

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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DATE: FEBRUARY 6, 2006
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

**SUBJECT: AGENDA ITEM #8 – LAFCO 2981 - Sphere of Influence Review
(Reductions) for the Cities of Rialto and Fontana (Bloomington)**

RECOMMENDATION:

1. If the determination is to support the staff's position that the incorporation of a City of Bloomington is not financially feasible, staff recommends that the Commission:
 - Deny LAFCO 2981; and,
 - Adopt LAFCO Resolution No. 2896 reflecting the Commission's determinations.

2. If the Commission determines, following receipt of testimony and the presentation of additional data at the hearing, that the sphere of influence reductions should be pursued so that the full evaluation of the potential incorporation for a City of Bloomington can be assessed in a Comprehensive Fiscal Analysis report:
 - Continue LAFCO 2981 for completion of the required environmental assessment and require the Bloomington Incorporation Commission (hereafter BIC) to submit the maps and legal descriptions, prepared to LAFCO standards, of its proposed sphere reductions and incorporation;
 - Require the applicant, BIC, to submit an environmental deposit equivalent to the estimated cost of preparing this assessment as determined by LAFCO's Environmental Consultant, Tom Dodson and Associates; and,

- Require BIC to submit an amended Feasibility Report based upon the discussion at the hearing.

INTRODUCTION:

LAFCO 2981 is an extremely significant proposal for sphere of influence changes submitted by a community group, known as the Bloomington Incorporation Commission, or BIC. The purpose of this proposal is to reduce the spheres of influence of the Cities of Fontana and Rialto to exclude the territory of the community of Bloomington as shown on the maps included as Attachment #1 to this report. This request is a prerequisite for BIC to move forward in its quest for the Commission to consider an incorporation proposal for Bloomington as outlined by the Commission's local policies related to such a proposal (Attachment #2 to this report).

The original submission of this application took place in November 2004 including a total of 4,513 acres, identified within the following reductions in sphere territory:

- Reduction of the City of Rialto Sphere of Influence to exclude the territory north of a combination of El Rivino Road and the Riverside County line, east of a combination of Tamarind Avenue, Alder Avenue, and City of Fontana boundaries, south of the City of Rialto, and west of existing City of Rialto boundaries. The area encompasses approximately 4,068 acres.
- Reduction of the City of Fontana Sphere of Influence to exclude three separate areas identified as follows:
 - Area 1, generally south of a combination of existing City of Fontana boundaries, west of a combination of Maple and Locust Avenues, north of San Bernardino Avenue, and east of Alder Avenue. The area encompasses approximately 260 acres.
 - Area 2, generally south of San Bernardino Avenue, east of Alder Avenue, north of I-10, and west of existing City of Fontana boundaries. The area encompasses approximately 165 acres.
 - Area 3, generally south of existing City of Fontana boundaries, east of Tamarind Avenue, north of existing City of Fontana boundaries, and east of existing City of Fontana boundaries. This area is generally between Santa Ana and Slover Avenues. The area encompasses approximately 20 acres.

The materials submitted by BIC indicate in the "Final Statement of Appeal" that its rationale for these changes was the desire to retain Bloomington's rural

atmosphere or “agricultural overlay” while providing for a “thriving community” through incorporation. The area proposed for incorporation would be defined by the City of Fontana boundaries on the west, a combination of the City of Fontana and City of Rialto boundaries on the north, the City of Rialto boundaries on the east, and the Riverside County line on the south.

During the review process for this application, LAFCO staff has met several times with representatives of BIC, along with conducting a Departmental Review Committee (DRC) meeting. The DRC meeting held on July 12, 2005, included representatives of BIC, the City of Fontana, the City of Rialto, the County Special Districts Department, County Surveyor, and LAFCO Special Counsel among others. At the meeting technical issues related to the application were reviewed and supplemental materials were requested. These materials included the request that BIC provide a preliminary feasibility study, outlining anticipated revenues and expenses, for a new City of Bloomington as a mechanism to document its contention that the new City would have “the ability to sustain itself”. Attachment #4 to this report provides the December 1, 2005 third update of the BIC Feasibility Study, the original application and Feasibility Report, and Supplemental Sphere Change Form.

At the July DRC meeting the Commission’s Environmental Consultant, Tom Dodson of Tom Dodson and Associates, and Special Legal Counsel, Jeffery Goldfarb, reviewed with the group that the environmental assessment for the sphere reduction proposal, by necessity, would need to look at the ultimate goal of incorporation and would require a forecast of future impacts to both of the Cities and their development impact fee structures based upon the removal of territory planned to be served. The Cities of Fontana and Rialto representatives at the DRC meeting submitted opposition to the sphere reduction requests at the DRC meeting citing their longstanding planning efforts for land use decisions, master plans for facilities and services such as sewer service, and circulation plans as outlined within their respective General Plans.

So, with the passage of the one year anniversary of the filing of this application, staff has placed this item on the Commission’s agenda to review with it the elements of the BIC Feasibility Study updated as of December 1, 2005 (Attachment #4) and the staff’s analysis of that report. It is LAFCO staff’s position that, based upon the materials presented by BIC, a new City of Bloomington is not financially viable. Therefore, staff’s purpose in presenting the review at this time is twofold:

First, moving forward with the environmental analysis of this application, as determined by the LAFCO Environmental Consultant, Tom Dodson, and Special Counsel, Jeffery Goldfarb, requires evaluation of the sphere reduction proposal and the potential incorporation as one evaluation, since the sphere is the first step in the chain of events for incorporation. Such an evaluation will be costly.

Staff has reviewed the question of environmental assessment costs with Riverside LAFCO staff as they are currently processing an application for the incorporation of the Menifee Valley, without the complication of a sphere of influence change. Riverside LAFCO has indicated that the Request for Proposal to prepare the environmental assessment received one bid, for \$20,000, to prepare the Initial Study. The cost for preparation of the environmental assessment for the LAFCO 2981 sphere reductions coupled with incorporation of Bloomington per the adopted fee schedule are to be borne by the applicant, in this case BIC.

Secondly, approval of the sphere of influence reductions will set the stage for BIC to circulate an incorporation petition requesting that LAFCO initiate proceedings for that action. However, if such an application were initiated to LAFCO, the responsibility for preparation of the Comprehensive Fiscal Analysis (CFA) required by Government Code Section 56800 rests with the Commission. The CFA is required to provide the analysis necessary to make the determinations required by Government Code Section 56720 (which includes the determination that the proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation) and Section 56815 (revenue neutrality – the transfer of revenues equals the service obligations. If it does not, repayment of the shortfall must be made to the serving entity). The cost for preparation of the Menifee Valley CFA was \$64,000. Again, pursuant to the Commission's fee schedule, the costs for this preparation shall be borne by the applicant, presumed to be BIC or another group associated with the community.

So, in the staff view, the key issue to be decided, before moving forward to determine the four factors of consideration for the sphere of influence determination – Present and Planned Land Uses, Present and Probable Need for Service, Present Capacity and Adequacy of Service, and the Existence of any Social or Economic Communities of Interest – is whether the succeeding entity, a City of Bloomington, is viable. If it is not, as the staff believes, the community should not be obligated to pay the costs for environmental analysis and the CFA to continue this process.

If, however, the Commission determines, after review of the staff report and testimony at the hearing, that an incorporation of a City of Bloomington would be financially viable, it can direct the staff to proceed with the environmental analysis of the sphere of influence reductions to delete the areas from the respective city spheres, direct staff to provide a review of the four factors affecting the sphere of influence reductions, and provide direction to staff on the areas of the feasibility study to be modified.

BACKGROUND:

To better understand the current proposal, a brief history of the relationship between LAFCO and the community of Bloomington is necessary. Attachment #3 to the staff report provides a chronology of the various efforts to look toward the ultimate governance of the community of Bloomington from the inception of LAFCO up to the submission of the current application.

From 1963 through today, three official efforts toward incorporation were submitted to LAFCO for review. The Bloomington Chamber of Commerce withdrew its support of the first incorporation effort in 1963 (LAFCO 5) when the determination was made that the effort was not financially viable. In 1971 (LAFCO 1021) the proposal for incorporation was denied by the Commission after several hearings. The rationale for denial was the determination that cityhood would result in fewer services to the community but at a higher tax rate (at the time entities annually established their tax rate as a function of the budget review process) than that offered by the County. In 1978-79, a Blue Ribbon Committee composed of representatives of the Bloomington Municipal Advisory Council (MAC), City of Fontana, City of Rialto and LAFCO staff set about studying various governmental options for the community of Bloomington. A Citizens Committee established to assist in this effort evaluated incorporation as an option, and again determined that it was not financially feasible. In 1980, following completion of the studies by the Blue Ribbon Committee and the recommendation of the Citizens Committee and the Bloomington MAC, the bulk of the Bloomington community was placed in the sphere of influence of the City of Rialto (LAFCO 1141B), with the western edge placed in the sphere of influence of the City of Fontana (LAFCO 1249B). These were the only efforts towards incorporation that resulted in materials being filed and considered before LAFCO.

However, in 1985 an informal cityhood study group was assembled to look toward incorporation; but no official documents were filed. During 1990-91, the Bloomington Association of Concerned Citizens notified LAFCO of its desire to look at the feasibility of incorporation and LAFCO staff assisted in the collection of information for its review. Again, no official proposal was submitted. In 2000, the Committee for Bloomington Incorporation was formed and it, too, submitted a petition of residents indicating its desire to look into the feasibility of incorporation. LAFCO staff assisted in the collection of data for that review but, again, no official documents were submitted.

In November 2003, LAFCO staff was contacted by Mr. Eric Davenport and Ms. Ginger Elliott to look at government options to stop the proliferation of County zone changes within the Bloomington community to smaller than ½ acre lots and to lament the school overcrowding, traffic backups, and the low level of law enforcement services the community received. In addition, they expressed their opposition to the annexations of the Bloomington community by the surrounding cities. About this same time, the County had begun a discussion of the potential for creation of a Redevelopment Area for the Bloomington community (through the

County Redevelopment Agency) and initiated its General Plan Update, along with preparation of a Community Plan for Bloomington (through the Advance Planning Division of the County Land Use Services Department). In participating in these discussions, BIC determined that in order to have land use authority to manage the destiny of the Bloomington community they would need to incorporate.

Following thereafter, on August 12, 2004, representatives of BIC notified LAFCO that it would be preparing an Incorporation Feasibility Study and requested that it be provided information on any annexation requests from either the City of Fontana or City of Rialto. As of that time, no applications were on file with LAFCO for annexation in the community of Bloomington and none had been processed since 1992. LAFCO 2981 was officially filed on December 3, 2004, but the required documents for circulation of the proposal and the payment of the reduced filing fees (authorized by the Commission January 19, 2005) were not received until May 26, 2005.

BIC FEASIBILITY STUDY:

At the DRC meeting held by LAFCO staff on July 12th, a number of items were outlined as deficiencies in the LAFCO 2981 application, along with additional materials required, and a letter outlining the needed materials was forwarded to BIC. One of the critical elements that this letter requested was clarification of the area to be considered in the application. This question was posed since the Feasibility Study map submitted June 1, 2005 and the application map submitted in December 2004 did not coincide. In addition, the letter outlined the requirement that a map and legal description of the proposed changes for the spheres of influence areas included within the application had to be prepared pursuant to LAFCO standards. The suggestion was made that BIC contact the County Surveyor's office for preparation. To date, no official clarification of the boundary for review or submission of the required map and legal has taken place.

The DRC letter also included the outline that the environmental assessment to be conducted would, by necessity, require the evaluation of the incorporation proposal as outlined above. The Cities of Fontana and Rialto submitted opposition to the sphere reduction requests (copies included as a part of Attachment #7) at the DRC meeting citing their longstanding planning efforts for land use decisions, master plans for facilities and services such as sewer service, and circulation plans within their respective General Plans.

During the interim between the DRC meeting and today's hearing, discussions with Mr. Davenport, the primary BIC contact for the application, have taken place on several occasions requesting clarification of items within the Draft Feasibility Study. On December 1, 2005, representatives of BIC submitted a third revision or update to its Feasibility Study outlining the group's analysis of the anticipated costs and revenues for a proposed City of Bloomington. Since San Bernardino

LAFCO has not processed an incorporation proposal in over 12 years, staff has utilized the Draft CFA prepared for the Menifee Valley Incorporation in Riverside County and the Draft Lake Arrowhead Wood Feasibility Study, both documents prepared by consultants, to compare and contrast the projections of the BIC Feasibility Study.

Since the incorporation of the City of Chino Hills in 1991, statutory requirements related to incorporations have changed significantly. Specifically, the Commission must make mandatory findings as specified in:

1. Government Code Section 56720 -- including, but not limited to, finding that the proposed city is expected to receive sufficient revenues to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation. LAFCO's Incorporation Policy #5 identifies that a reasonable reserve is a contingency fund equal to 10% of the projected general and special (restricted) funds of the proposed new city; and,
2. Government Code Section 56815 -- that states that the Commission cannot approve a proposal for incorporation unless it finds that revenues to be transferred are equal to the direct and indirect expenditures necessary to provide the services (Revenue Neutrality provisions). If these quantities are not "substantially equal", the Commission will have to receive agreement to the proposed transfer from all affected parties or negotiate a tax sharing or lump-sum payment(s) over a fixed period of time.

Staff has taken the revenue and expenditures calculations prepared by BIC, calculations for Menifee Valley (a copy of the Introduction and Conclusions of the Menifee Valley CFA report are included as a part of Attachment #5 to this staff report) and Lake Arrowhead Woods Incorporation Feasibility (copy included as Attachment #6) and placed them within a spreadsheet for easy comparison by the Commission. In addition, staff has prepared its evaluation of the revenues and expenditures for a new City of Bloomington based upon the BIC information and verification of revenues and expenditure items against the Menifee Valley and Lake Arrowhead Woods materials. In this analysis, the revenues and expenditures are identified as Unrestricted (available for general use by the City or discretionary funds) and Restricted (may only be used for specified purposes such as Highway Taxes and Special Assessments).

The biggest change financially for incorporations since San Bernardino LAFCO's last foray into these applications relates to AB 2215 implementing Prop 1A. AB 2215 reduced the Motor Vehicle In-Lieu fees paid to existing cities and counties but provided a backfill for that reduction amount with an increased share of property tax revenues. However, the "Triple Flip" legislation, as it is commonly

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known, has also imposed restrictions on these revenues for new incorporations, without providing an increased property tax as a backfill. In the past, Motor Vehicle In-Lieu revenues were the biggest element of discretionary funding for a newly-incorporated city. For example, without the Triple Flip, a Bloomington Incorporation, based on its existing population count of three times the registered voters (21,378), would have received \$1,175,790 (\$55 per capita) compared with the current allocation of \$411,954 (\$19.67 per capita). Legislators proposed AB 1602 as a fix for new incorporations, but the bill is currently being held in Committee and the possibility of its passage appears remote. Therefore, the largest category of discretionary revenue for a newly-incorporated City remains slashed for the foreseeable future and impacts all Statewide efforts toward incorporation.

The spreadsheets which follow provide comparisons for the potential incorporation of Bloomington for revenues and expenditures.

REVENUES:

ACCOUNT NAME	DECEMBER 1, 2005 REVISED FEASIBILITY STUDY BIC	LAFCO STAFF ANALYSIS	MENIFEE VALLEY DRAFT COMPRE- HENSIVE FISCAL ANALYSIS YEAR 2007-08	LAKE ARROWHEAD DRAFT FEASIBILITY STUDY – YEAR 2004-05
REVENUES:				
Unrestricted				
Cash on Hand	\$3,000.00			
Leases & Rents	\$18,000.00			
Property Tax	\$869,337.00	\$815,728.00	\$5,986,924.00	\$936,374.00
Property Transfer Tax		\$23,296.00	\$316,119.00	\$61,559.00
Franchise Fees	\$269,586.00	\$219,586.00	\$830,983.00	\$321,983.00
Transient Occupancy Tax	\$6,000.00	\$26,347.00	\$78,755.00	\$846,411.00
Building Permit Fees	\$220,213.00	\$220,213.00	\$1,024,158.00	\$3,183.00
Fines and Forfeitures	\$25,000.00	\$25,000.00	\$283,258.00	
Animal Control Fees	\$0.00	\$63,579.00		
Planning Fees	\$25,000.00	\$25,000.00		\$588,826.00
Engineering Fees			\$1,613,496.00	
Sales and Use Tax	\$725,300.00	\$725,300.00	\$2,018,680.00	\$784,165.00
Motor Vehicle In-Lieu (current allocation methodology \$19.27 times population)	\$411,954.00	\$411,954.00	\$275,326.00	\$277,430.00
Investment Earnings		\$25,000.00	\$124,277.00	
Motor Vehicle In-Lieu Reconciliation Fee	\$6,282.00			
Commercial Trailer	\$10,197.00			
SPECIAL DISTRICTS (property tax transfer revenues)				

Animal Control	127,156.00
Code Enforcement	100,000.00
Total	\$2,208,096.00

However, the correct total is computed by eliminating Animal Control as the figure represents the anticipated contractual costs as outlined in the response materials. The number should include the cost of the service less revenue received through fees or charges. Without the information to verify, staff has eliminated this cost. The total property tax allocation is calculated at 39.2% (Auditor's ratio) of \$2,080,940 representing \$815,728.

2. The BIC calculation does not include a revenue source from the Property Transfer Tax imposed on all real estate transactions. LAFCO staff has included this figure utilizing the calculation factor included in the Lake Arrowhead Woods Incorporation of 5% of total assessed valuation. Additional revenue is \$23,296.
3. Transient Occupancy Tax – This is the tax charge for all hotel, motel, and bed and breakfast rooms in the County. BIC's calculation was \$6,000 per year. However, the information provided by the County Treasurer/Tax Collector was \$26,347 when requested to provide an estimate for the Bloomington community.
4. Investment Earnings – No interest earnings were included in the BIC calculation. LAFCO staff has included \$25,000 as a general revenue source from all discretionary funds.
5. CSA 70 Improvement Zone DB-1 revenues associated with the special tax approved for this tract would be transferred to a new City of Bloomington. The revenues identified in the County Special Districts Budget book for 2005-06 identify that this entity has \$37,000 a year in special tax revenues, it has a fund balance of \$31,998 and interest earning of \$500. These revenues, less the interest earnings, have been included in the LAFCO staff calculation of \$68,998.
6. Highway Users Tax 2106(a) – The BIC calculation is identified as \$400; however, a review of the population figures for this calculation shows that the correct payment for populations over 19,999 is \$4,000.
7. Animal Control Fees – The materials provide a response from the County Animal Control Department that identifies the anticipated costs for providing this service to be \$127,156; however, no revenues are identified by the BIC calculation. In past incorporation proposals, the fees received for this service are approximately 50% of the cost. LAFCO

staff has included the \$63, 579 to reflect fees and charges.

8. In the LAFCO staff calculation, the following revenues shown in the BIC calculation have been eliminated with the rationale for these changes identified as follows:
 - a. Cash on Hand – no revenue source for these funds is identified in the materials. Removed from Revenue projection \$3,000.
 - b. Leases & Rents – the materials identify that this revenue is associated with the lease of the park and recreation facilities. However, the document submitted does not identify the source of the calculation. Removed from Revenue projection \$18,000.
 - c. Motor Vehicle In-Lieu Reconciliation Fee – staff can find no reference for this calculation. The revenues for the Menifee Valley and Lake Arrowhead Woods incorporations do not identify this amount. Removed from Revenue projection \$6,282.
 - d. Commercial Trailer revenues – staff can find no reference for this calculation. The revenues for the Menifee Valley and Lake Arrowhead Woods incorporations do not identify this revenue source. Removed from Revenue projection \$10,197.
 - e. Gas Tax Unrestricted – BIC was requested to provide documentation of this revenue source. The material presented did not verify this as a separate revenue allocation apart from the Highway Users Taxes already calculated. Removed from Revenue projection \$299,078.
 - f. Highway Users Tax 11005C – staff can find no reference to this tax in materials available from the State Controller's office. Removed from Revenue projections \$185,537.
 - g. Off Highway 38240 – staff can find no reference for this allocation in materials available from the State Controller's office. Removed from Revenue projections \$1,182.
 - h. SLESF Fund – the August 31, 2005 response received from Captain Dennis J. Casey, Sheriff's Bureau of Administration, indicates that a newly-incorporated City may be able to receive the Supplemental Law Enforcement Services Funds (SLESF). However, these are not considered routine general revenues without requirement for some future action to apply for receipt; therefore, pursuant to LAFCO Incorporation Policy #3, they have been removed from the

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calculation. Removed from Revenue projections \$100,000.

EXPENDITURES:

ACCOUNT NAME	DECEMBER 1, 2005 REVISED FEASIBILITY STUDY BIC	LAFCO STAFF ANALYSIS	MENIFEE VALLEY DRAFT COMPRE- HENSIVE FISCAL ANALYSIS YEAR 2007-08	LAKE ARROWHEAD DRAFT FEASIBILITY STUDY – YEAR 2004-05
EXPENDITURES:				
GENERAL FUND				
Elected and Appointed	\$23,330.00	\$23,330.00	\$45,000.00	\$84,000.00
Elections (repayment)		\$10,000.00	\$60,832.00	
Administration	\$274,018.00	\$214,369.00	\$1,877,278.00	\$708,435.00
City Clerk	\$44,836.00	\$48,677.00	(Included in admin)	\$149,950.00
City Attorney		\$175,000.00	\$306,000.00	\$173,250.00
Finance Department		\$44,836.00		\$189,000.00
Planning Department		\$500,000.00	\$1,380,197.00	\$1,070,528.00
Animal Control		\$127,156.00	\$100,674.00	\$173,250.00
Code Enforcement		\$84,000.00		\$84,000.00
Law Enforcement	\$2,045,941.00	\$2,045,941.00	\$5,389,468.00	\$1,628,626.00
Communications	\$5,032.00			
Community Services/Parks	\$192,133.00	\$278,133.00		
General Administrative Expense	\$108,418.00	\$108,418.00		
Advertising	\$4,575.00	\$4,575.00		
Insurance	\$20,128.00	\$30,000.00	\$631,283.00	
Administration of Special districts (CSA 70 DB-1)		\$69,498.00		\$387,019.00
Fire Protection			\$9,432,390.00	\$6,888,267.00
Repayment of First Year Costs			\$2,037,998.00	
Office Rent/Supplies			\$658,150.00	
Public Works Administration			\$1,792,773.00	
TOTAL GENERAL FUND	\$2,718,411.00	\$3,763,933.00	\$23,712,043.00	\$11,536,325.00
Public Works Department – Restricted Revenues	\$1,349,189.00	\$877,045.00	\$1,588,108.00	\$1,931,551.00
Contingency/Reserve	\$457,459.00	\$464,396.00	\$2,104,276.00	
TOTAL EXPENDITURES	\$4,525,059.00	\$5,105,374.00	\$27,404,427.00	\$13,467,876.00

The following discusses staff's changes to the information submitted in the BIC Feasibility Study expenditures as outlined in the Update dated December 1, 2005:

1. Elections – no cost associated with repaying election costs for incorporation was included, while repayment is a requirement of Government Code Section 57150(b). LAFCO staff has included the estimated cost for the

- incorporation election with selection of Council members at a November general election.
2. Under General Administration, the information on page 15 of the Feasibility Report Update outlines the calculation for this line item. The materials state that benefits are 31.5% of base salary shown to be \$142,180. 31.5% of this figure would be \$44,787; however, the materials include a cost of \$17,061.50. LAFCO staff has corrected this item. In addition, the General Administration line item included \$75,000 for Legal Counsel costs based upon a comparison with the City of Calimesa. However, the City of Calimesa is an established City, not required to set up the operations of a new City. LAFCO staff has removed this portion of the calculation and outline it separately below.
 3. City Attorney – The BIC projection does not identify the costs for services to be performed by Legal Counsel as a separate line item. As outlined above, LAFCO staff has shifted this cost to its own category. The first few years of cityhood require substantial legal work to prepare the required resolutions, ordinances, and papers to file for State subvention revenues, to file for receipts of sales taxes, accept the County General Plan for the interim three year period and for mandatory development of the City's required General Plan within 30 months of incorporation, etc. LAFCO staff has included an estimated cost of \$175,000 in its analysis.
 4. Finance Department – The outline of expenditures included in the narrative discussion did not include a cost for a Finance Department. However, the operation of a park and recreation department, the payment of building permit fees, code enforcement fees, animal control fees, and the responsibility for assuring the implementation of special assessments and property tax functions, in the staff view, require a Finance Department. Therefore, we have added a line item comparable to that anticipated by BIC for the City Clerk.
 5. Planning Department – The materials presented by BIC do not include costs associated with the operation of a Planning Department. This causes some concern to LAFCO staff as the primary emphasis for the incorporation of the City of Bloomington is to take control of the land use decisions for the community.

The materials submitted by BIC indicate on page 22 that it believes that the Community Plan prepared by the County, as a part of its General Plan Update process will suffice as its required General Plan. LAFCO staff conveyed to BIC representatives that a Community Plan and a General Plan are not synonymous. A General Plan is required to include seven mandatory elements (Government Code Section 65302) identified as: land

use, circulation, housing, conservation, open space, noise and safety. The Community Plan being prepared for the Bloomington Community declares in its introduction “Community plans focus on a particular community within the overall area covered by the General Plan of a jurisdiction.” They are intended to work in concert with the General Plan to address retention of desired community attributes.

State law requires that a newly-incorporated city prepare a General Plan within 30 months of incorporation – this would include drafting the seven mandatory elements along with the preparation of the environmental impact report analyzing the impacts associated with the development of the area under the provisions of the new General Plan. Both the Menifee Valley and the Lake Arrowhead Woods materials identify costs in excess of \$1,000,000 for the planning functions of these areas. LAFCO staff has included a conservative cost estimate of \$500,000 in its analysis of the incorporation.

6. Animal Control – The Feasibility Report does not include an entry for payment of costs associated with the provision of animal control services. Included in the Appendix materials is a letter from the County Animal Control Department which indicates that a contract could cost from \$127,156 to \$164,000+. LAFCO staff has included the minimum contract amount for consideration in this review.
7. Law Enforcement – The calculation includes the costs identified in correspondence from the County Sheriff’s Department for service. This item does not include the costs for booking fees that would be charged to the new city. The County Board of Supervisors took action on January 31, 2006 to establish these charges at \$79.86 per detainee for the period July 1, 2005 through June 30, 2008. Staff is unaware of the number of detainees from the community of Bloomington; however, if it were to be 1,000 detainees during the fiscal year, it would add an additional \$79,860 to costs. Staff has not included any amount for this cost in its calculations.
8. Insurance Costs – The BIC cost is listed as \$20,128. Included in the narrative discussion of the expenditures is the identification that the full insurance coverage costs for a \$1,000,000 payroll would be \$60,000, with the first year set at \$500,000 or a 50% reduction to \$30,000. LAFCO staff has corrected the BIC total to reflect the \$30,000 figure.
9. Administration of Special District – BIC does not include an identification of the administration of CSA 70 Improvement Zone DB-1. LAFCO staff has included the County Special District Department’s budgeted expenditures for this District for Fiscal Year 2005-06 in its calculation.

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10. Public Works – LAFCO staff has corrected the figure to the restricted highway taxes pursuant to staff’s estimate plus \$100,000. This is the same calculation used for the BIC line item.
11. Contingency/Reserve –LAFCO’s evaluation has included a contingency/ reserve of \$386,692 for discretionary funds and \$77,704, for a total of \$464,396 as required by Incorporation Policy #5.

CONCLUSION:

The chart below provides the description of the net effect of the changes, additions and corrections to the revenue and expenditure calculations.

	December 1, 2005 REVISED FEASIBILITY STUDY BIC	LAFCO STAFF ANALYSIS	MENIFEE VALLEY DRAFT COMPRE- HENSIVE FISCAL ANALYSIS YEAR 2007-08	LAKE ARROWHEAD DRAFT FEASIBILITY STUDY – YEAR 2004-05
REVENUES:				
Total Discretionary	\$3,186,892.00	\$2,878,975.00	\$12,551,976.00	\$11,645,666.00
Total Restricted Funds	\$1,387,672.00	\$759,732.00	\$2,413,982.00	\$639,459.00
TOTAL REVENUES	\$4,574,564.00	\$3,638,707.00	\$14,965,958.00	\$12,285,125.00
EXPENDITURES:				
General Fund (Discretionary)	\$2,718,411.00	\$3,763,933.00	\$23,712,043.00	\$11,536,325.00
Public Works Department – Restricted Revenues	\$1,349,189.00	\$877,045.00	\$1,588,108.00	\$1,931,551.00
Contingency/Reserve	\$457,459.00	\$464,396.00	\$2,104,276.00	
TOTAL EXPENDITURES	\$4,525,059.00	\$5,105,374.00	\$27,404,427.00	\$13,467,876.00
SURPLUS/(DEFICIT)	\$49,505.00	(\$1,466,667.00)	(\$12,438,469.00)	(\$1,182,751.00)

The chart illustrates that a potential incorporation for the City of Bloomington would be at a deficit in its first year of operation in excess of \$1,000,000, based upon LAFCO staff’s analysis of revenues and expenditures. LAFCO staff cannot support continuing the consideration of the sphere of influence reductions requiring the evaluation of impacts upon the Cities of Fontana and Rialto if the incorporation, which they are intended to allow to move forward, would be unrealistic. In addition, BIC, made up of residents within the area, should not be required to fund the preparation of the environmental assessment of this application, anticipated to exceed \$20,000, or the ultimate CFA, estimated to equal the Menifee Valley CFA at \$64,000, if the expected outcome would be denial.

It has been argued by many in the community that the decision on this matter should be by popular vote of the people. However, the State Legislature has outlined a process where the Commission is required to determine that incorporation will meet certain criteria before a vote can take place. It is the responsibility of LAFCO to determine whether or not the application fulfills that criterion. In this case, LAFCO staff does not believe a new City of Bloomington is financially viable based upon the Commission's policies and the directives of State law. For these reasons, staff recommends that the Commission deny LAFCO 2981.

KRM/

Attachments

1. Vicinity Map and Maps of Reductions to City Spheres
2. San Bernardino LAFCO Incorporation Policies
3. Chronology of LAFCO Involvement with Bloomington Community
4. BIC Application for LAFCO 2981 and Feasibility Report Submitted December 1, 2005
5. Introduction and Conclusion Sections of the Public Review Report Comprehensive Fiscal Analysis of the Proposed Incorporation of Menifee Valley
6. Preliminary Fiscal Analysis Arrowhead Wood Incorporation
7. Letters from the City of Rialto (June 20, 2005) and City of Fontana (June 15 and 29, 2005) in Opposition to LAFCO 2981
8. BIC response
- 9.