497,941	\$32,606,384
17										
18 Expenditures										
19 Legislative	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000
20 City Clerk, City Treasurer	\$388,800	\$390,744	\$392,698	\$394,661	\$396,635	\$398,618	\$400,611	\$402,614	\$404,627	\$406,650
21 Elections	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
22 City Manager	\$861,433	\$987,848	\$992,787	\$997,751	\$1,002,740	\$1,007,753	\$1,012,792	\$1,017,856	\$1,022,945	\$1,028,060
23 City Attorney	\$1,500,000	\$1,507,500	\$1,515,038	\$1,100,000	\$1,105,500	\$1,111,028	\$1,116,583	\$1,122,166	\$1,127,776	\$1,133,415
24 Administrative Services	\$1,028,250	\$2,158,740	\$2,169,534	\$2,180,381	\$2,191,283	\$2,202,240	\$2,213,251	\$2,224,317	\$2,235,439	\$2,246,616
25 Police	<i>Transition</i>	\$21,157,215	\$21,263,001	\$21,369,316	\$21,476,163	\$21,583,544	\$21,691,461	\$21,799,919	\$21,908,918	\$22,018,463
26 Animal Control	<i>Transition</i>	\$410,734	\$412,788	\$414,852	\$416,926	\$419,011	\$421,106	\$423,212	\$425,328	\$427,454
27 Community Development	\$902,950	\$1,551,175	\$1,557,406	\$1,563,668	\$1,569,961	\$1,476,286	\$1,382,642	\$1,389,031	\$1,395,451	\$1,401,903
28 Public Works	\$793,800	\$2,324,621	\$2,363,438	\$2,375,255	\$2,387,131	\$2,399,067	\$2,411,062	\$2,423,118	\$2,435,233	\$2,447,410
29 Parks and Rec	\$1,206,900	\$5,250,623	\$5,276,876	\$5,303,260	\$5,329,776	\$5,356,425	\$5,383,207	\$5,410,123	\$5,437,174	\$5,464,360
30 Non-Departmental										
31 Office Rent/Equipment/Supplies	\$576,750	\$1,149,500	\$855,500	\$855,500	\$855,500	\$855,500	\$855,500	\$855,500	\$855,500	\$855,500
32 Insurance	\$302,035	\$640,939	\$633,123	\$619,093	\$621,898	\$620,717	\$619,550	\$622,397	\$625,259	\$628,135
33 Contingency (5%)	\$392,646	\$1,891,082	\$1,886,209	\$1,873,287	\$1,882,276	\$1,886,109	\$1,889,988	\$1,899,113	\$1,908,283	\$1,917,498
34 Transition Yr Cnty Services (repayment)		\$5,486,547	\$5,486,547	\$5,486,547	\$5,486,547	\$5,486,547				
35 Subtotal	\$8,245,564	\$45,199,267	\$45,096,943	\$44,825,571	\$45,014,336	\$45,094,844	\$39,689,754	\$39,881,364	\$40,073,933	\$40,267,464
36 Net General Fund	\$25,199,955	(\$10,791,325)	(\$11,237,823)	(\$11,521,576)	(\$12,271,765)	(\$12,919,995)	(\$7,407,577)	(\$7,491,491)	(\$7,575,991)	(\$7,661,080)
37										
38 Other Funds and Transfers										
39 Road Maintenance	\$7,203,031	(\$1,287,021)	(\$1,656,304)	(\$2,029,402)	(\$2,406,316)	(\$2,787,045)	(\$1,239,458)	(\$1,248,404)	(\$1,257,514)	(\$1,266,790)
40 Transit	\$2,583,631	(\$95,224)	(\$268,679)	(\$443,917)	(\$620,939)	(\$799,745)	(\$335,478)	(\$338,708)	(\$341,998)	(\$345,347)
41 Redevelopment (transfer)	<i>Transition</i>	\$713,526	\$717,094	\$720,679	\$724,282	\$727,904	\$731,543	\$735,201	\$738,877	\$742,572
42 Belvedere District (transfer)	<i>Transition</i>	\$321,411	\$323,018	\$324,633	\$326,256	\$327,888	\$329,527	\$331,175	\$332,831	\$334,495
43 Lighting Maintenance (transfer)	<i>Transition</i>	\$280,235	\$281,636	\$283,044	\$284,460	\$285,882	\$287,311	\$288,748	\$290,192	\$291,643
44 Subtotal	\$9,786,662	(\$67,073)	(\$603,236)	(\$1,144,963)	(\$1,692,256)	(\$2,245,117)	(\$226,554)	(\$231,989)	(\$237,613)	(\$243,428)
45										
46 TOTAL	\$34,986,617	(\$10,858,398)	(\$11,841,058)	(\$12,666,539)	(\$13,964,022)	(\$15,165,112)	(\$7,634,131)	(\$7,723,480)	(\$7,813,604)	(\$7,904,508)
47 Cumulative Reserves	\$34,986,617	\$24,128,219	\$12,287,161	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 1
Summary of Results (all figures in constant \$\$s)
East Los Angeles CFA

Item	Fiscal Year									
	2013-14 Transition Year	2014-15 2	2015-16 3	2016-17 4	2017-18 5	2018-19 6	2019-20 7	2020-21 8	2021-22 9	2022-23 10
48 ROAD MAINTENANCE										
49 Revenues										
50 Road District	\$194,351	\$195,323	\$196,299	\$197,281	\$198,267	\$199,259	\$200,255	\$201,256	\$202,262	\$203,274
51 Gas Taxes	\$3,023,925	\$2,837,384	\$2,648,833	\$2,458,273	\$2,265,703	\$2,071,123	\$2,081,171	\$2,091,219	\$2,101,267	\$2,111,315
52 Other (Prop. C, Measure R)	<u>\$3,984,756</u>	<u>\$3,837,696</u>	<u>\$3,688,992</u>	<u>\$3,538,643</u>	<u>\$3,386,649</u>	<u>\$3,233,011</u>	<u>\$3,246,854</u>	<u>\$3,260,697</u>	<u>\$3,274,540</u>	<u>\$3,288,384</u>
53 Total	\$7,203,031	\$6,870,403	\$6,534,124	\$6,194,197	\$5,850,619	\$5,503,393	\$5,528,280	\$5,553,173	\$5,578,070	\$5,602,973
54										
55 Expenditures										
56 Road District	<i>Transition</i>	\$553,430	\$556,197	\$558,978	\$561,773	\$564,582	\$567,405	\$570,242	\$573,093	\$575,958
57 Maintenance of Roads/Related Facilities	<i>Transition</i>	\$7,150,656	\$7,186,410	\$7,222,342	\$7,258,453	\$7,294,746	\$7,331,219	\$7,367,876	\$7,404,715	\$7,441,738
58 (less) Cost Allocation for GF Services	<i>Transition</i>	(\$1,103,033)	(\$1,108,548)	(\$1,114,091)	(\$1,119,662)	(\$1,125,260)	(\$1,130,886)	(\$1,136,541)	(\$1,142,223)	(\$1,147,934)
59 Transition Yr Cnty Services (repayment)	<i>Transition</i>	<u>\$1,556,370</u>	<u>\$1,556,370</u>	<u>\$1,556,370</u>	<u>\$1,556,370</u>	<u>\$1,556,370</u>				
60 Total	\$0	\$8,157,424	\$8,190,429	\$8,223,599	\$8,256,935	\$8,290,438	\$6,767,738	\$6,801,577	\$6,835,585	\$6,869,763
61										
62 Road Maintenance Surplus (Deficit)	\$7,203,031	(\$1,287,021)	(\$1,656,304)	(\$2,029,402)	(\$2,406,316)	(\$2,787,045)	(\$1,239,458)	(\$1,248,404)	(\$1,257,514)	(\$1,266,790)
63 Cumulative Reserves	\$7,203,031	\$5,916,011	\$4,259,706	\$2,230,304	\$0	\$0	\$0	\$0	\$0	\$0
64 TRANSIT										
65 Revenues										
66 Prop. A	<u>\$2,583,631</u>	<u>\$2,423,467</u>	<u>\$2,261,577</u>	<u>\$2,097,962</u>	<u>\$1,932,622</u>	<u>\$1,765,556</u>	<u>\$1,774,184</u>	<u>\$1,782,811</u>	<u>\$1,791,438</u>	<u>\$1,800,065</u>
67 Total	\$2,583,631	\$2,423,467	\$2,261,577	\$2,097,962	\$1,932,622	\$1,765,556	\$1,774,184	\$1,782,811	\$1,791,438	\$1,800,065
68										
69 Expenditures										
70 Transit	<i>Transition</i>	\$2,313,104	\$2,324,669	\$2,336,293	\$2,347,974	\$2,359,714	\$2,371,513	\$2,383,370	\$2,395,287	\$2,407,264
71 (less) Cost Allocation for GF Services	<i>Transition</i>	(\$261,851)	(\$261,851)	(\$261,851)	(\$261,851)	(\$261,851)	(\$261,851)	(\$261,851)	(\$261,851)	(\$261,851)
72 Transition Yr Cnty Services (repayment)	<i>Transition</i>	<u>\$467,438</u>	<u>\$467,438</u>	<u>\$467,438</u>	<u>\$467,438</u>	<u>\$467,438</u>				
73 Total	\$0	\$2,518,691	\$2,530,256	\$2,541,880	\$2,553,561	\$2,565,301	\$2,109,662	\$2,121,519	\$2,133,436	\$2,145,413
74										
75 Transit Surplus (Deficit)	\$2,583,631	(\$95,224)	(\$268,679)	(\$443,917)	(\$620,939)	(\$799,745)	(\$335,478)	(\$338,708)	(\$341,998)	(\$345,347)
76 Cumulative Reserves	\$2,583,631	\$2,488,407	\$2,219,727	\$1,775,810	\$1,154,871	\$355,127	\$19,648	\$0	\$0	\$0
77 TOTAL, Roads and Transit	\$9,786,662	(\$1,382,245)	(\$1,924,983)	(\$2,473,320)	(\$3,027,255)	(\$3,586,790)	(\$1,574,936)	(\$1,587,113)	(\$1,599,513)	(\$1,612,137)
78 Cumulative Reserves	\$9,786,662	\$8,404,417	\$6,479,434	\$4,006,114	\$978,859	\$0	\$0	\$0	\$0	\$0

Notes to Table 1

- 3,4,5 Revenues retained by County in Transition Year are credited against costs. Current estimates assume election prior to November 2012, effective date July 1, 2013.
 Services shown as "Transition" are entirely provided by County during first year, in addition to continuation of other existing services which will also require some city staff costs during Transition, as shown.
- 34 Repayment for transition year County services (less County-retained revenues).
- 39 Road Maintenance is net of overhead cost allocations to GF. Includes costs and revenues attributable to current Road District.
- 41 Division overhead from tax increment funds, County of Los Angeles CEO letter to LAFCO, Att. IV, 3/1/11. Staff costs included in Community Development.
- 42 Includes overhead for Belvedere District based on staff costs. Staff and other expenses assumed covered by district property tax and rates (not shown).
- 43 Includes overhead for Lighting Maint. Dist. based on staff costs; costs per County of Los Angeles CEO letter to LAFCO, Att. XII, 3/1/11.
- 40 Includes salaries, benefits and overhead for Transit Dist., County of Los Angeles CEO letter to LAFCO, Att. XII, 3/1/11.
- 50,56 Road fund property tax revenues based on actual amount collected, County of Los Angeles CEO letter to LAFCO, Taxing Agency Share of 1% Levy FY10, 11/1/10.
 Note: actual expenditures in FY10 exceeded amount collected from ELA; future amounts assumed equal to amount collected.
- 57 Includes contingency (see Table 25)
- 71 OH estimated for Road Maintenance Division; see Table 25. Road maintenance staff are included in Road Fund.
- 77 Road and Transit annual balances are also shown under the category "Other Funds and Transfers" on prior page for purposes of showing a total for all funds, including the General Fund.

Table 1a
Summary of Results -- Impact of SB 89 (all figures in constant \$\$s)
East Los Angeles CFA

Item	Fiscal Year									
	2013-14 Transition Year	2014-15 2	2015-16 3	2016-17 4	2017-18 5	2018-19 6	2019-20 7	2020-21 8	2021-22 9	2022-23 10
1 GENERAL FUND										
2 Revenues										
3 Property Taxes	\$14,465,757	\$14,490,966	\$14,516,427	\$14,542,143	\$14,568,116	\$14,594,349	\$14,620,844	\$14,647,604	\$14,674,632	\$14,701,930
4 Sales Tax	\$3,070,337	\$3,702,827	\$3,721,341	\$3,739,948	\$3,758,647	\$3,777,441	\$3,796,328	\$3,815,310	\$3,834,386	\$3,853,558
5 Transient Occupancy Tax	<i>Transition</i>	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969	\$50,969
6 Real Property Transfer Tax	\$56,424	\$56,988	\$57,558	\$58,133	\$58,715	\$59,302	\$59,895	\$60,494	\$61,099	\$61,710
7 Franchise Fees	<i>Transition</i>	\$832,850	\$837,001	\$841,152	\$845,303	\$849,454	\$853,604	\$857,755	\$861,906	\$866,057
8 Utility User Tax	\$2,746,807	\$2,760,565	\$2,774,323	\$2,788,081	\$2,801,839	\$2,815,597	\$2,829,355	\$2,843,113	\$2,856,872	\$2,870,630
9 Public Wks/Building Fees	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189
10 Parks and Recreation Fees	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611
11 Business Licenses	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107
12 Fines, Penalties, Misc.	\$1,916,640	\$1,926,240	\$1,935,840	\$1,945,440	\$1,955,040	\$1,964,640	\$1,974,240	\$1,983,840	\$1,993,440	\$2,003,040
13 State Motor Vehicle License Fees	--- eliminated by SB 89 ---									
14 VLF (AB 1602)	--- eliminated by SB 89 ---									
15 Investment Earnings	\$248,974	\$256,139	\$252,053	\$247,921	\$243,741	\$239,515	\$240,314	\$241,116	\$241,920	\$242,727
16 Subtotal	\$23,598,845	\$25,171,450	\$25,239,419	\$25,307,694	\$25,376,277	\$25,445,173	\$25,519,456	\$25,594,108	\$25,669,130	\$25,744,527
17										
18 Expenditures										
19 Legislative	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000
20 City Clerk, City Treasurer	\$388,800	\$390,744	\$392,698	\$394,661	\$396,635	\$398,618	\$400,611	\$402,614	\$404,627	\$406,650
21 Elections	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
22 City Manager	\$861,433	\$987,848	\$992,787	\$997,751	\$1,002,740	\$1,007,753	\$1,012,792	\$1,017,856	\$1,022,945	\$1,028,060
23 City Attorney	\$1,500,000	\$1,507,500	\$1,515,038	\$1,100,000	\$1,105,500	\$1,111,028	\$1,116,583	\$1,122,166	\$1,127,776	\$1,133,415
24 Administrative Services	\$1,028,250	\$2,158,740	\$2,169,534	\$2,180,381	\$2,191,283	\$2,202,240	\$2,213,251	\$2,224,317	\$2,235,439	\$2,246,616
25 Police	<i>Transition</i>	\$21,157,215	\$21,263,001	\$21,369,316	\$21,476,163	\$21,583,544	\$21,691,461	\$21,799,919	\$21,908,918	\$22,018,463
26 Animal Control	<i>Transition</i>	\$410,734	\$412,788	\$414,852	\$416,926	\$419,011	\$421,106	\$423,212	\$425,328	\$427,454
27 Community Development	\$902,950	\$1,551,175	\$1,557,406	\$1,563,668	\$1,569,961	\$1,476,286	\$1,382,642	\$1,389,031	\$1,395,451	\$1,401,903
28 Public Works	\$793,800	\$2,324,621	\$2,363,438	\$2,375,255	\$2,387,131	\$2,399,067	\$2,411,062	\$2,423,118	\$2,435,233	\$2,447,410
29 Parks and Rec	\$1,206,900	\$5,250,623	\$5,276,876	\$5,303,260	\$5,329,776	\$5,356,425	\$5,383,207	\$5,410,123	\$5,437,174	\$5,464,360
30 Non-Departmental										
31 Office Rent/Equipment/Supplies	\$576,750	\$1,149,500	\$855,500	\$855,500	\$855,500	\$855,500	\$855,500	\$855,500	\$855,500	\$855,500
32 Insurance	\$302,035	\$640,939	\$633,123	\$619,093	\$621,898	\$620,717	\$619,550	\$622,397	\$625,259	\$628,135
33 Contingency (5%)	\$392,646	\$1,891,082	\$1,886,209	\$1,873,287	\$1,882,276	\$1,886,109	\$1,889,988	\$1,899,113	\$1,908,283	\$1,917,498
34 Transition Yr Cnty Services (repayment)		\$5,486,547	\$5,486,547	\$5,486,547	\$5,486,547	\$5,486,547				
35 Subtotal	\$8,245,564	\$45,199,267	\$45,096,943	\$44,825,571	\$45,014,336	\$45,094,844	\$39,689,754	\$39,881,364	\$40,073,933	\$40,267,464
36 Net General Fund	\$15,353,281	(\$20,027,817)	(\$19,857,524)	(\$19,517,878)	(\$19,638,058)	(\$19,649,671)	(\$14,170,298)	(\$14,287,257)	(\$14,404,802)	(\$14,522,936)
37										
38 Other Funds and Transfers										
39 Road Maintenance	\$7,203,031	(\$1,287,021)	(\$1,656,304)	(\$2,029,402)	(\$2,406,316)	(\$2,787,045)	(\$1,239,458)	(\$1,248,404)	(\$1,257,514)	(\$1,266,790)
40 Transit	\$2,583,631	(\$95,224)	(\$268,679)	(\$443,917)	(\$620,939)	(\$799,745)	(\$335,478)	(\$338,708)	(\$341,998)	(\$345,347)
41 Redevelopment (transfer)	<i>Transition</i>	\$713,526	\$717,094	\$720,679	\$724,282	\$727,904	\$731,543	\$735,201	\$738,877	\$742,572
42 Belvedere District (transfer)	<i>Transition</i>	\$321,411	\$323,018	\$324,633	\$326,256	\$327,888	\$329,527	\$331,175	\$332,831	\$334,495
43 Lighting Maintenance (transfer)	<i>Transition</i>	\$280,235	\$281,636	\$283,044	\$284,460	\$285,882	\$287,311	\$288,748	\$290,192	\$291,643
44 Subtotal	\$9,786,662	(\$67,073)	(\$603,236)	(\$1,144,963)	(\$1,692,256)	(\$2,245,117)	(\$226,554)	(\$231,989)	(\$237,613)	(\$243,428)
45										
46 TOTAL	\$25,139,943	(\$20,094,890)	(\$20,460,760)	(\$20,662,841)	(\$21,330,315)	(\$21,894,788)	(\$14,396,852)	(\$14,519,246)	(\$14,642,416)	(\$14,766,365)
47 Cumulative Reserves	\$25,139,943	\$5,045,054	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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Rev. 7/5/11

3. *THE INCORPORATION PROPOSAL*

Proposal for Incorporation

In summary, the incorporation 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 or reduce services, dependent upon the finances of the new city at any given time. 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 the area. Initially, the new city would contract with other providers (e.g., the County) for many services.

The disposition of any special districts will be addressed in the LAFCO Executive Officer's Report and included as Terms and Conditions of the incorporation. The CFA assumes that the services provided by those special districts would continue, as well as any funding specific to the districts, whether they are reorganized as part of the new city or remain as currently organized.

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 the area. This CFA presumes and reflects municipal expenditures that maintain existing municipal service levels. Police protection, however, is based on a contract with the County Sheriff for a number of officers which is less than current staffing but which is consistent with other contract cities.

This CFA assumes the new city would begin July 1, 2013, assuming LAFCO approval and a successful election in 2012. The actual date will depend on the time required for the LAFCO process to be completed. LAFCO can establish an earlier or later date; however, July 1 is the start of the fiscal year and would allow the new city nearly a full transition year during which time the County is required to continue to provide services, to be repaid in future years, while the new city accrues revenues to establish reserves.

Existing Taxes

The CFA assumes that existing County tax rates (e.g., Transient Occupancy Tax, UUT) and service charges would be adopted by the new city and continue as city revenues. California law mandates that taxes can be raised only through ballot measures, not by local government agencies.

Capital Improvements

It is assumed that the city council initially would adopt all impact fee ordinances currently enforced by the County to ensure a continual flow of existing fee revenues. While this CFA addresses the fiscal feasibility of ongoing operating revenues and expenditures, it also identifies capital improvement funding issues where appropriate. During the transition of services from the County to the new city, there would be an accounting and transfer of fees and charges previously collected from the incorporation area, and other applicable fund balances, to be allocated consistent with an agreement between the County and the incorporation Proponents, and/or LAFCO Terms and Conditions.

**Table 2
Municipal Service Providers -- Existing and Proposed
East Los Angeles CFA**

Service	Service Provision		
	Present Provider	After Incorporation	
General Government			
Governing Board	LA County	New City	City Council
Manager	LA County	New City	City Staff
Attorney	LA County	New City	City Staff/Contracts
Finance/Clerk/Administrative Services	LA County	New City	City Staff/Contracts
Public Protection			
Law Enforcement	LA County Sheriff	New City	Contract with County Sheriff
Traffic Control/Accident Investigation	California Highway Patrol	New City	Contract with County Sheriff
Fire Protection & Paramedic	Consolidated Fire Protection Dist. of L.A. County	No Change	As is currently provided
Ambulance	American Medical Response	No Change	As is currently provided
Animal Control	LA County, Dept. of Animal Care and Control	New City	Contract with County
Vector Control and Mosquito Abatement	Greater Los Angeles County Vector Control Dist.	No Change	As is currently provided
Land Use and Planning			
Zoning Code Enforcement	LA County	New City	City Staff
Land Use Application Processing	LA County	New City	City Staff/Contract
Building Inspection & Plan Check	LA County	New City	City Staff/Contract
Advance Planning	LA County	New City	City Staff
Economic Development/Redevelopment	LA County	New City	City Staff
Community Services			
Recreation Programs	LA County Dept. of Park and Recreation	New City	City Staff
Senior Services	LA County	New City	City Staff
Local Parks	LA County Dept. of Park and Recreation	New City	City Staff/Contracts
Landscape Maintenance	Montebello Recreation & Park District Bella Vista Recreation & Park District	New City New City	City Staff/Contracts City Staff/Contracts
Regional Parks/Open Space	LA County Dept. of Park and Recreation LA County Regional Park & Open Space District	No Change No Change	As is currently provided As is currently provided
Library	LA County	No Change	As is currently provided
Health Services	LA County	No Change	As is currently provided
Public Works/Public Utilities			
Road Maintenance	LA County/County Road Dist. #1	New City	City Staff/Contracts
Signal Maintenance	LA County	New City	City Staff/Contracts
Street Lighting	LA County/County Lighting Maint. Dist. No. 1687	New City	City Staff/Contracts
Traffic Control	LA County	New City	City Staff/Contracts
Stormwater Quality/NPDES	LA County	New City	City Staff/Contracts
Flood Control & Conveyance Drainage	LA County	New City	City Staff/Contracts
Solid Waste Management	Belvedere Garbage Disposal District	New City	City Staff/Contracts
Solid Waste Collection/Disposal	Consolidated Disposal Service	New City	City Staff/Contracts
Wastewater Collection			
Wastewater Treatment/Disposal	LA County Consol. Sewer Maintenance Dist.	No Change	As is currently provided
Domestic Water	LA County Sanitation District No. 2 Central Basin MWD (wholesaler) California Water Service Company (retailer)	No Change No Change	As is currently provided As is currently provided
Public Education			
K-12 Grade Levels	LA USD, Montebello USD	No Change	As is currently provided
College	n/a	No Change	As is currently provided
Other Services			
Electricity	Southern California Edison	No Change	Franchise Agreement w/New City
Gas	Southern California Gas Company	No Change	Franchise Agreement w/New City
Cable Television	Time Warner	No Change	Franchise Agreement w/New City
Public Transit	LA County	No Change	As is currently provided
Shuttle, Dial-a-Ride	LA County	New City	City Staff