

Rossmoor Incorporation Questions

From March 12, 2008 Community Workshop

What specific start-up costs are there for a new city?

Start up costs for the new city include payroll for interim city staffing during the city's transition period and initial capital costs for office furniture and equipment (computers, fax machines, telephones, etc.). These costs are discussed in detail within the CFA and depicted in Table 2-B.

Describe why the County of Orange is getting out of the municipal service business.

Since the County's bankruptcy in 1994, the County has desired to transition into a primary role as a regional service provider. The County distinguishes between municipal services (such as public safety, road maintenance, and parks and recreation services) and regional services (such as providing courts, jails, public health, regional parks and public transportation) and has stated that economies of scale usually make cities better suited to the provision of services that fall within the municipal category.

Can the Commission set a utility tax at a different level than 7%?

Yes, if LAFCO approves the incorporation, it has the legal authority to adjust the utility tax to a higher level as part of the incorporation approval.

How much is the net savings to the County of Orange if Rossmoor incorporates?

Using FY 06/07 as a base, the County's savings (calculated under the "Revenue Neutrality" provision of Government Code §56815) would be \$235,816 for the General Fund and \$356,889 for the Road Fund for a total of \$592,705 (see Exhibit 3 in the CFA).

What is the difference between a 6% and 7% utility tax?

Using FY 06/07 as a base, the difference between a 6% utility tax and a 7% utility tax (UT) totals \$113,351 in total UT revenue. Figures 1 & 4 in the CFA depict a projection of the UT in future years. Over the next ten years, the difference between a 6% and 7% utility tax ranges from \$120,000 to \$145,000.

What is the sales tax base for Rossmoor?

The proposed incorporation boundary includes one retail shopping center on the southwest corner of Los Alamitos Blvd and Katella Avenue. Total sales tax generated from the shopping center was approximately \$317,500 in FY 06/07.

What would capital road maintenance consist of and what costs could be expected?

Capital road maintenance consists of periodic slurry sealing of streets which is generally completed every 7 to 10 years. Capital road maintenance costs also include major storm drain repairs and asphalt overlays. These types of repairs generally occur every 15 to 25 years depending on road conditions. Anticipated costs vary depending on road conditions and are generally funded from local, state and federal transportation grant funds and accumulated excess reserves.

Compare the proposed City of Rossmoor with the City of Los Alamitos.

The cities selected for comparison are discussed in detail in the CFA. Los Alamitos was not one of the cities selected for comparison purposes.

What will the impact be of having both the proposed incorporation of Rossmoor and a school bond on the same ballot?

That's really a question for the voters to ultimately decide.

Why was the utility tax on electricity, gas and water proposed instead of cable and phone?

In consultation with the applicant, legal counsel and LAFCO staff, the proposed utility tax was applied to electricity, natural gas and water utilities. These utilities were selected because they are standard utilities which are used by almost every household in Rossmoor. Additionally, each of these utilities is provided by a single service provider throughout the community. Telecommunication and broadband services and providers can change over time based on market conditions, consumer preferences and changing technologies. Applying a utility tax to telecommunication utilities was determined to be too unpredictable due the changing nature of the industry.

If Rossmoor incorporates will there be new taxes?

Yes, a Utility Tax is proposed to provide the proposed city with additional revenue.

Will areas be rezoned if Rossmoor incorporates?

The City will be required to adopt its own General Plan and a zoning code after incorporation. The Rossmoor community is currently built out with no opportunity for additional new development. Currently, any zone changes within Rossmoor require approval by the Orange County Board of Supervisors. If incorporation is successful, zone changes would require approval of the Rossmoor City Council.

Will Rossmoor be responsible for the drainage ditch if they incorporate?

Regional drainage responsibilities remain with the County of Orange. Local drainage facilities will become the responsibility of the new city if incorporation is successful.

Why does the CFA indicate that Property Tax will decline from 150% to 100% in the first five years of cityhood?

Property Taxes do not decline. All Property Taxes are based on applying the Tax Allocation Factor computed under Government Code §56810 to the annual property Assessed Valuation. The speaker may have been referring to the Motor Vehicle License Fee subventions that are allocated on an increased population basis starting at 150% and declining to 100% in the 5th year. This is established under state law as "start up" subvention revenue to assist the new city in accruing reserves.

The General Fund estimates appear to be understated. Why?

The General Fund is based on the County reported costs of "existing services" to the community with staffing based on a "contract city". These costs are thoroughly discussed in detail in the CFA. The CFA demonstrates that on an "existing service" basis, the General Fund budget is sufficient. It should be noted that the two comparable cities, Villa Park and Canyon Lake, operate on General Fund budgets 40-60% less than Rossmoor's projections. Additionally, "contract cities" inherently operate on budgets considerably less than "full service" cities such as Los Alamitos due to: (1) the inherent economies of scale achieved in contracting services on an as needed basis, and (2) cost sharing of overhead and specialized services such as law enforcement which are prorated to several cities and the County.

How can a city provide an adequate level of service for \$5 million?

The CFA is based on "existing" level of services currently provided to Rossmoor by the County as required under the Government Code for development of a CFA.

Where in the CFA are the costs of facilities and where are offices for employees?

The CFA assumes that all city staffing will occupy the existing RCSD facilities within Rossmoor since that organization will be dissolved if the incorporation is approved by LAFCO and Rossmoor voters. A discussion of costs associated with these facilities is included in the CFA and Tables 2- A and 2-B in the CFA.

Why are General Government costs twice as high as the Cities of Villa Park and Canyon Lake?

These General Government costs are higher primarily due to the level of anticipated city staff. Villa Park has no parks, and Canyon Lake's parks are privately maintained. Additional staffing for Rossmoor above the staffing levels for the other two cities is included in the CFA to support the transfer of the parks and recreation services function from the RCSD.

The CFA indicates that Property Tax increases by 50% over 10 years, but Law Enforcement only increases by 40%. Isn't this unrealistic?

Law Enforcement increases are projected by applying an annual 4% inflation rate to the FY 06/07 contract cost as reported by the County, and as discussed in the CFA. This is considered to be a reasonable assumption to maintain the initial level of law enforcement services. Property Assessed Valuation increases are based on a 5% annual increase from the actual AV as reported by the County for FY 07/08. This rate is less than 50% of the last 5 year annual average increase.

How many registered voters live in Rossmoor?

According to the Orange County Registrar of Voters, there are 7,361 registered voters currently residing within Rossmoor.

How many cities have incorporated and are facing significant challenges remaining incorporated? What are the names of these cities?

Over the last 20 years, 7 cities have incorporated within Orange County: Mission Viejo (1988), Dana Point (1989) Laguna Niguel (1989), Laguna Hills (1991), Laguna Woods (1999), Rancho Santa Margarita (2000) and Aliso Viejo (2001). None are experiencing fiscal challenges.

Who funded the survey sent to residents and the proposed incorporation application? Where specifically did these funds come from?

LAFCO was not involved with the Rossmoor community survey and is unaware of how it was funded. LAFCO filing fees for the incorporation application were paid by the Rossmoor Community Services District.

Have funds to address issues related to risk management and other legal issues for the proposed city been accounted for in the CFA?

Yes, under General Government in Tables 2-A & 2-B in the CFA, you will find city attorney service costs which includes legal and risk management functions.

What does the acronym GST stand for? Does the firm have any affiliation with the City of Long Beach?

GST stands for Gary S. Thompson, the owner and principal of GST Consulting which completed the CFA under contract with LAFCO. GST Consulting is based in the City of Rancho Santa Margarita and has no affiliation with the City of Long Beach.

Can the property tax rate (Proposition 13) be changed as a result of incorporation?

By law, property taxes are calculated using 1 % of the assessed value of the property. Incorporation has no impact on property tax rates.

Verify the costs associated with road maintenance. Have maintenance of roads, curbs, gutters and drainage been accounted for in the CFA?

Yes, all of these costs are included as part of the Road Maintenance line item in Table 2-A of the CFA. All costs are based on FY 06/07 costs for these services as reported by the County of Orange and referenced in the CFA.

When is the next LAFCO Public Hearing hearing?

The LAFCO hearing was rescheduled and will now be held at 9AM ,Thursday, May 22nd, in the City of Santa Ana City Council Chambers located at 22 Civic Center Plaza in downtown Santa Ana.