



City of Rialto *California*

Information presented to
the Commission at the

12-16-15 LAFCO hearing.

December 15, 2015

Kathleen Rollings-McDonald, Executive Officer
San Bernardino County Local Agency Formation Commission
215 North D. Street, Suite 204
San Bernardino

Subject: Agenda Item #7 - Island Annexation for the City of Rialto

Dear Honorable Chair and Commissioners:

The City of Rialto reviewed the staff report dated December 8, 2015 related to Agenda Item #7 and scheduled for consideration at your December 15, 2015 Commission meeting. On Monday, December 14, 2015, Rialto staff met with Kathleen Rollins-McDonald, Executive Officer to discuss the report and its recommendation. Earlier, on November 30, 2015 City representatives met with Greg Devereaux, Chief Executive Officer for the County of San Bernardino, regarding the five County Islands located in North Rialto.

According to Section 56375.3, the annexation must be economically feasible to the annexing jurisdiction with anticipated revenues capable of funding service extension. The City of Rialto holds that annexing the islands is not economically feasible and that the anticipated revenues are insufficient to cover the continued operation and maintenance of these areas if annexed, let alone provide any contribution toward the capital facilities required to serve the area. Finally, SB 244 imposes specific burdens upon annexing jurisdictions to plan for comprehensive services, particularly in disadvantaged communities, and to consult with residents to determine their interests in joining the surrounding city.

While the City of Rialto understands the County's desire to relinquish the subject islands, the City of Rialto respectfully requests that LAFCO separate the annexation of the five County Islands in North Rialto from the application to annex the Lytle Creek Ranch project. The City remains willing to negotiate the annexation of the five islands in good faith with the County. The linkage between Lytle Creek and the County Islands developed late in the annexation application process, and the City will need time to perform the customary due diligence.

While Rialto has not had a chance to review the financial analysis in any detail, the conclusion that the annexation of these islands produces a fiscal surplus to Rialto defies logic. Based upon a fiscal impact analysis prepared by Rialto in 2005, the five islands produced a deficit of (\$387,000) per year to the City General Fund, or approximately (\$651) per residential unit, assuming that the utility tax was applicable to the annexed areas. Given that service costs have increased faster than revenues over the last ten years, it is difficult to conclude that the islands now represent a revenue opportunity for Rialto.

In addition, the staff report erroneously excludes fire service costs because it assumes that the City responds to fire service calls at no cost pursuant to a mutual aid agreement approved in 2012. However, the subject mutual aid agreement requires a "reasonable and reciprocal exchange" of services. Rialto's Fire Chief notes that the County provides a "roughly equivalent number of responses into South Rialto, thus offsetting the cost for Rialto to serve the northern islands". After adding the approximately \$337,000 of excluded costs back into the analysis, the cited surplus of \$139,000 per year instead becomes a deficit of (\$198,000) per year. Furthermore, by annexing the subject islands, the City of Rialto will no longer satisfy its "reciprocal" obligations to the County, and may thereafter be subject to other reimbursement obligations for County services. Clearly, the islands represent a substantial operating financial burden to the City General Fund.

Similarly, the staff report does not address the substantial capital deficiencies transferring to the City as a result of annexation. The City's 2005 report identified neighborhood capital improvements to raise the infrastructure to City standards in all five islands at \$3.6 million (2005 \$) and current (2015 \$) fair share allocations of communitywide infrastructure at \$8.9 million. The City is willing to negotiate assumption of some or all of this liability as part of a broader solution to the operating and capital deficiencies.

In sum, the City of Rialto disagrees with the findings in the report that the island annexations produce a financial surplus. Annexation of the islands undoubtedly represents a significant cost to the City of Rialto; nevertheless, we are willing to consider annexation after proper analysis and disclosure to our policymakers.

Again, Rialto respectfully requests that you separate the Lytle Creek annexation application from the island annexation and trust the City to engage in good faith negotiations with both LAFCO and County personnel regarding the ultimate disposition of the five County Islands.

Sincerely,



Robb Steel

Assistant City Administrator/Director of Development Services

C: Mike Story, City Administrator