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1. Preface

This report provides financial and feasibility analysis of governance alternatives for the unincorporated Rossmoor community.

Caveats

By its nature, this report scopes out likely impacts and feasibility of the various alternatives to assist the community in considering its options. The report does not and is not intended to provide a comprehensive analysis of these alternatives.

This report is not a substitute for the detailed financial analysis and planning required to process proposed governance changes. Once the governance alternative of interest has been selected and/or formally initiated, the appropriate agency(ies) would conduct a more detailed analysis of fiscal and other impacts. California law requires the agency initiating a governance change to submit to the Local Agency Formation Commission (LAFCO) a service plan including service levels, timing of service extension, service financing and any infrastructure requirements.¹ Additional analyses required for LAFCO to consider governance changes include comprehensive fiscal analysis for incorporation proposals² and cost/fiscal impact analysis for expansion of special district powers.³ Although not specifically required by LAFCO, annexing agencies typically conduct their own fiscal analyses when seriously considering initiating annexations. Similarly, Orange County would likely conduct its own fiscal analysis once a governance change is initiated.

Acknowledgements

The authors thank the Rossmoor Planning Committee (RPC) members for community-specific information. The authors extend their gratitude to the various agencies that provided data and information for this study, including the Orange County LAFCO, County Executive Office, Orange County Fire Authority, Orange County Transportation Authority, Rossmoor Community Services District, and the cities of Los Alamitos, Seal Beach, Villa Park, Laguna Woods, Rancho Palos Verdes, and Palos Verdes Estates. Orange County, the Rossmoor Community Services District and the Rossmoor Homeowners Association funded this study.

Authors

This report was prepared by a consultant team—Burr Consulting and Economic & Planning Systems, Inc. (EPS)—with expertise in municipal finance and urban economics. Beverly Burr served as lead author. Walter Kieser and Richard Berkson of EPS served as advisers and reviewers. Cecelia Griego of Burr Consulting provided research assistance.

¹ California Government Code § 56653

² California Government Code § 56800

³ California Government Code § 56824.12

for those services. Los Alamitos would directly provide law enforcement, street, traffic, landscaping, recreation, planning, and permitting if Rossmoor annexes to this city. The solid waste hauler and animal control provider would change as well. In addition to these changes, water and sewer collection could potentially be provided by Seal Beach if Rossmoor were annexed to Seal Beach or to a consolidated city.

Governance changes offer potential for improvements in the level of municipal services. Clearly, law enforcement, traffic enforcement, animal control and permitting service levels could be improved by governance changes.

Feasibility

Annexation to Los Alamitos may not be financially feasible. This analysis indicates that even if Rossmoor were to pay the six percent utility tax, annexation could lead to a Los Alamitos budget deficit of \$0.4 million under existing law and a modest positive impact if proposed legislation (A.B. 1602) is approved. This study makes conservative estimates of Los Alamitos' costs for servicing Rossmoor. It is possible that Los Alamitos may study the matter directly and determine that it could service Rossmoor more efficiently than we have assumed. Another option is that Rossmoor could approve a special tax or assessment to make this option revenue-neutral for Los Alamitos. Approval by Los Alamitos City Council and LAFCO would be required. The Rossmoor community could defeat annexation through a protest process involving petitioning and possibly an election. Voters in Los Alamitos could potentially be allowed by LAFCO to vote separately on annexation as well.

Annexation to Seal Beach appears to be financially feasible. This study indicates that Seal Beach would face a positive fiscal impact under existing law. The City of Seal Beach has expressed a lack of interest in annexing Rossmoor; however, this could potentially change based on the preliminary fiscal findings. Procedural hurdles for annexation are the same as for annexation to Los Alamitos.

Rossmoor cityhood is feasible if the community approves a utility users' tax. Most likely, such a tax would be lower if Rossmoor incorporates than if it annexes to a neighboring city. This study indicates a tax in the range of 3-7 percent would be needed to fund service levels comparable to existing levels. Advantages include greater control over service providers and levels as well as land use regulation. Disadvantages include the potential for inefficiencies related to the small size of the city and the community accepting financial risk currently shouldered by the County. The community would need to complete a number of steps to form a city: petition signing, funding a comprehensive fiscal analysis, and shepherding the proposal through the LAFCO process. Approval by LAFCO and a majority of Rossmoor voters would also be required.

Expansion of RCSD powers is the simplest change. This option is clearly feasible from a financial perspective. Approval by the RCSD board and LAFCO would be required. Advantages include greater control over service and deployment. However, this approach will not result in Rossmoor control over ordinances and regulatory functions.

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•**Rossmoor Governance Alternatives**
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Consolidation of Rossmoor, Los Alamitos and Seal Beach is the most complex option both financially and procedurally. This option would allow the communities to enjoy more cost-effective services due to increased scale. However, barriers to consolidation are significant: the cities of Los Alamitos and Seal Beach have different charters, tax structures, service configurations and compensation schemes. Procedural complexity is highlighted by the fact that the last city consolidation in California occurred nearly 40 years ago. Ultimately, a majority of voters in each of the communities would have to approve consolidation. The authors consider consolidation implausible. However, functional consolidation through joint service provision is plausible and occurs outside LAFCO processes. Indeed, Los Alamitos and Seal Beach already benefit from such consolidation in police dispatch. Other police administrative functions and recreation are potentially fruitful areas for cost savings through functional consolidation.

3. Service Providers

The governance options have the potential to change who provides law enforcement, street, traffic, water, solid waste, landscaping, recreation, planning, permitting, and animal control service in Rossmoor. Many other municipal services—fire, ambulance, sewer treatment, electric, gas, library and schools—in Rossmoor would not be affected by potential governance changes.

Summary of Existing Services and Providers Rossmoor and Vicinity			
Service	Current Providers		
	Rossmoor	City of Los Alamitos	City of Seal Beach
Government (including finance, administration, public works, etc.)	Orange County	City of Los Alamitos	City of Seal Beach
Land Use Planning	Orange County	City of Los Alamitos	City of Seal Beach
Water	Golden State Water Company	Golden State Water Company	City of Seal Beach
Wastewater Collection	Rossmoor/Los Alamitos Sewer District	Rossmoor/Los Alamitos Sewer District	City of Seal Beach
Wastewater Treatment	Orange County Sanitation	Orange County Sanitation	Orange County Sanitation
Storm Water Drainage	Orange County	City of Los Alamitos	City of Seal Beach
Roads Maintenance	Orange County	City of Los Alamitos	City of Seal Beach
Street Sweeping	Private (Rossmoor CSD contract)	City of Los Alamitos	Private (City of Seal Beach contract)
Street Lighting	Southern California Edison	Southern California Edison	Southern California Edison
Median Landscaping	Private (Rossmoor CSD contract)	City of Los Alamitos	City of Seal Beach
Police	Orange County Sheriff, California Highway Patrol	City of Los Alamitos	City of Seal Beach
Police Dispatch	Orange County Sheriff, California Highway Patrol	West-Comm JPA—Los Alamitos, Seal Beach and	West-Comm JPA—Los Alamitos, Seal Beach and
Code Enforcement	Orange County	City of Los Alamitos	City of Seal Beach
Animal Control	Orange County	City of Long Beach (contract)	City of Seal Beach
Fire	Orange County Fire Authority	Orange County Fire Authority	Orange County Fire Authority (City of Seal Beach contract)
Solid Waste	CR&R (franchise with County)	Briggmann (franchise with City)	Consolidated Disposal (franchise with City)
Parks and Recreation	Groundskeeping: Private Facilities: Rossmoor CSD Recreation: Rossmoor CSD	City of Los Alamitos	City of Seal Beach
Tree Landscaping	Rossmoor CSD contract reimbursed by County (private)	City of Los Alamitos	City of Seal Beach
Schools	Los Alamitos Unified School District	Los Alamitos Unified School District	Los Alamitos Unified School District
Electricity & Natural Gas	Southern California Edison Southern California Gas	Southern California Edison Southern California Gas	Southern California Edison Southern California Gas

Sources: Los Alamitos, Seal Beach, Orange County, LAFCO, Rossmoor Community Services District, Burr Consulting, EPS

Governance Impacts

The City of Los Alamitos currently elects its five council members at large. The City has a charter provision that City Councilmembers would be elected by district (with seven districts) if the population grows to 18,000 or more. Annexation of Rossmoor to Los Alamitos would trigger this change in governance for the City. In addition, Rossmoor would increase the population of Los Alamitos by 83 percent. Rossmoor annexation would change the Council size, composition, and members.

The City of Seal Beach currently elects its five council members by district. Annexation of Rossmoor would require the City to either create additional council districts or re-draw the boundaries of the council districts. Annexation of Rossmoor to Seal Beach would increase the Seal Beach population by 46 percent. There is significant potential for a Rossmoor annexation to change the Council composition and members.

Provider Impacts

Los Alamitos would directly provide law enforcement, street, traffic, landscaping, recreation, planning, and permitting if Rossmoor annexes to this city. The solid waste hauler and animal control provider would change as well. In addition to these changes, water and sewer collection could potentially be provided by Seal Beach if Rossmoor were annexed to Seal Beach or to a consolidated Seal Beach-Los Alamitos city.

Rossmoor incorporation would offer the community the greatest control over service providers. As an independent city, Rossmoor could choose to provide any of the affected services directly or to contract with the County, neighboring cities or private companies for those services.

Expanding RCSD powers would have the least impact on service providers in the community. Although the community could exercise greater control over the law enforcement service level with this option, the Sheriff would continue to provide service. This option might lead to a shift in planning from the County and to an area planning commission, if approved by the County.

Service Level Impacts

Law enforcement is currently provided by the County Sheriff in Rossmoor; the neighboring cities each have independent police departments. Response times for high-priority incidents are substantially faster in Los Alamitos and Seal Beach than in Rossmoor due to both quicker dispatch and travel times.⁵ Clearance rates for serious (Part I) crimes are substantially higher in Seal Beach and Los Alamitos than in Rossmoor. If annexed to Seal Beach or Los Alamitos, response times and crime clearance would likely improve the most. Incorporation or expansion of CSD powers

⁵ Scott P. Bryant & Associates. *Police Services Comparison Survey: Report to the Orange County Local Agency Formation Commission*, November 2004, pages 4 and 9.

would also likely improve response times, as the community would have greater input over patrol deployment by the County Sheriff.

Traffic enforcement is currently provided by the California Highway Patrol (CHP) and supplemented by the Orange County Sheriff in Rossmoor. According to RPC members, there is little CHP presence in the community and prevalent speeding along certain roads. RPC members report that supplemental Sheriff enforcement initiated in January 2006 has improved the service level; however, the Sheriff has not increased staff levels for this purpose. Each of the governance changes would involve local control over traffic enforcement, with related service level improvements.

Building and planning permit services are currently provided in Santa Ana, 16 miles from Rossmoor. Los Alamitos services are more convenient, less than two miles from the center of Rossmoor. Seal Beach services are also more convenient, 5.5 miles from the center of Rossmoor. Incorporation would offer the most convenient services. Expansion of RCSD powers could potentially involve establishment of an area planning commission to handle local zoning and use permits; however, this would require County and LAFCO approval and would not affect building permit services.

Animal control is currently provided by the County with services (dog licensing and lost pets) provided in Orange, 13 miles from Rossmoor. The Long Beach shelter is closest, only three miles from Rossmoor. The Seal Beach shelter is also more convenient, only five miles from Rossmoor. Incorporation or expansion of RCSD powers would also improve service levels if Long Beach or Seal Beach were chosen as the service provider.

4. Fiscal Impacts

This report provides a preliminary analysis of the effects of the various governance options on the general and road funds of the respective agencies: Los Alamitos, Seal Beach and a hypothetical Rossmoor city. While these results provide a general sense of the fiscal strength of the scenarios, all deserve a closer look by affected agencies and stakeholders. The summary table (next page) shows estimates of the fiscal impacts of the various scenarios assuming they had happened a) under current law b) in FY 04-05 dollars and c) in a steady state (i.e., after short-term transition costs and revenue lags).

Revenues

Property Tax

Rossmoor property owners pay the property tax of one percent on assessed value. Property tax revenue is distributed to various state, regional and local agencies.

The Orange County Auditor-Controller provided actual property tax allocations for Rossmoor. Currently, \$502,050 is distributed to the Rossmoor Community Services District (RCSD) and \$645,197 is distributed to Orange County for general purposes. The Orange County Fire Authority (OCFA) receives \$1,172,755 in property taxes from Rossmoor.

The Orange County CEO provided estimates of the portion of the County's property tax share that might transfer to an annexing agency. Neither Los Alamitos nor Seal Beach is signatory to the master tax sharing agreement of the County. As a result, actual property tax allocations would be a matter negotiated by the parties after a particular governance change is initiated.

This analysis assumes that the RCSD would be absorbed into the annexing agency or the new city and that related property taxes would transfer.

In the event of annexation to Seal Beach, the Rossmoor property tax amount that is currently distributed to OCFA would transfer to Seal Beach. Seal Beach would use that revenue to pay OCFA for contract fire and paramedic service. As the property tax amount and service cost would be treated as identical by OCFA, there would be net fiscal impact on OCFA.

Sales Tax

A portion of the sales and use tax is credited to the local jurisdiction in which the retailer (or point of sale) occurs.

The only commercial area, Rossmoor Village Square, is in northeast Rossmoor. This commercial development includes 18 businesses: restaurants, a gas station, a video rental store and several retail outlets.

The Orange County CEO provided data on existing sales tax revenue generated in the Rossmoor community, and estimates that \$212,100 was generated in Rossmoor.

Summary of General Fund Impacts						
Annexation to Los Alamitos, Annexation to Seal Beach and Incorporation Scenarios						
(Figures in FY 04-05 dollars)						
	Annexation to Los Alamitos		Annexation to Seal Beach		Incorporation	
	Without AB 1602	With AB 1602	Without AB 1602	With AB 1602	Without AB 1602	With AB 1602
General Fund Revenues						
Property Tax	\$814,707	\$814,707	\$2,022,362	\$2,022,362	\$824,649	\$824,649
Sales Tax	212,100	212,100	212,100	212,100	212,100	212,100
Documentary Transfer Tax	56,710	56,710	56,710	56,710	56,710	56,710
Business License Tax	1,800	1,800	1,800	1,800	1,800	1,800
Utility Users Tax	869,310	869,310	1,309,315	1,309,315	902,634	386,843
Franchise Fees	315,307	315,307	251,994	251,994	283,651	283,651
Other Tax	174,597	174,597	0	0	174,597	174,597
Licenses & Permits	59,332	59,332	188,290	188,290	148,152	148,152
Vehicle License Fees ¹	66,406	590,109	66,406	590,109	66,406	590,109
Other Intergovernmental	197,158	197,158	0	0	115,958	115,958
Charges for Services	101,919	101,919	364,484	364,484	137,543	137,543
Investment Earnings	94,674	94,674	203,327	203,327	12,225	12,225
Fines & Forfeitures	133,218	133,218	133,943	133,943	95,723	95,723
Miscellaneous	43,781	43,781	149,777	149,777	37,513	37,513
Transfers	189,530	189,530	113,206	113,206	0	0
Total	\$3,330,550	\$3,854,253	\$5,073,713	\$5,597,417	\$3,069,659	\$3,077,572
General Fund Expenses						
City Council	\$30,826	\$30,826	\$0	\$0	\$51,148	\$51,148
City Manager/City Clerk	119,152	119,152	75,167	75,167	309,072	309,072
Administrative Services	202,644	202,644	97,860	97,860	189,133	189,133
City Attorney	83,752	83,752	64,363	64,363	100,000	100,000
Nondepartmental	355,494	355,494	611,101	611,101	348,969	348,969
Police	1,787,666	1,787,666	1,085,378	1,085,378	1,100,000	1,100,000
Fire & Paramedic Service ²	0	0	1,172,755	1,172,755	0	0
Animal Control ³	0	0	70,013	70,013	70,013	70,013
Urban/Community Development	219,661	219,661	323,490	323,490	325,693	325,693
Public Works	443,485	443,485	376,151	376,151	409,462	409,462
Culture & Recreation	399,111	399,111	202,927	202,927	145,659	145,659
Miscellaneous	78,655	78,655	374,557	374,557	0	0
Total	\$3,720,446	\$3,720,446	\$4,453,763	\$4,453,763	\$3,049,148	\$3,049,148
Net Fiscal Impact	-\$389,897	\$133,807	\$619,950	\$1,143,654	\$20,511	\$28,424
<i>Sources: Census, CSUF, SCAG, CA Department of Finance, Caltrans, Los Alamitos, Seal Beach, Orange County, LAFCO, Rossmoor Community Services District, Burr Consulting, EPS</i>						
Notes:						
(1) Vehicle license fee revenues would be higher if the Legislature passes proposed legislation (AB 1602). Passage and implementation of this bill is projected in 2006.						
(2) All jurisdictions rely on Orange County Fire Authority (OCFA) for fire and paramedic service. Seal Beach contracts with OCFA for service.						
(3) Los Alamitos contracts with Long Beach for animal control. Related expenses are included under nondepartmental and not separately identifiable.						

City Council may temporarily reduce the tax rate, as it did for the period of February 1, 2002, through February 1, 2003. The UUT was originally established in 1991.

Seal Beach levies an 11 percent UUT with an exemption for low-income seniors. The City adopted a six percent UUT prior to 1992, which is not subject to Proposition 218 vote requirements. The UUT rate was increased from six to 11 percent in 1992. If annexed to Seal Beach, Rossmoor households would pay approximately \$396 per year in utility taxes.

If Rossmoor is annexed, LAFCO would include a condition that Rossmoor will pay the UUT effective in the annexing city. Rossmoor voters would not be asked separately to approve the UUT.

The incorporation scenario would require a UUT of 3-7 percent in order to be fiscally viable at existing service levels. For a typical household, a three percent tax amounts to \$273 annually and a seven percent tax amounts to \$117.

Revenue estimates for the incorporation scenario assume that Rossmoor imposes a UUT with an exemption for low-income senior households. The authors estimate that approximately 11 percent of Rossmoor households would qualify for such an exemption based on analysis of 2000 Census data.

Franchise Fees

Cities are authorized to levy franchise fees on utilities in exchange for granting the utilities a franchise in its territory. In practice, a franchise fee is embedded into the utility rates and paid in the pre-tax portion of the utility bill. Franchise fees are not subject to Proposition 218 requirements.

Rossmoor residents and businesses currently pay the franchise fees that the County imposes on utility franchisees. Estimates of the current fees paid by Rossmoor were unavailable.

In this report, estimates of franchise fee revenues were made using a per capita approach. First, the authors estimated the portion of franchise fees in the neighboring cities that is paid by residents: 67 percent in Los Alamitos and 75 percent in Seal Beach. The authors applied the per capita approach to estimate the amount that would be generated under the annexation scenarios. The franchise fee estimates for the annexation scenarios differ primarily due to differences between these jurisdictions in the fee magnitude and scope. The analysis assumes that a Rossmoor city would levy franchise fees of a magnitude comparable to the average of the two neighboring cities.

Licenses and Permits

License and permit revenue in this analysis primarily involves building permits. Seal Beach residents may purchase parking permits for parking convenience in the downtown and beach areas. The cities charge property owners for burglar alarm permits and there are other miscellaneous license and permits.

This report estimated fiscal impacts for parking and miscellaneous permits using a per capita approach. For building-related permits, the authors first assessed the portion of building permits issued for residential remodel purposes in Seal Beach and Los Alamitos in FY 04-05 based on data provided by the Construction Industry Research Board. In both cities, residential remodels made up 35 percent of permit values. The authors estimated the Rossmoor fiscal impact by assuming that the only building permit revenue originating in Rossmoor would be composed of residential remodels since the community is built out. Focusing only on the portion of building permit revenue that is attributed to residential remodels, the Rossmoor fiscal impact is based on aggregate home values in the respective communities. In other words, building permit revenue is assumed to be proportional to housing values. For the incorporation scenario, the fiscal analysis assumes full cost recovery or, in other words, that building permits and plan check fees recoup the costs of development-related services.

Vehicle License Fees

Vehicle license fees (VLF) were formerly a two percent fee on the market value of motor vehicles, with a portion of that revenue distributed to cities based on population. Although the two percent rate has been reduced to the present 0.65 percent rate, the State General Fund made up the difference with an offset payment. From June to October 2003, the State suspended the offset resulting in one-time revenue losses to cities, which the State has repaid in FY 05-06.

Proposition 1A, passed by voters in November 2004, eliminated the VLF offset and replaced it with a like amount of property taxes. To finance the State budget deficit, the State reduced the VLF backfill payment temporarily in FY 04-05 and FY 05-06. This reduced the VLF backfill for cities. Beginning in FY 06-07, existing cities will receive the full VLF backfill with growth based on growth in the property tax base since the FY 04-05 base year.⁶ However, cities annexing developed areas like Rossmoor do not receive property tax in lieu of VLF on the value of property at the time of annexation. The current law only provides for annexing cities to receive the population-based component of VLF (a modest amount) and to receive the in-lieu property tax for growth in the property tax base that occurs in the year after annexation or thereafter.

Proposed legislation (AB 1602) offers incorporating and annexing cities \$50 per capita in additional vehicle license fee revenue in FY 04-05 dollars with the actual amount increasing annually (by approximately seven percent in the last year). In addition, the proposed legislation offers additional revenues to incorporating cities during the first five years of cityhood. Specifically, a Rossmoor city would receive an additional 50 percent in revenues (i.e., \$25 per capita) in its first year; this boost would decline annually until the new city's sixth year when it would stabilize at \$50 per capita (in FY 04-05 dollars). The legislation is projected to be passed by August 2006. Due to an urgency clause

⁶ For property tax purposes, the assessed roll value on January 1 of the preceding fiscal year reflects the tax base in the current fiscal year.

included in the current draft of the bill, the legislation would become effective immediately after being signed by the Governor.

The revenue estimates in this study have been provided both under existing law and under the assumption that AB 1602 is adopted.

Other Intergovernmental

In addition to vehicle license fees, cities receive other intergovernmental revenues. Such revenues may include competitive grants as well as revenues received by agreement with other agencies.

In the base year for this analysis, Los Alamitos received other intergovernmental revenues. Seal Beach did as well, but posted these revenues as transfers. For transparency of the results to the potential annexing agencies, the analysis has retained these reporting differences by the two cities.

For purposes of incorporation related estimates, the authors calculated the average per capita amount of other intergovernmental revenues received by comparison cities: Los Alamitos, Seal Beach, Villa Park, Laguna Woods, Rancho Palos Verdes, and Palos Verdes Estates.

Charges for Services

Cities levy service charges and fees for a variety of purposes, including recreation programs and plan checks.

Charges for services were estimated using various approaches depending on which was most relevant to the particular charges. Plan check and related charges were estimated using the same approach as was used for estimating building permit revenue. Alarm, sweeping, tree trimming and other miscellaneous fees were estimated on a per household basis. Recreation revenue estimates were premised on the assumption that 85 percent of Rossmoor residents are already relying on Los Alamitos recreation programs.

Seal Beach directly collects solid waste service charges and remits them (net of an administrative charge) to the solid waste hauler. As a result, service charge revenues under the Seal Beach annexation scenario are relatively high compared with the other scenarios.

Investment Earnings

Investment earnings include not only interest but also rents on any City-owned properties. In this analysis, such revenues were estimated on a per capita basis for the annexation scenarios. This approach is most relevant since the analysis is focused on the long-term, or steady state, impact of the governance changes rather than being a comprehensive cash flow model. In the incorporation scenario, the analysis simply assumes that existing RCSD interest revenues would be earned by the incorporating city.

It should be noted in all cases that the RCSD fund balance would transfer to the annexing city or to a new Rossmoor city. At present, the unreserved fund balance is approximately

\$1.4 million. Clearly, under any of the scenarios, actual investment earnings would likely be greater than has been estimated in this analysis.

Fines and Forfeitures

Cities receive revenues primarily from fines for moving violations and parking tickets.

In addition, Seal Beach receives fees from inmates staying in the city's jail due to a relatively high service level in the city jail compared with other alternatives. In this analysis, jail related revenues (and costs) are assumed to increase as a result of annexing Rossmoor based on the percentage increase in police service calls.

Expenditures

This analysis estimates the expenditure effects of the scenarios. The annexation analysis assumes that the existing Los Alamitos and Seal Beach service levels and cost structure would be implemented in the annexed area, and does not assume that scale efficiencies would be gained. The incorporation analysis assumes that the existing County and RCSD service levels would be retained and that the County would provide contract services (Sheriff and streets) at rates comparable to current costs.

City Council

The Los Alamitos annexation scenario assumes that council expenses would increase 40 percent as a result of annexation. The city's charter has a provision that two additional council seats would be added in the event the city should grow in size of the magnitude involved in annexing Rossmoor.

The Seal Beach annexation scenario assumes that council expenses would be unaffected.

The incorporation scenario assumes five council members would each receive a stipend of \$250 monthly and that council expenses (i.e., memberships and travel) would cost \$35,000.

City Manager and City Clerk

City Manager and City Clerk expenses involve certain costs, such as attending and supporting council meetings, that do not relate to city size and other costs, such as managing employees and responding to constituent requests, that do increase with both city size and the scope of services provided directly by the city.

The Los Alamitos and Seal Beach annexation scenarios assume that 75 percent of City Manager and Clerk expenses are fixed costs in that they do not relate to city size. The remaining 25 percent of existing costs is assumed to relate to workload and activities that would increase if Rossmoor were annexed and those costs were estimated using a per capita approach.

The incorporation scenario assumes that the new city would directly provide city management and city clerk services with a staff of three: a city manager, a city clerk and an assistant. The cost estimates include employer-paid taxes, employee benefits (a

cafeteria plan of \$12,000 per employee as is used by Laguna Woods), and expenses. Detailed assumptions for compensation levels and expenses may be found in the detailed tables at the end of this report.

Administrative Services

Administrative services involve the accounting, treasury, human resources and information technology functions.

The Los Alamitos and Seal Beach annexation scenarios assume that 50 percent of Administrative Services expenses are fixed costs in that they do not relate to city size. The remaining 50 percent of existing costs is assumed to relate to workload and activities that would increase if Rossmoor were annexed and those costs were estimated using a per capita approach.

The incorporation scenario assumes that the new city would directly provide these services with a staff of two: an accountant and an assistant.

City Attorney

City legal services include attendance at council meetings as well as handling of litigation.

The Los Alamitos and Seal Beach annexation scenarios assume that 67 percent of legal services are fixed costs in that they would be unaffected by annexation. The remaining 33 percent of existing costs is assumed to relate to workload and activities that would increase if Rossmoor were annexed and those costs were estimated using a per capita approach.

The incorporation scenario assumes that the new city would retain a law firm to provide legal services. Estimated annual costs are \$100,000. By comparison, Palos Verdes Estates spends approximately this amount on legal services and Villa Park (somewhat smaller in size) spends substantially less. Legal expenses for cities such as Los Alamitos with their own police departments are not comparable as the contemplated Rossmoor city would not be providing such services directly.

Nondepartmental

Nondepartmental expenses include general overhead expenses, such as building maintenance, auto expenses, capital leases, general liability insurance, and workers' compensation.

Los Alamitos and Seal Beach differ in the extent to which certain expenses are classified as nondepartmental. In addition, Seal Beach makes certain debt payments from its general fund that are included as nondepartmental expenses.

For the annexation scenarios, building maintenance expense impacts are expected to be comparable to existing RCSD expenses for building maintenance. For the annexation scenarios, most other nondepartmental expenses are assumed to increase in proportion to

the estimated fiscal impact of Rossmoor annexation on expense categories staffed directly by city employees.

For the incorporation scenario, building maintenance is estimated to cost 20 percent more than the existing RCSD expense. Insurance is estimated to cost \$75,000, which is substantially higher than the amount paid by Villa Park (a contract city); insurance costs depend primarily on City payroll and the scope of City operations but also on litigation history and other risk factors. The analysis provides for five vehicles to be leased by the new city in addition to a fuel and repair budget. In addition, the analysis provides for a \$100,000 contingency fund under the nondepartmental budget; in light of the \$1.4 million fund balance that would transfer from RCSD to the new city, the new city would also have substantial reserves to draw upon for one-time expenses.

Public Safety

Law enforcement is provided directly by Los Alamitos and Seal Beach. Rossmoor is presently served by the Orange County Sheriff. Service levels vary among the providers. All scenarios assume that each provider's service level remains the same. In other words, annexation to Seal Beach (where response times are lower than in Rossmoor) would involve policing expenses on a par with existing service levels in Seal Beach.

For the most part, the annexation scenarios assume that most law enforcement costs would be affected based on the increase in police-related service calls that would result from annexation. The incorporation scenario assumes that the Sheriff would provide by contract services at a rate comparable to the existing cost.

If annexed to Seal Beach, there would be no net fiscal impact for fire and paramedic service. According to OCFA, Seal Beach would be expected to pay an increase in its contract fee equivalent to the Rossmoor property tax amount currently distributed to OCFA. Annexation to Seal Beach would mean that the Rossmoor property tax going to OCFA would transfer to Seal Beach.

Seal Beach annexation is estimated to increase that city's animal control costs based on the per capita approach. Similarly, animal control expenses for the incorporation scenario are assumed to be comparable to the marginal fiscal impact on Seal Beach or, in other words, that the new city would contract for service with Seal Beach.

Urban and Community Development

Urban and community development functions include planning, building inspection and code enforcement. Much of these service costs are development-related. Although Rossmoor does not have vacant land for new construction, there is substantial remodeling activity that would require related permits and planning services.

For building and planning costs, the authors first assessed the portion of building permits issued for residential remodel purposes in Seal Beach and Los Alamitos in FY 04-05 based on data provided by the Construction Industry Research Board. In both cities, residential remodels made up 35 percent of permit values. The authors estimated the

Rossmoor fiscal impact by assuming that the only building and planning cost impacts would be composed of residential remodels since the community is built out. Focusing only on the portion of building permit revenue that is attributed to residential remodels, the Rossmoor fiscal impact is based on aggregate home values in the respective communities. In other words, building and planning marginal costs are assumed to be proportional to housing values and related permit revenue. For the incorporation scenario, the fiscal analysis assumes that the new city directly employs a planning administrator and retains a private firm to provide planning counter, code enforcement and building inspection services. This approach is used in neighboring Los Alamitos where these functions are staffed by a private company, but yet provide service from city hall.

Public Works

Public works expenses include both operating costs typically paid by the general fund and capital costs typically paid through capital funds. Operating costs include activities such as tree trimming, street sweeping, and complying with stormwater regulatory requirements; whereas, capital costs involve expenses such as rehabilitation of street pavement or replacement of trees.

Because Rossmoor is a walled community and includes no arterials, there is substantially less traffic volume (and related wear and tear) on Rossmoor roads than on average in Los Alamitos and Seal Beach. Thus, estimated traffic volume is a significant factor in the cost analysis.

Los Alamitos and Seal Beach differ in financing public works activities. In the annexation scenarios, street maintenance expenses are estimated based on traffic volumes. Street sweeping expenses are estimated based on street mileage. Engineering expenses are estimated based on residential remodel activity. In addition to operating expenses, the report identifies recurring street capital expenses of the two cities based on their respective capital improvement plans and estimates the capital costs of providing a similar level of service in Rossmoor. Street capital estimates are based on traffic volume. Sidewalk costs are based on street mileage with an extra 20 percent premium added to account for the concentration of trees in Rossmoor and related effect on sidewalk repairs. Tree-related capital cost impacts are assumed to be equivalent to the existing RCSD expense for tree replacement.

For the incorporation scenario, the analysis assumes that the new city would directly employ a public works administrator who would also function as the city's engineer. In addition, the new city is assumed to contract for tree trimming, street sweeping and street lighting at the existing RCSD operating expenses. The new city is also assumed to contract for storm drain maintenance. The new city is assumed to contract with Orange County for street maintenance at the existing cost of the County's services on Rossmoor pavement. In addition, the analysis assumes the new city would contract for capital expenses for sidewalk, curb and gutter repair at rates comparable to those paid by Los Alamitos and Seal Beach and that the new city would continue to expend \$20,000 on

replacement of trees. The new city's street capital revenue stream—gas tax allocations and Measure M funds—would cover identified capital expenses without need for a general fund contribution.

Parks and Recreation

Parks and recreation expenses involve park maintenance and recreation programming.

Annexation-related cost impacts are based on assumptions regarding existing use by Rossmoor residents of Los Alamitos recreation programs. Although RCSD offers limited recreation programming, neighboring Los Alamitos offers substantially more recreation services. Based on interviews with RPC members, the report assumes 85 percent of Rossmoor residents already rely on Los Alamitos recreation. Annexation to Los Alamitos is assumed to increase costs only based on the remaining 15 percent of residents who would be expected to begin using Los Alamitos recreation services. Annexation to Seal Beach is assumed to increase costs marginally assuming that 10 percent of Rossmoor residents already use Seal Beach recreation programs, 40 percent shift to using Seal Beach, and the remainder continues to use Los Alamitos.

Park maintenance costs are estimated based on existing service levels. In the annexation scenarios, the analysis assumes that the annexing city's existing expenditure per park acre would be applicable to the 17 park acres in Rossmoor for which the new city would become responsible. In the incorporation scenario, the new city is assumed to spend the same amount on park maintenance as is currently spent by RCSD.

The incorporation scenario also assumes that the new city would continue to spend the same amount on recreation programming as is spent by RCSD and that 25 percent of the planning administrator's time would be allocated to managing park maintenance and recreation functions.

Miscellaneous Costs

Miscellaneous costs include capital outlays and transfers from the general fund to other city funds. This cost category is only applicable to the annexation scenarios.

Los Alamitos provides for capital outlays and also transfers from the general fund to a capital fund and to support the Air Force Reserve Center pool. The analysis provides for Rossmoor related expenditures for capital outlays using a per capita estimation method. Annexation would not affect the transfer for the pool. Annexation would not affect capital transfers as gas tax and Measure M revenue would cover street-related recurring capital expenses in Rossmoor at existing Los Alamitos service levels.

Seal Beach miscellaneous expenditures include pass-through of garbage fees to the hauler, capital outlay (vehicles), transfer to subsidize the Tidelands Beach Fund, and transfer for capital projects. The garbage hauler payment was estimated based on per home costs, since this service is residential. The capital outlay for vehicles was estimated based on the percentage increase in Seal Beach costs for directly staffed functions. Annexation would not affect subsidy needs for the Tidelands Beach Fund. The transfer

for capital projects was estimated based on the funding need for street capital projects (i.e., the amount of street capital needs that would not be covered by gas tax and Measure M).

5. Detailed Tables

Rossmoor Community Preliminary Fiscal Impact Analysis—General and Street Funds
Annexation to Los Alamitos Scenario
 Figures in FY 04-05 dollars

GENERAL FUND	Existing City of Los Alamitos	Rossmoor Annexation Impact	Post- Annexation City	Note
General Fund Revenues	\$9,512,087	\$3,330,550	\$12,842,637	
Taxes	\$6,565,777	\$2,442,732	\$9,008,509	
Property Tax	\$1,206,584	\$814,707	\$2,021,291	Rossmoor figures from County (FY 05-06); assumes 48.4592% of County share transfers
Lighting District	\$194,269	\$174,597	\$368,866	Transfer of RCSD lighting/landscaping revenue
Sales Tax	\$2,830,701	\$212,100	\$3,042,801	Rossmoor figures from County (FY 03-04)
Transient Occupancy Tax	\$72,160	\$0	\$72,160	No hotels in Rossmoor
Documentary Transfer Tax	\$84,029	\$56,710	\$140,739	Allocated on assessed value; assumes Rossmoor turnover rate is average of Seal Beach and Los Alamitos
Franchise Fees	\$539,304	\$315,307	\$854,611	Per capita allocation for 67% of existing Los Al revenue; remainder is non-residential
Utility Users Tax	\$1,638,730	\$869,310	\$2,508,040	Assumes \$325 in utility sales monthly per household (phone, water, gas, power)
Assessments	\$18,949	\$0	\$18,949	Assumes that this modest Los Alamitos assessment is not extended to Rossmoor
Licenses & Permits	\$534,462	\$61,132	\$595,594	
Permits: Building and Planning	\$146,710	\$59,332	\$206,042	Allocate on aggregate home values the residential remodel share (35%) of Los Alamitos permit values
Business License Tax	\$387,752	\$1,800	\$389,552	18 businesses at Rossmoor Village Square; each assumed to have 3-29 employees
Intergovernmental	\$985,993	\$263,564	\$1,249,557	
VLF	\$760,055	\$66,406	\$826,461	Uses \$6.34 per capita; if AB 1602 passes, VLF would raise \$524,000 additional
Other	\$225,938	\$197,158	\$423,096	Per capita allocation
Charges for Services	\$726,739	\$101,919	\$828,658	
Recreation Fees	\$635,210	\$47,737	\$682,947	Assumes 85% of Rossmoor residents already use Los Alamitos recreation programs
Plan Checks	\$54,866	\$22,189	\$77,055	Allocate on aggregate home values the residential remodel share (35%) of Los Alamitos permit values
Alarm Fees and Other	\$36,663	\$31,993	\$68,656	Per capita allocation
Use of Money & Property	\$108,494	\$94,674	\$203,168	Per capita allocation
Fines & Forfeitures	\$152,664	\$133,218	\$285,882	
Parking Citations	\$92,522	\$60,552	\$153,074	Allocated 75% of revenue using per capita approach; remainder is assumed business-related
Vehicle Violations	\$60,142	\$39,361	\$99,503	Allocated 75% of revenue using per capita approach; remainder is assumed business-related
Contributions	\$1,125	\$0	\$1,125	Unaffected by annexation
Miscellaneous	\$200,688	\$43,781	\$244,469	Mostly unaffected (miscellaneous reimbursements); 25% allocated using per capita approach
Transfers	\$217,196	\$189,530	\$406,726	Per capita allocation
General Fund Expenditures	\$9,447,989	\$3,720,446	\$13,168,435	
General Government	\$2,090,832	\$791,869	\$2,882,701	
City Council	\$77,066	\$30,826	\$107,892	40% cost increase due to annexation-triggered change from 5 to 7 council seats
City Manager/City Clerk	\$546,182	\$119,152	\$665,334	Per capita allocation for 25% of costs; remaining 75% unaffected (fixed operating costs)
Administrative Services	\$464,448	\$202,644	\$667,092	Per capita allocation for 50% of costs; remaining 50% unaffected (fixed operating costs)
City Attorney	\$290,842	\$83,752	\$374,594	Per capita allocation for 33% of costs; remaining 67% unaffected (fixed operating costs)
Nondepartmental				
Building maintenance	\$157,194	\$120,530	\$277,724	Existing RCSD building maintenance expense
Recruitment	\$47,687	\$41,613	\$89,300	Increase based on 38% increase in costs for directly staffed City functions
Insurance: public liability & worker's comp	\$372,840	\$142,072	\$514,912	Increase based on 38% increase in costs for directly staffed City functions
Benefits liability reserve	\$120,982	\$46,101	\$167,083	Increase based on 38% increase in costs for directly staffed City functions
IRS 125 medical	\$13,591	\$5,179	\$18,770	Increase based on 38% increase in costs for directly staffed City functions

continued



Rossmoor Community Preliminary Fiscal Impact Analysis—General and Street Funds
Annexation to Los Alamitos Scenario
 Figures in FY 04-05 dollars

GENERAL FUND	Existing City of Los Alamitos	Rossmoor Annexation Impact	Post- Annexation City	Note
Public Safety	\$4,041,606	\$1,787,666	\$5,829,272	
Police administration	\$722,917	\$319,758	\$1,042,675	Increase based on % increase in direct public safety
Patrol	\$2,268,760	\$1,054,724	\$3,323,484	Increase based on service call volume in Rossmoor (75%) and per capita (25%)
Investigation	\$362,208	\$119,159	\$481,367	Increase based on service call volume in Rossmoor
Dispatch and records	\$533,602	\$175,544	\$709,146	Increase based on service call volume in Rossmoor
Crossing guards	\$52,648	\$50,562	\$103,210	Per capita allocation (age 18 or less)
Police aids	\$37,942	\$12,482	\$50,424	Increase based on service call volume in Rossmoor
State grant supported functions	\$62,499	\$54,538	\$117,037	Per capita allocation
Emergency preparedness	\$1,050	\$899	\$1,929	Per capita allocation
Urban Development	\$582,421	\$219,661	\$802,082	
Administration & economic development	\$296,199	\$75,788	\$371,987	Allocated half based on % increase in direct expense; remainder is allocated based on jobs
Planning	\$99,552	\$40,261	\$139,813	Allocate on aggregate home values the residential remodel share (35%) of Los Alamitos permit values
Neighborhood preservation	\$60,059	\$52,409	\$112,468	Per capita allocation
Building inspection	\$126,611	\$51,204	\$177,815	Allocate on aggregate home values the residential remodel share (35%) of Los Alamitos permit values
Public Works	\$975,222	\$443,485	\$1,418,707	
Administration	\$163,364	\$85,210	\$248,574	% increase in direct public works expenditures (street, building and park maintenance)
Street: maintain streets, signals, drains, trees	\$637,495	\$252,982	\$890,477	Allocated based on estimated daily vehicle miles of traffic (DVMT)
Street sweeping	\$59,079	\$58,670	\$117,749	Allocated based on street miles
Engineering	\$115,284	\$46,623	\$161,907	Allocate on aggregate home values the residential remodel share (35%) of Los Alamitos permit values
Culture & Recreation	\$1,554,693	\$399,111	\$1,953,804	
Administration	\$601,325	\$154,368	\$755,693	Allocated based on direct expenditures
Park maintenance	\$328,028	\$197,747	\$525,775	Allocated based on park acreage
Recreation programs	\$625,340	\$46,995	\$672,335	Assumes 85% of Rossmoor residents already use Los Alamitos recreation programs
Capital Outlay	\$90,136	\$78,655	\$168,791	Per capita allocation
Transfers	\$113,079	\$0	\$113,079	
Air Force Reserve Center pool	\$44,000	\$0	\$44,000	None/annual contribution unaffected
Capital projects	\$69,079	\$0	\$69,079	None allocated; recurring street-related capital projects are fully funded. See capital fund below.
General Fund Balance				
Beginning-Undesignated	\$6,383,550	\$1,477,000	\$7,860,550	RCSD unreserved fund balance (general and capital projects) would transfer to the annexing city
Surplus/Deficit	\$64,098	-\$389,897	-\$325,799	
Ending Balance	\$6,447,648	\$1,087,103	\$7,534,751	

Rossmoor Community Preliminary Fiscal Impact Analysis—Street Capital Fund

Annexation to Los Alamitos Scenario

Figures in FY 04-05 dollars

CAPITAL FUND	Existing City of Los Alamitos	Rossmoor Annexation Impact	Post- Annexation City	Note
Street-Related Revenues	\$275,000	\$255,425	\$530,425	
Gas Tax	\$25,000	\$133,407	\$158,407	Per capita allocation per California code net of transfers into the general fund
Traffic improvement fund	\$200,000	\$0	\$200,000	Unaffected/Impact fees from Cypress developments
Measure M	\$30,000	\$122,019	\$152,019	Measure M formula share; assumes no share of competitive Measure M funds
Transfer from General Fund	\$20,000	\$0	\$20,000	None required to finance recurring street capital expenses
Annual Recurring Capital Expenses	\$275,000	\$145,039	\$420,039	
Sidewalk repairs	\$30,000	\$35,751	\$65,751	Allocated based on street miles and added 20% cost premium for tree impact on sidewalks
Emergency street repairs	\$10,000	\$3,968	\$13,968	Allocated based on estimated daily vehicle miles of traffic (DVMT)
Arterial tree program	\$20,000	\$20,000	\$40,000	Existing RCSD expense for tree capital
Street markings	\$15,000	\$5,953	\$20,953	Allocated based on estimated daily vehicle miles of traffic (DVMT)
Residential street improvements	\$200,000	\$79,367	\$279,367	Allocated based on estimated daily vehicle miles of traffic (DVMT)



**Rossmoor Community Preliminary Fiscal Impact Analysis—General and Street Funds
Annexation to Seal Beach Scenario**

Figures in FY 04-05 dollars

GENERAL FUND	Existing City of Seal Beach	Rossmoor Annexation Impact	Post-Annexation City	Note
General Fund Revenues	\$24,407,081	\$5,073,713	\$29,480,794	
Taxes	\$14,687,206	\$3,852,481	\$18,539,687	
Property Tax	\$4,588,666	\$2,022,362	\$6,611,028	Rossmoor figures from County (FY 05-06); assumes 53.8684% of County share transfers; assumes OC Fire share transfers--Seal Beach pays for OCFA service as contract provider
Sales Tax	\$3,866,139	\$212,100	\$4,078,239	Rossmoor figures from County (FY 03-04)
Transient Occupancy Tax	\$623,836	\$0	\$623,836	No hotels in Rossmoor
Documentary Transfer Tax	\$101,153	\$56,710	\$157,863	Allocated on assessed value; assumes Rossmoor turnover rate is average of Seal Beach and Los Alamitos
Barrel Tax	\$148,730	\$0	\$148,730	Assumes no oil in Rossmoor
Utility Users Tax	\$4,546,007	\$1,309,315	\$5,855,322	Assumes \$300 in utility sales monthly per household (phone, gas, power) and 11% are exempt (senior households with income < \$38,500)
Franchise Fees	\$812,675	\$251,994	\$1,064,669	Per capita allocation for 75% of existing Seal Beach revenue; remainder is non-residential
Assessments	\$0	\$96,162	\$96,162	Transfer of RCSD lighting/landscaping revenue net of existing lighting expense
Licenses & Permits	\$2,151,459	\$190,090	\$2,341,549	Per capita allocation
Parking Permits	\$91,442	\$37,806	\$129,248	Per capita allocation
Business License Tax	\$1,568,559	\$1,800	\$1,570,359	18 businesses at Rossmoor Village Square; tax is \$100 per business
Building-Related Permits	\$451,909	\$134,133	\$586,042	Allocate on aggregate home values the residential remodel share (35%) of Seal Beach permit values
Other Licenses & Permits	\$39,549	\$16,351	\$55,900	Per capita allocation
Intergovernmental	\$1,720,194	\$66,406	\$1,786,600	
VLF	\$1,821,594	\$66,406	\$1,888,000	Uses \$6.34 per capita; if AB 1602 passes, VLF would raise \$524,000 additional
Other	-\$101,400	\$0	-\$101,400	Reimbursement-unaffected by annexation
Charges for Services	\$2,666,913	\$364,484	\$3,031,397	
Refuse Service Charges	\$826,762	\$231,998	\$1,058,760	Allocated per home (service is residential). Rossmoor residents would pay the City directly.
Reimbursements	\$472,108	\$0	\$472,108	Unaffected (reimbursements from developers and City enterprise funds)
Recreation Fees	\$430,490	\$68,366	\$498,856	Assumes 10% of Rossmoor residents already use Seal Beach recreation programs, 40% shift to using Seal Beach, remainder continue to use Los Alamitos
Plan Checks	\$216,026	\$64,120	\$280,146	Allocate on aggregate home values the residential remodel share (35%) of Seal Beach permit values
Other Charges	\$721,527	\$43,765	\$765,292	Per household allocation for affected portion (e.g., alarm, sweeping, and tree trimming fees)
Use of Money & Property	\$491,794	\$203,327	\$695,121	Per capita allocation
Fines & Forfeitures	\$1,196,161	\$133,943	\$1,330,104	
Parking Citations	\$579,456	\$59,892	\$639,348	Allocated 25% of revenue using per capita approach; remainder is assumed beach- and business-related
Vehicle Violations	\$213,682	\$22,086	\$235,768	Allocated 25% of revenue using per capita approach; remainder is assumed beach- and business-related
Jail Fees	\$379,916	\$42,411	\$422,327	Increase based on service call volume in Rossmoor
Miscellaneous	\$23,107	\$9,553	\$32,660	Per capita allocation
Capital leases issued	\$124,927	\$22,369	\$147,296	Allocated based on impact on police expenditures (for consistency with related expenditure item)
Miscellaneous	\$1,066,111	\$31,245	\$1,097,356	Mostly unaffected (\$990,537 developer donation); per capita allocation for affected portion
Transfers	\$302,316	\$113,206	\$415,522	Per capita allocation of gas tax transfer amount; remainder unaffected (RDA and CFD reimbursements)

continued

**Rossmoor Community Preliminary Fiscal Impact Analysis—General and Street Funds
Annexation to Seal Beach Scenario**

Figures in FY 04-05 dollars

GENERAL FUND	Existing City of Seal Beach	Rossmoor Annexation Impact	Post- Annexation City	Note
General Fund Expenditures	\$19,253,682	\$4,453,763	\$23,707,445	
General Government	\$4,286,011	\$848,490	\$5,134,501	
City Council	\$67,253	\$0	\$67,253	Unaffected: council continues to consist of 5 members elected by district
City Manager/City Clerk	\$727,233	\$75,167	\$802,400	Per capita allocation for 25% of costs; remaining 75% unaffected (fixed operating costs)
Administrative Services	\$473,393	\$97,860	\$571,253	Per capita allocation for 50% of costs; remaining 50% unaffected (fixed operating costs)
City Attorney	\$471,747	\$64,363	\$536,110	Per capita allocation for 33% of costs; remaining 67% unaffected (fixed operating costs)
Building maintenance	\$442,415	\$120,530	\$562,945	Existing RCSD building maintenance expense
Auto maintenance	\$246,480	\$49,013	\$295,493	Increase based on 19% increase in costs for directly staffed City functions
Insurance: public liability & worker's comp	\$866,466	\$172,298	\$1,038,764	Increase based on 19% increase in costs for directly staffed City functions
Nondepartmental	\$654,598	\$130,168	\$784,766	Increase based on 19% increase in costs for directly staffed City functions
Debt payments	\$336,426	\$139,092	\$475,518	
Capital equipment lease	\$142,043	\$25,434	\$167,477	Vehicle lease purchase agreements, increased based on police expense increase
CFA lease	\$80,000	\$11,025	\$91,025	Per capita allocation for 1/3 of this item; remainder is assumed to be beach-related and unaffected.
Other	\$114,383	\$0	\$114,383	Capital property improvement lease unaffected by annexation
Public Safety	\$9,800,205	\$2,328,146	\$12,128,351	
Police administration	\$2,204,152	\$394,671	\$2,598,823	Increase based on % increase in patrol and detention
Patrol/field services	\$3,447,093	\$644,898	\$4,091,991	Increase based on service call volume in Rossmoor (75%) and per capita (25%)
Detention	\$410,352	\$45,809	\$456,161	Increase based on service call volume in Rossmoor
Fire/paramedic	\$3,569,265	\$1,172,755	\$4,742,020	Per OCFA, existing Rossmoor financing of OCFA is contract amount increase
Animal control	\$169,343	\$70,013	\$239,356	Per capita allocation
Community Development	\$1,089,874	\$323,490	\$1,413,364	
Administration	\$296,199	\$87,916	\$384,115	Allocated based on % increase in direct expense (planning and building inspection)
Planning	\$315,081	\$93,520	\$408,601	Allocate on aggregate home values the residential remodel share (35%) of Seal Beach permit values
Building inspection	\$478,594	\$142,053	\$620,647	Allocate on aggregate home values the residential remodel share (35%) of Seal Beach permit values
Public Works	\$1,076,557	\$376,151	\$1,452,708	
Street patch, signals, sweeping, trees	\$776,594	\$274,227	\$1,050,821	Allocated based on estimated daily vehicle miles of traffic (DVMT)
Storm drain maintenance/NPDES	\$249,916	\$87,070	\$336,986	Allocated half based on street miles, remainder is assumed to be related to beachfront which is unaffected
Engineering	\$50,047	\$14,855	\$64,902	Allocate on aggregate home values the residential remodel share (35%) of Seal Beach permit values
Culture & Recreation	\$948,877	\$202,927	\$1,151,804	
Administration	\$210,165	\$44,946	\$255,111	Allocated based on direct expenditures (park and recreation)
Park/landscape maintenance	\$216,164	\$74,996	\$291,160	Allocated based on park acreage
Recreation programs	\$522,548	\$82,986	\$605,534	Assumes 10% of Rossmoor residents already use Seal Beach recreation programs, 40% shift to using Seal Beach, remainder continue to use Los Alamitos
Trash Collection	\$888,729	\$249,387	\$1,138,116	Per home allocation; service is entirely residential
Capital Outlay (vehicles)	\$102,982	\$20,478	\$123,460	Increase based on % increase in costs for directly staffed functions
Transfers	\$1,356,646	\$104,693	\$1,461,339	
Capital projects	\$889,020	\$104,693	\$993,713	Transfer amount needed for recurring street-related capital costs net of gas tax and Measure M
Tidelands Beach Fund subsidy	\$467,626	\$0	\$467,626	Assumed to be unaffected by annexation; no beach land is located in Rossmoor
General Fund Balance				
Beginning-Undesignated	\$7,168,430	\$1,477,000	\$8,645,430	RCSD unreserved fund balance (general and capital projects) would transfer to the annexing city
Surplus/Deficit	\$5,153,399	\$619,950	\$5,773,349	
Ending Balance	\$12,321,829	\$2,096,950	\$14,418,779	



**Rossmoor Community Fiscal Impact Analysis—Street Capital Fund
Annexation to Seal Beach Scenario**

Figures in FY 04-05 dollars

CAPITAL FUNDS	Existing City of Seal Beach	Rossmoor Annexation Impact	Post- Annexation City	Note
Street-Related Revenues	\$745,000	\$299,298	\$1,044,298	
Gas Tax (net of general fund transfers)	\$137,622	\$72,587	\$210,209	Per capita allocation per California code net of transfers into the general fund
Measure M	\$279,443	\$122,019	\$401,462	Measure M formula share; assumes no share of competitive Measure M funds
Transfer from General Fund	\$327,935	\$104,693	\$432,628	Transfer amount needed for recurring street-related capital costs net of gas tax and Measure M
Annual Recurring Street Capital Expenses	\$745,000	\$299,298	\$1,044,298	
Sidewalk/curb/gutter repairs	\$50,000	\$41,807	\$91,807	Allocated based on street miles and added 20% cost premium for tree impact on sidewalks
Local pavement rehab	\$255,000	\$90,044	\$345,044	Allocated based on estimated daily vehicle miles of traffic (DVMT)
Arterial pavement rehab	\$315,000	\$111,231		Allocated based on estimated daily vehicle miles of traffic (DVMT)
Street sealing	\$100,000	\$35,312		Allocated based on estimated daily vehicle miles of traffic (DVMT)
Street tree planting	\$25,000	\$20,904	\$45,904	Allocated based on street miles and added 20% cost premium for tree concentration in Rossmoor
Lighting District				
Revenues	\$142,141	\$78,435		Transfer of RCSD lighting/landscaping revenue portion currently used by RCSD for lighting expense
Expenditures	\$131,372	\$78,435		Existing RCSD lighting expense

**Rossmoor Community Preliminary Fiscal Impact Analysis—General Fund
Rossmoor Incorporation Scenario**

Figures in FY 04-05 dollars

GENERAL FUND	Rossmoor Incorporation Impact	Note
General Fund Revenues	\$3,069,659	
Taxes	\$2,456,140	
Property Tax	\$824,649	Rossmoor figures from County (FY 05-06); assumes 50% of County share transfers to new city. In reality, the transfer share is negotiated and based partly on County costs.
Lighting District	\$174,597	Existing lighting/landscaping assessment
Sales Tax	\$212,100	Rossmoor figures from County (FY 03-04)
Transient Occupancy Tax	\$0	No hotels in Rossmoor
Documentary Transfer Tax	\$56,710	Allocated on assessed value; assumes Rossmoor turnover rate is average of Seal Beach and Los Alamitos
Business License Tax	\$1,800	Assumes new city imposes \$100 tax on each of the 18 businesses at Rossmoor Village Square.
Utility Users Tax	\$902,634	Assumes Rossmoor imposes 7% tax with exemptions for seniors with <\$38,500 incomes
Franchise Fees	\$283,651	Assumes franchise fees imposed at average of Los Alamitos and Seal Beach rates
Licenses & Permits	\$148,152	
Building-Related Permits	\$131,800	Assumes building permits and plan check fees achieve full cost recovery for building inspection, for 50% of planning, for 25% of urban development administration, and for 50% of engineering costs.
Other	\$16,351	Assumes new city charges alarm and miscellaneous permits at Seal Beach rates
Intergovernmental	\$182,363	
VLF	\$66,406	Uses \$6.34 per capita; if AB 1602 passes VLF would raise \$786,000 additional in year 1, \$524,000 additional in year 6
Other	\$115,958	Per capita average: Los Alamitos, Seal Beach, Villa Park, Laguna Woods, Rancho Palos Verdes, Palos Verdes Estates
Charges for Services	\$137,543	
Recreation Fees	\$40,450	Existing CSD recreation fee revenue (budgeted FY 04-05)
Plan Checks	\$59,215	Assumes building permits and plan check fees achieve full cost recovery for building inspection, for 50% of planning, for 25% of urban development administration, and for 50% of engineering costs.
Other	\$37,879	Assumes miscellaneous charges (e.g., alarm fees) are average of Los Alamitos and Seal Beach
Use of Money & Property	\$12,225	Existing CSD interest revenue (budgeted FY 04-05)
Fines & Forfeitures	\$95,723	
Parking Citations	\$60,222	Assumes fines are average of Los Alamitos and Seal Beach
Vehicle Violations	\$30,724	Assumes fines are average of Los Alamitos and Seal Beach
Miscellaneous	\$4,777	Assumes fines are average of Los Alamitos and Seal Beach
Miscellaneous	\$37,513	Assumes per capita average of Los Alamitos and Seal Beach miscellaneous revenues

continued

Rossmoor Community Preliminary Fiscal Impact Analysis—General Fund

Rossmoor Incorporation Scenario

Figures in FY 04-05 dollars

GENERAL FUND	Rossmoor Incorporation Impact	Note
General Fund Expenditures	\$3,049,148	
General Government	\$998,321	
City Council	\$51,148	\$300 monthly stipend, supplies, travel and memberships for 5-member council
City Manager/City Clerk	\$309,072	City Manager, clerk and assistant salaries, benefits and expenses (\$45,000)
Administrative Services	\$189,133	Accountant and assistant salaries, benefits and expenses (\$50,000)
City Attorney	\$100,000	Assumes contract with private attorney (comparable to Palos Verdes Estates, Rolling Hills Estates)
Nondepartmental	\$348,969	
Building maintenance	\$144,636	Existing RCSD expense plus 20 percent additional
Insurance: general liability	\$75,000	Conservative assumption, substantially lower than other small contract cities (Villa Park, Bradbury)
Vehicle lease and maintenance	\$29,333	5 vehicles: Lease, fuel and maintenance
Contingency	\$100,000	
Public Safety	\$1,170,013	
Police and supplemental traffic enforcement	\$1,100,000	Assumes new city contracts with Sheriff
Animal Control	\$70,013	Assumes contract service with Seal Beach
Urban Development	\$325,693	
Administration	\$100,678	Assumes .75 FTE staff administrator salary, benefits and expenses (\$30,000)
Planning	\$120,939	Assumes contract service with private provider (1,728 man hours at \$70/hour)
Code enforcement	\$25,000	Assumes contract service with private provider
Building inspection	\$79,076	Assumes contract service with private provider (930 man hours at \$85/hour)
Highways & Streets	\$409,462	
Administration	\$102,601	Assumes .5 FTE staff administrator/engineer salary, benefits and expenses (\$50,000)
Street maintenance	\$85,000	Contract with County; see capital fund. Existing CSD expense for tree trimming
Street lighting	\$78,435	Existing CSD expense-contract service
Street sweeping	\$40,824	Existing CSD expense-contract service
Storm drain maintenance	\$50,000	Contract service
Engineering	\$52,601	Assumes .5 FTE staff administrator/engineer salary, benefits
Culture & Recreation	\$145,659	
Administration	\$43,559	Assumes .25 FTE staff administrator salary, benefits and expenses (\$20,000)
Park maintenance	\$89,100	Existing CSD expense
Recreation programs	\$13,000	Existing CSD expense
General Fund Balance		
Beginning-Undesignated	\$1,477,000	RCSD unreserved fund balance (general and capital projects) would transfer to the new city
Surplus/Deficit	\$20,511	
Ending Balance	\$1,497,511	

Rossmoor Community Preliminary Fiscal Impact Analysis—Capital Fund**Rossmoor Incorporation Scenario**

Figures in FY 04-05 dollars

CAPITAL FUND	Rossmoor Incorporation Impact	Note
Street-Related Revenues	\$309,297	
Gas Tax	\$187,279	Per capita allocation per California code
Measure M	\$122,019	Measure M formula share; assumes no share of competitive Measure M funds
Transfer from General Fund	\$0	Amount paid out of general fund above
Annual Recurring Expenses	\$298,678	
Sidewalk/curb/gutter repairs	\$38,779	Contract service (average of Seal Beach and Los Alamitos expense pro-rated)
Pavement improvements	\$239,899	Contract with County (existing County expense)
Trees	\$20,000	Tree replacement budget. Existing CSD expense

Incorporation Scenario Salary, Expense and Contracts Assumptions

NEW STAFF POSITIONS

Department	Position	#	Base Salary	Emp. Tax	Benes	Expenses	Total	Emp. Tax included
City Council	Member	5	\$ 3,000	7.65%		\$ 35,000	51,148	FICA, Medicare
City Manager	City Manager	1	\$ 118,000	9.65%	\$ 12,000	\$ 45,000	186,387	FICA, Medicare, Workers Comp
City Clerk	City Clerk	1	\$ 55,000	9.65%	\$ 12,000	\$ -	72,308	FICA, Medicare, Workers Comp
City Clerk	Assistant	1	\$ 35,000	9.65%	\$ 12,000	\$ -	50,378	FICA, Medicare, Workers Comp
Admin Svcs	Accountant	1	\$ 70,000	9.65%	\$ 12,000	\$ 50,000	138,755	FICA, Medicare, Workers Comp
Admin Svcs	Assistant	1	\$ 35,000	9.65%	\$ 12,000	\$ -	50,378	FICA, Medicare, Workers Comp
Planning	Administrator	0.75	\$ 75,000	9.65%	\$ 12,000	\$ 30,000	100,678	FICA, Medicare, Workers Comp
Pub Works	Admin/Engineer	0.5	\$ 85,000	9.65%	\$ 12,000	\$ 50,000	102,601	FICA, Medicare, Workers Comp
Pub Works	Admin/Engineer	0.5	\$ 85,000	9.65%	\$ 12,000	\$ -	52,601	FICA, Medicare, Workers Comp
Park & Rec	Administrator	0.25	\$ 75,000	9.65%	\$ 12,000	\$ 20,000	43,559	FICA, Medicare, Workers Comp

SERVICE CONTRACTS

Increased	City Attorney						\$100,000	
Existing	Landscape maintenance						\$89,100	
Existing	Tree trimming						\$105,000	
Existing	Street light maintenance						\$78,435	
Existing	Street sweeping						\$40,824	
New	Sheriff						\$1,100,000	
New	Planning						\$120,939	
New	Code enforcement						\$25,000	
New	Building inspection						\$79,076	
New	Storm drain maintenance						\$50,000	
New	Street (pavement) maintenance						\$239,899	
New	Sidewalk/curb/gutter repair						\$38,779	
New	Animal control						\$70,013	

Demographic, Land, Street and Park Characteristics Rossmoor, Los Alamitos, and Seal Beach			
	Rossmoor	Los Alamitos	Seal Beach
Population			
2000 Census	10,252	11,260	24,283
2005 (DOF)	10,474	12,003	25,334
2005 (SCAG)		12,224	25,628
Children (2000 Census)	2,788	2,903	3,440
Households			
2000 Census	3,715	4,246	13,048
Avg. HH Size 2000	2.77	2.62	1.83
2005 (DOF)	3,715	4,285	13,239
Jobs			
2005 (SCAG)	150	16,535	8,629
Jobs per capita	0.01	1.38	0.34
Land Area (sq mi)	1.6	4.0	11.5
Developed Area (acres)	988.0	1,073.9	1,480.3
Park acreage	17	28	49
Beach acreage	0	0	50
Street Miles	33.00	33.23	47.36
DVMT 2004 1000s	112.91	284.53	319.76
DVMT/Mile	3,422	8,562	6,752
DVMT 2004 1000s	112,912	284,530	319,760
Police Service Calls FY 03-4	2947	8958	26399
Calls per 1,000	281.36	746.31	1,042.04
Assessed Valuation FY 05-06	\$1,197,462,599	\$1,333,655,678	\$3,189,870,345