



BETTER COMMUNITIES. BOLDER FUTURES.

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Via Electronic Mail

October 8, 2015

To: Ms. Kathleen Rollings-McDonald
SAN BERNARDINO COUNTY LOCAL AGENCY FORMATION COMMISSION

From: Alexa Smittle, Principal
Mike Dietz, Analyst
ROSENOW SPEVACEK GROUP, INC

RE: RIM OF THE WORLD IFA SENSITIVITY ANALYSIS

RSG was recently engaged by the San Bernardino County Local Agency Formation Commission (“LAFCo”) to conduct an Initial Feasibility Analysis (“IFA”) for the incorporation of a group of communities collectively termed the “Rim of the World”. An IFA is a preliminary investigation that provides general feedback on the viability of a proposed city incorporation. In an IFA, limited data and a number of assumptions are used to forecast estimated revenues and expenses that would be incurred by the proposed city. RSG, working in conjunction with LAFCo, developed a five-year financial forecast that reflected likely income streams and service delivery costs utilizing estimated data from the County of San Bernardino (“County”), a service and staffing model similar to the City of Big Bear Lake, and applicable sections of the Cortese-Knox-Hertzberg Act.

The Rim of the World includes the existing communities of Arrowbear Park, Blue Jay, Cedar Glen, Cedar Pines Park, Crestline, Green Valley Lake, Lake Arrowhead, Rimforest, Running Springs, Sky Forest, and Twin Peaks. A second IFA incorporation scenario was also developed, which excluded the communities of Arrowbear Park, Green Valley Lake, and Running Springs, collectively known as the “Hilltop”.

Service delivery in the Rim of the World is somewhat unique due to the large number of special districts and County Service Areas (“CSAs”) that currently provide for roads, parks, water, and wastewater service. In the IFA, special districts and service areas were assumed to either be dissolved or detached, with the proposed city taking over all services, except the existing hospital district. Revenues and expenditures related to special districts were maintained as separate funds in the IFA for clarity. Though the revenues and costs associated with the special districts and CSAs would transfer to the new city, many would remain encapsulated becoming enterprise funds, namely the

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water and sanitation districts. Additionally, any fees or assessments levied for specific purposes must be used accordingly.

Basic revenue and expenditure data was estimated by County staff and utilized as a baseline in the forecast. Future costs were based largely upon the City of Big Bear Lake, which is also a somewhat isolated mountain area and was therefore assumed to be a relevant model for municipal staffing and service delivery. All estimates are believed to be sound and defensible, but were not researched to the level of detail as would be expected from a Comprehensive Feasibility Analysis conducted later in an incorporation process. Ultimately, the IFA forecast indicated that incorporation at this time would be infeasible based upon the assumptions used. The annual net General Fund revenues (deficits) from the IFA are summarized in Table 1.

Table 1: IFA General Fund Net Revenue (Deficit)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Rim of the World	(5,615,000)	(6,089,500)	(6,407,600)	(7,008,200)	(7,243,700)
Excluding Hilltop	(5,050,300)	(5,434,800)	(5,706,300)	(6,207,600)	(6,387,300)

The remainder of this memorandum explores a few variations on the previous assumptions that could improve the feasibility if they came to fruition. To be clear, this memorandum does not evaluate whether or not these changes are probable or possible; it only evaluates the results if they were to happen.

Three hypothetical “Scenarios” were developed to measure the changes that may make incorporation more feasible as described below. Note that the Scenarios are cumulative in nature, i.e. Scenario 2 includes the changes proposed in Scenario 1.

Scenarios:

1. Increased transient occupancy collections, higher fees for service, reduced staffing levels, and cost savings from special district consolidation.
2. All changes in Scenario 1, plus a larger share of the general property tax levy.
3. All changes in Scenarios 1 and 2, plus larger annual increases in assessed values and sale tax revenues.

Scenario 1 – Modifications to Transient Occupancy Taxes, Fees for Service, Slightly Reduces Staffing Levels, and Savings from the Consolidation of Special Districts/Service Areas

This scenario was developed using the following four modified assumptions. These changes may be, to some degree, achieved by the new City Council, albeit with some difficulty. The annual general fund net revenue (deficit) is shown in Table 1, with the

complete funds summaries as Exhibits A (entire area) and D (no Hilltop) at the end of this memorandum.

1. **Transient Occupancy Tax.** It has been suggested that transient occupancy tax ("TOT"), which is generated by hotels and other temporary lodging for stays less than 30 days, is underreported. Some sources claim that up to 50 percent of these revenues are not reported or paid. RSG has made no investigation into these claims, but to illustrate the fiscal impact, the first scenario assumes twice the current TOT revenues will be collected. Note that if TOT is indeed being underreported currently, the new city would need to enforce revenue collections to see such a drastic increase. This may result in increased staff costs, which are not reflected in the model.
2. **Fees for Service.** Fees for service are collected for community development and animal control, and used to offset a portion of costs for service. This scenario assumes that the new city would increase fees such that all costs for service are offset.
3. **Staffing Reductions.** The IFA relied heavily on the service delivery model of the City of Big Bear Lake to determine staffing expenditures due to its similar location and weather. Each city is its own unique environment however, and staffing models can vary. RSG researched other incorporated California cities that were (a) of similar population, and (b) at least outside large metropolitan areas, if not quite as remote as the Rim of the World. Note that in evaluating "similar" city staffing levels, RSG did not consider snowfall as the additional factor essentially eliminated comparable places. Even without the snowfall factor, most cities reviewed had staffing levels above what was considered in the IFA. Nevertheless, based on data available in online city budgets, it may be possible to reduce staffing levels slightly, or contract for some services, which may decrease costs. The projection shown here is the result of eliminating 5 positions, based on RSG's high-level research of similar cities. These estimated reductions were, in no way, determined by RSG to be appropriate reductions; they simply mirror what was found in a few other places.
4. **Cost Savings Through Consolidation.** The IFA assumes that dissolution and consolidation of the special districts and CSAs under a single administration will result in some cost savings, currently estimated at 15 percent of administrative costs. This scenario increases cost savings, assuming a net savings of 25 percent in administrative expenses. This change would essentially eliminate most of the highest levels of management, and require consolidation of billing and collections, which will be a challenging task.

Table 1: Scenario 1 General Fund Net Revenue (Deficit)

	2017-18	2018-19	2019-20	2020-21	2021-22
Rim of the World	(3,840,600)	(4,271,100)	(4,543,600)	(5,097,800)	(5,383,900)
Excluding Hilltop	(3,299,600)	(3,641,400)	(3,867,800)	(4,323,200)	(4,554,100)

Scenario 2 – Additional Modifications Assuming Larger Property Tax Share

The amount of general levy property tax revenue transferred to the new City from the County is calculated pursuant to a formula codified in the Cortese-Knox-Hertzberg Act. The calculation considers the net cost of services provided by the County, and the proportional share of property tax that supports those services. Based on the data available, the IFA calculates the property tax share to transfer from the County at 2.57%. Ultimately, the transferred share is negotiable, and other cities have successfully lobbied and/or litigated for increased shares over the last 30 years. Note that the general levy shares among cities in San Bernardino County vary drastically, from about 1.5% up to 25%. The annual general fund net revenue (deficit) is shown in Table 2, with the complete funds summaries as Exhibits B (entire area) and E (no Hilltop) at the end of this memorandum.

- **Property Tax Share Transfer.** Scenario 2 was developed to determine what share of the general levy would be required to make the five year projection a net positive amount with a small cushion for illustrative purposes. RSG determined that a 14.5% (15% in the No Hilltop analysis) share would solve for annual deficits in the first five years and allow for a little “breathing room”.

Table 2: Scenario 2 General Fund Net Revenue (Deficit)

	2017-18	2018-19	2019-20	2020-21	2021-22
Rim of the World	3,446,700	3,164,000	3,041,800	2,639,400	2,507,300
Excluding Hilltop	3,325,500	3,118,300	3,027,100	2,710,700	2,620,100

Scenario 3 – Additional Modifications Assuming Larger Annual Increases in Assessed Values and Sales Tax

While the jump in property tax share results in net positive revenue for the forecast period, the City still sees annual net revenues decline each year as the cost of service grows more rapidly than revenues. Assessed value is projected to increase 2% per year, in accordance with Proposition 13. Sales tax revenues are increased commensurate with the consumer price index at 2.1%. However, personnel costs are inflating at 3%, based on the City of Big Bear Lake’s contract with staff’s labor union. The imbalance of revenue and cost growth is a common problem in California cities, and one that is frequently mitigated through new investments that increase assessed value, the

introduction of new tax producers such as retail users, or the introduction of new taxes. The annual general fund net revenue (deficit) is shown in Table 3, with the complete funds summaries as Exhibits C (entire area) and F (no Hilltop) at the end of this memorandum.

- **Faster Increases in Assessed Values and Sales Tax.** For illustrative purposes, Scenario 3 was created to inflate secured assessed values at 2.5% to account for some property turnover and resulting re-assessments that grow the property tax base. Additionally, sales tax revenues were inflated at a slightly faster rate of 2.5%. Both of these changes could still be considered reasonably conservative.

Table 3: Scenario 3 General Fund Net Revenue (Deficit)

	2017-18	2018-19	2019-20	2020-21	2021-22
Rim of the World	3,614,200	3,385,800	3,318,900	2,976,200	2,906,300
Excluding Hilltop	3,460,000	3,299,700	3,259,600	2,994,700	2,958,600

SUMMARY

Based on the preliminary work performed in the IFA, the Rim of the World could face severe financial challenges. This sensitivity analysis identifies a few options for mitigating the projected net-negative general fund balance. While these changes, or others, could improve the fiscal outlook, it will take a substantial increase in the general levy property tax share would be critical to incorporation.

Ms. Kathleen Rollings-McDonald
 SAN BERNARDINO COUNTY LOCAL AGENCY FORMATION COMMISSION
 October 8, 2015
 Page 7

CSA/SPECIAL DISTRICT ANALYSIS

	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	8,031,000				
Road Districts	-	1,920,200				
Water and Sewer Districts	-	16,546,300				
Total	\$ -	\$ 26,497,500				
Beginning Fund Balance	\$ -	\$ 26,497,500	\$ 30,034,800	\$ 33,757,500	\$ 37,573,900	\$ 41,473,000
Dissolved District Revenues						
Property Taxes from Dissolved Districts	18,051,900	19,182,400	19,551,700	19,928,400	20,312,600	20,704,600
Fees for Services and Special Assessments						
General	8,546,300	9,104,400	9,298,400	9,496,500	9,698,900	9,905,600
Road Districts	1,044,800	1,112,900	1,136,600	1,160,800	1,185,500	1,210,800
Water and Sewer Districts	40,302,800	42,934,700	43,849,600	44,784,000	45,738,300	46,713,000
Interest Earnings	-	82,800	93,900	105,500	117,500	129,600
Total	\$ 67,945,800	\$ 72,417,200	\$ 73,930,200	\$ 75,475,200	\$ 77,052,800	\$ 78,663,600
Dissolved Districts Expenditures						
Fire Protection	19,188,800	20,441,800	20,877,400	21,322,300	21,776,700	22,240,800
Operating Expenditures						
General	8,093,400	8,621,900	8,805,600	8,993,200	9,184,800	9,380,500
Road Districts	1,012,400	1,078,500	1,101,500	1,125,000	1,149,000	1,173,500
Water and Sewer	34,363,400	36,607,400	37,387,500	38,184,200	38,997,900	39,828,900
Debt Service	3,323,900	2,130,300	2,035,500	2,034,100	2,045,300	1,952,900
Total	\$ 65,981,900	\$ 68,879,900	\$ 70,207,500	\$ 71,658,800	\$ 73,153,700	\$ 74,576,600
Net Revenue / (Deficit)	1,963,900	3,537,300	3,722,700	3,816,400	3,899,100	4,087,000
Ending Fund Balance	\$ 1,963,900	\$ 30,034,800	\$ 33,757,500	\$ 37,573,900	\$ 41,473,000	\$ 45,560,000

Exhibit B: Scenario 2 – Additional Change of 14.5% Property Tax Transfer Share
 GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ 3,446,700	\$ 6,610,700	\$ 9,652,500	\$ 12,291,900
Revenues by Source						
Property Taxes	8,333,800	8,855,500	9,025,800	9,200,100	9,377,300	9,557,500
Sales Taxes	1,346,600	1,434,500	1,465,000	1,496,200	1,528,100	1,560,700
Property Transfer Taxes	121,500	135,300	139,800	143,200	147,800	151,300
Transient Occupancy Taxes	1,649,400	1,757,200	1,794,600	1,832,800	1,871,900	1,911,800
Off Highway License Subvention	1,700	1,800	1,800	1,800	1,900	1,900
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	63,300	66,600	67,300	67,900	68,600	69,300
Franchise Fees	750,000	772,700	780,500	788,300	796,100	804,100
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	7,200	13,800	20,100	25,600
Total	\$ 13,445,000	\$ 14,608,500	\$ 14,916,400	\$ 15,230,400	\$ 15,552,000	\$ 15,778,700
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	604,800	569,700	665,800	604,400	704,800	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	202,900	220,700	227,400	234,300	241,400	248,700
Finance	264,400	276,400	284,600	293,100	302,000	311,000
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	727,000	782,900	806,200	830,200	854,600	879,800
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	4,939,200	5,897,600	6,256,800	6,637,800	7,042,000	7,470,900
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	854,000	1,000,000	1,056,000	1,098,000	1,160,000	1,198,000
Reserve Fund (25% of Expenditures)	2,135,000	163,400	139,600	106,800	153,700	94,900
Total	\$ 11,528,000	\$ 11,161,800	\$ 11,752,400	\$ 12,188,600	\$ 12,912,600	\$ 13,271,400
Net Revenue / (Deficit)	1,917,000	3,446,700	3,164,000	3,041,800	2,639,400	2,507,300
Ending Fund Balance	\$ 1,917,000	\$ 3,446,700	\$ 6,610,700	\$ 9,652,500	\$ 12,291,900	\$ 14,799,200

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)
Revenues by Source						
Gas Tax (Sec. 2105)	1,700	1,800	1,800	1,800	1,900	1,900
Gas Tax (Sec. 2106)	165,200	170,200	171,900	173,700	175,400	177,200
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	6,000	6,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 298,300	\$ 303,400	\$ 305,100	\$ 306,900	\$ 308,700	\$ 310,500
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,539,000)	(1,662,600)	(1,705,900)	(1,750,000)	(1,795,200)	(1,841,500)
Ending Fund Balance	\$ (1,539,000)	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)	\$ (8,755,200)

Ms. Kathleen Rollings-McDonald
 SAN BERNARDINO COUNTY LOCAL AGENCY FORMATION COMMISSION
 October 8, 2015
 Page 9

CSA/SPECIAL DISTRICT ANALYSIS

	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	8,031,000				
Road Districts	-	1,920,200				
Water and Sewer Districts	-	16,546,300				
Total	\$ -	\$ 26,497,500				
Beginning Fund Balance	\$ -	\$ 26,497,500	\$ 30,034,800	\$ 33,757,500	\$ 37,573,900	\$ 41,473,000
Dissolved District Revenues						
Property Taxes from Dissolved Districts	18,051,900	19,182,400	19,551,700	19,928,400	20,312,600	20,704,600
Fees for Services and Special Assessments						
General	8,546,300	9,104,400	9,298,400	9,496,500	9,698,900	9,905,600
Road Districts	1,044,800	1,112,900	1,136,600	1,160,800	1,185,500	1,210,800
Water and Sewer Districts	40,302,800	42,934,700	43,849,600	44,784,000	45,738,300	46,713,000
Interest Earnings	-	82,800	93,900	105,500	117,500	129,600
Total	\$ 67,945,800	\$ 72,417,200	\$ 73,930,200	\$ 75,475,200	\$ 77,052,800	\$ 78,663,600
Dissolved Districts Expenditures						
Fire Protection	19,188,800	20,441,800	20,877,400	21,322,300	21,776,700	22,240,800
Operating Expenditures						
General	8,093,400	8,621,900	8,805,600	8,993,200	9,184,800	9,380,500
Road Districts	1,012,400	1,078,500	1,101,500	1,125,000	1,149,000	1,173,500
Water and Sewer	34,363,400	36,607,400	37,387,500	38,184,200	38,997,900	39,828,900
Debt Service	3,323,900	2,130,300	2,035,500	2,034,100	2,045,300	1,952,900
Total	\$ 65,981,900	\$ 68,879,900	\$ 70,207,500	\$ 71,658,800	\$ 73,153,700	\$ 74,576,600
Net Revenue / (Deficit)	1,963,900	3,537,300	3,722,700	3,816,400	3,899,100	4,087,000
Ending Fund Balance	\$ 1,963,900	\$ 30,034,800	\$ 33,757,500	\$ 37,573,900	\$ 41,473,000	\$ 45,560,000

Exhibit C: Scenario 3 – Additional Increases to Secured AV Growth and Sales Tax Growth

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ 3,614,200	\$ 7,000,000	\$ 10,318,900	\$ 13,295,100
Revenues by Source						
Property Taxes	8,333,800	8,986,200	9,204,000	9,427,800	9,656,500	9,891,100
Sales Taxes	1,351,400	1,455,300	1,491,700	1,528,900	1,567,100	1,606,300
Property Transfer Taxes	121,500	135,300	139,800	143,200	147,800	151,300
Transient Occupancy Taxes	1,649,400	1,757,200	1,794,600	1,832,800	1,871,900	1,911,800
Off Highway License Subvention	1,700	1,800	1,800	1,800	1,900	1,900
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	63,300	66,600	67,300	67,900	68,600	69,300
Franchise Fees	750,000	772,700	780,500	788,300	796,100	804,100
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	98,600	107,700	111,000	114,300	117,700	121,300
Interest Earnings	-	-	7,500	14,600	21,500	27,700
Total	\$ 13,447,300	\$ 14,757,300	\$ 15,118,900	\$ 15,488,800	\$ 15,868,600	\$ 16,157,000
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	604,800	569,700	665,800	604,400	704,800	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	202,900	220,700	227,400	234,300	241,400	248,700
Finance	264,400	276,400	284,600	293,100	302,000	311,000
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	711,600	766,300	789,100	812,600	836,500	861,200
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	4,939,200	5,897,600	6,256,800	6,637,800	7,042,000	7,470,900
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	852,000	998,000	1,054,000	1,097,000	1,158,000	1,196,000
Reserve Fund (25% of Expenditures)	2,131,000	163,300	139,400	106,700	153,600	94,800
Total	\$ 11,506,600	\$ 11,143,100	\$ 11,733,100	\$ 12,169,900	\$ 12,892,400	\$ 13,250,700
Net Revenue / (Deficit)	1,940,700	3,614,200	3,385,800	3,318,900	2,976,200	2,906,300
Ending Fund Balance	\$ 1,940,700	\$ 3,614,200	\$ 7,000,000	\$ 10,318,900	\$ 13,295,100	\$ 16,201,400

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)
Revenues by Source						
Gas Tax (Sec. 2105)	1,700	1,800	1,800	1,800	1,900	1,900
Gas Tax (Sec. 2106)	165,200	170,200	171,900	173,700	175,400	177,200
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	6,000	6,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 298,300	\$ 303,400	\$ 305,100	\$ 306,900	\$ 308,700	\$ 310,500
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,539,000)	(1,662,600)	(1,705,900)	(1,750,000)	(1,795,200)	(1,841,500)
Ending Fund Balance	\$ (1,539,000)	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)	\$ (8,755,200)

Ms. Kathleen Rollings-McDonald
 SAN BERNARDINO COUNTY LOCAL AGENCY FORMATION COMMISSION
 October 8, 2015
 Page 11

CSA/SPECIAL DISTRICT ANALYSIS

	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	8,031,000				
Road Districts	-	1,920,200				
Water and Sewer Districts	-	16,546,300				
Total	\$ -	\$ 26,497,500				
Beginning Fund Balance	\$ -	\$ 26,497,500	\$ 30,318,100	\$ 34,428,000	\$ 38,740,300	\$ 43,248,900
Dissolved District Revenues						
Property Taxes from Dissolved Districts	18,051,900	19,465,700	19,938,000	20,422,200	20,918,500	21,427,300
Fees for Services and Special Assessments						
General	8,546,300	9,104,400	9,298,400	9,496,500	9,698,900	9,905,600
Road Districts	1,044,800	1,112,900	1,136,600	1,160,800	1,185,500	1,210,800
Water and Sewer Districts	40,302,800	42,934,700	43,849,600	44,784,000	45,738,300	46,713,000
Interest Earnings	-	82,800	94,800	107,600	121,100	135,200
Total	\$ 67,945,800	\$ 72,700,500	\$ 74,317,400	\$ 75,971,100	\$ 77,662,300	\$ 79,391,900
Dissolved Districts Expenditures						
Fire Protection	19,188,800	20,441,800	20,877,400	21,322,300	21,776,700	22,240,800
Operating Expenditures						
General	8,093,400	8,621,900	8,805,600	8,993,200	9,184,800	9,380,500
Road Districts	1,012,400	1,078,500	1,101,500	1,125,000	1,149,000	1,173,500
Water and Sewer	34,363,400	36,607,400	37,387,500	38,184,200	38,997,900	39,828,900
Debt Service	3,323,900	2,130,300	2,035,500	2,034,100	2,045,300	1,952,900
Total	\$ 65,981,900	\$ 68,879,900	\$ 70,207,500	\$ 71,658,800	\$ 73,153,700	\$ 74,576,600
Net Revenue / (Deficit)	1,963,900	3,820,600	4,109,900	4,312,300	4,508,600	4,815,300
Ending Fund Balance	\$ 1,963,900	\$ 30,318,100	\$ 34,428,000	\$ 38,740,300	\$ 43,248,900	\$ 48,064,200

Exhibit D: Scenario 1 No Hilltop - Changes TOT, Fees, Reduced Staffing Levels, and 25% Cost Savings from Consolidation

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (3,299,600)	\$ (6,941,000)	\$ (10,808,800)	\$ (15,132,000)
Revenues by Source						
Property Taxes	1,185,000	1,259,300	1,283,000	1,307,800	1,332,500	1,358,300
Sales Taxes	1,140,200	1,214,600	1,240,500	1,266,900	1,293,900	1,321,500
Property Transfer Taxes	116,200	128,500	131,700	135,000	138,300	141,800
Transient Occupancy Taxes	1,600,700	1,705,300	1,741,600	1,778,700	1,816,600	1,855,300
Off Highway License Subvention	1,400	1,400	1,500	1,500	1,500	1,500
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	50,800	53,500	54,000	54,600	55,100	55,700
Franchise Fees	602,300	620,600	626,800	633,000	639,400	645,700
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	-	-	-	-
Total	\$ 5,875,300	\$ 6,568,100	\$ 6,713,500	\$ 6,863,800	\$ 7,017,500	\$ 7,076,300
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	590,400	569,700	650,300	604,400	688,600	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	201,900	219,400	226,000	232,800	239,800	247,000
Finance	266,900	279,200	287,500	296,100	305,100	314,200
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	723,900	779,100	802,000	825,400	849,500	874,200
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	3,966,200	4,735,800	5,024,200	5,330,200	5,654,800	5,999,200
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	755,000	883,000	931,000	967,000	1,019,000	1,050,000
Reserve Fund (25% of Expenditures)	1,887,500	150,400	117,900	91,700	129,800	77,700
Total	\$ 10,192,500	\$ 9,867,700	\$ 10,354,900	\$ 10,731,600	\$ 11,340,700	\$ 11,630,400
Net Revenue / (Deficit)	(4,317,200)	(3,299,600)	(3,641,400)	(3,867,800)	(4,323,200)	(4,554,100)
Ending Fund Balance	\$ (4,317,200)	\$ (3,299,600)	\$ (6,941,000)	\$ (10,808,800)	\$ (15,132,000)	\$ (19,686,100)

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,697,500)	\$ (1,740,000)	\$ (1,784,500)	\$ (1,830,100)
Revenues by Source						
Gas Tax (Sec. 2105)	1,400	1,400	1,500	1,500	1,500	1,500
Gas Tax (Sec. 2106)	132,700	136,700	138,100	139,500	140,900	142,300
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	5,000	5,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 264,500	\$ 268,500	\$ 271,000	\$ 272,400	\$ 273,800	\$ 275,200
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,572,800)	(1,697,500)	(1,740,000)	(1,784,500)	(1,830,100)	(1,876,800)
Ending Fund Balance	\$ (1,572,800)	\$ (1,697,500)	\$ (3,437,500)	\$ (3,524,500)	\$ (3,614,600)	\$ (3,706,900)

Ms. Kathleen Rollings-McDonald
 SAN BERNARDINO COUNTY LOCAL AGENCY FORMATION COMMISSION
 October 8, 2015
 Page 13

CSA/SPECIAL DISTRICT ANALYSIS

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	7,348,500				
Road	-	1,177,700				
Water and Sewer	-	13,541,500				
Total	\$ -	\$ 22,067,700				
Beginning Fund Balance	\$ -	\$ 22,067,700	\$ 22,178,200	\$ 22,395,500	\$ 22,622,000	\$ 22,853,900
Dissolved District Revenues						
Property Taxes from Dissolved Districts	15,941,000	16,940,300	17,265,000	17,596,300	17,934,300	18,279,000
Fees for Services						
General	7,148,500	7,615,300	7,777,600	7,943,300	8,112,600	8,285,500
Road Districts	1,003,400	1,068,900	1,091,700	1,115,000	1,138,800	1,163,100
Water and Sewer Districts	15,052,600	16,035,600	16,377,300	16,726,300	17,082,700	17,446,700
Interest Earnings	-	69,000	69,300	70,000	70,700	71,400
Total	\$ 39,145,500	\$ 41,729,100	\$ 42,580,900	\$ 43,450,900	\$ 44,339,100	\$ 45,245,700
Dissolved Districts Expenditures						
Fire Protection	16,560,100	17,641,500	18,017,400	18,401,400	18,793,500	18,793,500
Other Operating Expenditures						
General	7,355,300	7,835,600	8,002,600	8,173,100	8,347,300	8,525,200
Road Districts	986,700	1,051,100	1,073,500	1,096,400	1,119,800	1,143,700
Water and Sewer Districts	12,377,100	13,185,400	13,466,400	13,753,400	14,046,500	14,345,800
Debt Service	2,762,200	1,905,000	1,803,700	1,800,100	1,800,100	1,800,100
Total	\$ 40,041,400	\$ 41,618,600	\$ 42,363,600	\$ 43,224,400	\$ 44,107,200	\$ 44,608,300
Net Revenue / (Deficit)	(895,900)	110,500	217,300	226,500	231,900	637,400
Ending Fund Balance	\$ (895,900)	\$ 22,178,200	\$ 22,395,500	\$ 22,622,000	\$ 22,853,900	\$ 23,491,300

Exhibit E: Scenario 2 No Hilltop – Additional Change of 15% Property Tax Transfer Share

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ 3,325,500	\$ 6,443,800	\$ 9,470,900	\$ 12,181,600
Revenues by Source						
Property Taxes	7,419,100	7,884,400	8,035,800	8,189,300	8,346,700	8,507,100
Sales Taxes	1,140,200	1,214,600	1,240,500	1,266,900	1,293,900	1,321,500
Property Transfer Taxes	116,200	128,500	131,700	135,000	138,300	141,800
Transient Occupancy Taxes	1,600,700	1,705,300	1,741,600	1,778,700	1,816,600	1,855,300
Off Highway License Subvention	1,400	1,400	1,500	1,500	1,500	1,500
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	50,800	53,500	54,000	54,600	55,100	55,700
Franchise Fees	602,300	620,600	626,800	633,000	639,400	645,700
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	6,900	13,400	19,700	25,400
Total	\$ 12,109,400	\$ 13,193,200	\$ 13,473,200	\$ 13,758,700	\$ 14,051,400	\$ 14,250,500
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	590,400	569,700	650,300	604,400	688,600	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	201,900	219,400	226,000	232,800	239,800	247,000
Finance	266,900	279,200	287,500	296,100	305,100	314,200
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	723,900	779,100	802,000	825,400	849,500	874,200
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	3,966,200	4,735,800	5,024,200	5,330,200	5,654,800	5,999,200
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	755,000	883,000	931,000	967,000	1,019,000	1,050,000
Reserve Fund (25% of Expenditures)	1,887,500	150,400	117,900	91,700	129,800	77,700
Total	\$ 10,192,500	\$ 9,867,700	\$ 10,354,900	\$ 10,731,600	\$ 11,340,700	\$ 11,630,400
Net Revenue / (Deficit)	1,916,900	3,325,500	3,118,300	3,027,100	2,710,700	2,620,100
Ending Fund Balance	\$ 1,916,900	\$ 3,325,500	\$ 6,443,800	\$ 9,470,900	\$ 12,181,600	\$ 14,801,700

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,697,500)	\$ (1,740,000)	\$ (1,784,500)	\$ (1,830,100)
Revenues by Source						
Gas Tax (Sec. 2105)	1,400	1,400	1,500	1,500	1,500	1,500
Gas Tax (Sec. 2106)	132,700	136,700	138,100	139,500	140,900	142,300
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	5,000	5,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 264,500	\$ 268,500	\$ 271,000	\$ 272,400	\$ 273,800	\$ 275,200
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,572,800)	(1,697,500)	(1,740,000)	(1,784,500)	(1,830,100)	(1,876,800)
Ending Fund Balance	\$ (1,572,800)	\$ (1,697,500)	\$ (3,437,500)	\$ (3,524,500)	\$ (3,614,600)	\$ (3,706,900)

Ms. Kathleen Rollings-McDonald
 SAN BERNARDINO COUNTY LOCAL AGENCY FORMATION COMMISSION
 October 8, 2015
 Page 15

CSA/SPECIAL DISTRICT ANALYSIS

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	7,348,500				
Road	-	1,177,700				
Water and Sewer	-	13,541,500				
Total	\$ -	\$ 22,067,700				
Beginning Fund Balance	\$ -	\$ 22,067,700	\$ 22,178,200	\$ 22,395,500	\$ 22,622,000	\$ 22,853,900
Dissolved District Revenues						
Property Taxes from Dissolved Districts	15,941,000	16,940,300	17,265,000	17,596,300	17,934,300	18,279,000
Fees for Services						
General	7,148,500	7,615,300	7,777,600	7,943,300	8,112,600	8,285,500
Road Districts	1,003,400	1,068,900	1,091,700	1,115,000	1,138,800	1,163,100
Water and Sewer Districts	15,052,600	16,035,600	16,377,300	16,726,300	17,082,700	17,446,700
Interest Earnings	-	69,000	69,300	70,000	70,700	71,400
Total	\$ 39,145,500	\$ 41,729,100	\$ 42,580,900	\$ 43,450,900	\$ 44,339,100	\$ 45,245,700
Dissolved Districts Expenditures						
Fire Protection	16,560,100	17,641,500	18,017,400	18,401,400	18,793,500	18,793,500
Other Operating Expenditures						
General	7,355,300	7,835,600	8,002,600	8,173,100	8,347,300	8,525,200
Road Districts	986,700	1,051,100	1,073,500	1,096,400	1,119,800	1,143,700
Water and Sewer Districts	12,377,100	13,185,400	13,466,400	13,753,400	14,046,500	14,345,800
Debt Service	2,762,200	1,905,000	1,803,700	1,800,100	1,800,100	1,800,100
Total	\$ 40,041,400	\$ 41,618,600	\$ 42,363,600	\$ 43,224,400	\$ 44,107,200	\$ 44,608,300
Net Revenue / (Deficit)	(895,900)	110,500	217,300	226,500	231,900	637,400
Ending Fund Balance	\$ (895,900)	\$ 22,178,200	\$ 22,395,500	\$ 22,622,000	\$ 22,853,900	\$ 23,491,300

**Exhibit F: Scenario 3 No Hilltop – Additional Increases to Secured AV
 Growth and Sales Tax Growth**

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ 3,460,000	\$ 6,759,700	\$ 10,019,300	\$ 13,014,000
Revenues by Source						
Property Taxes	7,419,100	8,001,200	8,194,200	8,393,200	8,596,200	8,805,100
Sales Taxes	1,144,300	1,232,300	1,263,200	1,294,800	1,327,200	1,360,300
Property Transfer Taxes	116,200	128,500	131,700	135,000	138,300	141,800
Transient Occupancy Taxes	1,600,700	1,705,300	1,741,600	1,778,700	1,816,600	1,855,300
Off Highway License Subvention	1,400	1,400	1,500	1,500	1,500	1,500
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	50,800	53,500	54,000	54,600	55,100	55,700
Franchise Fees	602,300	620,600	626,800	633,000	639,400	645,700
Community Development Fees	798,900	1,140,800	1,166,700	1,193,600	1,221,000	1,149,400
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	7,200	14,100	20,900	27,100
Total	\$ 12,114,500	\$ 13,328,000	\$ 13,654,900	\$ 13,991,500	\$ 14,335,700	\$ 14,589,300
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	590,400	569,700	650,300	604,400	688,600	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	201,900	219,400	226,000	232,800	239,800	247,000
Finance	266,900	279,200	287,500	296,100	305,100	314,200
Community Development	798,900	1,140,800	1,166,700	1,193,600	1,221,000	1,149,400
Public Works	723,900	779,100	802,000	825,400	849,500	874,200
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	3,966,200	4,735,800	5,024,200	5,330,200	5,654,800	5,999,200
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	755,000	883,000	931,000	967,000	1,019,000	1,050,000
Reserve Fund (25% of Expenditures)	1,887,800	150,400	117,900	91,700	129,800	77,700
Total	\$ 10,193,800	\$ 9,868,000	\$ 10,355,200	\$ 10,731,900	\$ 11,341,000	\$ 11,630,700
Net Revenue / (Deficit)	1,920,700	3,460,000	3,299,700	3,259,600	2,994,700	2,958,600
Ending Fund Balance	\$ 1,920,700	\$ 3,460,000	\$ 6,759,700	\$ 10,019,300	\$ 13,014,000	\$ 15,972,600

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,697,500)	\$ (1,740,000)	\$ (1,784,500)	\$ (1,830,100)
Revenues by Source						
Gas Tax (Sec. 2105)	1,400	1,400	1,500	1,500	1,500	1,500
Gas Tax (Sec. 2106)	132,700	136,700	138,100	139,500	140,900	142,300
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	5,000	5,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 264,500	\$ 268,500	\$ 271,000	\$ 272,400	\$ 273,800	\$ 275,200
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,572,800)	(1,697,500)	(1,740,000)	(1,784,500)	(1,830,100)	(1,876,800)
Ending Fund Balance	\$ (1,572,800)	\$ (1,697,500)	\$ (3,437,500)	\$ (3,524,500)	\$ (3,614,600)	\$ (3,706,900)

Ms. Kathleen Rollings-McDonald
 SAN BERNARDINO COUNTY LOCAL AGENCY FORMATION COMMISSION
 October 8, 2015
 Page 17

CSA/SPECIAL DISTRICT ANALYSIS

	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	7,348,500				
Road	-	1,177,700				
Water and Sewer	-	13,541,500				
Total	\$ -	\$ 22,067,700				
Beginning Fund Balance	\$ -	\$ 22,067,700	\$ 22,429,000	\$ 22,989,000	\$ 23,654,400	\$ 24,425,600
Dissolved District Revenues						
Property Taxes from Dissolved Districts	15,941,000	17,191,100	17,606,900	18,033,300	18,470,400	18,918,600
Fees for Services						
General	7,148,500	7,615,300	7,777,600	7,943,300	8,112,600	8,285,500
Road Districts	1,003,400	1,068,900	1,091,700	1,115,000	1,138,800	1,163,100
Water and Sewer Districts	15,052,600	16,035,600	16,377,300	16,726,300	17,082,700	17,446,700
Interest Earnings	-	69,000	70,100	71,900	73,900	76,400
Total	\$ 39,145,500	\$ 41,979,900	\$ 42,923,600	\$ 43,889,800	\$ 44,878,400	\$ 45,890,300
Dissolved Districts Expenditures						
Fire Protection	16,560,100	17,641,500	18,017,400	18,401,400	18,793,500	18,793,500
Other Operating Expenditures						
General	7,355,300	7,835,600	8,002,600	8,173,100	8,347,300	8,525,200
Road Districts	986,700	1,051,100	1,073,500	1,096,400	1,119,800	1,143,700
Water and Sewer Districts	12,377,100	13,185,400	13,466,400	13,753,400	14,046,500	14,345,800
Debt Service	2,762,200	1,905,000	1,803,700	1,800,100	1,800,100	1,800,100
Total	\$ 40,041,400	\$ 41,618,600	\$ 42,363,600	\$ 43,224,400	\$ 44,107,200	\$ 44,608,300
Net Revenue / (Deficit)	(895,900)	361,300	560,000	665,400	771,200	1,282,000
Ending Fund Balance	\$ (895,900)	\$ 22,429,000	\$ 22,989,000	\$ 23,654,400	\$ 24,425,600	\$ 25,707,600