

Comprehensive Fiscal Analysis East Los Angeles

The Economics of Land Use

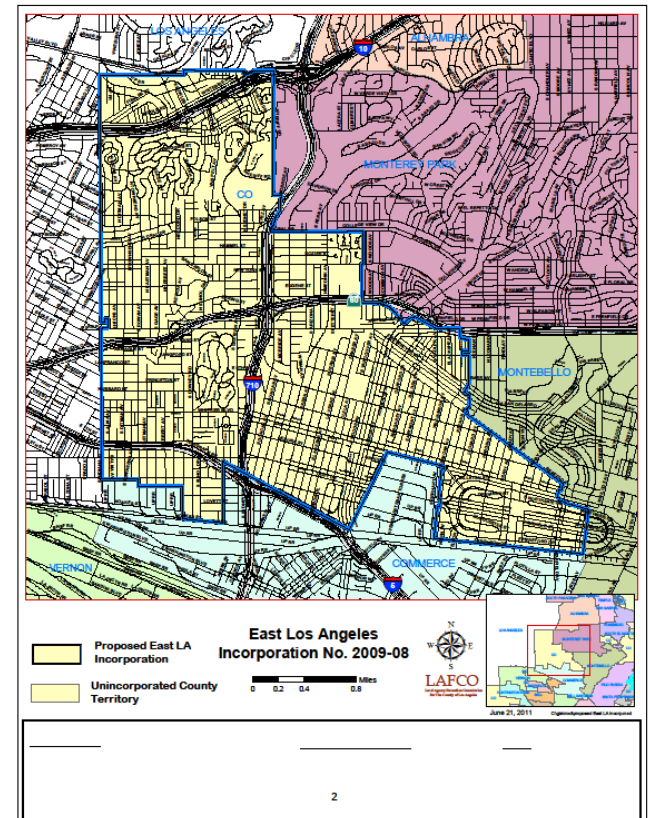


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July 13, 2011

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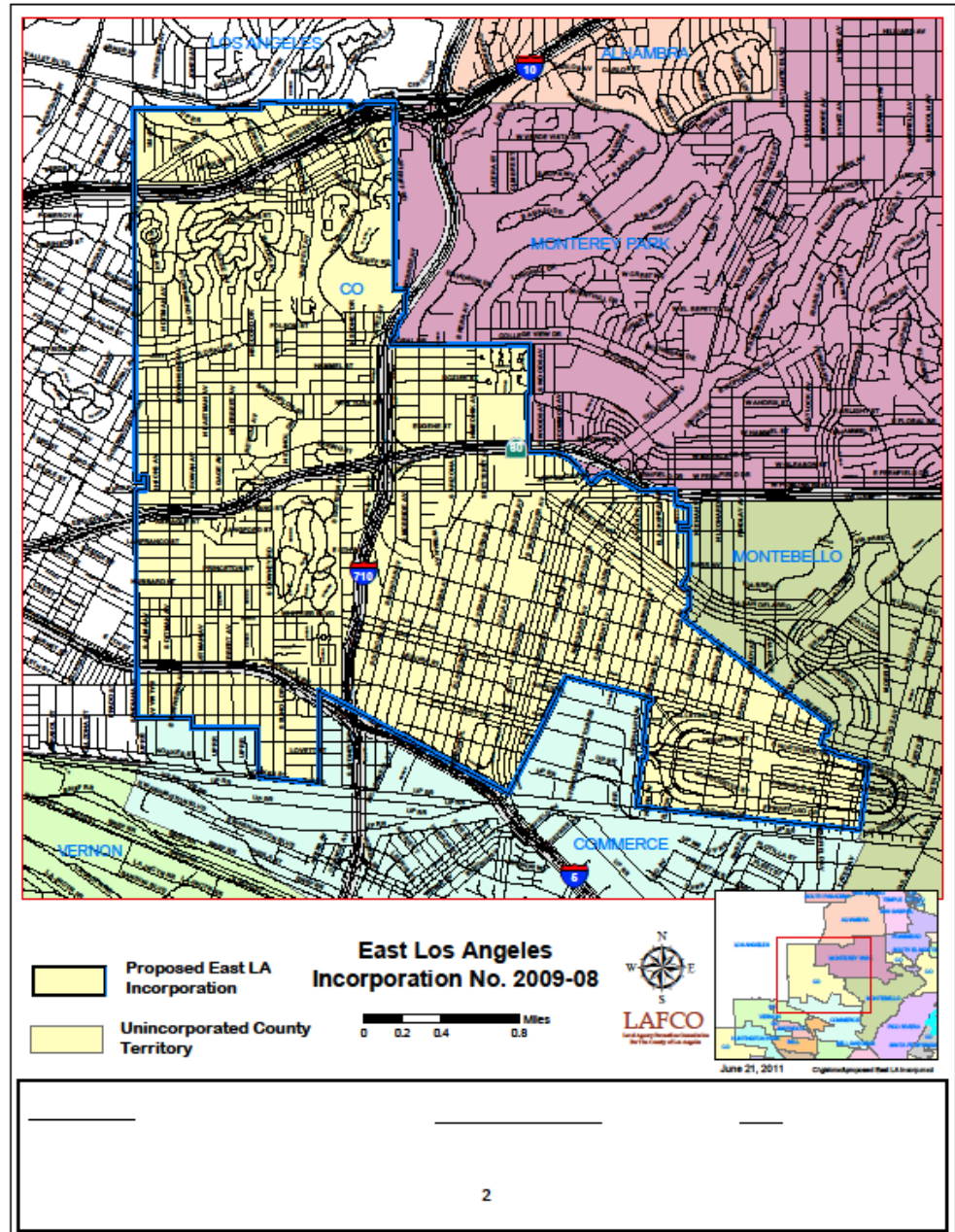


Purpose of the CFA

- Assess fiscal feasibility
- Estimate impacts on County
- Identify service and fiscal issues
- Provide basis for:
 - LAFCO feasibility determinations
 - Revenue neutrality negotiations
 - LAFCO Terms and Conditions
- This Public Review Draft is intended for public information and comment

Boundaries

- Unincorporated area
- 7.5 square miles
- 126,496 population (2010 census)



City Feasibility – Key Assumptions

- “Base Year” FY09-10 (property tax transfer, impacts)
- Revenue stabilization, modest recovery/growth by FY13-14
- Staff levels comparable to existing, except Sheriff contract
- City Sheriff contract assumes staff levels comparable to other contract cities, about a 30% reduction vs. current
- Future budget depends on economy, State budget, and decisions by the future city council
- Definition of “feasibility”: revenues cover costs, adequate reserves (20%-30%) first three years
- GF costs include 5% annual contingency, and ½% annual staff cost increase

City Feasibility - Findings

- City revenues would be insufficient to cover costs
- GF shortfall would be \$7.6 million annually beginning in 7th year (pre-SB89)
- Increase in Utility User Tax (UUT) would substantially cover shortfall
- Savings if Belvedere Park remains a County regional park (\$750k)
- Garbage collection franchise fee of 10% could yield \$850k
- Feasibility also would require the Sheriff cost assumed in the CFA
- SB89, signed 6/30/11, eliminated \$6 mill.-\$9 mill. of VLF

Summary of General Fund (pre-SB89)

Item	Year 2	Year 7
<u>Revenues</u>		
Total	\$ 34.4 mill.	\$ 32.3 mill.
<u>Expenditures</u>		
Total*	(\$ 45.2 mill.)	(\$ 39.7 mill.)
<u>Other Funds & Transfers</u>		
Total	(\$ 0.1 mill.)	(\$ 0.2 mill.)
Net General Fund	(\$ 10.9 mill.)	(\$ 7.6 mill.)
Cumulative Reserves	\$ 24.1 mill.	\$0

* Year 2 includes repayment to County for Transition Year services

General Fund Revenues (pre-SB89)

Item	Year 2	Year 7
Property Tax	\$ 14.5 mill.	\$ 14.6 mill.
Sales Tax	3.7 mill.	3.8 mill.
Transient Occupancy Tax	.1 mill.	.1 mill.
Transfer Tax	.1 mill.	.1 mill.
Franchise Fees	.8 mill.	.9 mill.
Utility User Tax	2.8 mill.	2.8 mill.
Community Dev. Fees	.1 mill.	.1 mill.
Parks and Rec. Fees	.3 mill.	.3 mill.
Public Works Fees	.7 mill.	.7 mill.
Fines, Penalties, Misc.	1.9 mill.	2.0 mill.
Vehicle License Fees (pre-SB89)	9.2 mill.	6.7 mill.
Investment Earnings	<u>.3 mill.</u>	<u>.2 mill.</u>
Total	\$34.4 mill.	\$32.3 mill.

General Fund Expenditures (pre-SB89)

Item	Year 2	Year 7
Legislative	\$.1 mill.	\$.1 mill.
Elections	.2 mill.	.2 mill.
City Manager (inc. HR)	1.0 mill.	1.0 mill.
City Attorney	1.5 mill.	1.1 mill.
Administrative (Clerk, Finance)	2.5 mill.	2.8 mill.
Police	21.2 mill.	21.7 mill.
Animal Control	.4 mill.	.4 mill.
Community Dev.	1.6 mill.	1.4 mill.
Public Works	2.3 mill.	2.4 mill.
Parks & Recreation	5.3 mill.	5.4 mill.
Non-Departmental (inc. conting.)*	<u>9.2 mill.</u>	<u>3.4 mill.</u>
Total	\$45.2 mill.	\$39.7 mill.

* Year 2 includes repayment to County for Transition Year services

Summary of General Fund (post-SB89)

Item	Year 2	Year 7
<u>Revenues</u>		
Total	\$ 25.2 mill.	\$ 25.5 mill.
<u>Expenditures</u>		
Total*	(\$ 45.2 mill.)	(\$ 39.7 mill.)
<u>Other Funds & Transfers</u>		
Total	(\$ 0.1 mill.)	(\$ 0.2 mill.)
Net General Fund	(\$ 20.1 mill.)	(\$ 14.4mill.)
Cumulative Reserves	\$ 5.0 mill.	\$0

* Year 2 includes repayment to County for Transition Year services

Revenue Neutrality

- State law requires that County revenue losses be substantially equal to County cost reductions
- County cost reductions exceed County revenue losses by \$27.3 million (including Roads and Transit)
- Therefore, there is no adverse impact on the County

Property Tax Transfer

- Based on Net Cost of County Services
- Net Cost is multiplied by Auditor's Ratio
 - Auditor's Ratio = Total County Property Tax divided by Total County General Purpose Revenues
- Cost = \$47.4 mill. Base Year County Services
- (less) \$19.5 mill. dedicated revenues (Prop. 172)
- Net Cost = \$27.9 mill.
- Multiplied by Auditor's Ratio of 52.6%
- Equals Property Tax Transfer of \$14.7 mill. to ELA
- Current County Property Tax from ELA equals \$9.6 mill.

Questions?