

# Public Hearing CFA East Los Angeles

*The Economics of Land Use*

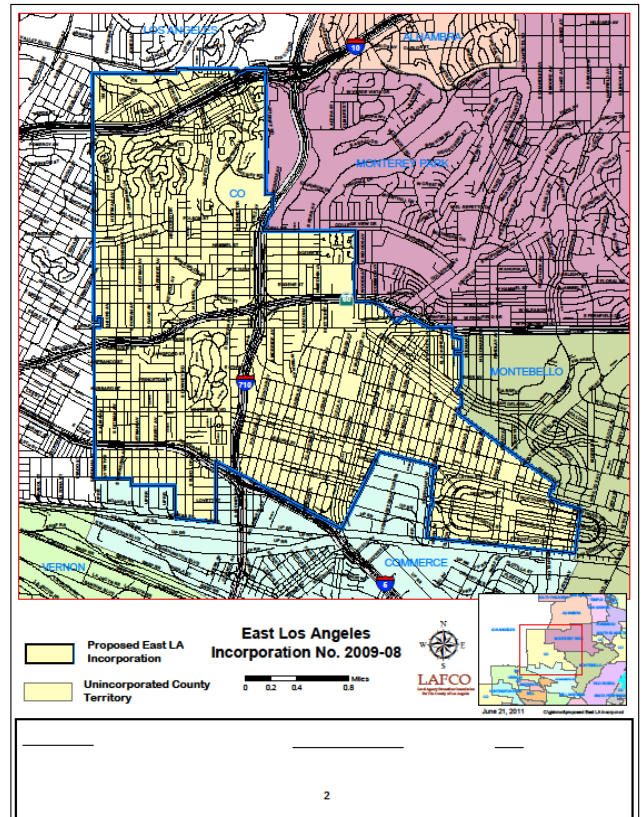


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# Public Hearing CFA

- CFA responds to comments from community meetings, emails and correspondence
- Based on input received, significant changes to the Public Review CFA include:
  - 1. Re-calculation of UUT/Franchises: \$2.8 mill. increase
  - 2. Added costs to maintain existing library hours and services: \$4.5 mill. increase
  - 3. Re-calculation of property tax transfer based on inclusion of library costs: \$2.3 million increase
  - 4. Reduced recreation staff costs, office space \$1.6 mill. decrease
  - 5. Revised formulas for distribution of road and transit revenues \$600k total increase

## Other Costs and Revenues

- CFA has not adjusted property tax revenues downwards – assumes recovery before city formation
- Contingency remains at 5% of costs
- Planning studies by the County are included in “current costs of service” for the purpose of property tax transfer calculations
- CFA assumes ½% annual “real” cost increases above inflation

# Sheriff Costs

- CFA continues to use \$21.1 million Sheriff contract, which is less than \$31.2 million requested by Sheriff
- Reviewed a number of metrics including officers/pop., response times, population density, crime rates
- CFA includes a staffing program as a basis for cost
- CFA sheriff staff 30% less than Sheriff proposal, but appear sufficient to meet response standards
- Further reductions likely to adversely affect ability to achieve standards
- CFA cost comparable to (or less than) neighbor cities

# City Feasibility - Findings

- The new city would be infeasible, unless:
  - Additional taxes are required by LAFCO
  - Service levels are significantly reduced
  - County chooses to provide services at a reduced cost
- City revenues would be insufficient to cover costs in first three years (and subsequent years) – see Table 1a
- Reasonable reserves would not be provided in the first three years
- Limited opportunities to significantly improve the existing tax effort (property tax, sales tax, TOT)

# Summary of General Fund (post-SB89)

Item	Year 2	Year 7
<b><u>Revenues</u></b>		
Total	\$ 30.4 mill.	\$ 30.9 mill.
<b><u>Expenditures</u></b>		
Total*	(\$ 49.4 mill.)	(\$ 42.8 mill.)
<b>Net General Fund</b>	<b>(\$ 19.0 mill.)</b>	<b>(\$ 11.9 mill.)</b>
<b>Cumulative Reserves**</b>	<b>\$ 0.0 mill.</b>	<b>\$ 0.0 mill.</b>

\* Year 2 includes repayment to County for Transition Year services \*\* Includes Other Funds and Transfers

# Revenue Neutrality

- State law requires that County revenue losses be substantially equal to County cost reductions
- County cost reductions exceed County revenue losses by \$22.4 mill. (equals a \$22.4 mill. positive impact)
- \$22.4 includes:
  - \$5.7 mill. General Fund
  - \$16.7 mill. Prop. 172-funded Sheriff costs (restricted to Public Safety)
- Additional \$3.9 mill. Roads and Transit positive impact
- Therefore, there is no adverse impact on the County

# VLF Status

- Legislature has yet to correct the SB 89 VLF elimination
- Two bills introduced in the First Extraordinary Session (ABX1 36 and ABX1 41)
- Neither bill has been assigned to any committees
- No word on when the Speaker might call the next Session

Questions?