



Information presented to
the Commission at the

5-18-16

LAFCO hearing
City of Rialto
CALIFORNIA

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LAFCO
San Bernardino County

May 3, 2016

Mr. James V. Curatalo
LAFCO Commission Chair
215 North D Street, Suite 204
San Bernardino, CA 92415-0490

Subject: North Rialto Island Annexation

Dear Mr. Curatalo:

As you know, the LAFCO Board directed Rialto to pursue negotiations with the County of San Bernardino concerning the annexation of five county islands located in Rialto Sphere of Influence (referred to as the North Rialto Islands, see Map) concurrent with the Lytle Creek annexation (LAFCO 3201) of 1,078 acres. The North Rialto islands are approximately 240 acres. LAFCO 3201 will be considered by the Board at the May 18, 2016 Public Hearing. Rialto does not object to annexation of the islands from the land use perspective. Rialto does oppose the egregious requirement to annex the islands concurrent with Lytle Creek development. The requirement is in direct opposition to the mandate of LAFCO established by the Cortese-Knox-Hertzberg Local Government Reorganization Act to "encourage orderly and efficient provision of services, such as water, sewer, and fire protection". Rialto protests the concurrent annexation for the following reasons:

- **The North Rialto Islands will result in major operating budget impacts.** The islands produce an annual operating deficit to the City of Rialto of \$518,000 with the utility tax and \$798,000 without the utility tax. A significant portion of the operating deficit relates to fire service and the County CAO has proposed mitigation that is still in discussion.
- **Net revenues from the Lytle Creek will not offset the cost of the North Rialto Islands.** When combined with the net revenues associated with build out of the Lytle Creek Annexation Area, the impact ranges from a deficit of \$3,690 to \$1,289,000 annually. The immediate burden of the islands will be severe. Moreover, it will take at least a decade before the Lytle Creek Project yields revenue, which will not offset the losses incurred from annexing at an earlier date.
- **Neighborhood Infrastructure Deficiencies.** Constituents in newly annexed areas expect infrastructure and service level improvements as a benefit of annexation. The Rialto Public Works Department estimated the cost of upgrading localized infrastructure to current Rialto standards at \$8.1 million. Rialto anticipated a cost to correct the deficiency by including a developer contribution of \$630/unit in the

Development Agreement. However, the \$3,943,800 (2.8 million in present value dollars) at project build out will leave a significant gap between needed infrastructure and available funding.

- **Immediate decrease in service levels threatening the public convenience, health and general welfare of Rialto citizens.** The need for capital facilities is based upon a per capita standard. Adding the population from the islands will not only increase the scale of required facilities, it will create an immediate and irreparable deficiency for the following capital facilities including but not limited to: fire, police, and parks. Off-site requirements total \$11.2 million based on our current development impact fees and the existing unit count within the island areas.
- **Transparency.** Rialto is a family first community and conducts business in an open and transparent manner. Annexing the North Rialto islands concurrently with the Lytle Creek project gives no opportunity for the Rialto City Council to interact with constituents who reside in the island area and solicit public opinion on the annexation proposal. Residents of the islands deserve a voice and must be afforded an opportunity to consider the impacts and participate in public policy decisions.

The figures are shown in the fiscal analysis and plan for service for the five North Rialto islands report prepared by Stanley R. Hoffman & Associates. I attached a copy of the report for your reference.

LAFCO often ignores the offsite impacts in the push for island annexation, but the City must absorb some or all of these burdens nonetheless.

The City remains committed to negotiating a fair solution. We met with the San Bernardino County Administrator on April 27, 2016 to identify potential methods of mitigating the extraordinary costs that Rialto is expected to assume. The County Administrator and his staff are working in concert with Rialto to reach a solution.

LAFCO works diligently to ensure that annexations are orderly and fiscally sound. Clearly, the requirement to annex the islands concurrently is a direct contradiction to the mandate of LAFCO and more importantly, the requirement creates a multi-million, unfunded, long-term liability and lacks fiscal wisdom. The City requests that the Board allow the City to annex the islands independently of the Lytle Creek project.

Sincerely,



Honorable Deborah Robertson, Mayor

Attachment

cc:

Jim Bagley, Public Member.

Kimberly Cox, Vice Chair. Special District Member.

Robert A. Lovingood, County Member.
Larry Mccallon, City Member.
James Ramos, County Member.
Diane Williams, City Member.
Acquanetta Warren, Alternate City Member
Janice Rutherford, Alternate County Member
Sunil Sethi, Alternate Public Member
Steven Farrell, Alternate Special District Member