

5-18-16 LAFCO hearing.

City of Rialto

CALIFORNIA



April 25, 2016

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LAFCO
San Bernardino County

Mr. Greg Devereaux
Chief Executive Officer
County of San Bernardino, CA
385 N. Arrowhead Ave, 5th Floor
San Bernardino, CA 92415-0120

Subject: North Rialto Island Annexation

Dear Mr. Devereaux:

The City of Rialto engaged Stanley R. Hoffman & Associates to prepare a fiscal analysis and plan for service for the five North Rialto islands that LAFCO conditioned the City to annex coincident with the Lytle Creek Ranch Annexation. The City proposes to annex 1,078 acres of unincorporated land to facilitate the Lytle Creek Ranch Specific Plan, and LAFCO has asked the City to annex approximately 240 acres of predominantly developed property within unincorporated territory.

Stanley R. Hoffman & Associates report is attached. The report generally concludes:

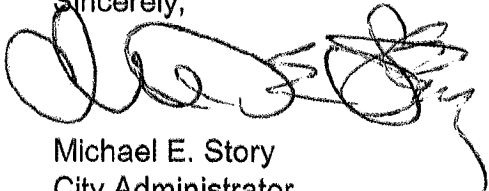
- **Operating Budget Impacts.** The islands produce an annual operating deficit to the City of Rialto of \$518,000 to \$798,000, depending upon the status of the utility tax. When combined with the net revenues associated with build out of the Lytle Creek Annexation Area, the impact ranges from essentially breakeven (\$3,690) to a deficit of (\$1,289,000) annually. The burden of the islands commences immediately, while it will take several years before the Lytle Creek Project commences revenue production to help offset the losses.
- **Neighborhood Infrastructure Deficiencies.** The Public Works Department estimated the cost of upgrading localized infrastructure to current Rialto standards at \$8.1 million (current \$). As you know, our Development Agreement with Lytle Creek contributes \$630/unit toward these deficiencies for a total contribution of

\$3,943,800 (non-discounted) at project build out. There remains a significant gap between needed infrastructure and available funding.

Although not cited in the Hoffman Report, annexation of the islands also immediately creates existing deficiencies for several off-site capital facilities, including fire facilities, police facilities, and parks, among others. The City sizes most of its capital facilities based upon a per capita standard, consequently adding population increases the scale of required facilities. By applying our current development impact fees to the existing unit count, the imputed off-site requirements total \$11.2 million. LAFCO often ignores the off-site impacts in the push for island annexation, but the City must absorb some or all of these burdens nonetheless.

The City previously expressed its openness to negotiate a fair assumption of island service responsibilities, and it remains committed to negotiating a fair solution for all parties. We look forward to discussing the report and potential methods of mitigating the extraordinary costs that the County expects Rialto to assume. We will have a short powerpoint presentation to summarize the results and hopefully identify areas of mutual interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Story". The signature is stylized and somewhat cursive, with a large initial "M" and a long, sweeping underline.

Michael E. Story
City Administrator

Attachment