

SUNSET BEACH INCORPORATION

PRELIMINARY FEASIBILITY ANALYSIS (PFA)

FINAL DRAFT

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Executive Summary

Purpose of Study

This report presents a Preliminary Feasibility Analysis (PFA) of the incorporation of the community of Sunset Beach in Orange County, California. The purpose of this initial fiscal review is to determine if incorporation of the community of Sunset Beach is feasible in terms of the proposed new city's service costs and revenues.

The analysis presented here is not intended to be a comprehensive fiscal analysis (CFA) as required by the Orange County (County) Local Agency Formation Commission (LAFCo) when cityhood proponents make a formal application for incorporation. The intent of the PFA is to provide a preliminary fiscal analysis that assists the proponents of cityhood in determining whether to proceed with an application for incorporation. As would be the case for a CFA, LAFCo guidelines were referenced in the design of the PFA's assumptions, methods and scope of analysis.

Key Assumptions

This analysis evaluates the feasibility of a new city government and shows forecasted revenues and expenditures of the proposed new city for the first ten years of operation. The period analyzed begins in fiscal year (FY) 2011-12 (transition year) and ends in FY 2020-21. The analysis assumes the effective date of incorporation will be July 1, 2011.

Base Year

This PFA is based on County revenue and cost data from the most recent fiscal year for which data is available, FY 2008-09, or the Base Year.

Boundary

This PFA analyzed fiscal feasibility for a single boundary scenario. The boundaries of the proposed incorporation are shown in **Figure E.1**.

Service Levels

Service levels for the newly incorporated city are assumed to remain constant at the levels funded by current service providers in FY 2008-09.

Figure E.1



Organization of the New City: Three Service Scenarios

This analysis examines three different service delivery options for feasibility of the proposed city: Scenario 1 or the “Limited Services” scenario, Scenario 2 or the “Preferred Services” scenario, and Scenario 3 or the “Maximum Services” scenario. The three scenarios are evaluated in order to test a range of incorporation alternatives for cityhood proponents.

In all three scenarios, the new city is assumed to accept direct responsibility for general government services, including creation of a city council and other legislative and administrative functions, and accept contract responsibility for police, public works (including road maintenance), animal control, and development services.

Contracts for these services may occur between the new city and the County, a neighboring city or a private firm. This arrangement is consistent with other recent incorporations in the County of Orange and elsewhere in Southern California. It is also assumed that the County will retain some services.

This analysis looks at two funds that the new city will establish: the general fund and the road fund. Costs and revenues are examined for each fund.

Table E.1 summarizes three scenarios analyzed in this study. It shows which services are funded by each scenario, which revenue sources are utilized and highlights the different utility user tax rates needed to fund the services provided. Each higher number scenario adds service responsibilities to the new city.

Table E.1: Incorporation Scenario Profiles

	Scenario 1 - Limited Services	Scenario 2 - Preferred Services	Scenario 3 - Maximum Services
New City Hires Full and Part Time Staff	Yes	Yes	Yes
Police Protection	Seal Beach ¹	Seal Beach ¹	Seal Beach ¹
Fire Protection	OCFA ² (No Change)	OCFA ² (No Change)	OCFA ² (No Change)
Ownership and Maintenance of Pacific Avenue Greenbelt and Restrooms	County (No Change) ³	City	City
Ownership and Maintenance of Beachfront and Lifeguard Program	County (No Change)	County (No Change)	City Starting in Year Six
Metered (Visitor) and Permit (Resident) Parking	No	No	Yes
Utility User Tax Rate	5.00%	7.50%	10.00%

Notes:

¹Contract service with Seal Beach would require approval of the Seal Beach City Council.

²OCFA is Orange County Fire Authority

³The Sunset Beach Sanitary District is an alternate provider of the maintenance.

Source: Willdan Financial Services.

Common to all scenarios, expanded utility user taxes (UUT) are enacted to fund City expenditures on services to residents and businesses. The major difference between Scenario 1 and Scenario 2 is that in Scenario 2 the new city takes responsibility for the maintenance of the greenbelt and restrooms along North and South Pacific Avenue. The UUT rate is higher in Scenario 2 compared to Scenario 1. In the “Maximum Services” scenario, responsibility for the beach is added to the services provided by the new city.

The major difference between **Scenario 3** and the first two scenarios is the new city’s assumption of costs in Scenario 3 for beach maintenance and the lifeguard program starting in the sixth year of cityhood. Prior to the sixth year of cityhood, the County provides these services. Metered parking is installed so that visitors pay a share of added City costs, and residents are issued parking permits at minimal cost for on-street parking. **Scenario 3** also has higher utility user taxes than **Scenarios 1 and 2** to pay for these services, but the tax rates are lower than those in the City of Seal Beach.

In each scenario where the new city funds services which are now a County responsibility, the City would define the service level and manage the service delivery. Full and part time professional staff would carry out these duties and be given direction by the new city council.

Revenue Neutrality

Under the revenue neutrality law enacted in 1992, LAFCo cannot approve a proposed incorporation unless it finds that the county and affected special districts are not adversely impacted by the transfer of costs and revenues to the new city. Statutory requirements determine the revenues transferred to a new city such as property tax.

If the analysis anticipates negative impacts, then negotiation with the County would be required for the new city to mitigate these impacts. All revenue sources may be included in the negotiations. Estimated revenue neutrality payments are not included in this analysis.

Key Findings

Feasibility

The fiscal feasibility of the proposed city is evaluated based on net revenue (revenues minus costs) as a percent of total costs, and trends in the City’s fund balances. As a guide, a new city is considered to be feasible if net revenue is within plus or minus 10 percent of total costs in a given year (or total revenue is more than 110 percent of costs), and the city’s fund balances in a given year are greater than 10 percent of the annual revenue.

The minimum legal requirement for making a finding of fiscal feasibility as stated in Government Code Section 56720 (e) requires the proposed city “to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.” This study includes analysis over a ten year period to have a more complete picture of the fiscal balance of the city, given that certain state subventions are reduced after five years pursuant to statute. The analysis also includes a five percent contingency, which is assumed to be expended each year.

The summary results of the analysis are presented in **Table E.2**.

Table E.2: Net Revenue Summary -- Scenarios Compared

General Fund¹ in FY 2020-21 (Year 10)	Scenario 1 - Limited Services²	Scenario 2 - Preferred Services³	Scenario 3 - Maximum Services⁴
Costs	\$1,190,900	\$1,290,500	\$1,534,000
Revenues	\$1,040,200	\$1,182,800	\$1,579,700
Net Revenues	\$150,700	\$107,700	(\$45,700)
Net Revenues % Costs	14%	9%	-3%
Reserve Fund Balance	\$1,346,700	\$979,600	\$1,058,500
Reserves % Revenues	129%	83%	67%
Feasible?⁵	Yes	Yes	Yes

¹Road Fund detail is shown in Tables E.3 through E.5.

² In the limited services scenario the new city assumes responsibility for general government, public works and police services. UUT is charged at 5% for applicable utilities. The County or the Sanitary District will assume responsibility for maintaining the greenbelt and beach.

³ In the preferred services scenario the new city assumes responsibility for general government, public works, police services, and maintenance of the greenbelt. UUT is charged at 7.5% for applicable utilities. The County keeps responsibility for beach maintenance.

⁴ In the maximum services scenario the new city assumes responsibility for general government, public works, police services, maintenance of the greenbelt and beach maintenance. UUT is charged at 10% for applicable utilities. Metered parking is installed in the Warner parking lot to offset beach maintenance costs.

⁵ Feasibility is determined by fund reserves greater than 10 percent of annual revenues and net revenues within +/- 10 percent of costs (or total revenues more than 110 percent of total costs).

Source: Willdan Financial Services.

Conclusion

Each scenario in this analysis shows net revenue that is within plus or minus 10 percent of total costs, or total revenue that is more than 110 percent of costs. Additionally, each scenario maintains a fund balance in excess of 10 percent of operating revenue annually. Given both findings, the analysis indicates that each scenario meets the criteria for a feasible incorporation.

It is important to note that while the initial years of the analysis for Scenarios 1 and 2 show negative net revenue and negative fund balances, the incorporation is still deemed feasible. In actual practice the new city would not assume responsibility for providing all services during the transition year (the period of time between the effective date of incorporation and July 1 following the effective date).

During the transition period, the County is obligated to provide certain services to the new city, while the new city establishes itself and accrues the necessary revenues to fund its services. The County continues to receive certain revenues, including property tax, and half of sales tax revenues among others, during the transition year. The new city, as result, has ample revenues and significant reduced first year costs.

This document does not examine transition period cash flow, rather, it seeks to determine overall fiscal viability through the ten-year timeframe. Should the Community ultimately decide to seek cityhood, the Comprehensive Fiscal Analysis (CFA) required will examine transition period issues in greater depth.

In **Tables E.3, E.4, and E.5**, detailed information about all revenues and costs is presented. The tables draw from the cost assumptions presented in Chapter 4 and the revenue assumptions presented in Chapter 5. Results are separated for the new city's general fund and road fund, and shown for both funds combined.

Table E.3: Net Revenue Detail - Scenario 1 - Limited Services Scenario

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ 176,000	\$ 175,000	\$ 174,000	\$ 173,000	\$ 173,000	\$ 172,000	\$ 171,000	\$ 171,000	\$ 170,000	\$ 170,000
Sales Tax	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000
Property Transfer Tax	19,100	19,800	20,500	21,300	22,000	22,800	23,700	24,500	25,400	26,300
Transient Occupancy Tax	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100
Utilities User's Tax	197,200	197,200	197,200	197,200	197,200	197,200	197,200	197,200	197,200	197,200
Licenses and Permits	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Franchise Fees	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300
Fines and Penalties	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Charges for Services	147,000	149,000	150,000	151,000	153,000	155,000	155,000	157,000	160,000	160,000
Vehicle License Fees	65,000	98,000	91,000	85,000	78,000	72,000	72,000	72,000	72,000	65,000
Use of Money & Property	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Total	\$ 1,176,700	\$ 1,211,400	\$ 1,205,100	\$ 1,199,900	\$ 1,195,600	\$ 1,191,400	\$ 1,191,300	\$ 1,194,100	\$ 1,197,000	\$ 1,190,900
Costs										
City Council	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
City Manager	81,900	83,000	83,000	84,000	85,100	85,100	86,100	87,200	88,200	89,300
City Attorney	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
City Clerk	71,000	75,000	74,000	78,000	77,000	80,000	78,000	81,000	80,000	83,000
City Treasurer	44,100	45,200	46,200	46,200	47,300	48,300	48,300	49,400	49,400	50,400
Development Services	183,800	185,900	186,900	189,000	191,100	193,200	194,300	196,400	199,500	200,600
General Plan	167,000	167,000	166,000	-	-	-	-	-	-	-
Police	444,500	378,200	382,000	385,800	389,700	393,600	397,500	401,500	405,500	409,600
Animal Control	800	800	800	800	800	800	800	800	800	800
Non-Departmental	102,400	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000
Contingency @ 5 percent	61,000	57,000	58,000	49,000	50,000	50,000	51,000	51,000	51,000	52,000
Total	\$ 1,219,000	\$ 1,146,600	\$ 1,151,400	\$ 987,300	\$ 995,500	\$ 1,005,500	\$ 1,010,500	\$ 1,021,800	\$ 1,028,900	\$ 1,040,200
Net Revenue	\$ (42,300)	\$ 64,800	\$ 53,700	\$ 212,600	\$ 200,100	\$ 185,900	\$ 180,800	\$ 172,300	\$ 168,100	\$ 150,700
<i>Net Revenue % Costs</i>	<i>(3%)</i>	<i>6%</i>	<i>5%</i>	<i>22%</i>	<i>20%</i>	<i>18%</i>	<i>18%</i>	<i>17%</i>	<i>16%</i>	<i>14%</i>
General Fund Operating Reserve	\$ (42,300)	\$ 22,500	\$ 76,200	\$ 288,800	\$ 488,900	\$ 674,800	\$ 855,600	\$ 1,027,900	\$ 1,196,000	\$ 1,346,700
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800
Total	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800						
Costs										
Road Maintenance	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500
Net Revenue	\$ (58,700)	\$ (61,700)	\$ (61,700)	\$ (61,700)						
<i>Net Revenue % Costs</i>	<i>(50%)</i>	<i>(52%)</i>	<i>(52%)</i>	<i>(52%)</i>						
Net Revenue All Funds	\$ (101,000)	\$ 6,100	\$ (5,000)	\$ 153,900	\$ 141,400	\$ 127,200	\$ 122,100	\$ 110,600	\$ 106,400	\$ 89,000
<i>Net Revenue % Costs</i>	<i>(8%)</i>	<i>0%</i>	<i>(0%)</i>	<i>14%</i>	<i>13%</i>	<i>11%</i>	<i>11%</i>	<i>10%</i>	<i>9%</i>	<i>8%</i>
Operating Reserve - All Funds	(101,000)	(36,200)	17,500	230,100	430,200	616,100	796,900	966,200	1,134,300	1,285,000
<i>Reserve % of Revenues</i>	<i>(8%)</i>	<i>(3%)</i>	<i>1%</i>	<i>18%</i>	<i>34%</i>	<i>49%</i>	<i>64%</i>	<i>77%</i>	<i>90%</i>	<i>103%</i>

Sources: Willdan Financial Services.

Table E.4: Net Revenue Detail - Scenario 2 - Preferred Services Scenario

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ 176,000	\$ 175,000	\$ 174,000	\$ 173,000	\$ 173,000	\$ 172,000	\$ 171,000	\$ 171,000	\$ 170,000	\$ 170,000
Sales Tax	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000
Property Transfer Tax	19,100	19,800	20,500	21,300	22,000	22,800	23,700	24,500	25,400	26,300
Transient Occupancy Tax	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100
Utilities User's Tax	295,800	295,800	295,800	295,800	295,800	295,800	295,800	295,800	295,800	295,800
Licenses and Permits	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Franchise Fees	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300
Fines and Penalties	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Charges for Services	147,000	149,000	150,000	151,000	153,000	155,000	155,000	157,000	160,000	160,000
Vehicle License Fees	65,000	98,000	91,000	85,000	78,000	72,000	72,000	72,000	72,000	65,000
Use of Money & Property	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Total	\$ 1,276,300	\$ 1,311,000	\$ 1,304,700	\$ 1,299,500	\$ 1,295,200	\$ 1,291,000	\$ 1,290,900	\$ 1,293,700	\$ 1,296,600	\$ 1,290,500
Costs										
City Council	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
City Manager	81,900	83,000	83,000	84,000	85,100	85,100	86,100	87,200	88,200	89,300
City Attorney	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
City Clerk	71,000	75,000	74,000	78,000	77,000	80,000	78,000	81,000	80,000	83,000
City Treasurer	44,100	45,200	46,200	46,200	47,300	48,300	48,300	49,400	49,400	50,400
Development Services	183,800	185,900	186,900	189,000	191,100	193,200	194,300	196,400	199,500	200,600
General Plan	167,000	167,000	166,000	-	-	-	-	-	-	-
Police	444,500	378,200	382,000	385,800	389,700	393,600	397,500	401,500	405,500	409,600
Animal Control	800	800	800	800	800	800	800	800	800	800
Non-Departmental	102,400	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000
Greenbelt	123,600	124,900	126,200	127,500	128,800	130,100	131,400	132,800	134,200	135,600
Contingency @ 5 percent	67,000	64,000	64,000	56,000	57,000	57,000	57,000	58,000	59,000	59,000
Total	\$ 1,348,600	\$ 1,278,500	\$ 1,283,600	\$ 1,121,800	\$ 1,131,300	\$ 1,142,600	\$ 1,147,900	\$ 1,161,600	\$ 1,171,100	\$ 1,182,800
Net Revenue	\$ (72,300)	\$ 32,500	\$ 21,100	\$ 177,700	\$ 163,900	\$ 148,400	\$ 143,000	\$ 132,100	\$ 125,500	\$ 107,700
<i>Net Revenue % Costs</i>	<i>(5%)</i>	<i>3%</i>	<i>2%</i>	<i>16%</i>	<i>14%</i>	<i>13%</i>	<i>12%</i>	<i>11%</i>	<i>11%</i>	<i>9%</i>
General Fund Operating Reserve	\$ (72,300)	\$ (39,800)	\$ (18,700)	\$ 159,000	\$ 322,900	\$ 471,300	\$ 614,300	\$ 746,400	\$ 871,900	\$ 979,600
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800
Total	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800						
Costs										
Road Maintenance	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500
Net Revenue	\$ (58,700)	\$ (61,700)	\$ (61,700)	\$ (61,700)						
<i>Net Revenue % Costs</i>	<i>(50%)</i>	<i>(52%)</i>	<i>(52%)</i>	<i>(52%)</i>						
Net Revenue All Funds	\$ (131,000)	\$ (26,200)	\$ (37,600)	\$ 119,000	\$ 105,200	\$ 89,700	\$ 84,300	\$ 70,400	\$ 63,800	\$ 46,000
<i>Net Revenue % Costs</i>	<i>(9%)</i>	<i>(2%)</i>	<i>(3%)</i>	<i>10%</i>	<i>8%</i>	<i>7%</i>	<i>7%</i>	<i>5%</i>	<i>5%</i>	<i>4%</i>
Operating Reserve - All Funds	(131,000)	(98,500)	(77,400)	100,300	264,200	412,600	555,600	684,700	810,200	917,900
<i>Reserve % of Revenues</i>	<i>(10%)</i>	<i>(7%)</i>	<i>(6%)</i>	<i>7%</i>	<i>19%</i>	<i>31%</i>	<i>41%</i>	<i>51%</i>	<i>60%</i>	<i>68%</i>

Source: Willdan Financial Services.

Table E.5: Net Revenue Detail - Scenario 3 - Maximum Services Scenario

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
<i>Revenues</i>										
Property Taxes	\$ 176,000	\$ 175,000	\$ 174,000	\$ 173,000	\$ 173,000	\$ 172,000	\$ 171,000	\$ 171,000	\$ 170,000	\$ 170,000
Sales Tax	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000
Property Transfer Tax	19,100	19,800	20,500	21,300	22,000	22,800	23,700	24,500	25,400	26,300
Transient Occupancy Tax	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100
Utilities User's Tax	394,300	394,300	394,300	394,300	394,300	394,300	394,300	394,300	394,300	394,300
Licenses and Permits	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Franchise Fees	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300
Fines and Penalties	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Charges for Services	147,000	149,000	150,000	151,000	153,000	155,000	155,000	157,000	160,000	160,000
Vehicle License Fees	65,000	98,000	91,000	85,000	78,000	72,000	72,000	72,000	72,000	65,000
Parking Meters	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000
Junior Lifeguards	-	-	-	-	-	40,000	40,000	40,000	40,000	40,000
Use of Money & Property	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total	\$ 1,479,800	\$ 1,514,500	\$ 1,508,200	\$ 1,503,000	\$ 1,498,700	\$ 1,534,500	\$ 1,534,400	\$ 1,537,200	\$ 1,540,100	\$ 1,534,000
<i>Costs</i>										
City Council	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
City Manager	81,900	83,000	83,000	84,000	85,100	85,100	86,100	87,200	88,200	89,300
City Attorney	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
City Clerk	71,000	75,000	74,000	78,000	77,000	80,000	78,000	81,000	80,000	83,000
City Treasurer	44,100	45,200	46,200	46,200	47,300	48,300	48,300	49,400	49,400	50,400
Development Services	183,800	185,900	186,900	189,000	191,100	193,200	194,300	196,400	199,500	200,600
General Plan	167,000	167,000	166,000	-	-	-	-	-	-	-
Police	444,500	378,200	382,000	385,800	389,700	393,600	397,500	401,500	405,500	409,600
Animal Control	800	800	800	800	800	800	800	800	800	800
Non-Departmental	102,400	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000
Greenbelt	123,600	124,900	126,200	127,500	128,800	130,100	131,400	132,800	134,200	135,600
Beach Maintenance	-	-	-	-	-	113,000	55,600	56,200	56,800	57,400
Lifeguards	-	-	-	-	-	449,000	310,100	313,200	316,300	319,500
Contingency @ 5 percent	67,000	64,000	64,000	56,000	57,000	87,000	77,000	78,000	78,000	79,000
Total	\$ 1,348,600	\$ 1,278,500	\$ 1,283,600	\$ 1,121,800	\$ 1,131,300	\$ 1,734,600	\$ 1,533,600	\$ 1,551,000	\$ 1,563,200	\$ 1,579,700
Net Revenue	\$ 131,200	\$ 236,000	\$ 224,600	\$ 381,200	\$ 367,400	\$ (200,100)	\$ 800	\$ (13,800)	\$ (23,100)	\$ (45,700)
<i>Net Revenue % Costs</i>	<i>10%</i>	<i>18%</i>	<i>17%</i>	<i>34%</i>	<i>32%</i>	<i>(12%)</i>	<i>0%</i>	<i>(1%)</i>	<i>(1%)</i>	<i>(3%)</i>
General Fund Operating Reserve	\$ 131,200	\$ 367,200	\$ 591,800	\$ 973,000	\$ 1,340,400	\$ 1,140,300	\$ 1,141,100	\$ 1,127,300	\$ 1,104,200	\$ 1,058,500
Road Maintenance Fund										
<i>Revenues</i>										
Gas Tax	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800
Total	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800						
<i>Costs</i>										
Road Maintenance	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500
Net Revenue	\$ (58,700)	\$ (61,700)	\$ (61,700)	\$ (61,700)						
<i>Net Revenue % Costs</i>	<i>(50%)</i>	<i>(52%)</i>	<i>(52%)</i>	<i>(52%)</i>						
Net Revenue All Funds	\$ 72,500	\$ 177,300	\$ 165,900	\$ 322,500	\$ 308,700	\$ (258,800)	\$ (57,900)	\$ (75,500)	\$ (84,800)	\$ (107,400)
<i>Net Revenue % Costs</i>	<i>5%</i>	<i>13%</i>	<i>12%</i>	<i>26%</i>	<i>25%</i>	<i>(14%)</i>	<i>(4%)</i>	<i>(5%)</i>	<i>(5%)</i>	<i>(6%)</i>
Operating Reserve - All Funds	\$ 72,500	\$ 308,500	\$ 533,100	\$ 914,300	\$ 1,281,700	\$ 1,081,600	\$ 1,082,400	\$ 1,065,600	\$ 1,042,500	\$ 996,800
<i>Reserve % of Revenues</i>	<i>5%</i>	<i>20%</i>	<i>34%</i>	<i>59%</i>	<i>82%</i>	<i>68%</i>	<i>68%</i>	<i>67%</i>	<i>65%</i>	<i>63%</i>

Source: Willdan Financial Services.

1. Introduction

This chapter provides background on the community of Sunset Beach and explains the reasons for and objectives of this study. The analysis presented here is not intended to be a comprehensive fiscal analysis (CFA) as would be required by the Local Agency Formation Commission (LAFCo) for an actual incorporation application. Rather, the intent of this study is to provide an initial fiscal analysis in order to determine if proceeding with an incorporation application is advisable.

LAFCo guidelines for an incorporation application were referenced and generally used as the basis for the initial analysis. For example, per the LAFCo guidelines, analysis was based on the latest available Orange County budget actuals (fiscal year 2008-09 at the time the analysis was conducted). Some simplifying assumptions were made regarding County revenues and cost of services.

Background

Sunset Beach is a small beach community in Orange County. The community has approximately 1,300 residents and 340 jobs today. It is located just south of the City of Seal Beach, and west of the City of Huntington Beach. The community is primarily residential, though local serving retail land uses can be found along Pacific Coast Highway. The community is largely built-out but occasionally older properties are renovated or demolished and replaced with newer structures.

This report will evaluate whether the incorporation of this community is fiscally feasible. The benefits of incorporation include:

- ◆ Local control of property and local sales taxes;
- ◆ Local control over land use policy;
- ◆ Local control over public facilities and infrastructure;
- ◆ Local control over services such as public safety; and
- ◆ Maintenance of community identity without risk of annexation by neighboring cities.

Assumptions

This analysis evaluates the feasibility of a new city government. The assumed effective date of incorporation is July 1, 2011. The results presented in this report show forecasted revenues and expenditures of the proposed new city for the first ten years of operation, FY 2011-12 (transition year) through FY 2020-21.

Incorporation Scenarios

This PFA includes three service delivery scenarios. The boundaries analyzed remain consistent among each service delivery scenario.

Cost and Revenue Assumptions

This study focuses on ongoing (operating and maintenance) costs to provide service to the community of Sunset Beach. Ongoing costs are typically the focus of fiscal analysis because of the need for public agencies to generate a balanced budget on an annual basis. A suggested staffing plan is presented based on Willdan's experience with other cities. Other service costs are presented based on an analysis of the County budget.

Real (Constant 2009) Dollars

All model results are calculated in real (2009 constant) dollars, because inflation is assumed to equally affect both revenues and costs going forward.

Revenues for the new city are based on the most current understanding of rates, tax bases, and yields of each revenue type. Because no development is projected to occur in the study area, and population remains unchanged during the planning horizon, most revenues are static in real dollar terms.

There are two exceptions to this rule. Vehicle license fee revenues are set by statutory formula for newly incorporated cities. And property tax is adjusted according to the combined factors of real estate appreciation, a steady rate of turnover of property, and limits on assessed valuation defined by Proposition 13.

Some cost factors, including salary rates and contract costs, include a one percent annual real increase, or one percent greater than inflation. For personnel costs, this increase reflects standard public agency compensation policies that provide increases for length of service (often called "step" increases). These increases can average five percent annually in addition to cost-of-living increases (inflation), but when a new employee is hired the salary drops back to the first step. Assuming a one percent real increase in personnel and contract costs (before inflation) is reasonable based on analysis of these costs from other cities.

Capital Improvement Costs

This analysis evaluates the fiscal feasibility of ongoing operations under the new city's General Fund, and Road Fund. It does not evaluate the need for, or financing of, capital improvements.

The transfer of potential impact fee revenues is subject to negotiations between the new city and the County.

Revenue Neutrality

As indicated in *California Government Code* section 56845 the incorporation of a new city should not generate a negative fiscal impact on the affected county. Fiscal impact is determined by comparing the revenues and service delivery costs transferred from the County to the new city. If the revenues transferred by Orange County to the new city are greater than the current cost of services transferred, the incorporation would generate a negative fiscal impact on the County. In that case the new city may be obligated by LAFCO to make revenue neutrality payments to the County.

This initial fiscal review does not analyze the fiscal impacts of the incorporation on Orange County to determine the effect of this revenue neutrality provision of State law. In particular, to the extent that the new city would be fiscally positive, with estimated revenues greater than estimated costs, it is likely that the fiscal impact on the County would be negative. This

case would necessitate fiscal neutrality payments by the new city to the County and reduce the positive fiscal outlook for the new city. Thus, the findings of this analysis could be significantly affected to the extent that LAFCO requires the new city to make revenue neutrality payments to the County.

2. Population and Employment

This chapter describes the existing and projected population and employment in Sunset Beach.

Existing Development

Table 2.1 shows the estimates of 2009 resident population, employees, and service population in four areas: countywide, for the unincorporated area only, and for the two incorporation scenarios. The existing resident population estimate of 1,319 is based on the estimate used by Orange County LAFCo in the most recent Municipal Service Review (MSR) study completed in 2005. The estimates of employees working within the boundaries of the plan were provided by the State of California Employment Development Department (EDD) wage and salary survey data (First Quarter - 2009).

Service population is comprised of the individuals utilizing a particular county or city service. Different services have different service populations. Some services serve residents only. Others also serve commercial and industrial development, and employees are used as a proxy. In order to estimate the impact of commercial development on services that are assumed to benefit commercial as well as residential uses, employees are weighted at a factor of 0.31. This number is calculated based on the average number of work hours in a week over the total number of non-work hours in a week ($40 / 128 = 0.31$).

Table 2.1: Current Service Population (2009)

	<u>County</u>		<u>New City</u>
	<u>Unincorp.</u>	<u>Countywide</u>	
Residents (A)	119,480	3,139,017	1,319
Employees (B) ¹	46,900	1,231,046	343
Weighted Employees @ 0.31 (C = B x 0.31)	14,500	381,600	106
Total (D = A + C)	134,000	3,520,600	1,425

¹ Unincorporated employees estimated based on Countywide ratio of residents to employees.

Sources: California Department of Finance, E-5 City/County Population and Housing Estimates, 2009, California Employment Development Department; Willdan Financial Services.

Development and Projected Service Population

This study does not assume that any new development will occur in Sunset Beach in the ten year timeframe of the analysis. As such, the service population for Sunset Beach, as shown in Table 2.1, is expected to remain constant throughout the ten year timeframe of the analysis.

3. Service Plan & Methodology

The purpose of this chapter is to describe key budget assumptions and estimating methods used in the PFA.

Municipal Services Analysis and Plan

Analysis of the new city’s revenues and costs requires identifying current municipal service providers within the incorporation area boundaries and likely providers under incorporation. Those services that will be transferred to the new city form the basis for the cost of services analysis presented in the following chapter (Chapter 4), and affect calculation of the property tax transferred from the County (see Chapter 5). Three different service delivery plans are examined in this analysis.

Current Service Providers

The County currently provides general government, animal control, public safety, and public works (including road maintenance) services. The City of Huntington Beach provides water services. The Sunset Beach Sanitary District (SBSD) provides sewer, solid waste and refuse services (via contract with Rainbow Disposal). Various private utility companies provide electric, gas, and telecommunication services. The Orange County Fire Authority (OCFA) provides fire protection services. Orange County Harbors, Beaches and Parks provides beach maintenance, lifeguard and other beach related maintenance services.

Table 3.1 shows the current and future service providers examined in this analysis.

Projected Future Service Providers

As shown in Table 3.1, many of the current service providers are projected to remain unchanged. These include utility service providers (e.g., electric, gas, and telecommunications) and some public agencies (e.g., OCFA, libraries). This study examines three different scenarios for the provision of municipal services, Scenario 1, Scenario 2 and Scenario 3. Each successive scenario analyzed adds different services to the responsibility of the new city:

- ◆ Scenario 1 (Limited Services Scenario): the new city assumes responsibility for general government services, including the creation of a city council for governance and other administrative functions, and contracts for police, and public works services. The Sunset Beach Sanitary District is assumed to administer a contract with the County to maintain the greenbelt, parking areas and restroom maintenance.
- ◆ Scenario 2 (Preferred Services Scenario): the new city adds maintenance of the greenbelt and restrooms along North and South Pacific Avenue to the services it provides. Under this scenario the County would realize costs savings as it would no longer be responsible for maintaining the greenbelt and restrooms.
- ◆ Scenario 3 (Maximum Services Scenario): the new adds responsibility for beach maintenance, including lifeguard, beginning in year 6 of cityhood. The delay in the transfer of this service will allow the new city five years to accrue fund

balances to fund the initial costs of the additional services. The new city would assume ownership of the beach and greenbelt. It is understood that the County would complete the improvements to the Warner parking lot necessary to collect parking fees. Additionally, the County would transfer its beach cleaning equipment specific to Sunset Beach to the new city.

This analysis assumes that the city will contract with the County or a private entity for a number of services including animal control and road maintenance. It is common for newly incorporated cities in Orange County to contract for these services with the County to maintain the service levels to which residents and business are accustomed.

Table 3.1: Current and Projected Future Service Providers

Service	Current Provider	Scenario 1 - Limited Services	Scenario 2 - Preferred Services	Scenario 3 - Maximum Services
Electric and Gas	Private utility companies	No change	No change	No change
Fire	Orange County Fire Authority (Administrator); City of Huntington Beach (Responder)	No change	No change	No change
General Government	County General Fund	City	City	City
Library	County Library (in Seal Beach)	No change	No change	No change
Beach Ownership / Insurance	County Harbors, Beaches, and Parks	No change	No change	City (beginning in year 6)
Beach Maintenance	County Harbors, Beaches, and Parks	No change	No change	City (contract with Seal Beach beginning in year 6) ²
Parking, Medians, and Restroom Ownership	County Harbors, Beaches, and Parks	No change	City ¹	City ¹
Parking, Medians, and Restroom Maintenance	County Harbors, Beaches, and Parks	No change	City	City
Lifeguard Services	County Harbors, Beaches, and Parks contract	No change	No change	City (contract with Seal Beach beginning in year 6) ²
Police	County General Fund	City (contract with Seal Beach) ²	City (contract with Seal Beach) ²	City (contract with Seal Beach) ²
Public Works	County General Fund	City (contract with County)	City (contract with County)	City (contract with County)
Sewer and Refuse	Sunset Beach Sanitary District	No change	No change	No change
Telecommunications	Private telecom companies	No change	No change	No change
Water	City of Huntington Beach	No change	No change	No change

¹ County to install parking equipment.

² To contract with the City of Seal Beach for these services would require approval by the Seal Beach City Council.

Sources: Sunset Beach Community Association; Willdan Financial Services.

Revenue and Cost Estimating Methodologies

The two methodologies used to estimate revenues and costs for the new city are the per capita methodology and the case study methodology. More significant base year cost and revenue components were developed based on case study analysis provided by the service provider.

Per Capita Method

The per capita modeling method represents current average countywide (or unincorporated area) cost of service or revenue. This approach is used for services and revenues that likely would not vary substantially from current county average costs when transferred to the new city. This approach is also used to estimate costs and revenues when data specific to the area being studied is not available.

Per capita factors are calculated by dividing net cost (or revenue) by the service population receiving the service (or generating the revenue). Per capita factors are based on:

- ◆ The most recent Orange County budget actuals for FY 2008-09; and
- ◆ Current countywide service population (for countywide services and revenues) or unincorporated area service population (for services and revenues only pertaining to the unincorporated area).

Service population includes current residents, and when applicable, employment. Employees are weighted according to the service demand or revenue generation from nonresidential development compared to residential development on a per capita basis. Long-range planning studies typically use a common weighting applied to all services and revenues analyzed on a per capita basis that have both a residential and nonresidential component. Gathering and analyzing data on service demand and revenue generation is a time-intensive and costly effort.

Prior analysis of service demand and revenue generation data has not suggested any common factors that seem to apply consistently across multiple jurisdictions. Furthermore, the weighting factor does not affect results significantly because (1) costs and revenues receive similar weights so net fiscal impacts change little if weighting factors change, and (2) costs and revenues that could have a significant impact are analyzed individually using a case study analysis (see below).

For the purposes of this study we use a weighting factor of 0.31 employees per resident. The weighting factor is applied consistently across all costs and revenues that have both a resident and employment component. The factor is based on the number of work hours per week (40) divided by the number of non-work hours in a week (128) to reflect the demand placed by businesses on municipal services relative to residents. The factor assumes that businesses primarily demand public services during business hours while demand by residents is more constant throughout a 24-hour period.

For the purposes of this study the per capita method is used for all revenue estimates except charges for service, property tax, sales tax, property transfer tax, utility users tax and transient occupancy tax. Those revenue sources are analyzed with the case study method (see below). Property tax estimates do rely on the per capita method to estimate current net county costs to the incorporation area, a component of the property tax analysis. Charges for

services revenues are based on the assumed recovery of 80 percent of development services costs through fees charged for those particular services.

Case Study Method

For service costs and revenues that could vary substantially from current average per capita levels a case study method is used. The case study method uses data associated with the specific geographic area being studied rather than current countywide or unincorporated area averages. In some cases, this analysis relies on estimated contract costs provided by potential future service providers. The method used may vary depending on the specific cost or revenue.

For the purposes of this study the case study method is used for all cost estimates and, as mentioned above, the property, sales, transient occupancy and property transfer tax analyses.

4. Cost Analysis

This chapter describes the methodologies used to estimate the cost of services to the new city. It discusses levels of service, presents a proposed municipal staffing plan and associated personnel costs, identifies non-personnel costs pertaining to services, and summarizes total estimated costs.

This study focuses on ongoing (operating and maintenance) costs to provide service to the proposed City of Sunset Beach. Ongoing costs are typically the focus of fiscal analysis because of the requirement for public agencies to generate a balanced budget on an annual basis. A suggested staffing plan is presented. Other service costs are presented based on an analysis of the County budget. Onetime costs due to the incorporation, where applicable, are identified.

Service Levels

For the purposes of this analysis service levels are assumed to remain consistent with current levels provided by the County to the community of Sunset Beach. Service levels and costs are based on the County's most recently available actual expenditure data for FY 2008-09.

If the municipal services plan anticipates that the new city will contract back with the County for a particular service, then the analysis estimates contract costs to maintain the existing level of service. If the County currently provides limited services to the unincorporated areas, to be consistent, this analysis assumes that the cost of these services to the new city will reflect the current limited level of service.

To the extent that this analysis indicates that the new city may have an operating surplus, the new city council could designate the surplus towards increasing existing levels of service and/or adding the responsibility of providing other services.

Proposed Staffing Plan

The proposed staffing plan shown below in **Table 4.1** was developed by Willdan, based on its experience with contract cities, including many recently incorporated cities throughout the state. For all of the following tables, the start year ("Year 1") is envisioned to be FY 2011-12. Salaries shown are in constant (2009) dollars. Future year salaries assume a real annual inflation rate of one percent. FTEs per 1,000 resident population are also shown at the bottom of Table 4.1.

Table 4.1: Proposed Staffing by Full Time Equivalent (FTE)

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>City Manager (Half-Time)</u>										
City Manager	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<u>Assistant City Manger/City Clerk</u>										
Assistant City Manger//City Clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<u>City Treasurer (Half-Time)</u>										
City Treasurer	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<u>Development Services (Contract - One day per week)</u>										
Senior Planner (contract)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
City Engineer / Traffic Engineer (contract)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Building Inspector / Code Enforcement (contract)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
FTE per 1,000 resident population	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Notes: All positions are directly employed by City unless noted as "contract".
 A staffing level of 0.5 FTE indicates a half time position, and a staffing level of 0.2 FTE indicates a contract employee working one day per week.

Sources: Willdan Financial Services.

Table 4.2: Annual Salary & Contract Employee Expense (Per FTE)

	Contract	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Rate/Hr.										
<u>City Manager (if full time)</u>											
City Manager	\$	120,000	\$ 121,000	\$ 122,000	\$ 123,000	\$ 124,000	\$ 125,200	\$ 126,500	\$ 127,800	\$ 129,100	\$ 130,400
<u>Assistant City Manger/City Clerk (if full time)</u>											
Assistant City Manger//City Clerk	\$	52,000	\$ 53,000	\$ 54,000	\$ 55,000	\$ 56,000	\$ 56,600	\$ 57,200	\$ 57,800	\$ 58,400	\$ 59,000
<u>City Treasurer (if full time)</u>											
City Treasurer	\$	65,000	\$ 66,000	\$ 67,000	\$ 68,000	\$ 69,000	\$ 70,000	\$ 71,000	\$ 72,000	\$ 73,000	\$ 74,000
<u>Development Services¹</u>											
Senior Planner (contract)	\$	130									
City Engineer / Traffic Engineer (contract)		180									
Building Inspector / Code Enforcement (contract)		110									
Annual real salary & contract cost increase		1.00%									
Hours/year for contract salary		2,080									

¹ It is envisioned that the city will only employ three staff members permanently: a half time city manager, a full time assistant city manager/city clerk and a half time city treasurer. The city's other staff needs will be filled as contract positions.

Source: City of Villa Park; Willdan Financial Services.

Table 4.2 shows the estimated salaries for these positions or the hourly wage for contract employees. It is envisioned that the city will only employ three staff members permanently: a half time city manager, a full time assistant city manager/city clerk and a half time city treasurer. The city's other staff needs will be filled as contract positions.

It is envisioned that development services positions will only be needed on a limited basis because no major development, except for demolition and renovation, is expected in the community. As such it is assumed that these positions will be filled with contract staff. Contract rates are based on Willdan Engineering's 2008-2009 contract rate schedule. Note that contract employees will not receive city salaried position benefits and therefore the hourly cost shown is relatively high to compensate for the lack of a benefits package, and no salary estimate is needed.

Real cost increases (cost increases above inflation) are assumed at one percent per year for both salary and contract cost increases. The city benefits rate is estimated to add 30 percent to the annual cost of salaried positions, based on an analysis of comparable cities.

Total estimated personnel costs, including contract personnel costs and benefits for city employees, are shown in **Table 4.3**.

Table 4.3: Estimated Personnel & Contract Employee Costs

Department	Benefits										
	Rate ¹	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>City Manager</i>											
City Manager	30.00%	\$ 78,000	\$ 79,000	\$ 79,000	\$ 80,000	\$ 81,000	\$ 81,000	\$ 82,000	\$ 83,000	\$ 84,000	\$ 85,000
<i>Assistant City Manger/City Clerk</i>											
Assistant City Manger/City Clerk	30.00%	\$ 68,000	\$ 69,000	\$ 70,000	\$ 72,000	\$ 73,000	\$ 74,000	\$ 74,000	\$ 75,000	\$ 76,000	\$ 77,000
<i>City Treasurer</i>											
City Treasurer	30.00%	\$ 42,000	\$ 43,000	\$ 44,000	\$ 44,000	\$ 45,000	\$ 46,000	\$ 46,000	\$ 47,000	\$ 47,000	\$ 48,000
<i>Development Services</i>											
City Planner (contract)	0.00%	\$ 54,000	\$ 55,000	\$ 55,000	\$ 56,000	\$ 56,000	\$ 57,000	\$ 57,000	\$ 58,000	\$ 59,000	\$ 59,000
City Traffic Engineer (contract)	0.00%	75,000	76,000	76,000	77,000	78,000	79,000	79,000	80,000	81,000	82,000
Building Inspector (contract)	0.00%	46,000	46,000	47,000	47,000	48,000	48,000	49,000	49,000	50,000	50,000
Subtotal		\$ 175,000	\$ 177,000	\$ 178,000	\$ 180,000	\$ 182,000	\$ 184,000	\$ 185,000	\$ 187,000	\$ 190,000	\$ 191,000
TOTAL		\$ 363,000	\$ 368,000	\$ 371,000	\$ 376,000	\$ 381,000	\$ 385,000	\$ 387,000	\$ 392,000	\$ 397,000	\$ 401,000

¹ Percent of salary.

Sources: Tables 4.1 and 4.2; Willdan Financial Services.

Other (Non-Personnel) Costs

Other, non-personnel cost assumptions are described below, and displayed in **Table 4.5**.

City Council

The new city will be responsible for electing a City Council. The costs associated with the City Council include travel, training and other miscellaneous expenses. The annual cost for the City Council is estimated to be \$17,500 and is comparable to other similar cities in the state.

Police Services

It is common for a newly incorporated city to contract for police services. Several neighboring cities and the Orange County Sheriff Department provided estimates of service costs for police services (including patrol and investigation) to maintain the existing level of service in the community of Sunset Beach. The Sheriff estimated that six sworn officers would be required to serve Sunset Beach, but also provided a cost estimate for providing four officers at a lower level of service. It is unclear how much of the six officer's time will be spent specifically in Sunset Beach, because those officers will also respond to calls in other unincorporated communities also served by the sheriff.

The City of Seal Beach provided two planning level cost estimates for providing police services to Sunset Beach, one at two officers, and the other at three officers and a detective. The cost estimates are not intended to be finalized contract cost estimates, and the Seal Beach City Council would need to approve any police service contract offered to Sunset Beach.

The costs included in this analysis are based on the cost for providing two officers to Sunset Beach in the August 10, 2009 staff report, "Council Consideration – Sunset Beach Annexation." The level of service provided by three officers and one detective by Seal Beach is higher than the level of service currently provided in Sunset Beach. The level of service provided by two officers may be roughly comparable to the existing service level provided by the Sheriff; however, because of the ambiguity of the sheriff's data with regards to officers assigned to Sunset Beach responding to calls outside of the area, the actual existing level of service cannot be estimated.

Animal Control

Animal control costs are estimated for Sunset Beach based on the OC Animal Service budget. The costs are translated into a cost per capita contract cost. The cost per capita is applied to the Sunset Beach service population to determine an annual cost for animal services.

Non-Departmental Costs

Significant non-departmental costs include the cost to prepare a General Plan, the cost of services that are assumed will be contracted back to Orange County), the cost of leased office space and of special and regular elections. It is assumed the new city will purchase the existing fire station from OCFA to use as a city hall and hold council meetings. In lieu of leasing office space for city hall, the cost of financing the purchase of the fire station, and utilities for city hall is included in the analysis. There may be some additional costs incurred

to bring the facility up to local seismic and American Disability Act (ADA) standards. The determination of such costs is beyond the scope of this study.

Greenbelt, Restrooms and Parking Lot Costs

Scenarios 1 and 3 include cost of maintaining the greenbelt, restrooms and parking lots as part of the new city's responsibilities. The cost for maintaining the restrooms was estimated based on data provided by OC Parks. Greenbelt landscaping and sprinkler costs are estimated based on the existing contract costs between the County and a private service provider. Costs include trash pickup. The cost of utilities to serve the greenbelt and restrooms was provided by OC Parks.

Beach Maintenance

The cost of maintaining the beach, were compiled from several sources. The transfer of these costs is only included in Scenario 3. The cost of beach cleaning was provided by Seal Beach. The cost of sand replenishment was provided by OC Harbors, Beaches and Parks based on costs incurred in October 2009. Replenishment occurs every five to seven years. For the purposes of this analysis it is assumed that beach maintenance services will remain the responsibility of the County through the fifth year of cityhood, at which point those services will be transferred to the City of Sunset Beach.

Lifeguards

The cost of providing life guard services were provided by the City of Seal Beach. The transfer of these costs is only included in Scenario 3. It is assumed that the City of Sunset Beach would contract with the City of Seal Beach for this service. For the purposes of this analysis it is assumed that lifeguard service provision will remain with the County through the fifth year of cityhood, at which point the responsibility for the provision of lifeguard services will be transferred to the City of Sunset Beach.

Road, Traffic Signal and Streetlight Maintenance Costs

The estimated cost of road, traffic signal and streetlight maintenance services is based on County's per lane mile, and per signal unit costs provided by the County to LAFCo for use in LAFCo's July 8, 2009 hearing regarding the Huntington Beach sphere of influence. The community of Sunset Beach contains 3.98 lane miles of roadways, 5 signals and 102 streetlights. The annual combined cost for maintenance is \$118,500.

Sunset Beach receives much less traffic than most other urbanized parts of the County, and lower maintenance costs may apply in Sunset Beach relative to the average cost countywide. Streets in Sunset Beach are smaller than the typical streets found elsewhere in the County. In the CFA that will be prepared, these road, traffic signal, and streetlight costs should be reviewed and adjusted to fit maintenance cycles expected for Sunset Beach. By relying on countywide averages, this PFA uses a more conservative method of cost estimation to minimize that chance that the PFA underestimates the true cost.

Additionally, the County allocated fund to repave the streets in the community. North and South Pacific Avenue were repaved, but the side streets we note. It is understood that the County is still committed to repaving the side streets in the near future.

Total Costs

Total costs, including estimated personnel and contract employee costs (Table 4.3) and non-personnel costs (Tables 4.4) are summarized in **Table 4.5**. These costs, along with a five percent contingency for General Fund related costs are also shown in the summary tables in the Executive Summary (Tables E.1, E.2 and E.3) and in Chapter 6 (Tables 6.1, 6.2 and 6.3).

Table 4.4: Non-Personnel Costs

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cost Factor		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
City Council											
Council Members											
Stipend	\$ 5 members 100 per member/month	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Travel	\$ 1,000 per member	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Training	\$ 2,500 per year	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
All Other ¹	\$ 4,000 per year	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Subtotal		\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
City Manager											
All Other ¹	5% salaries	\$ 3,900	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,200	\$ 4,200	\$ 4,300
City Attorney											
Retainer	Similar cities	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Assistant City Manager / City Clerk											
Elections ²	\$ 2,000 per election	\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000
All Other ¹	5% salaries	3,400	3,500	3,500	3,600	3,700	3,700	3,700	3,800	3,800	3,900
Subtotal		\$ 3,000	\$ 6,000	\$ 4,000	\$ 6,000	\$ 4,000	\$ 6,000	\$ 4,000	\$ 6,000	\$ 4,000	\$ 6,000
City Treasurer											
All Other ¹	5% salaries	\$ 2,100	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,400	\$ 2,400	\$ 2,400
Development Services											
General Plan	\$ 500,000 over 3 years	\$ 167,000	\$ 167,000	\$ 166,000	-	-	-	-	-	-	-
All Other ¹	5% salaries	8,800	8,900	8,900	9,000	9,100	9,200	9,300	9,400	9,500	9,600
Subtotal		\$ 175,800	\$ 175,900	\$ 174,900	\$ 9,000	\$ 9,100	\$ 9,200	\$ 9,300	\$ 9,400	\$ 9,500	\$ 9,600
Police											
Sheriff (contract)	1.0% real annual increase	\$ 374,500	\$ 378,200	\$ 382,000	\$ 385,800	\$ 389,700	\$ 393,600	\$ 397,500	\$ 401,500	\$ 405,500	\$ 409,600
Startup Costs	\$ 70,000 one time cost	70,000	-	-	-	-	-	-	-	-	-
Subtotal		\$ 444,500	\$ 378,200	\$ 382,000	\$ 385,800	\$ 389,700	\$ 393,600	\$ 397,500	\$ 401,500	\$ 405,500	\$ 409,600
Animal Control (contract)	1.0% real annual increase	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800
Non-Departmental											
Fire Station/City Hall Purchase ³	6% Interest loan	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Utilities ⁴	\$ 17,000 per year	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Furnishings, Equipment, & Computers (start up)	\$ 4,000 per employee	10,400	-	-	-	-	-	-	-	-	-
Insurance	Similar cities	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Subtotal		\$ 102,400	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000
Greenbelt, Restrooms, Parking Lot											
Janitorial for 5 new Restrooms	1.0% real annual increase	\$ 21,000	\$ 21,200	\$ 21,400	\$ 21,600	\$ 21,800	\$ 22,000	\$ 22,200	\$ 22,400	\$ 22,600	\$ 22,800
Landscaping and Sprinklers	1.0% real annual increase	45,000	45,500	46,000	46,500	47,000	47,500	48,000	48,500	49,000	49,500
Trash Disposal	1.0% real annual increase	15,000	15,200	15,400	15,600	15,800	16,000	16,200	16,400	16,600	16,800
Utilities	1.0% real annual increase	42,600	43,000	43,400	43,800	44,200	44,600	45,000	45,500	46,000	46,500
Subtotal		\$ 123,600	\$ 124,900	\$ 126,200	\$ 127,500	\$ 128,800	\$ 130,100	\$ 131,400	\$ 132,800	\$ 134,200	\$ 135,600
Beach Maintenance											
Trash Disposal	1.0% real annual increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,200	\$ 15,400	\$ 15,600	\$ 15,800
Sand Replenishment ⁵		-	-	-	-	-	58,000	-	-	-	-
Beach Cleaning	1.0% real annual increase	-	-	-	-	-	40,000	40,400	40,800	41,200	41,600
Subtotal		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,000	\$ 55,600	\$ 56,200	\$ 56,800	\$ 57,400
Lifeguards											
Annual Cost	1.0% real annual increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,000	\$ 310,100	\$ 313,200	\$ 316,300	\$ 319,500
Start Up Costs	\$ 142,000 one time cost	-	-	-	-	-	142,000	-	-	-	-
Subtotal		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449,000	\$ 310,100	\$ 313,200	\$ 316,300	\$ 319,500
Public Works											
Road Maintenance Cost ⁶	\$ 24,322 per center line mile	\$ 96,800	\$ 96,800	\$ 96,800	\$ 96,800	\$ 96,800	\$ 96,800	\$ 96,800	\$ 96,800	\$ 96,800	\$ 96,800
Traffic Signal Operation	6,000 annually - 5 signals	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Street Light Operation	15,700 annually - 102 lights	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700
Subtotal		\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500

Note: "FTE" is full-time equivalent staff. Contract staff costs are included in personnel budgets.

¹ "All Other" costs include supplies, mileage, and any other incidental costs.

² Assumes General Election in even numbered years. Cost estimate for city of approximately 30,000 population.

³ Assumes fire station will be purchased and converted into City Hall. Assumes 30 year fixed rate loan of \$200,000 with 6% interest.

⁴ Based on average monthly utility bills for Sunset Beach commercial land uses.

⁵ Based on OC Harbor, Beaches and Parks share of sand replenishment in October, 2009. Per OC HBP, sand is replenished every 5 to 7 years.

⁶ Based on FY2009 per lane mile costs provided by Orange County LAFCo.

Sources: Orange County, City of Villa Park, Willdan Financial Services.

Table 4.5 Cost Summary

Department	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>General Fund</i>										
City Council										
Non-Personnel	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
City Manager										
Personnel	\$ 78,000	\$ 79,000	\$ 79,000	\$ 80,000	\$ 81,000	\$ 81,000	\$ 82,000	\$ 83,000	\$ 84,000	\$ 85,000
Non-Personnel	3,900	4,000	4,000	4,000	4,100	4,100	4,100	4,200	4,200	4,300
Subtotal	\$ 81,900	\$ 83,000	\$ 83,000	\$ 84,000	\$ 85,100	\$ 85,100	\$ 86,100	\$ 87,200	\$ 88,200	\$ 89,300
City Attorney										
Non-Personnel	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Assistant City Manager/City Clerk										
Personnel	\$ 68,000	\$ 69,000	\$ 70,000	\$ 72,000	\$ 73,000	\$ 74,000	\$ 74,000	\$ 75,000	\$ 76,000	\$ 77,000
Non-Personnel	3,000	6,000	4,000	6,000	4,000	6,000	4,000	6,000	4,000	6,000
Subtotal	\$ 71,000	\$ 75,000	\$ 74,000	\$ 78,000	\$ 77,000	\$ 80,000	\$ 78,000	\$ 81,000	\$ 80,000	\$ 83,000
City Treasurer										
Personnel	\$ 42,000	\$ 43,000	\$ 44,000	\$ 44,000	\$ 45,000	\$ 46,000	\$ 46,000	\$ 47,000	\$ 47,000	\$ 48,000
Non-Personnel	2,100	2,200	2,200	2,200	2,300	2,300	2,300	2,400	2,400	2,400
Subtotal	\$ 44,100	\$ 45,200	\$ 46,200	\$ 46,200	\$ 47,300	\$ 48,300	\$ 48,300	\$ 49,400	\$ 49,400	\$ 50,400
Development Services										
Personnel	\$ 175,000	\$ 177,000	\$ 178,000	\$ 180,000	\$ 182,000	\$ 184,000	\$ 185,000	\$ 187,000	\$ 190,000	\$ 191,000
Non-Personnel	175,800	175,900	174,900	9,000	9,100	9,200	9,300	9,400	9,500	9,600
Subtotal	\$ 350,800	\$ 352,900	\$ 352,900	\$ 189,000	\$ 191,100	\$ 193,200	\$ 194,300	\$ 196,400	\$ 199,500	\$ 200,600
Police										
Non-Personnel	\$ 444,500	\$ 378,200	\$ 382,000	\$ 385,800	\$ 389,700	\$ 393,600	\$ 397,500	\$ 401,500	\$ 405,500	\$ 409,600
Animal Control										
Non-Personnel	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800
Non-Departmental										
Non-Personnel	\$ 102,400	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000
Greenbelt, Restrooms, Parking Lot										
Non-Personnel	\$ 123,600	\$ 124,900	\$ 126,200	\$ 127,500	\$ 128,800	\$ 130,100	\$ 131,400	\$ 132,800	\$ 134,200	\$ 135,600
Beach Maintenance										
Non-Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,000	\$ 55,600	\$ 56,200	\$ 56,800	\$ 57,400
Lifeguards										
Non-Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449,000	\$ 310,100	\$ 313,200	\$ 316,300	\$ 319,500
<i>Road Fund</i>										
Public Works										
Non-Personnel	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500

Sources: Tables 4.3 and 4.4; Willdan Financial Services.

5. Revenue Analysis

This section describes the methodologies used to estimate revenues for the new city and summarizes the results.

Property Tax

Property tax estimates are based on a projection of real property assessed value multiplied by a local public agency's share of the one percent property tax, called a tax allocation factor (TAF).¹ The TAF for the new city is calculated per a statutory formula based on the cost of services transferred to the new city.

Assessed property value within an area generates property tax for all jurisdictions that serve that area. For example, in an incorporated area the city general fund, county general fund, the public school district, and possibly separate fire, and recreation and parks district funds would each have a TAF that in sum would equal the one percent tax.

TAFs may vary by tax rate area within a jurisdiction and are calculated by the County Auditor-Controller. The methodology used in this study to estimate property tax is explained below.

It must be noted that incorporations result in a redistribution of existing property tax revenue. Property taxes do not increase as a result of incorporation.

Land Use

The only land use land use assumption used to estimate assessed value for existing development is the holding period assumption. Holding period reflects the length of time property is held prior to re-sale when the property is re-assessed at market values. A holding period of ten years is assumed for all existing development.

Assessed Value

Assessed value is based on the assessed value of the current building stock and the market value of newly constructed buildings. Market value captures the current transactional prices for residential and nonresidential property. Assessed value is the value carried on the property tax rolls for calculating property taxes. Market value is almost always higher than assessed value because Proposition 13 limits annual increases in assessed value to two percent until the property is resold.²

This Proposition 13 constraint on assessed value requires estimating property tax based on nominal property values and then discounting revenues to exclude inflation. Discounting revenues to real dollars (excluding inflation) makes the results consistent with all other revenue and cost estimates generated by the fiscal model.

The fiscal model assumes a nominal annual property appreciation rate of 6.7 percent. The 6.7 percent property appreciation rate is based on an analysis of Federal Housing Agency's

¹ Proposition 13 limits the property tax to one percent of assessed value unless increased by two-thirds voter approval to support bonded debt.

² California Constitution, Article XIII A.

Housing Price Index (HPI) data. The data was examined to determine the annual property appreciation rate in the Santa Ana-Anaheim-Irvine, CA (MSAD) from 1995 to 2009 – the annualized rate from low point to low point the area’s real estate cycles. Including the current recession and the recession of the mid-1990s, the average annual appreciation rate is 6.7 percent.

For the purposes of estimating nominal value, inflation is estimated at three percent per year.

Assessed value for a given year is calculated for each land use type and is the sum of the following two values:

- ◆ Existing assessed value is typically the share of total assessed value from the prior year that is not re-sold is increased by the Proposition 13 constraint of two percent. The share is based on a 10 year holding period assumption for all existing properties.
- ◆ The share of total market value from the prior year that is re-sold based on the holding period assumptions, increased by the nominal annual appreciation rate to the current year.

Total assessed value is based on the sum of assessed values for all parcels in 2009 based on the County assessor’s data. Total property (assessed value) is shown in **Table 5.1**.

Table 5.1: Assessed Property Value

		2009	2010	2011	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	Year 6 2017	Year 7 2018	Year 8 2019	Year 9 2020	Year 10 2021
Assessed Value (nominal)¹														
All Properties - Increased at 2%	[A]	\$ 313,080,735	\$ 319,342,350	\$ 325,729,197	\$ 332,243,781	\$ 338,888,656	\$ 345,666,429	\$ 352,579,758	\$ 359,631,353	\$ 366,823,980	\$ 374,160,460	\$ 381,643,669	\$ 389,276,542	\$ 397,062,073
All Properties - Increased at 6.7%	[B]	313,080,735	334,057,144	356,438,973	380,320,384	405,801,850	432,990,574	462,000,942	492,955,005	525,982,991	561,223,851	598,825,849	638,947,181	681,756,642
90% of Properties do not turnover	[C = A x 90%]		\$ 287,408,115	\$ 293,156,277	\$ 299,019,403	\$ 304,999,791	\$ 311,099,786	\$ 317,321,782	\$ 323,668,218	\$ 330,141,582	\$ 336,744,414	\$ 343,479,302	\$ 350,348,888	\$ 357,355,866
10% of Properties do turnover	[D = B x 10%]		33,405,714	35,643,897	38,032,038	40,580,185	43,299,057	46,200,094	49,295,501	52,598,299	56,122,385	59,882,585	63,894,718	68,175,664
Total Nominal Assessed Value	[E]		\$ 320,813,829	\$ 328,800,174	\$ 337,051,441	\$ 345,579,976	\$ 354,398,844	\$ 363,521,876	\$ 372,963,718	\$ 382,739,881	\$ 392,866,799	\$ 403,361,887	\$ 414,243,606	\$ 425,531,530
Inflation - 3% Compounded annually	[F]	1.0000	1.0300	1.0609	1.0927	1.1255	1.1593	1.1941	1.2299	1.2668	1.3048	1.3439	1.3842	1.4258
Assessed Value (real)¹	[G = E / F]		\$ 311,469,737	\$ 309,925,699	\$ 308,449,815	\$ 307,043,332	\$ 305,707,556	\$ 304,443,848	\$ 303,253,633	\$ 302,138,397	\$ 301,099,688	\$ 300,139,126	\$ 299,258,395	\$ 298,459,254

¹ Nominal assessed value is face value of currency in a particular year, whereas real assessed value is the nominal value corrected for inflation back to the base year (FY 2008-09).

² Proposition 13 constrains increases in assessed value to a maximum of 2% per year.

³ Analysis of market values in the Santa Ana-Anaheim-Irvine MSAD indicates that nominal market values appreciate at 6.7%.

Sources: Federal Housing Agency, Housing Price Index for the Santa Ana-Anaheim-Irvine MSAD, 1995-2009; Orange County Assessor; Willdan Financial Services.

Property Tax Allocation

Assessed value is multiplied by the one percent property tax rate and then by the tax allocation factor (TAF) applicable to the public agency to calculate property tax in nominal dollars. Nominal property tax revenue is discounted back to the present to generate revenue estimates in real (constant 2009) dollars. This approach ensures consistency with other model fiscal estimates that are expressed in real dollars.

In most cases the TAF for a new city upon incorporation is based on the services transferred from existing public agencies to the new city. If a service is transferred then property tax revenue to fund that service is transferred as well. For TAFs dedicated to specific services, such as for a fire or park district, the entire TAF is transferred to the city if the service is transferred. For a county's general fund TAF, only a portion is transferred because while the county transfers some services to the city such as law enforcement, it retains other services such as the courts.

County General Fund Property Tax Allocation

The property tax transferred to a new incorporated city from the County's general fund share is based on the following statutory formula:

$$(\text{Net county cost}) \times (\text{Auditor's ratio}) = \text{New city property tax revenue in base year}$$

Where:

Net county cost = Total cost of services transferred to the new city from the county, net of designated revenues (such as charges for services and restricted tax revenue); and

Auditor's ratio = Total general fund property taxes divided by total general fund undesignated revenues.

To calculate property tax after the base year, the County Auditor-Controller calculates the new city's TAF applied to future increases in assessed value is calculated as follows:

$$\frac{\text{New city property tax in base year}}{\text{One percent of assessed value in base year}} = \text{New city tax allocation factor (new city TAF)}$$

Net County Cost

The first part of this formula is an estimate of the current net county cost of providing services that will be transferred to the new city. Net county costs represent service costs funded by discretionary tax revenues, such as property and sales taxes, net of all fees, charges, and transfers. Estimated net county costs for the new city are based on both case study analysis and on a per capita cost analysis of actual expenditure data for FY 2008-09 and are shown in **Table 5.2**. Transferred services include general government, development services, and sheriff services.

Table 5.2: Net County Cost (FY09)

Budget Function / Service	Service Cost		FY09 Net County Cost
	Transferred to New City	Source of Transferred Cost	
General Government	Yes	Appendix Table A.1	\$ 31,067
Public Protection	Yes		
Sheriff Patrol / Investigation	Yes	Appendix Table A.2	184,253
Animal Services	Yes	County	500
Development Services (Code Enforcement and Planning)	Yes	County	6,932
Health Services	No		-
Public Assistance	No		-
Education	No		-
Recreation & Cultural Services	No		-
Debt Service	No		-
Total			\$ 222,752

Auditor's Ratio

The second part of the formula used to calculate the share of the County's general fund property tax to be transferred to the new city is the Auditor's ratio. The Auditor's ratio represents that share of the net cost of services that is funded by property tax revenues. For the purposes of this preliminary fiscal analysis Willdan Financial Services calculated the Auditor's ratio using data from the County's fiscal year 2008-09 budget actuals. For the CFA the Auditor's ratio should be calculated directly by the County Auditor.

County Library and OCFA

The County Library and OCFA each have their own property tax allocation factors and revenue. These tax allocation factors and revenues are excluded from the analysis because library and fire protection services are not assumed to transfer to the new city. (See also the municipal services plan discussion in Chapter 3.)

Tax Allocation Factor

Table 5.3 shows the calculated property tax transfer and resulting TAF based on the services transferred to the new city using the formula and assumptions presented above. The TAF is the same for all three scenarios.

Table 5.3: Property Tax Transfer Tax Allocation Factors (FY 2009)

<u>Transfer of County General Fund Tax Base</u>	
Total Net County Cost	\$ 222,752
County Auditor's Ratio	<u>80.12%</u>
Property Tax Base Transferred	\$ 178,000
<u>Tax Allocation Factor</u>	
Assessed Value (FY 2008-09)	\$ 313,080,735
Property Tax (1% of assessed value)	<u>1.00%</u>
Total Property Tax Collected (1% of A.V.)	\$ 3,131,000
Property Tax Base Transferred	<u>178,000</u>
Tax Allocation Factor (General Fund)¹	5.69%

Note: A "tax allocation factor" or "TAF" refers to a public agency's share of the one percent property tax.

¹ For every dollar of property tax revenue collected, it is assumed that 5.69 cents will be allocated to Sunset Beach.

Sources: Tables 5.2 and A4; Orange County FY2010 Budget; Willdan Financial Services.

Property Tax Revenue Projections

Total estimated General Fund property tax revenue is shown in **Table 5.4**.

Other Taxes

Several other taxes will provide revenue to the new city. Sales tax is the most important source of revenue from other taxes. Property transfer tax and gas tax revenues are also included in the analysis. These taxes are discussed below.

Sales Tax

The estimate for annual sales tax revenue is based on the actual 2008-09 revenue as reported by the County in the City of Seal Beach's August 10, 2009 staff report, "Council Consideration – Sunset Beach Annexation." Since no new retail development is projected to occur, no increases in sales tax revenue are expected. **Table 5.5** shows the sales tax revenue estimate of \$187,000 per year.

Property Transfer Tax

Property transfer tax revenues are estimated using the cumulative estimates of real estate market value and the holding period assumptions discussed in the property tax section above. Upon incorporation the new city would evenly split the current County unincorporated area rate of \$0.55 per \$500 of value on each real estate transaction. Tax revenues are calculated as follows:

- ◆ Land use type, to calculate the value of transactions subject to tax in a that year;

- ◆ The transaction value is multiplied by the tax rate to calculate tax revenues in current dollars; and
- ◆ Tax revenues are discounted to 2009 dollars to be consistent with the other projections in this study

Estimated property transfer tax revenue is shown in **Table 5.6**.

Table 5.4: Property Tax Revenue (2009\$)

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed Value (Table 5.1)	[A]	\$ 308,449,815	\$ 307,043,332	\$ 305,707,556	\$ 304,443,848	\$ 303,253,633	\$ 302,138,397	\$ 301,099,688	\$ 300,139,126	\$ 299,258,395	\$ 298,459,254
1% Local Government Share of AV	[B = A x 1%]	\$ 3,084,498	\$ 3,070,433	\$ 3,057,076	\$ 3,044,438	\$ 3,032,536	\$ 3,021,384	\$ 3,010,997	\$ 3,001,391	\$ 2,992,584	\$ 2,984,593
Tax Allocation Factor (Table 5.3)	[C]	<u>5.69%</u>									
Total Property Tax Revenue	[D = B x C]	\$ 176,000	\$ 175,000	\$ 174,000	\$ 173,000	\$ 173,000	\$ 172,000	\$ 171,000	\$ 171,000	\$ 170,000	\$ 170,000

Sources: Tables 5.1 and 5.3; Willdan Financial Services.

Table 5.5: Sales Tax Revenue (2009\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Existing</i>	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000
Total	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000	\$ 187,000

Sources: County of Orange; Willdan Financial Services.

Table 5.6: Property Transfer Tax Revenue (2009\$)

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nominal Assessed Value - Properties Turning Over	[A]	\$ 38,032,038	\$ 40,580,185	\$ 43,299,057	\$ 46,200,094	\$ 49,295,501	\$ 52,598,299	\$ 56,122,385	\$ 59,882,585	\$ 63,894,718	\$ 68,175,664
Inflation ¹	[B]		1.0927	1.1255	1.1593	1.1941	1.2299	1.2668	1.3048	1.3439	1.4258
Real Assessed Value - Properties Turning Over	[C = A / B]	\$ 34,804,703	\$ 36,054,969	\$ 37,350,147	\$ 38,691,852	\$ 40,081,753	\$ 41,521,583	\$ 43,013,135	\$ 44,558,267	\$ 46,158,904	\$ 47,817,039
Property Transfer Tax Rate (Share of Sales Price)	[D]		<u>0.0550%</u>								
Total Property Transfer Tax Revenue	[E = C x D]	\$ 19,100	\$ 19,800	\$ 20,500	\$ 21,300	\$ 22,000	\$ 22,800	\$ 23,700	\$ 24,500	\$ 25,400	\$ 26,300

¹ Inflation is estimated at 3% annually, beginning in FY2008-09.

Sources: Table 5.1; Willdan Financial Services

Transient Occupancy Tax

The estimate for annual transient occupancy tax (TOT) revenue is based on the actual 2008-09 revenue as reported in the Seal Beach staff report. The revenue is based on a 10% TOT rate, the existing rate in the unincorporated County. In addition to the existing TOT, this analysis assumes that the new city will expand the types of establishments paying TOT to include vacation rentals, also at a rate of 10%. Based on the vacation rentals in the area, this additional TOT revenue is conservatively estimated to equal \$92,100 per year. **Table 5.7** details the estimate of TOT revenue for vacation rentals using data compiled by the Sunset Beach Community Association.

Table 5.7: Transient Occupancy Tax - Vacation Rentals

General Location	Low Season Weekly Rent	High Season Weekly Rent
N. Pacific Ave.	\$ 3,000	\$ 3,500
Ocean Front	1,450	2,500
S. Pacific Ave.	1,350	2,000
Ocean Front	2,200	3,400
Ocean Front	1,750	3,450
Numbered Street	1,500	2,700
Numbered Street	2,100	3,150
Ocean Front	2,250	4,500
Ocean Front	5,000	8,000
Ocean Front	3,000	5,000
Harbor	1,300	1,900
Numbered Street	2,000	3,000
Ocean Front	4,900	4,900
Ocean Front	3,800	5,000
Ocean Front	NA	3,500
	\$ 35,600	\$ 56,500
Average Number of Weeks per Season:	10	10
Gross Annual Vacation Rental Revenue	\$ 356,000	\$ 565,000
10% Transient Occupancy Tax Revenue	\$ 35,600	\$ 56,500
Total		\$ 92,100

Source: Sunset Beach Community Association; www.vbro.com.

In total, TOT revenue is estimated at \$243,100 per year. Annual TOT revenue estimates are shown in **Table 5.8**.

Table 5.8: Transient Occupancy Tax Revenue - (2009\$)

Revenue	Assumption:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY2009 TOT Revenue	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund Revenues											
Transient Occupancy Tax - Vacation Rentals	\$ 92,100	\$ 92,100	\$ 92,100	\$ 92,100	\$ 92,100	\$ 92,100	\$ 92,100	\$ 92,100	\$ 92,100	\$ 92,100	\$ 92,100
Existing Transient Occupancy Tax	151,000	<u>151,000</u>									
Total - Transient Occupancy Tax Revenue		\$ 243,100	\$ 243,100	\$ 243,100	\$ 243,100	\$ 243,100	\$ 243,100	\$ 243,100	\$ 243,100	\$ 243,100	\$ 243,100

Source: Orange County Auditor Controller; Willdan Financial Services.

Utility Users Tax

The utility users tax (UUT) is a tax imposed on the users of certain utility services. UUT is not currently imposed by the County in unincorporated areas. However, the proposed City of Sunset Beach would like to impose a UUT to supplement existing revenue sources in the event of incorporation.

To estimate UUT revenue, a survey of Sunset Beach resident's and business's utility bills was conducted by the Sunset Beach Community Association. Average monthly bills for each utility and for each land were estimated based on the survey data. **Table 5.9** contains the survey data. The utilities surveyed include: electric, gas, phone (land and cellular), and cable. Potential UUT revenue was calculated based on a percentage of the estimated monthly charges for each utility. Scenarios 1 and 2 do not require as much revenue to achieve feasibility. Consequently, UUT revenue for Scenario 1 was calculated at 5 percent, Scenario 2 was calculated at 7.5 percent, and UUT revenue for Scenario 3 was calculated at 10.0 percent. UUT revenue projections are shown in **Table 5.10**.

Table 5.9 Sunset Beach - Utility User Tax Revenue

Land Use	Units ¹	Water ²	Electric	Gas	Phone - Land	Phone - Cell	Cable ³	Total	Total Net of Water ⁴
Average Monthly Bill									
Single Family		\$ 31	\$ 124	\$ 52	\$ 99	\$ 140	\$ 69	\$ 515	\$ 484
Multi Family		17	109	36	75	65	87	389	372
Commercial		64	420	302	155	334	86	1,361	1,297
Total Monthly Utility Charges									
Single Family	225	\$ 7,000	\$ 27,900	\$ 11,700	\$ 22,300	\$ 31,500	\$ 7,800	\$ 108,200	\$ 101,200
Multi Family	265	4,500	28,900	9,500	19,900	17,200	11,500	91,500	87,000
Commercial	112	7,200	47,100	33,800	17,300	37,400	4,800	147,600	140,400
		\$ 18,700	\$ 103,900	\$ 55,000	\$ 59,500	\$ 86,100	\$ 24,100	\$ 347,300	\$ 328,600
Estimated Annual Charges		\$ 224,400	\$ 1,246,800	\$ 660,000	\$ 714,000	\$ 1,033,200	\$ 289,200	\$ 4,167,600	\$ 3,943,200
Potential Annual UUT Revenue @ 5.0%		\$ 11,200	\$ 62,300	\$ 33,000	\$ 35,700	\$ 51,700	\$ 14,500	\$ 208,400	\$ 197,200
Potential Annual UUT Revenue @ 7.5%		16,800	93,500	49,500	53,600	77,500	21,700	312,600	295,800
Potential Annual UUT Revenue @ 10.0%		22,400	124,700	66,000	71,400	103,300	28,900	416,700	394,300

Note: Figures have been rounded.

¹ Estimated based on GIS parcel data.

² Average water bills shown net of 10% UUT imposed by the City of Huntington Beach.

³ Cable subscribers are assumed to 50% of households. Satellite service is the other 50% and cannot be taxed by local governments.

⁴ The new city will not charge a UUT on water, as Huntington Beach provides that service, and already charges a UUT of 10%.

Sources: Sunset Beach Community Association; Willdan Financial Services.

Table 5.10: Annual Utilities User's Tax Revenue (FY\$2009)

Revenue	Assumption:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY2009 TOT Revenue	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund Revenues											
<i>Utility User's Tax @ 5%</i>	\$ 197,200	\$ 197,200	\$ 197,200	\$ 197,200	\$ 197,200	\$ 197,200	\$ 197,200	\$ 197,200	\$ 197,200	\$ 197,200	\$ 197,200
<i>Utility User's Tax @ 7.5%</i>	\$ 295,800	\$ 295,800	\$ 295,800	\$ 295,800	\$ 295,800	\$ 295,800	\$ 295,800	\$ 295,800	\$ 295,800	\$ 295,800	\$ 295,800
<i>Utility User's Tax @ 10%</i>	\$ 394,300	\$ 394,300	\$ 394,300	\$ 394,300	\$ 394,300	\$ 394,300	\$ 394,300	\$ 394,300	\$ 394,300	\$ 394,300	\$ 394,300

Note: See Appendix Table A.6 for a comparison of neighboring cities utilities users tax rates.

Source: Willdan Financial Services.

Gas Tax

Gas tax (highway users tax) revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. Gas tax is a restricted revenue source for road purposes only. The gas tax plays an important role in increasing revenues for incorporating or annexing cities without generating a negative fiscal impact on counties. The State subvention formula for gas tax does not adjust the share of statewide revenue allocated to counties because of an annexation or incorporation. Incorporated or annexed areas receive gas tax revenue from the share of statewide revenue allocated to cities. Thus, counties are able to transfer costs for road maintenance to new incorporated cities while still retaining this revenue source.

Different gas tax distributions correlate and are named based on the corresponding California Streets and Highways Code sections. For example, code sections 2105, 2106, 2107 and 2107.5 pertain to gas tax distributions made either entirely (2107, 2107.5) or partially (2105, 2106) to cities.³ Calculations of gas tax distribution are made by the State Controller's office and are fairly complex as described in the code.

Gas tax distributions are based on population and other factors such as the percentage of registered or exempt vehicles in a city compared to the state and also miles of maintained road. Gas tax Section 2107.5 is based on an unadjusted flat rate per year based on city resident population ranges.

For this analysis the resulting statewide per capita amounts for FY 2008-09 have been applied for 2105 and 2107 gas tax revenues and the flat rate of \$7,500 has been applied for 2107.5 gas tax revenue. Revenue from Section 2106 is estimated at \$4,800 annually from section (a). Section 2106 (c) revenue is estimated at \$3.26 per capita amount estimated based on recent apportionments to the City of Huntington Beach.

Vehicle License Fees

Vehicle License Fee (VLF) revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. Historically, VLF played an important role in increasing revenues for incorporating or annexing cities while reducing the potential negative fiscal impacts on counties.

Prior Law

Previously, the State subvention formula for VLF did not adjust the share of statewide revenue allocated to counties because of an annexation or incorporation. Incorporated or annexed areas received their VLF revenue from the share of statewide revenue allocated to cities. Thus, counties were able to transfer service costs while still retaining a major revenue source.

Under the law prior to adoption of the State's FY 2004-05 budget, the portion of VLF revenue available for distribution as general revenue to cities and counties was divided in half. One half was distributed to cities on a per capita basis and the other half was distributed to counties in a similar manner. County distributions were based on countywide

³ Revenue from Section 2104 is not included in this analysis, as it is only allocated to counties, not cities.

population, not just the population of unincorporated areas. Counties and cities received approximately \$60 per capita in VLF revenue in FY 2003-04.

Importantly for newly incorporated cities, prior law allowed the population base for purposes of determining VLF revenue to be calculated based on three times the registered voter population. This formula was applied for the first seven years of a new city's existence, following which the formula relies on the same population basis as other cities. This approach tended to give new cities additional income than they would have had otherwise because the estimated population using three times registered voters is usually greater than the actual population.

Starting in FY 2004-05, most of the VLF revenue allocated to cities and all of the revenue allocated to counties is based on assessed value growth instead of population growth in a jurisdiction. This revenue is distributed as property tax in lieu of VLF, funded by each county's ERAF (educational revenue augmentation fund) account so that existing property tax revenue to local jurisdictions is not affected. A significantly smaller portion of the VLF is allocated to cities based on population. In total, \$50 per capita per year in VLF revenue is assumed (before the bonus) is assumed, based on data on recent allocations.

Assembly Bill 1602

Assembly Bill 1602 (AB 1602) was signed into law in 2006 and restored VLF per capita payments to newly incorporating cities to approximately the same levels as before the VLF – property tax swap. As enacted, the bill was limited to cities incorporating between the dates of August 5, 2004 and July 1, 2009. AB 1602 only provides \$50 per capita.

The total would be multiplied by the annual estimated resident population times a factor of 1.5 in the first year of incorporation, 1.4 in the second year, 1.3 in the third year, 1.2 in the fourth year, and 1.1 in the fifth year. The base \$50 per capita is actually programmed to be adjusted slightly each year, as determined by the ratio of the growth of VLF revenue to the increase in State population. For the purposes of this analysis it is assumed that the \$50 portion of the VLF funding remains at \$50 based on the latest data from the State.

Senate Bill 301

Amendments to the VLF law (Senate Bill 301) were approved in 2008. These amendments extended the date for incorporating cities to qualify for the VLF revenue based on population from July 1, 2009 to July 1, 2014.

Other Revenues

The new city will receive revenue from a number of other non-tax sources. Some revenues are estimated based on per capita calculations consistent with the Orange County budget actuals for FY 2008-09. Some adjustments have been made and are discussed in the following section.

Franchise Fees

This revenue is generated through franchise agreements for services such as cable television. Franchise fee revenue was calculated based on an assumption that the new city would enact a 5.0 percent fee of gross receipts for cable, gas and electric franchises. The same survey data contained in Table 5.9 that was used to calculate UUT revenue was used to estimate franchise fee revenue.

Fines, Forfeitures and Penalties

Revenue from traffic fines is calculated based on per capita revenue assumptions from other cities in the County. It is assumed that \$1.66 per resident in revenue is generated per year in fines, forfeitures and penalties.

Charges for Services

For the proposed new city, charges for services are calculated based on recovery of costs projected for the development services department. Unlike other types of municipal services, planning, development, and code enforcement services can often recover up to 100 percent of their costs through fees and charges. For the new city, revenue from charges for services is based on a cost recovery rate of 80 percent applied to total development services department costs.

Parking Meters – Warner Lot

Parking meter revenue is estimated based on 150 metered parking spaces and \$685 of revenue per year (parking citation revenue is not included here, but it is included in fines forfeitures and penalties above). The figure of revenue per year per parking space is derived from the average revenue and average number of municipally maintained metered spaces in the western region, as reported in the National Parking Association's 2009 - *Parking in America* report.

This figure is well below the parking meter revenue realized by Huntington Beach (approximately \$1,600 per space per year) and other beach communities in the region (Manhattan Beach estimated \$1,276 per space per year). Despite higher revenue generation per space in the region, the \$685 per space estimate is a better estimate for Sunset Beach, since the community has an absence of a developed beachfront attracting shoppers or people seeking greater dining or entertainment options compared to the other cities surveyed.

Junior Lifeguards

The County currently receives approximately \$40,000 per year from its contract with the Junior Lifeguards. It is assumed that the new city will also receive this same revenue under Scenario 3 in year 6, when the new city assumes responsibility for beach maintenance and lifeguard costs.

Use of Money and Property

Revenue from use of money and property is assumed to be equal to one percent of General Fund revenue for a given year.

Business License Tax

Although the County currently does not charge a business license tax, the new city may consider imposing such a tax if it wishes to better enforce regulations within the new city's power. This analysis assumes that the new city does not adopt a business license tax.

Other Tax and Revenue Projections

Projections of other taxes and revenues are shown in **Table 5.11**. It should be noted that not every revenue sources is utilized in every scenario. Scenario 1 includes UUT at a rate of 5 percent, Scenario 2 at a rate of 7.5 percent and Scenario 3 includes UUT at a rate of 10.0 percent. Scenario 3 includes revenue from parking meters.

Table 5.11: Per Capita and Other Revenue (2009\$)

Revenue	Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Licenses and Permits											
Resident Base	\$ 1.66 per resident	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200
Franchise Fees											
Franchise Fees ¹	\$ 124,300 per year	\$ 124,300	\$ 124,300	\$ 124,300	\$ 124,300	\$ 124,300	\$ 124,300	\$ 124,300	\$ 124,300	\$ 124,300	\$ 124,300
Fines & Penalties											
Traffic Fines & Forfeitures²											
Resident base	\$ 2.66 per resident	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Employee base	0.82 per employee	300	300	300	300	300	300	300	300	300	300
Total		\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800
Charges for Services											
Development Services	80% cost recovery rate	\$ 147,000	\$ 149,000	\$ 150,000	\$ 151,000	\$ 153,000	\$ 155,000	\$ 155,000	\$ 157,000	\$ 160,000	\$ 160,000
Vehicle License Fee WITH AB1602											
VLF Per Capita Total	\$ 50.00										
AB1602 Population Bonus		1.0	1.5	1.4	1.3	1.2	1.1	1.1	1.1	1.1	1.0
Total	Per capita rate x residents	\$ 65,000	\$ 98,000	\$ 91,000	\$ 85,000	\$ 78,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 65,000
Parking Meters											
Parking spaces ³	\$ 685 per parking space	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000
Junior Lifeguards											
	\$ 40,000 annually	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Road Fund											
Road Fund											
Highway Users Tax 2105 ⁵	5.76 per resident	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 8,000	\$ 8,000	\$ 8,000
Highway Users Tax 2106 (a)	4,800 annually	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Highway Users Tax 2106 (c) ⁵	3.26 per resident	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Highway Users Tax 2107 ⁵	8.01 per resident	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Highway Users Tax 2107.5 ⁶	1,000 flat rate	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Measure M	28,174 Total Existing	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Total		\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800

¹ Assumed annual revenue based on 5% of estimated gross receipts on cable, gas and electric franchises.

² Based on per capita estimates from the Orange County FY2008-09 budget actuals. Approximately 83% of a base traffic fine goes to the city where the violation occurred.

³ Assumes 150 parking spaces. Assumes \$685 in annual revenue per space based on the average revenue and average number of municipally maintained metered spaces in the western region, as reported in the National Parking Association's 2009 - *Parking in America* report available at <http://npapark.org>

⁴ Based on gross annual sales of \$18,700,000. Sales tax override is a voter approved funding source.

⁵ Based on allocations per resident in the City of Huntington Beach.

⁶ Flat amount based on Streets and Highways Code Section 2107.5 for cities with resident populations of less than 5,000.

Source: Tables 2.1 and A.3; League of California Cities; National Parking Association California State Controllers Office; Adopted Budget FY09-11 for the City of Huntington Beach; Willdan Financial Services.

6. Results

Feasibility

The fiscal feasibility of the proposed city is evaluated based on net revenue (revenues minus costs) as a percent of total costs, and trends in the City's fund balances. Generally speaking, a proposed city is considered to be potentially feasible if net revenue is within plus or minus 10 percent of total costs in a given year (or total revenue is more than 110 percent of total cost), and the city's fund balances in a given year are greater than 10 percent of the annual revenue.

The minimum legal requirement for making a finding of fiscal feasibility as stated in Government Code Section 56720 (e) requires the proposed city "to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation." This study includes analysis over a longer period to have a more complete picture of the fiscal balance of the city, given that certain state subventions are reduced after five years pursuant to statute. The analysis includes a five percent contingency, which is assumed to be expended each year.

Conclusion

Each scenario in this analysis shows net revenue that is within plus or minus 10 percent of total costs, or total revenue that is more than 110 percent of total costs. Additionally, each scenario maintains a fund balance in excess of 10 percent of operating revenue annually. Given both findings, the analysis indicates that each scenario meets the criteria for feasibility. The results of the analysis are presented in **Tables 6.1, 6.2 and 6.3**. Results are separated for the new city's general fund and road fund, and shown for both funds combined.

Table 6.1: Net Revenue Detail - Scenario 1 - Limited Services Scenario

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ 176,000	\$ 175,000	\$ 174,000	\$ 173,000	\$ 173,000	\$ 172,000	\$ 171,000	\$ 171,000	\$ 170,000	\$ 170,000
Sales Tax	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000
Property Transfer Tax	19,100	19,800	20,500	21,300	22,000	22,800	23,700	24,500	25,400	26,300
Transient Occupancy Tax	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100
Utilities User's Tax	197,200	197,200	197,200	197,200	197,200	197,200	197,200	197,200	197,200	197,200
Licenses and Permits	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Franchise Fees	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300
Fines and Penalties	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Charges for Services	147,000	149,000	150,000	151,000	153,000	155,000	155,000	157,000	160,000	160,000
Vehicle License Fees	65,000	98,000	91,000	85,000	78,000	72,000	72,000	72,000	72,000	65,000
Use of Money & Property	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Total	\$ 1,176,700	\$ 1,211,400	\$ 1,205,100	\$ 1,199,900	\$ 1,195,600	\$ 1,191,400	\$ 1,191,300	\$ 1,194,100	\$ 1,197,000	\$ 1,190,900
Costs										
City Council	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
City Manager	81,900	83,000	83,000	84,000	85,100	85,100	86,100	87,200	88,200	89,300
City Attorney	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
City Clerk	71,000	75,000	74,000	78,000	77,000	80,000	78,000	81,000	80,000	83,000
City Treasurer	44,100	45,200	46,200	46,200	47,300	48,300	48,300	49,400	49,400	50,400
Development Services	183,800	185,900	186,900	189,000	191,100	193,200	194,300	196,400	199,500	200,600
General Plan	167,000	167,000	166,000	-	-	-	-	-	-	-
Police	444,500	378,200	382,000	385,800	389,700	393,600	397,500	401,500	405,500	409,600
Animal Control	800	800	800	800	800	800	800	800	800	800
Non-Departmental	102,400	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000
Contingency @ 5 percent	61,000	57,000	58,000	49,000	50,000	50,000	51,000	51,000	51,000	52,000
Total	\$ 1,219,000	\$ 1,146,600	\$ 1,151,400	\$ 987,300	\$ 995,500	\$ 1,005,500	\$ 1,010,500	\$ 1,021,800	\$ 1,028,900	\$ 1,040,200
Net Revenue	\$ (42,300)	\$ 64,800	\$ 53,700	\$ 212,600	\$ 200,100	\$ 185,900	\$ 180,800	\$ 172,300	\$ 168,100	\$ 150,700
<i>Net Revenue % Costs</i>	<i>(3%)</i>	<i>6%</i>	<i>5%</i>	<i>22%</i>	<i>20%</i>	<i>18%</i>	<i>18%</i>	<i>17%</i>	<i>16%</i>	<i>14%</i>
General Fund Operating Reserve	\$ (42,300)	\$ 22,500	\$ 76,200	\$ 288,800	\$ 488,900	\$ 674,800	\$ 855,600	\$ 1,027,900	\$ 1,196,000	\$ 1,346,700
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800
Total	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800						
Costs										
Road Maintenance	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500
Net Revenue	\$ (58,700)	\$ (61,700)	\$ (61,700)	\$ (61,700)						
<i>Net Revenue % Costs</i>	<i>(50%)</i>	<i>(52%)</i>	<i>(52%)</i>	<i>(52%)</i>						
Net Revenue All Funds	\$ (101,000)	\$ 6,100	\$ (5,000)	\$ 153,900	\$ 141,400	\$ 127,200	\$ 122,100	\$ 110,600	\$ 106,400	\$ 89,000
<i>Net Revenue % Costs</i>	<i>(8%)</i>	<i>0%</i>	<i>(0%)</i>	<i>14%</i>	<i>13%</i>	<i>11%</i>	<i>11%</i>	<i>10%</i>	<i>9%</i>	<i>8%</i>
Operating Reserve - All Funds	(101,000)	(36,200)	17,500	230,100	430,200	616,100	796,900	966,200	1,134,300	1,285,000
<i>Reserve % of Revenues</i>	<i>(8%)</i>	<i>(3%)</i>	<i>1%</i>	<i>18%</i>	<i>34%</i>	<i>49%</i>	<i>64%</i>	<i>77%</i>	<i>90%</i>	<i>103%</i>

Sources: Willdan Financial Services.

Table 6.2: Net Revenue Detail - Scenario 2 - Preferred Services Scenario

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ 176,000	\$ 175,000	\$ 174,000	\$ 173,000	\$ 173,000	\$ 172,000	\$ 171,000	\$ 171,000	\$ 170,000	\$ 170,000
Sales Tax	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000
Property Transfer Tax	19,100	19,800	20,500	21,300	22,000	22,800	23,700	24,500	25,400	26,300
Transient Occupancy Tax	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100
Utilities User's Tax	295,800	295,800	295,800	295,800	295,800	295,800	295,800	295,800	295,800	295,800
Licenses and Permits	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Franchise Fees	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300
Fines and Penalties	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Charges for Services	147,000	149,000	150,000	151,000	153,000	155,000	155,000	157,000	160,000	160,000
Vehicle License Fees	65,000	98,000	91,000	85,000	78,000	72,000	72,000	72,000	72,000	65,000
Use of Money & Property	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Total	\$ 1,276,300	\$ 1,311,000	\$ 1,304,700	\$ 1,299,500	\$ 1,295,200	\$ 1,291,000	\$ 1,290,900	\$ 1,293,700	\$ 1,296,600	\$ 1,290,500
Costs										
City Council	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
City Manager	81,900	83,000	83,000	84,000	85,100	85,100	86,100	87,200	88,200	89,300
City Attorney	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
City Clerk	71,000	75,000	74,000	78,000	77,000	80,000	78,000	81,000	80,000	83,000
City Treasurer	44,100	45,200	46,200	46,200	47,300	48,300	48,300	49,400	49,400	50,400
Development Services	183,800	185,900	186,900	189,000	191,100	193,200	194,300	196,400	199,500	200,600
General Plan	167,000	167,000	166,000	-	-	-	-	-	-	-
Police	444,500	378,200	382,000	385,800	389,700	393,600	397,500	401,500	405,500	409,600
Animal Control	800	800	800	800	800	800	800	800	800	800
Non-Departmental	102,400	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000
Greenbelt	123,600	124,900	126,200	127,500	128,800	130,100	131,400	132,800	134,200	135,600
Contingency @ 5 percent	67,000	64,000	64,000	56,000	57,000	57,000	57,000	58,000	59,000	59,000
Total	\$ 1,348,600	\$ 1,278,500	\$ 1,283,600	\$ 1,121,800	\$ 1,131,300	\$ 1,142,600	\$ 1,147,900	\$ 1,161,600	\$ 1,171,100	\$ 1,182,800
Net Revenue	\$ (72,300)	\$ 32,500	\$ 21,100	\$ 177,700	\$ 163,900	\$ 148,400	\$ 143,000	\$ 132,100	\$ 125,500	\$ 107,700
<i>Net Revenue % Costs</i>	<i>(5%)</i>	<i>3%</i>	<i>2%</i>	<i>16%</i>	<i>14%</i>	<i>13%</i>	<i>12%</i>	<i>11%</i>	<i>11%</i>	<i>9%</i>
General Fund Operating Reserve	\$ (72,300)	\$ (39,800)	\$ (18,700)	\$ 159,000	\$ 322,900	\$ 471,300	\$ 614,300	\$ 746,400	\$ 871,900	\$ 979,600
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800
Total	\$ 59,800	\$ 56,800	\$ 56,800	\$ 56,800						
Costs										
Road Maintenance	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500
Net Revenue	\$ (58,700)	\$ (61,700)	\$ (61,700)	\$ (61,700)						
<i>Net Revenue % Costs</i>	<i>(50%)</i>	<i>(52%)</i>	<i>(52%)</i>	<i>(52%)</i>						
Net Revenue All Funds	\$ (131,000)	\$ (26,200)	\$ (37,600)	\$ 119,000	\$ 105,200	\$ 89,700	\$ 84,300	\$ 70,400	\$ 63,800	\$ 46,000
<i>Net Revenue % Costs</i>	<i>(9%)</i>	<i>(2%)</i>	<i>(3%)</i>	<i>10%</i>	<i>8%</i>	<i>7%</i>	<i>7%</i>	<i>5%</i>	<i>5%</i>	<i>4%</i>
Operating Reserve - All Funds	(131,000)	(98,500)	(77,400)	100,300	264,200	412,600	555,600	684,700	810,200	917,900
<i>Reserve % of Revenues</i>	<i>(10%)</i>	<i>(7%)</i>	<i>(6%)</i>	<i>7%</i>	<i>19%</i>	<i>31%</i>	<i>41%</i>	<i>51%</i>	<i>60%</i>	<i>68%</i>

Source: Willdan Financial Services.

Table 6.3: Net Revenue Detail - Scenario 3 - Maximum Services Scenario

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ 176,000	\$ 175,000	\$ 174,000	\$ 173,000	\$ 173,000	\$ 172,000	\$ 171,000	\$ 171,000	\$ 170,000	\$ 170,000
Sales Tax	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000
Property Transfer Tax	19,100	19,800	20,500	21,300	22,000	22,800	23,700	24,500	25,400	26,300
Transient Occupancy Tax	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100	243,100
Utilities User's Tax	394,300	394,300	394,300	394,300	394,300	394,300	394,300	394,300	394,300	394,300
Licenses and Permits	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Franchise Fees	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300	124,300
Fines and Penalties	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Charges for Services	147,000	149,000	150,000	151,000	153,000	155,000	155,000	157,000	160,000	160,000
Vehicle License Fees	65,000	98,000	91,000	85,000	78,000	72,000	72,000	72,000	72,000	65,000
Parking Meters	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000
Junior Lifeguards	-	-	-	-	-	40,000	40,000	40,000	40,000	40,000
Use of Money & Property	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total	\$ 1,479,800	\$ 1,514,500	\$ 1,508,200	\$ 1,503,000	\$ 1,498,700	\$ 1,534,500	\$ 1,534,400	\$ 1,537,200	\$ 1,540,100	\$ 1,534,000
Costs										
City Council	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
City Manager	81,900	83,000	83,000	84,000	85,100	85,100	86,100	87,200	88,200	89,300
City Attorney	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
City Clerk	71,000	75,000	74,000	78,000	77,000	80,000	78,000	81,000	80,000	83,000
City Treasurer	44,100	45,200	46,200	46,200	47,300	48,300	48,300	49,400	49,400	50,400
Development Services	183,800	185,900	186,900	189,000	191,100	193,200	194,300	196,400	199,500	200,600
General Plan	167,000	167,000	166,000	-	-	-	-	-	-	-
Police	444,500	378,200	382,000	385,800	389,700	393,600	397,500	401,500	405,500	409,600
Animal Control	800	800	800	800	800	800	800	800	800	800
Non-Departmental	102,400	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000
Greenbelt	123,600	124,900	126,200	127,500	128,800	130,100	131,400	132,800	134,200	135,600
Beach Maintenance	-	-	-	-	-	113,000	55,600	56,200	56,800	57,400
Lifeguards	-	-	-	-	-	449,000	310,100	313,200	316,300	319,500
Contingency @ 5 percent	67,000	64,000	64,000	56,000	57,000	87,000	77,000	78,000	78,000	79,000
Total	\$ 1,348,600	\$ 1,278,500	\$ 1,283,600	\$ 1,121,800	\$ 1,131,300	\$ 1,734,600	\$ 1,533,600	\$ 1,551,000	\$ 1,563,200	\$ 1,579,700
Net Revenue	\$ 131,200	\$ 236,000	\$ 224,600	\$ 381,200	\$ 367,400	\$ (200,100)	\$ 800	\$ (13,800)	\$ (23,100)	\$ (45,700)
<i>Net Revenue % Costs</i>	<i>10%</i>	<i>18%</i>	<i>17%</i>	<i>34%</i>	<i>32%</i>	<i>(12%)</i>	<i>0%</i>	<i>(1%)</i>	<i>(1%)</i>	<i>(3%)</i>
General Fund Operating Reserve	\$ 131,200	\$ 367,200	\$ 591,800	\$ 973,000	\$ 1,340,400	\$ 1,140,300	\$ 1,141,100	\$ 1,127,300	\$ 1,104,200	\$ 1,058,500
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 59,800	\$ 56,800	\$ 56,800
Total	\$ 59,800	\$ 56,800	\$ 56,800							
Costs										
Road Maintenance	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500	\$ 118,500
Net Revenue	\$ (58,700)	\$ (61,700)	\$ (61,700)	\$ (61,700)						
<i>Net Revenue % Costs</i>	<i>(50%)</i>	<i>(52%)</i>	<i>(52%)</i>	<i>(52%)</i>						
Net Revenue All Funds	\$ 72,500	\$ 177,300	\$ 165,900	\$ 322,500	\$ 308,700	\$ (258,800)	\$ (57,900)	\$ (75,500)	\$ (84,800)	\$ (107,400)
<i>Net Revenue % Costs</i>	<i>5%</i>	<i>13%</i>	<i>12%</i>	<i>26%</i>	<i>25%</i>	<i>(14%)</i>	<i>(4%)</i>	<i>(5%)</i>	<i>(5%)</i>	<i>(6%)</i>
Operating Reserve - All Funds	\$ 72,500	\$ 308,500	\$ 533,100	\$ 914,300	\$ 1,281,700	\$ 1,081,600	\$ 1,082,400	\$ 1,065,600	\$ 1,042,500	\$ 996,800
<i>Reserve % of Revenues</i>	<i>5%</i>	<i>20%</i>	<i>34%</i>	<i>59%</i>	<i>82%</i>	<i>68%</i>	<i>68%</i>	<i>67%</i>	<i>65%</i>	<i>63%</i>

Source: Willdan Financial Services.

Appendix A

Table A.1: General Government Net County Cost (FY09)

Department	Net County Cost ¹	
Clerk of the Board	\$	3,110
Executive Office		6,338
County Counsel		4,374
Internal Audit		1,120
Human Resources		1,541
Office of the Performance Audit Director		289
Registrar of Voters		1,481
Clerk-Recorder		(2,064)
Assessor's Office		10,606
Treasurer-Tax Collector's Office		531
Auditor-Controller's Office		3,741
Total - General Government Net Count Cost	\$	31,067

¹ As shown in Attachment A of the OC LAFCo July 8, 2009 Agenda Packet. Net County Cost estimates based on the Countywide cost per capita, applied to the population in the unincorporated island.

Sources: Orange County; Orange County LAFCo; Willdan Financial Services.

Table A.2: Net County Cost - Sheriff Services

Item	Cost per FTE	Cost per Existing Service Level
<i>Direct Costs</i>		
Salaries and Wages	\$ 114,762	\$ 688,572
Benefits	67,497	404,982
Services and Supplies	19,233	115,398
Total - Direct Costs	\$ 201,492	\$ 1,208,952.00
<i>Indirect Costs</i>	\$ 35,271	\$ 211,626
Total - County Cost	\$ 236,763	\$ 1,420,578
Proposition 172 Share of Sheriff Costs Countywide ¹		87.03%
Net County Cost		\$ 184,253

¹ Estimate based on \$239,049,667 in Proposition 172 revenue, relative to \$274,675,838 sheriff-coroner police protection appropriations in FY2008-09.

Source: Sheriff-Coroner Department, County of Orange.

Table A.3: General Fund Per Capita Revenue

	FY 2008-09 Revenue (Actual)	Allocation By Service Area		Allocation By Service Population		Countywide Allocation Per Capita Revenue			Unincorporated Allocation Per Capita Revenue			
		County- wide	Unincor- porated	Resident	Employee	Allocated Revenues	Per Resident	Per Emp- loyee	Allocated Revenues	Per Resident	Per Emp- loyee	
<u>Fines & Penalties</u>												
Vehicle Code Fines	\$ 2,434,677	100%	0%	1.00	0.31	\$ 2,434,677	\$ 0.69	\$ 0.21	\$ -	\$ -	\$ -	
Other Court Fines	6,920,024	100%	0%	1.00	0.31	6,920,024	1.97	0.61	-	-	-	
Total Fines							\$ 2.66	\$ 0.82				
<u>Licenses and Permits</u>												
Animal Licenses	\$ 5,204,389	100%	0%	1.00	-	5,204,389	1.66	-	\$ -	-	-	
							1.66	-		-	-	

Sources: County of Orange FY 2009-10 Budget; Willdan Financial Services.

Table A4: Auditor's Ratio (FY 2008-09 Actual)

Revenue	Amount (in 1,000s)
<i>Total Property Tax Revenues</i>	
Current Secured	\$ 204,054
Current Unsecured	7,992
Prior Secured	625
Prior Unsecured	467
VLF Swap	232,760
Current Supplemental	7,581
Prior Supplemental	1,441
Homeowners	1,785
Penalties	19,427
Property Transfer Tax	11,626
Total Property Tax Revenues	\$ 487,758
<i>Other General Purpose Revenues</i>	<i>\$ 121,033</i>
Total General Purpose Revenues	\$ 608,791
Estimated Auditor Ratio (Property Tax as a % of Revenue)	80.11912134%

Sources: County of Orange, Second Available Financing Report, FY 2010-11, Schedule A; Willdan Financial Services.

Appendix Table A.5: Sunset Beach Greenbelt Maintenance Costs

Item	Greenbelt	Beach	Total
Janitorial for 5 new Restrooms ¹	\$ 21,000	\$ -	\$ 21,000
Lifeguards (Annual) ²	-	307,000	307,000
Landscaping and Sprinklers ³	45,000	-	45,000
Trash Disposal	15,000	15,000	-
Beach Cleaning ⁴	-	40,000	40,000
Utilities ⁵	42,555	-	42,555
Total	\$ 123,555	\$ 362,000	\$ 485,555

¹ OC Parks allocated \$21,000 of \$23,310 to Sunset Beach for janitorial services. 5/27/09.

² Lowest annual lifeguard cost from all providers is from Seal Beach. \$142,000 in startup costs required in first year of service.

³ Estimated based on data from SC Yamamoto, Inc.

⁴ Estimated costs from Seal Beach.

⁵ Estimated costs from OC Parks.

Appendix Table A.6: Utilities Users Tax Comparisons

Utility	Huntington Beach	Seal Beach ¹	Sunset Beach	
			Scenarios 1 and 2	Sunset Beach Scenario 3
Telephone	5.00%	11.00%	7.50%	10.00%
Electrical	5.00%	11.00%	7.50%	10.00%
Gas	5.00%	11.00%	7.50%	10.00%
Water ²	5.00%	Not charged	10.00%	10.00%
Cable TV	5.00%	Not charged	7.50%	10.00%
Cell Phone	0.00%	11.00%	7.50%	10.00%

¹ People over 65 with incomes of less than \$45,000 don't have to pay the utilities users tax.

² Huntington Beach now charges residents of Sunset Beach a 10% utilities users tax on water service. Huntington Beach is assumed to continue providing water service to Sunset Beach, so the existing rate for that utility will stay in place.

Sources: City of Huntington Beach; City of Seal Beach, Willdan Financial Services.

About Willdan

Willdan Group, Inc. is a nationwide firm serving more than 800 public agencies and private sector clients. We provide engineering, management, sustainability, and financial consultant services that ensure the quality, value, and security of our nation's infrastructure, systems, facilities, and environment. The firm has been a consistent industry leader in providing all aspects of municipal and infrastructure engineering, public works contracting, public financing, planning, building and safety, construction management, and homeland security services.

Founded in 1964 and headquartered in Anaheim, California, Willdan was originally established as a civil engineering firm specializing in providing solutions for our public agency clients. Since that time we have evolved into a professional consulting firm offering a broad array of services that allow us to provide a comprehensive and integrated approach to our clients' planning, engineering, financial, economic, public facility, and public safety challenges. Today, Willdan has hundreds of employees operating from offices located throughout California, as well as in Arizona, Nevada, Utah, Colorado, Florida, Maryland, North Carolina, and New York.