

DAVID
TAUSSIG
& Associates, Inc.

FINAL

FISCAL IMPACT REPORT

**SOUTHWEST HEMET ANNEXATION PROPOSAL
CITY OF HEMET
SPHERE OF INFLUENCE**

APRIL 22, 2015

Public Finance
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Newport Beach
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FISCAL IMPACT REPORT

**SOUTHWEST HEMET ANNEXATION PROPOSAL
CITY OF HEMET, CALIFORNIA**

Prepared For

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EXECUTIVE SUMMARY

I. PURPOSE OF REPORT

The objective of this Fiscal Impact Report (the “Report”) is to analyze the fiscal impacts to the City of Hemet (the “City”) and the County of Riverside (the “County”) as a result of the development of the Southwest Hemet Annexation Proposal (the “Project”). The Project, which is roughly 940 acres in size, is generally situated south of Stetson Avenue, north of Dominigoni Parkway, and west of the City limits to California Avenue. The Project is currently within the City’s Sphere of Influence as identified in Figure 2.1 of the City’s General Plan (2030).

The following fiscal impacts have been analyzed for the Project and are summarized below:

- I. The fiscal impact of the Project to the City once annexation of the Project has occurred;
- II. The fiscal impact of the Project on the County *prior* to the annexation of the Project; and
- III. The fiscal impact of the Project to the County *upon* the annexation of the Project.

Once the Project is annexed into the City, some of the services provided by the County funds and districts will become the responsibility of the City. Importantly, the fiscal impacts to the County, both prior to and upon annexation, were analyzed for the following funds:

- General Fund
- Structural Fire Protection Fund
- Free Library District Fund

II. TYPES OF FISCAL IMPACTS EVALUATED IN THE REPORT

As outlined above, the purpose of this Report is to estimate the net fiscal impacts of the Project’s proposed development on the City General Fund and on various County funds both prior to and upon annexation of the Project to the City. The fiscal impacts identified in this Report include recurring municipal revenues and costs that result from the land use scenario analyzed. Recurring revenues are generated from a variety of sources, including property taxes, sales taxes, fees, and fines. Moreover, recurring costs are associated with a variety of services, such as police protection, fire protection, public works maintenance, and general government services.

III. DESCRIPTION OF HEMET ANNEXATION PROJECT

The Project is a proposed mixed-use development that is presently located within the City’s Sphere of Influence. At build out, the estimated 940 acre Project is expected to develop into 1,291 Single Family residential units, 302 Multi-Family units, 841,122 square feet of Retail, 1,401,870 square feet of Office, 1,423,671 square feet of Business Park, and 1,090,655 square feet of Light Industrial. Please refer to **Appendix D** for further information on the elements and location of the Project.

Furthermore, the Project will require the construction of new infrastructure, financed through public and/or private funds, to be ultimately owned by the City and maintained by the City’s General Fund

once the Project is annexed in the City. Further details on the infrastructure maintenance obligations may be found in the Plan of Service for the Project.

IV. CONCLUSIONS OF ANALYSIS RELATED TO PROJECT

Following are the major conclusions related to the fiscal impacts of the Project:

City Fiscal Impacts

As shown in Table **ES-1** below, the overall fiscal impact to the City General Fund, as a result of revenues generated by the proposed annexation of the Project to the City and the demand for public services associated with the proposed Project land uses, is a recurring annual fiscal surplus of \$1,791,147, based on the generation of \$5,398,231 in recurring annual revenues and \$3,607,084 in recurring annual costs. Annual revenues generated by the proposed Project annexation are expected to equal 1.50 times the City General Fund costs associated with the Project’s proposed City land uses.

**TABLE ES-1
 NET FISCAL IMPACT (CITY GENERAL FUND)**

Category	Project Build-out
Total Recurring Revenues	\$5,398,231
Total Recurring Costs	(\$3,607,084)
Annual Recurring Surplus/(Deficit)	\$1,791,147
<i>Total Annual Revenue/Cost Ratio</i>	<i>1.50</i>

Importantly, the City established a City-wide Public Safety Community Facilities District, CFD No. 2005-1 per City Council Resolution No. 3821, which requires all new residential development to participate (upon annexation to the City) to offset costs for services related to law enforcement, fire, paramedics, park maintenance, etc. Consequently, the Project will likely be incorporated into the CFD (or a similar one) as a condition of annexation to the City. However, DTA has very conservatively excluded any annual CFD special tax revenues generated from the Project as the exact parameters of the CFD have yet to be determined.

County Fiscal Impacts

As shown in Tables **ES-2**, **ES-3**, and **ES-4**, the fiscal impacts to the County are projected both prior to and upon annexation of the Project. Importantly, the fiscal impacts to the County prior to the annexation of the Project are based on the assumption that the Project will develop under the existing County General Plan land use designation. Currently, the project site is designated for Estate Density Residential (“RC-EDR”), Medium Density Residential (“MDR”), and Open Space Recreation (“OS-R”) in the unincorporated County (collectively, the “County Land Use Designation.”)

Prior to annexation, the County of Riverside provides various services to the Project such as police protection, development services, and other countywide services through the County General Fund.

Other services, such as fire protection, library service, and road maintenance services would be provided by other County funds.

Upon annexation of the Project to the City, the City and other agencies would assume responsibility for these services, such as police, development services, fire, library, and road maintenance for the area. However, upon annexation, the County will still receive a portion of the property tax revenues, and will still be responsible for providing countywide services that include court facilities, as well as assessor, auditor-controller, and recorder services.

A. County General Fund

Prior to annexation, the overall fiscal impact to the County General Fund, as a result of revenues generated by the project site and the recurring costs associated with the annual operation of the project site, assuming existing County Land Use Designation, is a recurring annual fiscal deficit of (\$1,131,806), based on \$1,971,960 in recurring annual revenues and \$3,103,766 in recurring annual costs. The total annual revenue to cost ratio associated with the build out of the project site is projected to equal 0.64.

Upon annexation to the City, the overall fiscal impact to the County General Fund, as a result of revenues generated by the proposed Project and the recurring costs associated with the annual operation of proposed Project, is a recurring annual fiscal surplus of \$959,237, based on \$2,214,061 in recurring annual revenues and \$1,254,824 in recurring annual costs. The total annual revenue to cost ratio associated with the build out of the Project is projected to equal 1.76.

**TABLE ES-2
NET FISCAL IMPACT (COUNTY GENERAL FUND)**

Category	Prior to Annexation	Upon Annexation
Total Recurring Revenues	\$1,971,960	\$2,214,061
Total Recurring Costs	(\$3,103,766)	(\$1,254,824)
Annual Recurring Surplus/(Deficit)	(\$1,131,806)	\$959,237
<i>Total Annual Revenue/Cost Ratio</i>	0.64	1.76

B. County Structural Fire Protection Fund

Fire protection services to unincorporated County are provided by the Riverside County Fire Department ("RCFD"). The main source of revenue for RCFD is property tax revenues that are projected at 6.26% of the basic 1% property tax levy for assessed valuation.

Prior to annexation, based on the existing County Land Use Designation for the project site, the annual property tax revenue surplus to the County Structural Fire Protection Fund is projected at \$8,446, based on \$378,598 in recurring annual revenues and \$370,152 in recurring annual costs. The total annual revenue to cost ratio associated with the build out of the project site is projected to equal 1.02.

Importantly, the *Master Property Tax Sharing Agreement* between the City and County stipulates that upon annexation, the City will receive 100% of that portion of the property tax revenues currently collected by the County for fire protection.

**TABLE ES-3
 NET FISCAL IMPACT (COUNTY STRUCTURAL FIRE PROTECTION FUND)**

Category	Prior to Annexation	Upon Annexation
Total Recurring Revenues	\$378,598	NA
Total Recurring Costs	(\$370,152)	NA
Annual Recurring Surplus/(Deficit)	\$8,446	NA
<i>Total Annual Revenue/Cost Ratio</i>	1.02	NA

C. County Free Library District Fund

Library services to unincorporated County are provided by the County Library District. Currently, the main source of revenue to the County Library District is property tax projected at 1.53% of the basic 1% property tax levy for assessed valuation. Additionally, the County Library District receives revenues from other sources such as fines, forfeitures and penalties, and charges for services.

Prior to annexation, the overall fiscal impact to the County Free Library District Fund, as a result of revenues generated by the project site and the recurring costs associated with the annual operation of project site, assuming existing County Land Use Designation, is a small recurring annual fiscal deficit of (\$9,706), based on \$135,535 in recurring annual revenues and \$145,241 in recurring annual costs. The total annual revenue to cost ratio associated with the build out of the Project is projected to equal 0.93.

Importantly, the *Master Property Tax Sharing Agreement* between the City and County also stipulates that upon annexation, the City will receive 100% of that portion of the property tax revenues currently collected by the County for library services.

**TABLE ES-4
 NET FISCAL IMPACT (COUNTY FREE LIBRARY DISTRICT FUND)**

Category	Prior to Annexation	Upon Annexation
Total Recurring Revenues	\$135,535	NA
Total Recurring Costs	(\$145,241)	NA
Annual Recurring Surplus/(Deficit)	(\$9,706)	NA
<i>Total Annual Revenue/Cost Ratio</i>	0.93	NA

SECTION 1 INTRODUCTION

David Taussig and Associates, Inc. (“DTA”) has been engaged by the City of Hemet to prepare a Fiscal Impact Report (the “Report”) that evaluates the likely annual fiscal impacts of the Southwest Hemet Annexation Proposal (the “Project”) on the City of Hemet (the “City”) and the County of Riverside (the “County”) under three (3) distinct scenarios:

(i) **Scenario No. 1 - The fiscal impact of the Project on the City:** This fiscal impact model assumes that the Project is annexed to the City and is developed into 1,291 Single Family residential units, 302 Multi-Family units, 841,122 square feet of Retail, 1,401,870 square feet of Office, 1,423,671 square feet of Business Park, and 1,090,655 square feet of Light Industrial. Recurring fiscal impacts are projected under this scenario for the City General Fund.

(ii) **Scenario No. 2 - The fiscal impact of the project site on the County prior to its annexation to the City:** This fiscal impact model assumes that the project site is not annexed to the City, but rather, that the Project will remain part of the unincorporated County. This scenario assumes that the Project will be developed into 2,037 Single Family residential units under the existing County General Plan land use designations of Estate Density Residential (“RC-EDR”), Medium Density Residential (“MDR”), and Open Space Recreation (“OS-R”) in the unincorporated County (collectively, the “County Land Use Designation.”) Recurring fiscal impacts are projected under this scenario for the following County funds:

- General Fund;
- Structural Fire Protection Fund;
- Free Library District Fund.

(iii) **Scenario No. 3 - The fiscal impact of the Project on the County upon annexation to the City:** This fiscal impact model assumes that the Project is annexed to the City and is developed into 1,291 Single Family residential units, 302 Multi-Family units, 841,122 square feet of Retail, 1,401,870 square feet of Office, 1,423,671 square feet of Business Park, and 1,090,655 square feet of Light Industrial. Recurring fiscal impacts are projected under this scenario for the following County funds:

- General Fund;
- Structural Fire Protection Fund;
- Free Library District Fund.

TABLE 1
LAND USE ASSUMPTIONS

Land Use	City Upon Annexation	County Prior to Annexation	County Upon Annexation
Single Family Units	1,291	2,037	1,291
Multi-Family Units	302	0	302
Retail Sq. Ft.	841,122	0	841,122
Office Sq. Ft.	1,401,870	0	1,401,870
Business Park Sq. Ft.	1,423,671	0	1,423,671
Light Industrial Sq. Ft.	1,090,655	0	1,090,655

I. SCOPE AND METHODOLOGY – RECURRING FISCAL IMPACTS

Fiscal impacts arising from a land development plan can be broadly categorized as one of two types: one-time impacts or recurring impacts. Each of these broad types may, in turn, be divided into a revenue component and a cost component. For purposes of this Report, it has been assumed that one-time revenues would directly offset one-time costs; thus, the fiscal impacts considered in this Report focus on ongoing, or recurring, fiscal impacts of the Project on various County and City funds under the scenarios discussed above. To the extent that revenues are generated outside such funds (e.g., special district revenues) or costs are incurred by the County/City outside such funds (e.g., costs financed through a special district), they are not included within these fiscal analyses.

The fiscal impacts projected for the Report are based generally on the Multiplier Methodology. The primary Multiplier Methodology used to project the fiscal impacts in this Report was the Per Capita-Employee (“Persons Served”) Methodology. The Persons Served Methodology considers the fact that the exact relationship of service demands and revenue-generating potential between residents and employees is difficult to measure. Thus, utilizing a service population, or Persons Served population, comprised of all residents and 50% of employees is common fiscal practice, and suggests that a resident generally has twice the fiscal impact of an employee. This methodology involves calculating the average City- or County-wide revenues/costs per Persons Served, utilizing the fiscal year 2014-2015 City or County operating budget, respectively, and applying these revenue/cost factors to the specific number of Persons Served projected for each scenario.

DTA also used a Per Employee Methodology in the Report to project recurring fiscal factors based on employment only, such as business license revenues. Similar to the Persons Served Methodology discussed above, the Per Employee Methodology involves calculating the average City- or County-wide revenues/costs per employee, utilizing the fiscal year 2014-2015 City or County operating budget, respectively, and applying these factors to the specific number of employees projected under the given scenario.

While most recurring revenues analyzed in the Report are projected using the Multiplier Methodology, some major revenue sources, including property taxes and sales taxes, are calculated using a Case Study Methodology that involves calculating the marginal revenues to be specifically generated by a particular land use, instead of applying an average City- or County-wide revenue factor. For purposes of the Report, all recurring revenues and costs are stated in constant (un-inflated) 2014 dollars, based on the assumption that the relative impacts of inflation in future years will be the same for both of these fiscal impact categories.

II. LIMITATIONS – ACCURACY OF INFORMATION

The fiscal model in the Report contains an analysis of revenues, costs, and impacts to the City or County resulting from the Project. This model is based on both (i) information provided to DTA by City staff and (ii) certain DTA assumptions taken from DTA’s municipal cost database, as compiled by DTA from previous fiscal impact studies prepared by the firm. The sources of information and basis of the estimates calculated in the Report are stated herein. While DTA is confident that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. The analysis of fiscal impacts contained in this report is not considered to be a “financial forecast” or a “financial projection” as technically defined by the American Institute of Certified Public Accountants. The word “projection” used within this report relates to broad expectations of future events or market conditions. Since the analysis contained herein is based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary from the projections stated throughout the Report.

SECTION 2 RECURRING POST-ANNEXATION FISCAL REVENUES/COSTS FOR CITY

The following section presents the recurring revenue and cost impacts to the City General Fund after annexation of the Project, and the methodology and assumptions utilized in the Report to project these impacts. Detailed numerical analyses of the revenue and cost impacts subsequently discussed in this section are contained in **Appendix A**.

I. ANALYSIS OF RECURRING REVENUES

Case Study Method:

A. Property Taxes – Secured and Unsecured

According to the Riverside County Local Agency Formation Commission (“Riverside County LAFCO”), the *Master Property Tax Transfer Agreement* for the County of Riverside and the City of Hemet (the “Property Tax Agreement”) will determine the tax apportionment factors for the proposed annexation of the Project to the City. This analysis assumes that the annexation of the Project will be carried out according to the terms of that agreement.

Of the property tax apportionment that is currently dedicated to the County’s General Fund, 25% will be allocated to the City’s General Fund upon annexation of the Project to the City, while the remaining 75% will be remitted to the County to pay for services that the County provides to City residents. Furthermore, and as noted in the previous section, the *Master Property Tax Sharing Agreement* between the City and County stipulates that upon annexation, the City will receive 100% of that portion of the property tax revenues currently collected by the County for fire protection and library services to offset the cost of to the City of providing such services.

As a result, total secured property tax revenues received by the City from the land uses will equal approximately 11.55% of the basic 1% property tax levy from the Tax Rate Areas (“TRAs”) encompassing the Project. Please note that the gross tax allocation, as calculated by the Riverside County (the “County”) Auditor-Controller, has been reduced to account for the projected Education Revenue Augmentation Fund (“ERAF”) property tax shifts. Please refer to **Table 2A** below and **Exhibit 4** of **Appendix A** for details regarding the secured and unsecured property tax assumptions utilized in the fiscal impact analysis.

Unsecured property taxes are levied on tangible personal property that is not secured by real estate. Examples of unsecured property includes trade fixtures (e.g., manufacturing equipment and computers), as well as airplanes, boats, and mobile homes on leased land. In generating the fiscal impact models for this Report, DTA has assumed that unsecured property values average 2.75% of the secured value for residential land uses and 10.00% of the secured value for non-residential land uses.

B. Property Transfer Tax

Per California Revenue & Taxation Code §11901, et seq. and the City Municipal Code §74-112, sales of real property are taxed by the County at a rate of \$1.10 per \$1,000 of property

value, whereas for property located in the City, the property transfer tax is divided equally between the City and the County, with the City receiving \$0.55 per \$1,000 of transferred property sale or resale value, excluding assumed liens or encumbrances. Per typical baseline assumptions, DTA assumes that residential development changes ownership at an average rate of 10% per year and that non-residential development changes ownership at an average rate of 5% per year, and that continuing liens and encumbrances are insignificant.

C. Property Tax in-Lieu of Vehicle License Fee

The passage of Proposition 1A in California in 2004 enacted a constitutional amendment that introduced a new methodology to calculate property taxes in-lieu of VLF. Per California Revenue and Taxation Code §97.70, the property tax in-lieu of VLF amount now grows in proportion to the growth rate of gross assessed valuation in a city or county. Property taxes in-lieu of VLF revenues are projected to grow with the change in the City-wide gross assessed valuation of taxable property from the prior fiscal year. Property tax in-lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for purposes of this Report at \$1.18 per \$1,000 increase in assessed valuation on a City-wide basis. Please refer to **Table 2A** below and **Exhibit 4 of Appendix A** for details regarding the property tax assumptions utilized in the fiscal impact analysis.

TABLE 2A – PROPERTY TAX ASSUMPTIONS

Property Tax Assumptions	Units/ Sq. Ft./Rooms	Valuation per Unit/per Sq. Ft./per Room
Property Tax		
Residential Land Uses		
Single-Family Detached Units	1,291	\$265,000
Multi-Family Units	302	\$170,000
Non-Residential Land Uses		
Retail Sq. Ft.	841,122	\$140
Office Sq. Ft.	1,401,870	\$90
Business Park Sq. Ft.	1,423,671	\$90
Light Industrial Sq. Ft.	1,090,655	\$90
Secured Property Tax – Net Apportionment Factor to the City as a Fraction of 1.0% Property Tax Rate (Net of ERAF)		11.55%
Unsecured Property Tax – Unsecured Taxes as a % of Secured Property Value		2.75% - Residential 10.00% - Non-Residential
Property Transfer Tax		
Residential Property Turnover Rate		10.00%
Non-Residential Property Turnover Rate		5.00%
Transfer Tax as a % of Price		0.11%
Property Transfer Tax Passed Through to City		50.00%
Property Tax In-Lieu of VLF		
City of Hemet – Total Assessed Value (FY 2013-2014)		\$4,497,448,137
City – VLF Prop. Tax In-Lieu Revenues (FY 2014-2015)		\$5,288,000
VLF Property Tax In-Lieu per \$1,000 Assessed Value		\$1.18

D. Motor Vehicle License Fees

(i). Background

Prior to June 1, 2004, the Motor Vehicle License Fee (“VLF”) tax rate was equal to 2.00% of the value of a vehicle, with 0.65% paid by the vehicle owner and an additional 1.35% supplemented with a backfill from the State General Fund. A large portion of those funds was allocated to cities (42.50%) and counties (42.50%) based on population, while newly-incorporated cities received an additional population subvention based on three (3) times the number of registered voters for the first seven (7) years after incorporation.

As discussed earlier, in 2004, the VLF allocation was altered. The California Legislature implemented the “VLF Swap” in which the VLF was lowered to 0.65%. The resultant loss of city revenue was swapped with an augmentation of property tax, termed property tax in-lieu of VLF. These amounts grow annually based on the annual increase in assessed value within each respective jurisdiction (see above).

(II). **Supplemental Law Enforcement Funding (“SLESF”) and Other State Law Enforcement Grants**

As a part of the 2009 state budget agreement, a number of law enforcement grant programs previously funded by the state general fund were instead funded in fiscal year (“FY”) 2009-10 and FY 2010-11 by a temporary 0.15% state VLF increase, which ended on June 30, 2011. The additional 0.15% VLF rate was intended to generate around \$500 million annually – the tax generated \$414 million in FY 2009-10 and \$442 million in FY 2010-11.

(III). **Senate Bill (SB) 89 - Fees Shifted to Fund State Law Enforcement grants**

SB89 effectively eliminated the 0.65% VLF revenue that was being allocated as a general fund revenue source to California cities. Provisions in SB89 shifted hundreds of millions of VLF revenues to fund the state law enforcement grants beginning FY 2011-12. The SB89 plan operated as follows:

- The “Vehicle License Registration Fee” was increased by \$12 to produce approximately \$300 million in FY 2011-12. This fee funded state DMV vehicle license registration operations, thereby “freeing up” \$300 million of VLF revenue that had been used to fund DMV operations. This money was transferred to a new Local Law Enforcement Services Account (“LLESA”) to fund the law enforcement grants.
- In addition, beginning July 1, 2011, SB89 transferred the remaining VLF revenue (after the Local Revenue Fund allocation for county health and welfare programs) previously allocated to cities and the County of Riverside to the LLESA.

SB89 took \$130 million of city general revenue and shifted it to save state law enforcement grant programs. Less than \$100 million of these grant funds came back to cities, earmarked for police services. But these funds were almost totally offset by the loss of city VLF. Therefore, VLF (as opposed to property tax in-lieu of VLF) revenue was not analyzed as a Project revenue source in this Report.

E. Sales and Use Taxes

Direct sales tax revenues are generated by retail sales from businesses within City limits, with 1% of taxable sales receipts passed through to the City. **Exhibit 5 of Appendix A** reflects taxable sales receipts per square foot for each on-site non-residential land use type, based on data from the *Urban Land Institute’s Dollars & Cents of Shopping Projects (2008)* publication and total taxable sales receipts for the Project, based on information provided by the City.

Indirect sales tax revenues, as summarized in **Exhibit 5 of Appendix A**, are generated by the purchases made by the Project’s residents and employees within the City. Based on studies

outlined in the *International Council of Shopping Projects' Office Worker Local Retail Spending Patterns*, DTA assumed that each on-site employee spends nearly \$4,421 annually within the City.

TABLE 2B – SALES TAX ASSUMPTIONS

Sales Tax Assumptions	
% Sales Tax Passed Through to City of Hemet	1.00%
Resident Retail/Taxable Spending (Annual)	\$18,562
Local Employee Spending (Annual)	\$4,421
Capture Rate of Retail Spending (within City)	50%
Displacement Rate (of existing taxable sales within City)	20%
Taxable Sales per Square Foot – Retail	\$250

F. Investment Income Revenues

Investment Income revenues are generated by the increase in General Fund Revenues resulting from the Project. This increase reflects growth in the following revenue categories: property taxes, sales taxes, and multiplier revenues (as discussed below).

Revenues from this source are estimated by multiplying the Projected Recurring General Fund Revenues Available for Investment of **\$5,391,761** by the Local Agency Investment Fund (“LAIF”) investment fund rate of return of **0.24%** by the LAIF Percentage of Earnings Cost factor of **50%**. This calculation results in estimated Investment Income (less Earnings Cost) of \$6,470 (which when added to \$5,391,761 equals \$5,398,231). LAIF factors are determined quarterly by the California State Treasurer whose office governs the investment of revenues by municipalities.

Please refer to **Table 2C** below and **Exhibit 6** of **Appendix A** for details regarding the investment income assumptions utilized in the fiscal impact analysis.

TABLE 2C – INVESTMENT INCOME ASSUMPTIONS

Investment Income Assumptions	
Investment Period for Recurring Non-Interest General Fund Revenues	12 Months
Local Agency Investment Fund (LAIF) Rate of Return	0.24%
Local Agency Investment Fund (LAIF) Percentage of Earnings	50%
Projected Recurring General Fund Revenues Available for Investment	\$5,391,761

G. Community Facilities District Revenues

Importantly, the City established a City-wide Public Safety Community Facilities District, CFD No. 2005-1 per City Council Resolution No. 3821, which requires all new residential development to participate (upon annexation to the City) to offset costs for services related to law enforcement, fire, paramedics, park maintenance, etc. Consequently, the Project will likely be incorporated into the CFD (or a similar one) as a condition of annexation to the City. However, DTA has very conservatively excluded any annual CFD special tax revenues generated from the Project as the exact parameters of the CFD have yet to be determined.

Multiplier Method:

A. Tax Revenue – Transient Occupancy Tax (“TOT”)

Transient Occupancy Tax (“TOT”) Revenue was forecasted at \$5.18 per Persons Served using the *Per Capita-Employee Multiplier Method*. Please note that this revenue multiplier has been reduced by 25% to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

B. Business Licenses

Business Licenses are based on the City’s collection of fees for various types of permits and community programs, such as bicycle licenses, as well as fire code permits. Revenues are forecasted using a *Per Employee Multiplier Method* that results in a total multiplier of \$24.08 per Employee.

C. Franchise Taxes

Franchise Taxes, including Utilities, Trash, Transportation, etc., were forecasted at \$56.09 per Persons Served using the *Per Capita-Employee Multiplier Method*.

D. General Administration

General Administration revenues were forecasted using a *Per Capita-Employee Multiplier Method* that results in a total multiplier of \$24.02 per Persons Served. Please note that this revenue multiplier has been reduced by 25% to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

E. Charges for Services

Current Services, including *special* Police Department service charges, *special* Fire Department service charges (such as inspection and investigation), alarm permits and fees, and library fees and fines were projected at \$4.38 per Persons Served, based on the *Per Capita-Employee Multiplier Method*. Please note that this revenue multiplier has also been reduced by 25% to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

F. Use of Money & Property (Non-Interest Revenues)

Use of Money and Property Revenues, are based on rental revenues generated from City-owned facilities, and were forecasted at \$0.92 per Persons Served using the *Per Capita-Employee Multiplier Method*.

G. Fines and Forfeitures

This revenue category represents fines and penalties collected by the City for various infractions, including Vehicle, Code, and certain Parking Fines. Fines and Forfeitures were forecasted at \$1.59 per Persons Served using the *Per Capita-Employee Multiplier Method*.

H. Intergovernmental

Intergovernmental Revenues include proceeds generated from library grants, restitution/DUI, gun violence reduction grants, and CFFC Prop 10, and were projected at \$4.89 per Persons Served utilizing the *Per Capita-Employee Multiplier Method*.

I. Community Development

Community Development Revenues, including fees for engineering inspection, rental registration, planning applications, subdivision fees, and plumbing and electrical plan checks were projected at \$24.97 per Persons Served utilizing the *Per Capita-Employee Multiplier Method*.

J. Other/Miscellaneous

Other Revenues, including Miscellaneous Revenues were projected at \$13.47 per Persons Served utilizing the *Per Capita-Employee Multiplier Method*. Please note that this revenue multiplier has also been reduced by 25% to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

TABLE 2E – OTHER GENERAL FUND REVENUES (MULTIPLIER METHOD)

Category	Amount	Methodology
Tax Revenue	\$5.18	Persons Served, plus 25% Discount
Business Licenses	\$24.08	Per Employee
Franchises	\$56.09	Persons Served
General Administration	\$24.02	Persons Served, plus 25% Discount
Charges for Services	\$4.38	Persons Served, plus 25% Discount
Use of Money & Property	\$0.92	Persons Served
Fines and Forfeitures	\$1.59	Persons Served
Intergovernmental	\$4.89	Persons Served
Community Development	\$24.97	Persons Served

Category	Amount	Methodology
Other / Miscellaneous	\$13.47	Persons Served, plus 25% Discount

Please refer to **Exhibit 7 of Appendix A** for more details on the case study assumptions and revenue multipliers utilized in the Report.

II. ANALYSIS OF RECURRING COSTS

Case Study Method:

A. General Government Costs

General Government costs are projected at a marginal rate of 6.09% of the City General Fund recurring costs, based on the assumption that the FY 2014-2015 General Government expenditures, equaling \$2.9 million, will remain at the same relative proportion of the FY 2014-2015 City General Fund non-governmental expenditures of approximately \$35.6 million in future years. The current percentage of General Government expenditures to City General Fund non-governmental expenditures is approximately 8%; however, these General Government costs are not expected to increase on a one-for-one basis as a result of the land use development depicted in this Report. Therefore, this Report assumes that General Government costs increase at an estimated marginal rate of 75%, or 6.09%, of the existing General Government cost overhead rate. This approach results in annual General Government costs of \$207,182.

Multiplier Method:

A. Police Department

Police Department costs were forecasted at \$194.24 per Persons Served using the *Per Capita-Employee-Multiplier Method*. Police Department Services includes services related to Law Enforcement and Patrol, Administration, Traffic Enforcement, Crime Prevention, Emergency Response, and Community Services.

B. Animal Regulation

Animal Regulation costs were forecasted at \$1.91 per Persons Served using the *Per Capita-Employee-Multiplier Method*. Please note that this expenditure multiplier has been reduced by 25% to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

C. Fire Department

Fire Department costs were forecasted at \$121.77 per Persons Served based on the *Per Capita-Employee Multiplier Method*. This category includes those services that include

operation of the Hemet Fire Department and the Office of Emergency Services, which is responsible for the City's Disaster Preparedness Plans and Emergency Operations Center.

D. Fire Prevention/Weed Abatement

Fire Prevention/Weed Abatement costs were forecasted at \$1.48 per Persons Served using the Per Capita-Employee-Multiplier Method. These services include fire prevention, planning, inspection, and review related to new development and the Office of Emergency Services, which is responsible for the City's Disaster Preparedness Plans and Emergency Operations Center.

E. Parks

Park costs were forecasted at \$8.41 per Persons Served using the Per Capita-Employee-Multiplier Method. These services include public maintenance, graffiti removal, street maintenance, and environmental conservation.

F. Library

Library costs were forecasted at \$14.57 per Persons Served using the Per Capita-Employee-Multiplier Method. These services include those expenditures related to library fees and fines.

G. Simpson Center

Simpson Center costs were forecasted at \$1.73 per Persons Served using the Per Capita-Employee-Multiplier Method.

H. Economic Development

Economic Development costs were forecasted at \$4.19 per Persons Served using the Per Capita-Employee-Multiplier Method.

I. Planning

Planning costs relate to reviewing and processing current development projects as well as updates and adherence to the General Plan and were forecasted at \$12.53 per Persons Served using the Per Capita-Employee-Multiplier Method.

J. Code Enforcement

Code Enforcement costs were forecasted at \$9.36 per Persons Served using the Per Capita-Employee-Multiplier Method. These services include those costs associated with the inspection and enforcement of the City Property Code.

K. Building

Building costs were forecasted at \$9.34 per Persons Served using the Per Capita-Employee-Multiplier Method. These services include Planning costs relate to reviewing and processing current development projects as well as updates and adherence to the General Plan. .Please note that this expenditure multiplier has been reduced by 25% to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

L. Development Engineering

Development Engineering costs were forecasted at \$7.84 per Persons Served using the Per Capita-Employee-Multiplier Method. Please note that this expenditure multiplier has been reduced by 25% to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

TABLE 2F – OTHER GENERAL FUND COSTS (MULTIPLIER METHOD)

Category	Amount	Methodology
Police Department	\$194.24	Persons Served
Animal Regulation	\$1.91	Persons Served, plus 25% Discount
Fire Department	\$121.77	Persons Served
Fire Prevention/Weed Abatement	\$1.48	Persons Served
Parks	\$8.41	Persons Served
Library	\$14.57	Persons Served
Simpson Center	\$1.73	Persons Served
Economic Development	\$4.19	Persons Served
Planning	\$12.53	Persons Served
Code Enforcement	\$9.36	Persons Served
Building	\$9.34	Persons Served, plus 25% Discount
Development Engineering	\$7.84	Persons Served, plus 25% Discount

SECTION 3 RECURRING FISCAL REVENUES/COSTS FOR COUNTY

The following section presents the recurring revenue and cost impacts to the County General Fund both prior to and upon the annexation of the Project to the City, and the methodology and assumptions utilized in the Report to project these impacts. Detailed numerical analyses of the revenue and cost impacts subsequently discussed in this section are contained in **Appendices B and C**.

I. ANALYSIS OF RECURRING GENERAL FUND REVENUES

Case Study Method:

A. Property Taxes – Secured and Unsecured

Prior to the annexation of the Project, the total secured property tax revenues received by the County from the land uses will equal approximately 15.01% of the basic 1% property tax levy from the Tax Rate Areas (“TRAs”) encompassing the Project. Please note that the gross tax allocation, as calculated by the Riverside County (the “County”) Auditor-Controller, has been reduced to account for the projected Education Revenue Augmentation Fund (“ERAF”) property tax shifts.

After the project has been annexed into the City, the total secured property tax revenues received by the County will be adjusted according to the Riverside County Local Agency Formation Commission (“Riverside County LAFCO”), *Master Property Tax Transfer Agreement* between the County of Riverside and the City of Hemet (the “Property Tax Agreement”). Of the property tax apportionment that is currently dedicated to the County’s General Fund, 25% will be allocated to the City’s General Fund upon annexation of the Project to the City, while the remaining 75% will be remitted to the County to pay for services that the County provides to City residents. As a result, the total secured property tax revenues received by the County will equal approximately 11.26% of the basic 1% property tax levy.

Please refer to **Table 3A** below and **Exhibit 4** of **Appendices B and C** for details regarding the secured and unsecured property tax assumptions utilized in the fiscal impact analysis.

Notably, the *Master Property Tax Sharing Agreement* between the City and County stipulates that upon annexation, the City will receive 100% of that portion of the property tax revenues currently collected by the County for fire protection and library services to offset the cost of to the City of providing such services.

Unsecured property taxes are levied on tangible personal property that is not secured by real estate. Examples of unsecured property includes trade fixtures (e.g., manufacturing equipment and computers), as well as airplanes, boats, and mobile homes on leased land. In generating the fiscal impact models for this Report, DTA has assumed that unsecured property values, both prior to and after annexation, average 2.75% of the secured value for residential land uses and 10.00% of the secured value for non-residential land uses.

B. Property Transfer Tax

Per California Revenue & Taxation Code §11901, et seq. and the Riverside County Code §4.08.030, sales of real property are taxed by the County at a rate of \$1.10 per \$1,000 of property value. After the Project has been annexed into the City, the property transfer tax will be divided equally between the City and the County, with the County receiving \$0.55 per \$1,000 of transferred property sale or resale value, excluding assumed liens or encumbrances. Per typical baseline assumptions, DTA assumes that residential development changes ownership at an average rate of 10% per year and that non-residential development changes ownership at an average rate of 5% per year, and that continuing liens and encumbrances are insignificant.

C. Property Tax in-Lieu of Vehicle License Fee

The passage of Proposition 1A in California in 2004 enacted a constitutional amendment that introduced a new methodology to calculate property taxes in-lieu of VLF. Per California Revenue and Taxation Code §97.70, the property tax in-lieu of VLF amount now grows in proportion to the growth rate of gross assessed valuation in a city or county. Property taxes in-lieu of VLF revenues are projected to grow with the change in the City-wide and/or County-wide gross assessed valuation of taxable property from the prior fiscal year. Property tax in-lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for purposes of this Report at \$0.95 per \$1,000 increase in assessed valuation on a County-wide basis both prior to and upon annexation of the Project to the City. Please refer to **Table 3A** below and **Exhibit 4** of **Appendices B** and **C** for details regarding the property tax assumptions utilized in the fiscal impact analysis.

TABLE 3A – PROPERTY TAX ASSUMPTIONS

Prior to Annexation	Units/ Sq. Ft./rooms	Valuation per Unit/per sq. Ft./per room
Residential Land Uses		
Single-Family Detached Units	2,037	\$265,000
Multi-Family Units	0	NA
Non-Residential Land Uses		
Retail Sq. Ft.	0	NA
Office Sq. Ft.	0	NA
Light Industrial Sq. Ft.	0	NA
Secured Property Tax – Net Apportionment Factor to the County as a Fraction of 1.0% Property Tax Rate (Net of ERAF)		15.01%
Unsecured Property Tax – Unsecured Taxes as a % of Secured Property Value		2.75% - Residential 10% - Non-Residential
Property Transfer Tax		
Residential Property Turnover Rate		10.00%
Non-Residential Property Turnover Rate		5.00%
Transfer Tax as a % of Price		0.11%
Property Transfer Tax Retained by the County		100.00%
Property Tax In-Lieu of VLF		
County – Total Assessed Value (FY 2013-2014)		\$212,975,540,874
County – VLF Prop. Tax In-Lieu Revenues (FY 2014-2015)		\$202,300,000
VLF Property Tax In-Lieu per \$1,000 Assessed Value		\$0.95
Post Annexation	Units/ Sq. Ft./rooms	Valuation per Unit/per sq. Ft./per room
Residential Land Uses		
Single-Family Detached Units	1,291	\$265,000
Multi-Family Units	302	\$170,000
Non-Residential Land Uses		
Retail Sq. Ft.	841,122	\$140
Office Sq. Ft.	1,401,870	\$90
Hotel Rooms	1,423,671	\$90
Light Industrial Sq. Ft.	1,090,655	\$90
Secured Property Tax – Net Apportionment Factor to the County as a Fraction of 1.0% Property Tax Rate (Net of ERAF)		11.26%
Unsecured Property Tax – Unsecured Taxes as a % of Secured Property Value		2.75% - Residential 10% - Non-Residential
Property Transfer Tax		
Residential Property Turnover Rate		10.00%
Non-Residential Property Turnover Rate		5.00%
Transfer Tax as a % of Price		0.11%
Property Transfer Tax Passed Through to County		50.00%
Property Tax In-Lieu of VLF		
County – Total Assessed Value (FY 2013-2014)		\$212,975,540,874
County – VLF Prop. Tax In-Lieu Revenues (FY 2014-2015)		\$202,300,000
VLF Property Tax In-Lieu per \$1,000 Assessed Value		\$0.95

D. Motor Vehicle License Fees

(i). Background

Prior to June 1, 2004, the Motor Vehicle License Fee (“VLF”) tax rate was equal to 2.00% of the value of a vehicle, with 0.65% paid by the vehicle owner and an additional 1.35% supplemented with a backfill from the State General Fund. A large portion of those funds was allocated to cities (42.50%) and counties (42.50%) based on population, while newly-incorporated cities received an additional population subvention based on three (3) times the number of registered voters for the first seven (7) years after incorporation.

As discussed earlier, in 2004, the VLF allocation was altered. The California Legislature implemented the “VLF Swap” in which the VLF was lowered to 0.65%. The resultant loss of city revenue was swapped with an augmentation of property tax, termed property tax in-lieu of VLF. These amounts grow annually based on the annual increase in assessed value within each respective jurisdiction (see above).

(ii). Supplemental Law Enforcement Funding (“SLESF”) and Other State Law Enforcement Grants

As a part of the 2009 state budget agreement, a number of law enforcement grant programs previously funded by the state general fund were instead funded in fiscal year (“FY”) 2009-10 and FY 2010-11 by a temporary 0.15% state VLF increase, which ended on June 30, 2011. The additional 0.15% VLF rate was intended to generate around \$500 million annually – the tax generated \$414 million in FY 2009-10 and \$442 million in FY 2010-11.

(iii). Senate Bill (SB) 89 - Fees Shifted to Fund State Law Enforcement grants

SB89 effectively eliminated the 0.65% VLF revenue that was being allocated as a general fund revenue source to California cities. Provisions in SB89 shifted hundreds of millions of VLF revenues to fund the state law enforcement grants beginning FY 2011-12. The SB89 plan operated as follows:

- The “Vehicle License Registration Fee” was increased by \$12 to produce approximately \$300 million in FY 2011-12. This fee funded state DMV vehicle license registration operations, thereby “freeing up” \$300 million of VLF revenue that had been used to fund DMV operations. This money was transferred to a new Local Law Enforcement Services Account (“LLESA”) to fund the law enforcement grants.
- In addition, beginning July 1, 2011, SB89 transferred the remaining VLF revenue (after the Local Revenue Fund allocation for county health and welfare programs) previously allocated to cities and the County of Riverside to the LLESA.

SB89 took \$130 million of city general revenue and shifted it to save state law enforcement grant programs. Less than \$100 million of these grant funds came back to cities,

earmarked for police services. But these funds were almost totally offset by the loss of city VLF. Therefore, VLF (as opposed to property tax in-lieu of VLF) revenue was not analyzed as a Project revenue source in this Report.

E. Sales and Use Taxes

Direct sales tax revenues are generated by retail sales from businesses within the County, with 1.25% of taxable sales receipts passed through to the County prior to the annexation of the Project. Importantly, once the Project has been annexed into the City, the County will no longer receive direct sales tax receipts. **Exhibit 5 of Appendix B** reflects taxable sales receipts per square foot for each on-site non-residential land use type, based on data from the *Urban Land Institute's Dollars & Cents of Shopping Projects (2008)* publication and total taxable sales receipts for the Project, based on information provided by the City.

Indirect sales tax revenues, as summarized in **Exhibit 5 of Appendix B**, are generated by the purchases made by the Project's residents and employees within the County prior to the annexation of the Project. Based on studies outlined in the *International Council of Shopping Projects' Office Worker Local Retail Spending Patterns*, DTA assumed that each on-site employee spends nearly \$4,421 annually.

TABLE 3B – SALES TAX ASSUMPTIONS

Sales Tax Assumptions	Prior to Annexation	Upon Annexation
% Sales Tax Passed Through to the County	1.25%	0%
Resident Retail/Taxable Spending (Annual)	\$19,915	\$0.00
Local Employee Spending (Annual)	\$4,421	\$0.00
<i>Capture Rate of Retail Spending (within County)</i>	50%	NA
<i>Displacement Rate (of existing taxable sales within County)</i>	33%	NA
Taxable Sales per Square Foot – Retail	\$200	NA

F. Investment Income Revenues

Investment Income revenues are generated by the increase in General Fund Revenues resulting from the Project. This increase reflects growth in the following revenue categories: property taxes, sales taxes, and multiplier revenues (as discussed below).

Prior to annexation, revenues from this source are estimated by multiplying the Projected Recurring General Fund Revenues Available for Investment of **\$1,969,596** by the Local Agency Investment Fund ("LAIF") investment fund rate of return of **0.24%** by the LAIF Percentage of Earnings Cost factor of **50%**. This calculation results in estimated Investment Income (less Earnings Cost) of \$2,364 (which when added to \$1,969,596 equals \$1,971,960). LAIF factors are determined quarterly by the California State Treasurer whose office governs the investment of revenues by municipalities.

Upon annexation of the Project to the City, revenues from this source are estimated by multiplying the Projected Recurring General Fund Revenues Available for Investment of \$2,211,407 by the Local Agency Investment Fund (“LAIF”) investment fund rate of return of 0.24% by the LAIF Percentage of Earnings Cost factor of 50%. This calculation results in estimated Investment Income (less Earnings Cost) of \$2,654 (which when added to \$2,211,407 equals \$2,214,061). LAIF factors are determined quarterly by the California State Treasurer whose office governs the investment of revenues by municipalities.

Please refer to **Table 3C** below and **Exhibit 6 of Appendices B and C** for details regarding the investment income assumptions utilized in the fiscal impact analysis.

TABLE 3C – INVESTMENT INCOME ASSUMPTIONS

Investment Income Assumptions	Prior to Annexation	Upon Annexation
Investment Period for Recurring Non-Interest General Fund Revenues	12 Months	12 Months
Local Agency Investment Fund (LAIF) Rate of Return	0.24%	0.24%
Local Agency Investment Fund (LAIF) Percentage of Earnings	50%	50%
Projected Recurring General Fund Revenues Available for Investment	\$1,969,596	\$2,211,407

Multiplier Method:

A. Other Tax Revenues

Other Tax Revenues are expected to be \$3.86 per Persons Served using the *Per Capita-Employee Multiplier Method*, both prior to and upon annexation.

B. Franchise Taxes

Franchise Taxes include Gas, Electric, Cable TV, etc. Prior to annexation, these revenues are forecasted at \$12.32 per Persons Served using the *Per Capita-Employee Multiplier Method*. Upon annexation, the County will no longer receive Franchise Taxes from property within the boundaries of the Project.

C. Fines, Forfeitures, and Penalties

This revenue category represents fines and penalties collected by the County for various infractions, including Vehicle, Code and certain Parking Fines. Fines and Forfeitures are forecasted at \$28.09 per Persons Served using the *Per Capita-Employee Multiplier Method*, both prior to and upon annexation of the Project to the City. Please note that this expenditure multiplier has been reduced by 50% to account for only the portion of these revenues that is expected to be variable with population and employee growth in the City.

D. Intergovernmental

Intergovernmental revenues are expected to be \$4.13 per Persons Served using the *Per Capita-Employee Multiplier Method*, both prior to and upon annexation.

E. Other/Miscellaneous

Other Revenues, including Miscellaneous Revenues were projected at \$5.68 per Persons Served utilizing the *Per Capita-Employee Multiplier Method*, both prior to and upon annexation.

TABLE 3D – OTHER GENERAL FUND REVENUES (MULTIPLIER METHOD)

Revenue Category	Amount Prior to Annexation	Amount Upon	Methodology
Other Tax	\$3.86	\$3.86	Persons Served
Franchises	\$12.32	NA	Persons Served
Fines and Forfeitures	\$28.09	\$28.09	Persons Served, plus 50% Discount
Intergovernmental	\$4.13	\$4.13	Persons Served
Other / Miscellaneous	\$5.68	\$5.68	Persons Served

Please refer to **Exhibit 7** of **Appendices B** and **C** for more details on the case study assumptions and revenue multipliers utilized in the Report.

II. ANALYSIS OF RECURRING GENERAL FUND COSTS

Case Study Method:

A. GENERAL GOVERNMENT COSTS

General Government costs are projected at a marginal rate of approximately 3.5% of the County General Fund recurring costs, based on the assumption that the FY 2014-2015 General Government expenditures, equaling \$27.7 million, will remain at the same relative proportion of the FY 2014-2015 County General Fund non-governmental expenditures of approximately \$571.1 million in future years. The current percentage of General Government expenditures to County General Fund non-governmental expenditures is approximately 5%; however, these General Government costs are not expected to increase on a one-for-one basis as a result of the land use development depicted in this Report. Therefore, this Report assumes that General Government costs increase at an estimated marginal rate of 75%, or 3.64%, of the existing General Government cost overhead rate.

Prior to annexation, this approach results in annual General Government costs of \$108.949 under existing County Land Use Designation, however, once the Project has been annexed into the City, the General Government costs are estimated to be \$40.811.

Multiplier Method:

A. Health & Sanitation

Health and Sanitation services are provided to the entire County and therefore the costs are forecasted at \$24.79 per Persons Served using the *Per Capita-Employee-Multiplier Method*, both prior to and upon annexation.

B. Public Assistance

Services related to Public Assistance are provided to the entire County population and therefore such costs are forecasted at \$15.48 per Persons Served using the *Per Capita-Employee-Multiplier Method*, both prior to and upon annexation.

C. Public Protection

The Public Protection services, with the exception of Sheriff, are provided to the entire County population. Importantly, the level of service provided to population residing in the City is expected to differ; that is, certain services costs will be weighted more towards the unincorporated population than the countywide population. Therefore, prior to annexation, Public Protection costs are forecasted at \$118.93 per Persons Served using the *Per Capita-Employee-Multiplier Method*. Upon annexation, Public Protection costs are forecasted at \$91.83 per Persons Served using the *Per Capita-Employee-Multiplier Method*.

D. Public Protection – Sheriff

Sheriff services are only provided to the unincorporated areas of the County. As a result, prior to annexation, Sheriff costs are forecasted at \$287.45 per Persons Served using the *Per Capita-Employee-Multiplier Method*. Once the Project is annexed to the City, the County will no longer provide such services to the Project.

E. Education, Recreation, and Culture

Education, Recreation, and Culture are provided to the entire County and therefore the costs are forecasted at \$0.27 per Persons Served using the *Per Capita-Employee-Multiplier Method*, both prior to and upon annexation.

F. Other Expenditures/Debt Service

Other Expenditures/Debt Service are provided to the entire County and therefore the costs are forecasted at \$15.99 per Persons Served using the *Per Capita-Employee-Multiplier Method*, both prior to and upon annexation.

TABLE 3E – OTHER GENERAL FUND COSTS (MULTIPLIER METHOD)

Category	Amount Prior to Annexation	Amount Upon Annexation	Methodology
Health & Sanitation	\$24.79	\$24.79	Persons Served
Public Assistance	\$15.48	\$15.48	Persons Served
Public Protection	\$118.93	\$90.83	Persons Served
Public Protection – Sheriff	\$287.45	NA	Persons Served
Education, Recreation, and Culture	\$0.27	\$0.27	Persons Served
Other Expenditures /Debt Service	\$15.99	\$15.99	Persons Served

III. ANALYSIS OF COUNTY STRUCTURAL FIRE PROTECTION FUND

The Riverside County Fire Department (“RCFD”) receives about 6.26% of the 1% basic property tax levy for the Project prior to annexation. As previously mentioned, the *Master Property Tax Sharing Agreement* between the City and County stipulates that upon annexation, the City will receive 100% of that portion of the property tax revenues currently collected by the County for fire protection to offset the cost of to the City of providing such services.

Fire protection services to the Project will be provided by the RCFD prior to annexation. However, DTA assumes the City will receive 100% of the property taxes for these services after the Project has been annexed.

IV. ANALYSIS OF COUNTY FREE LIBRARY DISTRICT FUND

Currently, the County Library receives a property tax allocation of about 1.53% of the basic 1% property tax levy for the Project. At this time, the County Free Library District provides library services to the Project and will continue to do so prior to the annexation of the Project to the City.

As stipulated in the *Master Property Tax Sharing Agreement* between the City and County, upon annexation, the City will receive 100% of that portion of the property tax revenues currently collected by the County for library services to offset the cost of to the City of providing such services.

SECTION 4 FISCAL IMPACTS TO THE CITY

I. TOTAL RECURRING REVENUES: CITY OF HEMET

Total recurring revenues to the City equal approximately \$5,398,231 per year. As illustrated in **Table 4A** below, the largest percentage of revenue is attributed to direct sales tax (31.16%), property tax in-lieu of VLF (18.52%), secured property tax (18.30%), and franchises (8.50%). **Exhibits 1 and 4-7 of Appendix A** provide additional details about all recurring revenues and the assumptions used in their derivation.

**TABLE 4A
 RECURRING FISCAL REVENUES (CITY GENERAL FUND)**

Category	Amount	Percent*
Direct Sales Tax	\$1,682,244	31.16%
Property Tax In-Lieu of Vehicle License Fee	\$999,668	18.52%
Secured Property Tax	\$987,850	18.30%
Franchises	\$458,983	8.50%
Indirect Sales Tax	\$322,373	5.97%
Community Development Revenues	\$204,329	3.79%
General Administration	\$196,555	3.64%
Business Licenses	\$190,098	3.52%
Other / Miscellaneous	\$110,225	2.04%
Unsecured Property Tax	\$66,529	1.23%
Tax Revenue	\$42,388	0.79%
Intergovernmental	\$40,015	0.74%
Charges for Services	\$35,841	0.66%
Property Transfer Tax	\$34,124	0.63%
Fines and Penalties	\$13,011	0.24%
Use of Money & Property	\$7,528	0.14%
Investment Income	\$6,470	0.12%
Motor Vehicle Licensing Fees	\$0	0.00%
Total Revenues	\$5,398,231	100.0%

*Numbers may not sum due to rounding

II. TOTAL RECURRING SERVICES COSTS: CITY OF HEMET

As illustrated in **Table 4B** below, total annual recurring costs to the City are estimated at **\$3,607,084** per year. A majority of the costs are estimated to result from police and fire services. **Exhibits 2 and 8-10 of Appendix A** provide additional details about all recurring costs and the assumptions used in their derivation.

**TABLE 4B
 RECURRING FISCAL COSTS (CITY GENERAL FUND)**

Category	Amount	Percent*
Police Department	\$1,589,461	44.06%
Fire Department	\$996,441	27.62%
Infrastructure & Parks Maintenance	\$230,061	6.38%
General Government	\$207,182	5.74%
Library	\$119,226	3.31%
Planning	\$102,533	2.84%
Code Enforcement	\$76,593	2.12%
Building	\$76,429	2.12%
Parks	\$68,819	1.91%
Department Engineering	\$64,155	1.78%
Economic Planning	\$34,287	0.95%
Animal Regulation	\$15,629	0.43%
Simpson Center	\$14,157	0.39%
Total Costs	\$3,607,084	100.00%

*Numbers may not sum due to rounding

III. OVERALL NET FISCAL IMPACT TO THE CITY OF HEMET

As shown in **Table 4C** below, the overall fiscal impact to the City as a result of revenues generated by the Project is a recurring annual fiscal surplus of **\$1,791,147** based on the generation of **\$5,398,231** in recurring annual revenues and **\$3,607,084** in recurring annual costs. Annual revenues are projected to equal **1.50** times the associated City General Fund costs. A summary of the overall fiscal impacts to the City is provided in **Exhibit 12** of **Appendix A**.

**TABLE 4C
 NET FISCAL IMPACT (CITY GENERAL FUND)**

Category	Amount
Total Recurring Revenues	\$5,398,231
Total Recurring Costs	(\$3,607,084)
Annual Recurring Surplus/(Deficit)	\$1,791,147
<i>Total Annual Revenue/Cost Ratio</i>	<i>1.50</i>

As mentioned previously, the City established a City-wide Public Safety Community Facilities District, CFD No. 2005-1 per City Council Resolution No. 3821, which requires all new residential development to participate (upon annexation to the City) to offset costs for services related to law enforcement, fire, paramedics, park maintenance, etc. Consequently, the Project will likely be

incorporated into the CFD (or a similar one) as a condition of annexation to the City. However, DTA has very conservatively excluded any annual CFD special tax revenues generated from the Project as the exact parameters of the CFD have yet to be determined.

SECTION 5 FISCAL IMPACTS ON COUNTY

I. TOTAL RECURRING REVENUES: COUNTY OF RIVERSIDE GENERAL FUND

Prior to the annexation of the Project, the total recurring revenues to the County (assuming the current County Land Use Designation for the project site) equal approximately **\$1,971,960** per year. As illustrated in **Table 5A** below, the largest percentage of revenue is attributed to secured property taxes totaling (40.11%), property taxes in-lieu of VLF (25.13%), and indirect sales taxes (12.86%). **Exhibits 1 and 4-7 of Appendix B** provide additional details about all recurring revenues and the assumptions used in their derivation.

Once the Project is annexed into the City, the County will receive approximately **\$2,214,061** per year in recurring revenues. **Table 5A** below illustrates that the largest percentage of revenue is attributed to secured property taxes totaling (43.50%), property taxes in-lieu of VLF (26.48%), and fines, forfeitures, and penalties (10.38%). **Exhibits 1 and 4-7 of Appendix C** provide additional details about all recurring revenues and the assumptions used in their derivation.

TABLE 5A
RECURRING FISCAL REVENUES (COUNTY GENERAL FUND)

Category	Prior to Annexation		Upon Annexation	
	Amount	Percent*	Amount	Percent*
Secured Property Tax	\$790,990	40.11%	\$963,126	43.50%
Property Tax In-Lieu of Vehicle License Fee	\$495,506	25.13%	\$807,601	36.48%
Indirect Sales Tax	\$253,541	12.86%	\$0	0.00%
Fines, Forfeitures, and Penalties	\$181,708	9.21%	\$229,835	10.38%
Franchises	\$79,697	4.04%	NA	NA
Property Transfer Tax	\$57,967	2.94%	\$34,124	1.54%
Other / Miscellaneous	\$36,723	1.86%	\$46,449	2.10%
Intergovernmental	\$26,730	1.36%	\$33,810	1.53%
Tax Revenue	\$24,982	1.27%	\$31,598	1.43%
Unsecured Property Tax	\$21,752	1.10%	\$64,864	2.93%
Investment Income	\$2,364	0.12%	\$2,654	0.12%
Motor Vehicle Licensing Fees	\$0	0.00%	\$0	0.00%
Direct Sales Tax	\$0	0.00%	NA	NA
Total Revenues	\$1,971,960	100.0%	\$2,214,061	100.0%

*Numbers may not sum due to rounding

II. TOTAL RECURRING SERVICES COSTS: COUNTY OF RIVERSIDE GENERAL FUND

As illustrated in **Table 5B** below, prior to the annexation of the Project, total annual recurring costs to the County are estimated at **\$3,103,766** per year. Once the Project is annexed to the City, the total annual recurring costs to the County are estimated at **\$1,254,824** per year. A majority of the

costs are estimated to result from sheriff patrol and other public protection services, fire services, as well as health and sanitation costs. **Exhibits 2 and 8-9 of Appendix B**, as well as **Exhibits 2 and 8-9 of Appendix C**, provide additional details about all recurring costs and the assumptions used in their derivation, prior to and upon annexation, respectively.

**TABLE 5B
RECURRING FISCAL COSTS (COUNTY GENERAL FUND)**

Category	Prior to Annexation		Upon Annexation	
	Amount	Percent*	Amount	Percent*
Public Protection - Sheriff	\$1,859,657	59.92%	\$0	0.00%
Public Protection	\$769,427	24.79%	\$751,414	59.88%
Health & Sanitation	\$160,383	5.17%	\$202,861	16.17%
General Government	\$108,949	3.51%	\$40,811	3.25%
Other/Debt Service	\$103,424	3.33%	\$130,817	10.43%
Public Assistance	\$100,177	3.23%	\$126,709	10.10%
Education, Recreation, and Culture	\$1,749	0.06%	\$2,212	0.18%
Total Costs	\$3,103,766	100.00%	\$1,254,824	100.00%

*Numbers may not sum due to rounding

III. OVERALL NET FISCAL IMPACT TO THE COUNTY OF RIVERSIDE GENERAL FUND

Table 5C below shows the overall fiscal impact of the Project to the County, both prior to and upon annexation to the City. Prior to annexation (under the current County Land Use Designation) the project site will generate a recurring annual fiscal deficit of **(\$1,131,806)** based on the generation of **\$1,971,960** in recurring annual revenues and **(\$3,103,766)** in recurring annual costs. Furthermore, annual revenues are projected to equal **0.64** times the associated County General Fund costs. A summary of these overall fiscal impacts to the City is provided in **Exhibit 10 of Appendix B**. Once the Project is annexed to the City, the resulting impact of the Project to the County will be a recurring annual fiscal surplus of **\$959,237** based on the generation of **\$2,214,061** in recurring annual revenues and **(\$1,254,824)** in recurring annual costs. Furthermore, annual revenues are projected to equal **1.76** times the associated County General Fund costs. A summary of these overall fiscal impacts to the City is provided in **Exhibit 10 of Appendix C**.

**TABLE 5C
NET FISCAL IMPACT (COUNTY GENERAL FUND)**

Category	Prior to Annexation	Upon Annexation
Total Recurring Revenues	\$1,971,960	\$2,214,061
Total Recurring Costs	(\$3,103,766)	(\$1,254,824)
Annual Recurring Surplus/(Deficit)	(\$1,131,806)	\$959,237
<i>Total Annual Revenue/Cost Ratio</i>	<i>0.64</i>	<i>1.76</i>

IV. OVERALL NET FISCAL IMPACT TO THE COUNTY STRUCTURAL FIRE PROTECTION FUND

Prior to annexation, based on the existing County Land Use Designation for the project site, the annual property tax revenue surplus to the County Structural Fire Protection Fund is projected at **\$8,446**, based on \$378,598 in recurring annual revenues and \$370,152 in recurring annual costs. The total annual revenue to cost ratio associated with the build out of the project site is projected to equal 1.02.

Importantly, the *Master Property Tax Sharing Agreement* between the City and County stipulates that upon annexation, the City will receive 100% of that portion of the property tax revenues currently collected by the County for fire protection.

**TABLE 5D
 NET FISCAL IMPACT (COUNTY STRUCTURAL FIRE PROTECTION FUND)**

Category	Prior to Annexation	Upon Annexation
Total Recurring Revenues	\$378,598	NA
Total Recurring Costs	\$370,152	NA
Annual Recurring Surplus/(Deficit)	\$8,446	NA
<i>Total Annual Revenue/Cost Ratio</i>	<i>1.02</i>	<i>NA</i>

V. OVERALL NET FISCAL IMPACT TO THE COUNTY FREE LIBRARY DISTRICT FUND

Prior to annexation, the overall fiscal impact to the County Free Library District Fund, as a result of revenues generated by the project site and the recurring costs associated with the annual operation of project site, assuming existing County Land Use Designation, is a small recurring annual fiscal deficit of **(\$9,706)**, based on \$135,535 in recurring annual revenues and (\$145,241) in recurring annual costs. The total annual revenue to cost ratio associated with the build out of the Project is projected to equal 0.93.

Again, the *Master Property Tax Sharing Agreement* between the City and County stipulates that upon annexation, the City will receive 100% of that portion of the property tax revenues currently collected by the County for library services.

**TABLE 5E
 NET FISCAL IMPACT (COUNTY FREE LIBRARY DISTRICT FUND)**

Category	Prior to Annexation	Upon Annexation
Total Recurring Revenues	\$135,535	NA
Total Recurring Costs	(\$145,241)	NA
Annual Recurring Surplus/(Deficit)	(\$9,706)	NA
<i>Total Annual Revenue/Cost Ratio</i>	<i>0.93</i>	<i>NA</i>

APPENDIX A

FISCAL IMPACT MODEL
(CITY OF HEMET)

EXHIBIT A-1

**HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
CITY GENERAL FUND REVENUES (BY TYPE)**

I. Demographics and Other Data

2014 Estimated City Population [1]	81,537
2014 Estimated City Employees [2]	17,926
2014 Persons Served Population [3]	90,500

Notes:

- [1] California Department of Finance, Price and Population Information, January 1, 2014.
- [2] California Employment Development Department ("EDD") - Labor Market Information Division, 4th Quarter 2013 NAICS Sector Data.
- [3] Assumes City population plus 50% of employees.
- [4] Certain revenues are not expected to increase one-to-one with the new development. A discount of 25% was applied to reflect the estimated ratio of fixed revenues to variable revenues and/or one-time to recurring revenues.

II. City Revenue Sources (by Type)

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
Tax Revenue	\$17,656,500		Persons Served		\$5.18
Property Taxes	\$6,109,500	Recurring	Case Study	0%	NA
Sales and Use Taxes	\$10,922,000	Recurring	Case Study	0%	NA
Transient Occupancy Tax	\$625,000	Recurring	Persons Served	25%	\$5.18
Business Licenses	\$431,600	Recurring	Per Employee	0%	\$24.08
Franchises	\$5,076,025	Recurring	Persons Served	0%	\$56.09
General Administration	\$2,899,000	Recurring	Persons Served	25%	\$24.02
Charges for Services	\$528,300	Recurring	Persons Served	25%	\$4.38
Use of Money & Property	\$83,320	Recurring	Persons Served	0%	\$0.92
Interest Income	\$250,000	Recurring	Case Study	0%	NA
Fines and Penalties	\$144,200	Recurring	Persons Served	0%	\$1.59
Intergovernmental	\$442,700	Recurring	Persons Served	0%	\$4.89
VLF/Property Tax Compensation	\$5,288,000	Recurring	Case Study	0%	NA
Community Development Revenues	\$2,259,440	Recurring	Persons Served	0%	\$24.97
Transfers In	\$0	Non-Recurring	NA	0%	NA
Other / Miscellaneous	\$1,625,600	Recurring	Persons Served	25%	\$13.47
Total Recurring Revenues	\$36,684,685				

**EXHIBIT A-2
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
CITY GENERAL FUND EXPENDITURES (BY TYPE)**

I. Demographics and Other Data

2014 Estimated City Population [1]	81,537
2014 Estimated City Employees [2]	17,926
2014 Persons Served Population [3]	90,500

Notes:

- [1] California Department of Finance, Price and Population Information, January 1, 2014.
 [2] California Employment Development Department ("EDD") - Labor Market Information Division, 4th Quarter 2013 NAICS Sector Data.
 [3] Assumes City population plus 50% of employees.
 [4] Certain expenditures are not expected to increase one-to-one with the new development. A discount of 50% was applied to reflect the estimated ratio of fixed expenditures to variable expenditures and/or one-time to recurring expenditures.

II. City Expenditures (by Type)

Expenditure Type	Total Expenditures	Revenue Type	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
GENERAL GOVERNMENT					
City Council	\$306,400	Recurring	Case Study	0%	NA
City Manager	\$624,900	Recurring	Case Study	0%	NA
City Clerk	\$276,500	Recurring	Case Study	0%	NA
Finance	\$1,033,500	Recurring	Case Study	0%	NA
Treasurer	\$28,700	Recurring	Case Study	0%	NA
Human Resources	\$625,200	Recurring	Case Study	0%	NA
NON-GENERAL GOVERNMENT					
Police Department	\$17,578,525	Recurring	Persons Served	0%	\$194.24
Animal Regulation	\$230,000	Recurring	Persons Served	25%	\$1.91
Fire Department	\$11,020,200	Recurring	Persons Served	0%	\$121.77
Fire Prevention / Weed Abatement	\$133,800	Recurring	Persons Served	0%	\$1.48
Parks	\$761,300	Recurring	Persons Served	0%	\$8.41
Library	\$1,318,660	Recurring	Persons Served	0%	\$14.57
Simpson Center	\$157,000	Recurring	Persons Served	0%	\$1.73
Economic Development	\$379,600	Recurring	Persons Served	0%	\$4.19
Planning	\$1,134,150	Recurring	Persons Served	0%	\$12.53
Code Enforcement	\$846,700	Recurring	Persons Served	0%	\$9.36
Building	\$1,127,300	Recurring	Persons Served	25%	\$9.34
Development Engineering	\$945,950	Recurring	Persons Served	25%	\$7.84
Estimated MOU Savings	\$0	Non-Recurring	NA	0%	NA
Transfers Out	\$770,000	Non-Recurring	NA	0%	NA
Total Recurring Expenditures	\$38,528,385				

**EXHIBIT A-3
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
LAND USE AND DEMOGRAPHICS SUMMARY**

FUTURE LAND USE DATA

I. Project Developable Land Use Description

		<u>Number of Units [1]</u>
A. Residential Land Uses		
Single-Family Detached		1,291
Multi-family		302
B. Commercial Land Uses		<u>Sq. Ft. [1]</u>
Retail		841,122
Office		1,401,870
Business Park		1,423,671
Industrial		1,090,655

DEMOGRAPHIC DATA

II. Demographics

A. Residential Land Use Population		<u>Persons per Household [2]</u>
Persons per Household		2.66
B. Non-Residential Land Use Employee Generation		
Commercial Land Uses		<u>Sq. Ft. per Employee [3]</u>
Retail		400
Office		550
Business Park		550
Industrial		1,667

POPULATION AND EMPLOYEES (CALCULATIONS)

III. <u>Residential Land Use Type</u>	<u>Number of Units</u>	<u>Residential Population</u>
Single-Family Detached	1,291	3,433
Multi-family	302	803
IV. <u>Non-Residential Land Use Type</u>	<u>Sq. Ft.</u>	<u>Total Direct Employees</u>
Retail	841,122	2,103
Office	1,401,870	2,549
Business Park	1,423,671	2,588
Industrial	1,090,655	654

SOI POPULATION AND EMPLOYEES (TOTALS)

V. Total Projected Residential Population	4,236
VI. Total Projected Direct Employees	7,894
VII. Total Persons Served Population	8,183

NOTES:

[1] Source: City of Hemet. Residential Densities and Non-Residential Floor Area Ratios based on City General Plan.

[2] California Department of Finance. Price and Population Information, January 1, 2014.

[3] Source: DTA Public Works Database. Estimate, subject to change.

* All figures subject to rounding

**EXHIBIT A-4
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
PROPERTY TAX REVENUE ANALYSIS**

GENERAL PROPERTY TAX ASSUMPTIONS

I. Property Tax Allocation (as a Portion of the 1% General Property Tax Levy)

Category / Code

City of Hemet Upon Annexation [1]	
County of Riverside General Property Taxes (25%)	0.03752523
County Free Library Property Taxes (100%)	0.01531745
County Structural Fire Property Taxes (100%)	0.06262295
	11.55%

II. Homeowner's Exemption

Homeowner's Exemption (Annually)	\$7,000
Percent of Sale Units Taking Homeowner's Exemption [3]	90%

ASSESSED VALUATION ASSUMPTIONS

III. Assessed Valuation - Projected Land Uses

Residential Land Uses

A. Single-Family Detached Units

Number of Units [4]	1,291
Estimated Blended Sales Price per Unit [5]	\$265,000
Total Estimated Net Taxable Value (Includes Estimated Takedown from Homeowner's Exemptions)	\$333,981,700

B. Multi-family

Number of Units [4]	302
Estimated Sales Price per Unit [5]	\$170,000
Total Estimated Net Taxable Value	\$51,340,000

Non-Residential Land Uses

C. Retail

Estimated Number of Sq. Ft. [4]	841,122
Estimated Valuation per Sq. Ft. [6]	\$140
Total Estimated Net Taxable Value	\$117,757,054.80

D. Non-Retail

Estimated Number of Sq. Ft. [4]	3,916,196
Estimated Valuation per Sq. Ft. [6]	\$90
Total Estimated Net Taxable Value	\$352,457,681.40

E. Total Land Use Net Taxable Value (Includes Takeout from Homeowner's Exemption)

\$855,536,436

OTHER PROPERTY TAX REVENUE ASSUMPTIONS

IV. Unsecured Property Taxes - Assumptions [7]

Residential

Unsecured Taxes as a % of Secured	2.75%
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Non-Residential

Unsecured Taxes as a % of Secured	10.00%
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V. Property Tax Transfer - Assumptions [8]

Residential Property Turnover Rate	10.00%
Non-Residential Property Turnover Rate	5.00%
Transfer Tax as a % of Assessed Value	0.11%
Property Transfer Tax Passed Through to City of Hemet	50.00%

VI. Motor Vehicle Licensing Fees - Assumptions

Vehicle Licensing Fees per Capita	NA
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VII. Property Tax In-Lieu of Vehicle License Fee - Assumptions

Total City of Hemet Gross Assessed Value [9]	\$4,497,448,137
City of Hemet Property Tax In-Lieu of Vehicle License Fee [10]	\$5,288,000
Property Tax In-Lieu of Vehicle License Fee Increase per \$1,000 Assessed Value	\$1.18

**EXHIBIT A-4
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
PROPERTY TAX REVENUE ANALYSIS**

Fiscal Impact Calculation

VIII. Fiscal Impact Category	<u>Fiscal Impact Amount</u>
A. Secured Property Tax	
Residential Land Uses	
Single-Family Detached	\$385,634
Multi-family	\$59,280
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$135,969
Non-Retail	\$406,967
B. Unsecured Property Tax	
Residential Land Uses	
Single-Family Detached	\$10,605
Multi-family	\$1,630
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$13,597
Non-Retail	\$40,697
C. Property Transfer Tax	
Residential Land Uses	
Single-Family Detached	\$18,369
Multi-family	\$2,824
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$3,238
Non-Retail	\$9,693
D. Motor Vehicle Licensing Fees [11]	\$0
E. Property Tax In-Lieu of Vehicle License Fee [12]	
Projected Residential and Non-Residential Land Uses	\$999,668
Total Property Tax Revenues	
\$2,088,171	

NOTES:

- [1] Based on "General Fund" levy for Tax Rate Area (TRA). Data provided by the County of Riverside Auditor-Controller's Office. TRA allocations adjusted for ERAF.
 - [2] Upon annexation, the City of Hemet would receive 25% of the incremental ERAF-adjusted County General tax allocation, and 100% of the incremental ERAF-adjusted County Structural Fire and Free Library tax allocations. Source: Resolution No. 2042 - Master Property Tax Transfer Between the City of Hemet and the County of Riverside Relating to Annexations, dated August 4, 1981.
 - [3] Estimate, subject to change.
 - [4] Please see Exhibit A-3. Subject to change.
 - [5] Source: Trulia.com. Based on recent home sales for new construction in the City of Hemet.
 - [6] Estimated valuation per square foot based on recently conducted fiscal impact studies by DTA and research conducted by DTA for recently constructed comparable buildings in the Inland Empire. Estimate, subject to change.
 - [7] Based on typical DTA baseline assumptions.
 - [8] Source: California Revenue & Taxation Code §11901, et seq.; Hemet Municipal Code §74-112.
 - [9] Source: Riverside County Assessor Annual Report: Fiscal Year 2013-14, City of Hemet total assessed value.
 - [10] Source: City of Hemet Operating Budget, Fiscal Year 2014-2015.
 - [11] City of Hemet no longer receiving motor vehicle licensing fees.
 - [12] Property Tax in-lieu of Vehicle Licensing Fees applies to incremental property value post-annexation. Current estimated land value of Project site of \$5,317,933 excluded from calculation.
- * All figures subject to rounding

**EXHIBIT A-5
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
SALES TAX REVENUE ANALYSIS**

INDIRECT SALES TAX ASSUMPTIONS

I. Residential Indirect Sales Tax Assumptions

A. Mortgage Assumptions

Projected Residential Units

Single-Family Residential and Multi-family

Projected Sales Price per Unit (Blended)	\$247,000
Average Mortgage (20% Down Payment) [1]	\$197,600
Annual Mortgage Payment (7% for 30 Years) [2]	\$15,776
Additional Annual Taxes & Insurance (2.00%)	\$4,940

B. Disposable Income Assumptions

Projected Residential Units

Single-Family Residential and Multi-family

Average Household Income (3:1 Income to Household Payment Ratio) [1]	\$62,146.96
Retail Taxable Expenditures (as a % of Disposable Income) [3]	29.87%

C. Other Indirect Sales Tax Assumptions

Employees (annual spending per employee) [4]	\$4,421
Retail Taxable Sales Capture	
City of Hemet Retail Taxable Purchase Capture [5]	50%
Other Sales Tax Assumptions	
% to the City of Hemet [6]	1.00%

DIRECT SALES TAX ASSUMPTIONS

II. Non-Residential Direct Sales Tax Assumptions

A. Taxable Sales per Sq. Ft. [7]

Non-Residential

Retail	\$250
Non-Retail	\$0

B. Displaced Taxable Sales

Displaced Existing Taxable Sales within the City of Hemet [8]	20%
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FISCAL IMPACT CALCULATION

III. Fiscal Impact Category

Fiscal Impact Amount

A. Indirect Sales Tax

Projected Residential Land Uses

Single-Family Residential and Multi-family	\$147,848
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Employee Taxable Sales

\$174,525

B. Direct Sales Tax [7]

Projected Non-Residential Land Uses

Commercial Land Uses

Retail	\$1,682,244
Non-Retail	\$0

Total Sales Tax Revenues

\$2,004,617

NOTES:

[1] DTA estimates. Subject to change.

[2] DTA estimate. Annual payment includes principal, interest, property taxes, and homeowner's insurance.

[3] Source: BOE 2008 Consumer Expenditure Survey.

[4] Source: "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study," ICSC (2004). Adjusted for inflation assuming 3% annual inflation rate.

[5] Estimate, subject to change.

[6] Source: Hemet Municipal Code §74-40.

[7] Based on the median sales per sq. ft. figure for retail centers as outlined in "Dollars and Cents of Shopping Centers" (2008) published by the Urban Land Institute.

[8] Estimate, subject to change.

* All figures subject to rounding

**EXHIBIT A-6
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
INVESTMENT INCOME REVENUES ANALYSIS**

ASSUMPTIONS

I. Investment Income Assumptions	
Investment Period for Recurring Non-Interest General Fund Revenues	12 Months
Local Agency Investment Fund (LAIF) Rate of Return [1]	0.24%
Local Agency Investment Fund (LAIF) Percentage of Earnings Cost [2]	50.00%

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category	Fiscal Impact Amount
Total Property Tax Revenues (Exhibit 4)	\$2,088,171
Total Sales Tax Revenues (Exhibit 5)	\$2,004,617
Total Multiplier Revenues (Exhibit 7)	<u>\$1,298,973</u>
Projected Recurring General Fund Revenues Available for Investment	\$5,391,761
Plus: Investment Income (Less Earnings Cost)	\$6,470
Total Recurring General Fund Revenues	\$5,398,231

NOTES:

- [1] 59-Quarter Average (March Beginning 2000 to September Ending 2014) is 2.5%, yet current rate is ~0.24%, LAIF Apportionment Rates as provided by the California State Treasurer.
- [2] Based on quarter ending September 30, 2014, LAIF Administrative Earnings Costs as provided by the California State Treasurer.
- * All figures subject to rounding

**EXHIBIT A-7
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
MULTIPLIER REVENUE SOURCES ANALYSIS**

ASSUMPTIONS

I. Multiplier Revenues

Revenue Category	Multiplier Factor [1]	Revenue Projection Basis
Tax Revenue	\$5.18	Persons Served
Business Licenses	\$24.08	Per Employee
Franchises	\$56.09	Persons Served
General Administration	\$24.02	Persons Served
Charges for Services	\$4.38	Persons Served
Use of Money & Property	\$0.92	Persons Served
Fines and Penalties	\$1.59	Persons Served
Intergovernmental	\$4.89	Persons Served
Community Development Revenues	\$24.97	Persons Served
Other / Miscellaneous	\$13.47	Persons Served

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category

	<u>Fiscal Impact Amount</u>
Tax Revenue	\$42,388
Business Licenses	\$190,098
Franchises	\$458,983
General Administration	\$196,555
Charges for Services	\$35,841
Use of Money & Property	\$7,528
Fines and Penalties	\$13,011
Intergovernmental	\$40,015
Community Development Revenues	\$204,329
Other / Miscellaneous	\$110,225

Total Multiplier Revenues	\$1,298,973
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NOTES:

[1] Based on City of Hemet Operating Budget, Fiscal Year 2014-2015.

* All figures subject to rounding

**EXHIBIT A-8
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
MULTIPLIER EXPENDITURES ANALYSIS**

ASSUMPTIONS

I. Multiplier Expenditures

Expenditure Category	Multiplier Factor [1]	Expenditure Projection Basis [1]
Police Department	\$194.24	Persons Served
Animal Regulation	\$1.91	Persons Served
Fire Department	\$121.77	Persons Served
Fire Prevention / Weed Abatement	\$1.48	Persons Served
Parks	\$8.41	Persons Served
Library	\$14.57	Persons Served
Simpson Center	\$1.73	Persons Served
Economic Development	\$4.19	Persons Served
Planning	\$12.53	Persons Served
Code Enforcement	\$9.36	Persons Served
Building	\$9.34	Persons Served
Development Engineering	\$7.84	Persons Served

FISCAL IMPACT CALCULATION

II. <u>Fiscal Impact Category</u>	<u>Fiscal Impact Amount</u>
Police Department	\$1,589,461
Animal Regulation	\$15,629
Fire Department	\$996,441
Fire Prevention / Weed Abatement	\$12,111
Parks	\$68,819
Library	\$119,226
Simpson Center	\$14,157
Economic Development	\$34,287
Planning	\$102,533
Code Enforcement	\$76,593
Building	\$76,429
Development Engineering	\$64,155
Total Multiplier Expenditures	\$3,169,841

NOTES:

[1] Based on City of Hemet Operating Budget, Fiscal Year 2014-2015.

* All figures subject to rounding

**EXHIBIT A-9
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
CASE STUDY EXPENDITURES ANALYSIS**

Infrastructure & Parks Maintenance Costs

I. Estimated Additional Infrastructure Requirements [1]		
Estimated Lane Miles of Roadway		25.0
Estimated Number of Signalized Intersections		12
Estimated Number of Streetlights		377
Estimated Acres of Parks		21.0
Estimated Acres of Open Space/Slopes		230.4
Estimated Acres of Basin		25.6
Estimated Mileage of Storm Drains		10.0
Estimated Mileage of Sidewalks/Trails		50.0
II. Estimated Annual Costs [2]		
Roadway Maintenance Costs per Lane Mile		\$7,834
Traffic Signal Maintenance per Intersection		\$4,938
Street Light Maintenance per Light		\$126
Park Maintenance Costs per Acre		\$10,955
Open Space/Slope Maintenance per Acre		\$517
Basin/Lake Maintenance per Acre		\$5,164
Storm Drain Maintenance Per Mile		\$1,177
Sidewalk/Trail Mileage per Lineal Mile		\$3,497
III. Estimated Annual Infrastructure & Parks Maintenance Calculation		
Roadways		\$195,847
Signalized Intersections		\$59,257
Street Lights		\$47,332
Parks		\$230,061
Open Space		\$119,013
Basin		\$132,209
Storm Drains		\$11,774
Sidewalks/Trails		\$174,852
Total Infrastructure & Parks Maintenance Costs		\$970,345
Less: Amount Funded through Special Districts or Similar		(\$970,345)
Net Infrastructure & Parks Maintenance Costs		\$230,061

NOTES:

- [1] Reflects only those improvements to be operated and maintained by the City's General Fund. Subject to change.
- [2] Based on data obtained from the DTA Public Works database, in concert with research from the Engineering News-Record. Notably, the City will require LLD, AD, CFD, or HOA districts to cover all maintenance obligations. As such, none of the costs will be attributable to the General Fund. Additionally, Roadway Improvements will be entirely charged to Gas Tax Funds, and the Valley-Wide Recreation & Park District (or the relevant HOA) will likely maintain a only a portion of the new parks.
- * All figures subject to rounding

**EXHIBIT A-10
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
GENERAL GOVERNMENT EXPENDITURES ANALYSIS**

ASSUMPTIONS

Total Recurring General Fund Expenditures (excluding General Government Overhead) [1]	\$35,633,185
Recurring General Government Overhead Expenditures (as a % of Total Recurring General Fund Expenditures) [2]	8%
Marginal Increase in General Government Costs [3]	75%

FISCAL IMPACT CALCULATION

<u>I. Fiscal Impact Category</u>	<u>Fiscal Impact Amount</u>
Total Multiplier Expenditures (Exhibit 8)	\$3,169,841
Total Case Study Expenditures (Exhibit 9)	\$230,061
Projected Recurring General Fund Expenditures	\$3,399,902
Plus: General Government Costs	\$207,182
Total Recurring Expenditures	\$3,607,084

NOTES:

- [1] Based on City of Hemet Operating Budget, Fiscal Year 2014-2015.
- [2] General Government Overhead Expenditures defined as costs for City Council, City Manager, City Clerk, Finance, Treasurer, and Human Resources.
- [3] Estimate, subject to change.
- * *All figures subject to rounding*

**EXHIBIT A-11
HEMET, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
NET FISCAL IMPACT SUMMARY**

<u>RECURRING GENERAL FUND REVENUES [1]</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Secured Property Tax	\$987,850	18.3%
Unsecured Property Tax	\$66,529	1.2%
Property Transfer Tax	\$34,124	0.6%
Motor Vehicle Licensing Fees	\$0	0.0%
Property Tax In-Lieu of Vehicle License Fee	\$999,668	18.5%
Direct Sales Tax	\$1,682,244	31.2%
Indirect Sales Tax	\$322,373	6.0%
Tax Revenue	\$42,388	0.8%
Business Licenses	\$190,098	3.5%
Franchises	\$458,983	8.5%
General Administration	\$196,555	3.6%
Charges for Services	\$35,841	0.7%
Use of Money & Property	\$7,528	0.1%
Fines and Penalties	\$13,011	0.2%
Intergovernmental	\$40,015	0.7%
Community Development Revenues	\$204,329	3.8%
Other / Miscellaneous	\$110,225	2.0%
Investment Income	\$6,470	0.1%
Total Recurring General Fund Revenues	\$5,398,231	100.0%

<u>RECURRING GENERAL FUND EXPENDITURES [2]</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Police Department	\$1,589,461	44.1%
Animal Regulation	\$15,629	0.4%
Fire Department	\$996,441	27.6%
Fire Prevention / Weed Abatement	\$12,111	0.3%
Parks	\$68,819	1.9%
Library	\$119,226	3.3%
Simpson Center	\$14,157	0.4%
Economic Development	\$34,287	1.0%
Planning	\$102,533	2.8%
Code Enforcement	\$76,593	2.1%
Building	\$76,429	2.1%
Development Engineering	\$64,155	1.8%
General Government	\$207,182	5.7%
Infrastructure & Parks Maintenance Costs	\$230,061	6.4%
Total Recurring General Fund Expenditures	\$3,607,084	100.0%

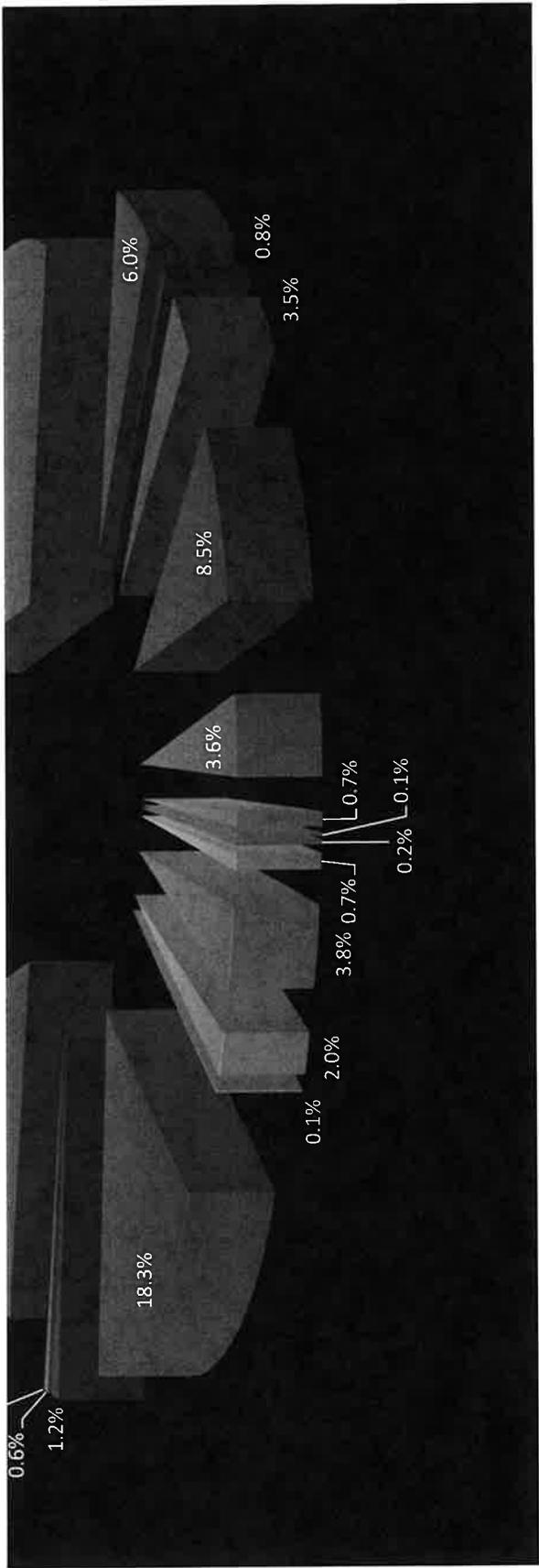
NET FISCAL IMPACT		
Total Annual Recurring General Fund Surplus/(Deficit)	\$1,791,147	
Total Annual Revenue/Expenditure Ratio	1.50	
Total Fiscal Surplus/(Deficit) per Unit	\$1,124	

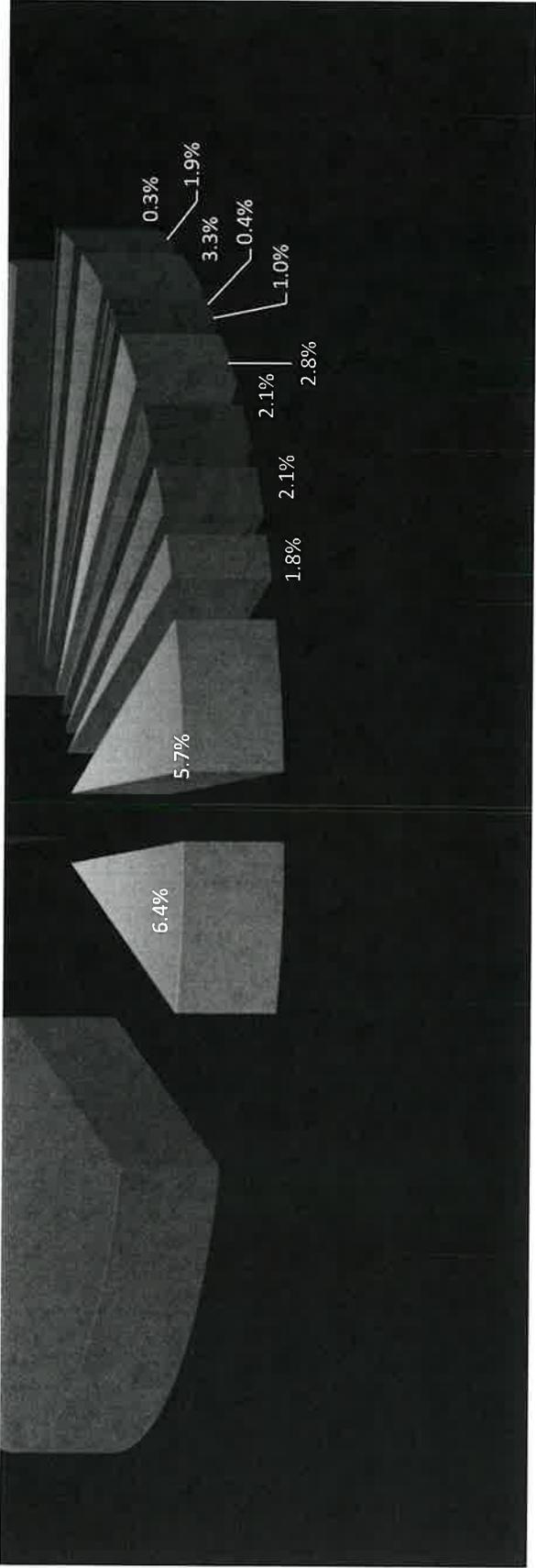
NOTES:

[1] Please see Exhibits 4-7 for the derivation of these calculations.

[2] Please see Exhibits 8-10 for the derivation of these calculations.

* All figures subject to rounding





APPENDIX B

**FISCAL IMPACT MODEL
(COUNTY OF RIVERSIDE – PRIOR TO ANNEXATION)**

EXHIBIT B-1
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
COUNTY GENERAL FUND/DISCRETIONARY REVENUES (BY TYPE)

I. Demographics and Other Data

2014 Estimated Countywide Population [1]	2,279,967
2014 Estimated Countywide Employees [2]	619,460
2014 Persons Served Population [3]	2,589,697

Unincorporated County

2014 Estimated Unincorporated County Population [1]	363,590
2014 Estimated Unincorporated County Employees [2]	84,588
2014 Unincorporated County Persons Served [3]	405,884

Notes:

[1] California Department of Finance, Population and Housing Estimate, January 1, 2014.

[2] California Employment Development Department ("EDD") - Labor Market Information Division, 2013 4th Quarter NAICS Sector Data.

[3] Assumes County population plus 50% of employees.

[4] Certain revenues are not expected to increase one-to-one with the new development. A discount was applied to reflect the estimated ratio of fixed revenues to variable revenues and/or one-time to recurring revenues.

II. County Revenue Sources - Discretionary (by Type)

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Jurisdiction	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
Tax Revenue	\$365,100,000					
Property Taxes	\$282,200,000	Recurring		Persons Served		\$3.86
Other Property Taxes	\$27,000,000	Recurring		Case Study	0%	
Sales and Use Taxes	\$33,500,000	Recurring		Case Study	0%	
Property Transfer Tax	\$12,400,000	Recurring		Case Study	0%	
Tobacco Tax	\$10,000,000	Recurring	Countywide	Persons Served	0%	\$3.86
Franchises	\$5,000,000	Recurring	<i>Unincorporated</i>	Persons Served	0%	\$12.32
Interest Income	\$2,900,125	Recurring		Case Study	0%	
Fines, Forfeitures, and Penalties	\$22,800,000	Recurring	<i>Unincorporated</i>	Persons Served	50%	\$28.09
Intergovernmental	\$10,700,000	Recurring	<i>Countywide</i>	Persons Served	0%	\$4.13
VLF/Property Tax Compensation	\$202,300,000	Recurring		Case Study	0%	
Other / Miscellaneous	\$14,700,000	Recurring	<i>Countywide</i>	Persons Served	0%	\$5.68
Transfers In	\$0	Non-Recurring		NA	NA	
Total Recurring Revenues	\$623,500,125					

**EXHIBIT B-2
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
COUNTY GENERAL FUND EXPENDITURES - NET COUNTY COST (BY TYPE)**

I. Demographics and Other Data	
2014 Estimated Countywide Population [1]	2,279,967
2014 Estimated Countywide Employees [2]	619,460
2014 Persons Served Population [3]	2,589,697
Unincorporated County	
2014 Estimated Unincorporated County Population [1]	363,590
2014 Estimated Unincorporated County Employees [2]	84,588
2014 Unincorporated County Persons Served [3]	405,884

Notes:

- [1] California Department of Finance, Population and Housing Estimate, January 1, 2014.
- [2] California Employment Development Department ("EDD") - Labor Market Information Division, 2013 4th Quarter NAICS Sector Data.
- [3] Assumes County population plus 50% of employees.
- [4] Certain revenues are not expected to increase one-to-one with the new development. A discount was applied to reflect the estimated ratio of fixed revenues to variable revenues and/or one-time to recurring revenues.
- [5] Excludes elements of Fire Protection budget that have been analyzed in the County Structural Fire Protection Fund. See Exhibit B-16.

II. County Expenditures - Net County Cost (by Type)

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Jurisdiction	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
GENERAL GOVERNMENT						
General Government	\$27,700,000	Recurring	Countywide	Case Study	0%	
NON-GENERAL GOVERNMENT						
Health & Sanitation	\$64,200,000	Recurring	Countywide	Persons Served	0%	\$24.79
Public Assistance	\$40,100,000	Recurring	Countywide	Persons Served	0%	\$15.48
Public Protection	\$307,995,830	Recurring	Countywide	Persons Served	0%	\$118.93
Public Protection - Sheriff	\$116,671,070	Recurring	Unincorporated	Persons Served	0%	\$287.45
Education, Recreation, and Culture	\$700,000	Recurring	Countywide	Persons Served	0%	\$0.27
Other/Debt Service	\$41,400,000	Recurring	Countywide	Persons Served	0%	\$15.99
Total Recurring Revenues	\$598,766,900					

**EXHIBIT B-3
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
LAND USE AND DEMOGRAPHICS SUMMARY**

FUTURE LAND USE DATA

I. Project Developable Land Use Description

A. Residential Land Uses		<u>Number of Units [1]</u>
Single-Family Detached		2,037
Multi-family/Apartments		0
B. Commercial Land Uses		<u>Sq. Ft. [1]</u>
Retail		0
Office		0
Business Park		0
Industrial		0

DEMOGRAPHIC DATA

II. Demographics

A. Residential Land Use Population		<u>Persons per Household [2]</u>
Persons per Household		3.18
B. Non-Residential Land Use Employee Generation		
Commercial Land Uses		<u>Sq. Ft. per Employee [3]</u>
Retail		NA
Office		NA
Business Park		NA
Light Industrial		NA

POPULATION AND EMPLOYEES (CALCULATIONS)

III. <u>Residential Land Use Type</u>	<u>Number of Units</u>	<u>Residential Population</u>
Single-Family Detached	2,037	6,470
IV. <u>Non-Residential Land Use Type</u>	<u>Sq. Ft.</u>	<u>Total Direct Employees</u>
Retail	0	0
Office	0	0
Business Park	0	0
Light Industrial	0	0

SOI POPULATION AND EMPLOYEES (TOTALS)

V. Total Projected Residential Population		
VI. Total Projected Direct Employees		6,470
VII. Total Persons Served Population		0
		6,470

NOTES:

[1] Source: County of Riverside San Jacinto Valley Land Use Plan - Final Draft, dated October 7, 2003.

[2] Source: California Department of Finance, Population and Housing Estimate, January 1, 2014.

[3] Source: DTA Public Works Database.

* All figures subject to rounding

**EXHIBIT B-4
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
PROPERTY TAX REVENUE ANALYSIS**

GENERAL PROPERTY TAX ASSUMPTIONS

I. Property Tax Allocation (as a Portion of the 1% General Property Tax Levy)

County of Riverside, No Annexation [1]

Category / Code	15.010%
County of Riverside (Multiples TRAs)	1.532%
County Free Library	6.262%
County Structure Fire Protection	

II. <u>Homeowner's Exemption</u>	\$7,000
Homeowner's Exemption (Annually)	90%
Percent of Sale Units Taking Homeowner's Exemption [3]	

ASSESSED VALUATION ASSUMPTIONS

III. Assessed Valuation - Projected Land Uses

Residential Land Uses

A. <u>Single-Family Detached Units</u>	2,037
Number of Units [4]	\$265,000
Estimated Blended Sales Price per Unit [5]	
Total Estimated Net Taxable Value (Includes Estimated Takeout from Homeowner's Exemptions)	\$526,971,900

B. <u>Multi-family/Apartments</u>	0
Number of Units [4]	\$0
Estimated Sales Price per Unit [5]	
Total Estimated Net Taxable Value	\$0

Non-Residential Land Uses

C. <u>Retail</u>	0
Estimated Number of Sq. Ft. [4]	\$140
Estimated Valuation per Sq. Ft. [6]	
Total Estimated Net Taxable Value	\$0

D. <u>Non-Retail</u>	0
Estimated Number of Sq. Ft. [4]	\$90
Estimated Valuation per Sq. Ft. [6]	
Total Estimated Net Taxable Value	\$0

E. <u>Total Land Use Net Taxable Value (Includes Takeout from Homeowner's Exemption)</u>	\$526,971,900
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OTHER PROPERTY TAX REVENUE ASSUMPTIONS

IV. Unsecured Property Taxes - Assumptions [7]

Residential	2.75%
Unsecured Taxes as a % of Secured	
Non-Residential	10.00%
Unsecured Taxes as a % of Secured	

V. Property Tax Transfer - Assumptions [8]

Residential Property Turnover Rate	10.00%
Non-Residential Property Turnover Rate	5.00%
Transfer Tax as a % of Assessed Value	0.11%
Property Transfer Tax Retained by Riverside County	100.00%

VI. Motor Vehicle Licensing Fees - Assumptions

Vehicle Licensing Fees per Capita	NA
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VII. Property Tax In-Lieu of Vehicle License Fee - Assumptions

Total County of Riverside Gross Assessed Value [9]	\$212,975,540,874
County of Riverside Property Tax In-Lieu of Vehicle License Fee [10]	\$202,300,000
Property Tax In-Lieu of Vehicle License Fee Increase per \$1,000 Assessed Value	\$0.95

**EXHIBIT B-4
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
PROPERTY TAX REVENUE ANALYSIS**

Fiscal Impact Calculation

VIII. Fiscal Impact Category	Fiscal Impact Amount
A. Secured Property Tax	
Residential Land Uses	
Single-Family Detached	\$790,990
Multi-family/Apartments	\$0
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$0
Non-Retail	\$0
B. Unsecured Property Tax	
Residential Land Uses	
Single-Family Detached	\$21,752
Multi-family/Apartments	\$0
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$0
Non-Retail	\$0
C. Property Transfer Tax	
Residential Land Uses	
Single-Family Detached	\$57,967
Multi-family/Apartments	\$0
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$0
Non-Retail	\$0
D. Motor Vehicle Licensing Fees [11]	\$0
E. Property Tax In-Lieu of Vehicle License Fee [12]	
Projected Residential and Non-Residential Land Uses	\$495,506
Total General Fund Property Tax Revenues	
	\$1,366,215

NOTES:

- [1] Based on "General Fund" levy for Tax Rate Areas (TRA). Data provided by the County of Riverside Auditor-Controller's Office. TRA allocations adjusted for ERAF.
 - [2] Analysis assumes that development occurs under County General Plan Land Use, i.e., no annexation of the City of Hemet Proposed Annexation Area.
 - [3] Estimate, subject to change.
 - [4] Please see Exhibit B-3. Subject to change.
 - [5] Source: Trulia.com. Based on recent home sales for new construction in the City of Hemet.
 - [6] Estimated valuation per square foot based on recently conducted fiscal impact studies by DTA and research conducted by DTA for recently constructed comparable buildings in the Inland Empire. Estimate, subject to change.
 - [7] Based on typical DTA baseline assumptions.
 - [8] Source: California Revenue & Taxation Code §11901, et seq., Riverside County Code §4.08.030.
 - [9] Source: County of Riverside Assessor's Office; estimated County total gross assessed value.
 - [10] Source: County of Riverside Operating Budget, Fiscal Year 2014-2015.
 - [11] Motor vehicle licensing fees being phased out for County of Riverside.
 - [12] Property Tax in-lieu of Vehicle Licensing Fees applies to incremental property value post-"base year." Current estimated land value of Project site of \$5,317,933 excluded from calculation.
- * All figures subject to rounding

EXHIBIT B-5
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
SALES TAX REVENUE ANALYSIS

INDIRECT SALES TAX ASSUMPTIONS

I. Residential Indirect Sales Tax Assumptions

A. Mortgage Assumptions

Projected Residential Units

Single-Family Residential and Multi-family

Projected Sales Price per Unit (Blended)	\$265,000
Average Mortgage (20% Down Payment) [1]	\$212,000
Annual Mortgage Payment (7% for 30 Years) [2]	\$16,925
Additional Annual Taxes & Insurance (2.00%)	\$5,300

B. Disposable Income Assumptions

Projected Residential Units

Single-Family Residential and Multi-family

Average Household Income (3:1 Income to Household Payment Ratio) [1]	\$66,675.89
Retail Taxable Expenditures (as a % of Disposable Income) [3]	29.87%

C. Other Indirect Sales Tax Assumptions

Employees (annual spending per employee) [4]	\$4,421
Retail Taxable Sales Capture	
County of Riverside Retail Taxable Purchase Capture [5]	50%
Other Sales Tax Assumptions	
% to the County of Riverside [6]	1.25%

DIRECT SALES TAX ASSUMPTIONS

II. Non-Residential Direct Sales Tax Assumptions

A. Taxable Sales per Sq. Ft. [7]

Non-Residential

Retail	\$200
Office	\$0
Business Park	\$0
Industrial	\$0

B. Displaced Taxable Sales

Displaced Existing Taxable Sales within the County of Riverside [8]	33%
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FISCAL IMPACT CALCULATION

III. Fiscal Impact Category

Fiscal Impact Amount

A. Indirect Sales Tax

Projected Residential Land Uses

Single-Family & Multi-Family	\$253,541
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Employee Taxable Sales

\$0

B. Direct Sales Tax [7]

Projected Non-Residential Land Uses

Commercial Land Uses

Retail	\$0
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Total Sales Tax Revenues

\$253,541

NOTES:

- [1] DTA estimates. Subject to change.
 - [2] DTA estimate. Annual payment includes principal, interest, property taxes, and homeowner's insurance.
 - [3] Source: BDE 2008 Consumer Expenditure Survey.
 - [4] Source: "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study," ICSC (2004). Adjusted for inflation assuming 3% annual inflation rate.
 - [5] Estimate, subject to change.
 - [6] Source: Riverside County Code §4.12.030.
 - [7] Based on the median sales per sq. ft. figure for retail centers as outlined in "Dollars and Cents of Shopping Centers" (2008) published by the Urban Land Institute.
 - [8] Estimate, subject to change.
- * All figures subject to rounding

**EXHIBIT B-6
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
INVESTMENT INCOME REVENUE ANALYSIS**

ASSUMPTIONS

I. Investment Income Assumptions	
Investment Period for Recurring Non-Interest General Fund Revenues	12 Months
Local Agency Investment Fund (LAIF) Rate of Return [1]	0.24%
Local Agency Investment Fund (LAIF) Percentage of Earnings Cost [2]	50.00%

FISCAL IMPACT CALCULATION

ii. Fiscal Impact Category	<u>Fiscal Impact Amount</u>
Total Property Tax Revenues (Exhibit 4)	\$1,366,215
Total Sales Tax Revenues (Exhibit 5)	\$253,541
Total Multiplier Revenues (Exhibit 7)	<u>\$349,840</u>
Projected Recurring General Fund Revenues Available for Investment	\$1,969,596
Plus: Investment Income (Less Earnings Cost)	\$2,364
Total Recurring General Fund Revenues	<u>\$1,971,960</u>

NOTES:

- [1] 59-Quarter Average (March Beginning 2000 to September Ending 2014) is 2.5%, yet current rate is -0.24%, LAIF Apportionment Rates as provided by the California State Treasurer.
 [2] Based on quarter ending September 30, 2014, LAIF Administrative Earnings Costs as provided by the California State Treasurer.
 * All figures subject to rounding

**EXHIBIT B-7
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
MULTIPLIER REVENUE SOURCES ANALYSIS**

ASSUMPTIONS

I. Multiplier Revenues

Revenue Category	Multiplier Factor [1]	Revenue Projection Basis
Tax Revenue	\$3.86	Persons Served
Franchises	\$12.32	Persons Served
Fines, Forfeitures, and Penalties	\$28.09	Persons Served
Intergovernmental	\$4.13	Persons Served
Other / Miscellaneous	\$5.68	Persons Served

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category

Fiscal Impact Amount

Tax Revenue	\$24,982
Franchises	\$79,697
Fines, Forfeitures, and Penalties	\$181,708
Intergovernmental	\$26,730
Other / Miscellaneous	\$36,723

Total Multiplier Revenues	\$349,840
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NOTES:

[1] Based on County of Riverside Operating Budget, Fiscal Year 2014-2015.

* All figures subject to rounding

**EXHIBIT B-8
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
MULTIPLIER EXPENDITURES ANALYSIS**

ASSUMPTIONS

I. Multiplier Expenditures

Expenditure Category	Multiplier Factor [1]	Expenditure Projection Basis [1]
Health & Sanitation	\$24.79	Persons Served
Public Assistance	\$15.48	Persons Served
Public Protection	\$118.93	Persons Served
Public Protection - Sheriff	\$287.45	Persons Served
Education, Recreation, and Culture	\$0.27	Persons Served
Other/Debt Service	\$15.99	Persons Served

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category

Fiscal Impact Amount

Health & Sanitation	\$160,383
Public Assistance	\$100,177
Public Protection	\$769,427
Public Protection - Sheriff	\$1,859,657
Education, Recreation, and Culture	\$1,749
Other/Debt Service	\$103,424

Total Multiplier Expenditures	\$2,994,817
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NOTES:

[1] Based on County of Riverside Operating Budget, Fiscal Year 2014-2015.

* All figures subject to rounding

**EXHIBIT B-9
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
GENERAL GOVERNMENT EXPENDITURES ANALYSIS**

ASSUMPTIONS

Total Recurring General Fund Expenditures (excluding General Government Overhead) [1]	\$571,066,900
Recurring General Government Overhead Expenditures (as a % of Total Recurring General Fund Expenditures) [2]	5%
Marginal Increase in General Government Costs [3]	75%

FISCAL IMPACT CALCULATION

<u>I. Fiscal Impact Category</u>	<u>Fiscal Impact Amount</u>
Total Multiplier Expenditures (Exhibit 8)	\$2,994,817
	Projected Recurring General Fund Expenditures
	\$2,994,817
	Plus: General Government Costs
	\$108,949
	Total Recurring Expenditures
	\$3,103,766

NOTES:

- [1] Based on County of Riverside Operating Budget, Fiscal Year 2014-2015.
- [2] General Government Overhead Expenditures defined as costs for Board of Supervisors, Finance, Counsel, Human Resources, etc.
- [3] Estimate, subject to change.
- * *All figures subject to rounding*

**EXHIBIT B-10
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
TOTAL FISCAL REVENUE SUMMARY**

<u>RECURRING GENERAL FUND REVENUES [1]</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Secured Property Tax	\$790,990	40.1%
Unsecured Property Tax	\$21,752	1.1%
Property Transfer Tax	\$57,967	2.9%
Motor Vehicle Licensing Fees	\$0	0.0%
Property Tax In-Lieu of Vehicle License Fee	\$495,506	25.1%
Direct Sales Tax	\$0	0.0%
Indirect Sales Tax	\$253,541	12.9%
Tax Revenue	\$24,982	1.3%
Franchises	\$79,697	4.0%
Fines, Forfeitures, and Penalties	\$181,708	9.2%
Intergovernmental	\$26,730	1.4%
Other / Miscellaneous	\$36,723	1.9%
Investment Income	\$2,364	0.1%
Total Recurring General Fund Revenues	\$1,971,960	100.0%

<u>RECURRING GENERAL FUND EXPENDITURES [2]</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Health & Sanitation	\$160,383	5.2%
Public Assistance	\$100,177	3.2%
Public Protection	\$769,427	24.8%
Public Protection - Sheriff	\$1,859,657	59.9%
Education, Recreation, and Culture	\$1,749	0.1%
Other/Debt Service	\$103,424	3.3%
General Government	\$108,949	3.5%
Total Recurring General Fund Expenditures	\$3,103,766	100.0%

<u>NET FISCAL IMPACT</u>		
Total Annual Recurring General Fund Surplus/(Deficit)	(\$1,131,806)	
Total Annual Revenue/Expenditure Ratio	0.64	
Total Fiscal Surplus/(Deficit) per Unit	(\$555.62)	

NOTES:

[1] Please see Exhibits 4-7 for the derivation of these calculations.

[2] Please see Exhibits 8-9 for the derivation of these calculations.

* All figures subject to rounding

**EXHIBIT B-11
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
LIBRARY TAX REVENUE ANALYSIS**

GENERAL PROPERTY TAX ASSUMPTIONS

I. Property Tax Allocation (Portion of the 1% General Property Tax) [1]

Public Agency	% Property Tax Allocation
County Free Library	1.53%

FUTURE ASSESSED VALUATION ASSUMPTIONS [2]

I. Residential Land Use Type	Build-out
Single-Family	\$526,971,900
Multi-Family	\$0
Total	\$526,971,900

II. Non-Residential Land Use Type	Build-out
Retail	\$0
Non-Retail	\$0
Total	\$0

Total Assessed Valuation	\$526,971,900
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FISCAL IMPACT CALCULATION

I. Library Revenue Calculation

Fiscal Impact Category	Build-out
Library Property Tax	\$80,720
Multiplier Revenues [3]	\$54,815
Total Library Revenues	\$135,535

II. Library Expenditure Calculation

Fiscal Impact Category	Build-out
Multiplier Expenditures [4]	\$145,241
Total Library Expenditures	\$145,241

III. Net Fiscal Impact

Total Annual Surplus/(Deficit)	(\$9,706)
Total Annual Revenue/Cost Ratio	0.93

NOTES:

[1] Based on average County library property tax allocation for TRAs in project.

[2] See Exhibit B-4

[3] See Exhibit B-14

[4] See Exhibit B-15

* All figures subject to rounding

EXHIBIT B-12

**RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
LIBRARY REVENUE SOURCES**

I. Demographics and Other Data

Countywide

2014 Estimated Countywide Population [1]	2,279,967
2014 Estimated Countywide Employees [2]	619,460
2014 Persons Served Population [3]	2,589,697

County Library Service Area

2014 Library Service Population [4]	960,567
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[1] California Department of Finance, E-5 City/County Population and Housing Estimates, January 1, 2014.

[2] Bureau of Labor Statistics *Quarterly Census of Employment and Wages*, June 2013

[3] Assumes City population plus 50% of Employees.

[4] Estimated Population in Service Area Based on California Department of Finance, E-5 City/County Population and Housing Estimates.

The County Library provides library service through 33 branch libraries and two bookmobiles. Estimated population is based on the location of the branches.

II. Library Revenues

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Jurisdiction	Fiscal Impact Basis	Fiscal Impact Revenue Factor
Taxes					
Taxes	\$11,873,813	Recurring		Case Study	NA
Fines, Forfeitures, & Penalties					
Fines, Forfeitures, & Penalties	\$350,000	Recurring	Service Area	Per Capita	\$0.36
Intergovernmental - State & Federal					
Intergovernmental Revenues	\$861,367	Recurring	Service Area	Per Capita	\$0.90
Charges For Current Services					
Charges For Current Services	\$759,475	Recurring	Service Area	Per Capita	\$0.79
Other Revenue					
Other Revenues	\$6,141,456	Recurring	Service Area	Per Capita	\$6.39
Use of Money & Property					
Use of Money & Property	\$26,482	Recurring	Service Area	Per Capita	\$0.03

**EXHIBIT B-13
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
LIBRARY EXPENDITURES**

I. Demographics and Other Data

Countywide

2014 Estimated Countywide Population [1]	2,279,967
2014 Estimated Countywide Employees [2]	619,460
2014 Persons Served Population [3]	2,589,697

County Library Service Area

2014 Library Service Population [4]	960,567
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[1] California Department of Finance, E-5 City/County Population and Housing Estimates, January 1, 2014.

[2] Bureau of Labor Statistics Quarterly Census of Employment and Wages, June 2013

[3] Assumes City population plus 50% of Employees.

[4] Estimated Population in Service Area Based on California Department of Finance, E-5 City/County Population and Housing Estimates.

The County Library provides library service through 33 branch libraries and two bookmobiles. Estimated population is based on the location of the branches.

II. Library Expenditures

Expenditure Type	Total Expenditures	Expenditure Type	Fiscal Impact Jurisdiction	Fiscal Impact Basis	Fiscal Impact Factor
Salaries and Benefits					
Salaries and Benefits	\$623,055	Recurring	Service Area	Per Capita	\$0.65
Services and Supplies					
Services and Supplies	\$5,083,572	Recurring	Service Area	Per Capita	\$5.29
Other Charges					
Other Charges	\$15,758,171	Recurring	Service Area	Per Capita	\$16.41
Fixed Assets					
Equipment	\$100,000	Recurring	Service Area	Per Capita	\$0.10

EXHIBIT B-14
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
LIBRARY MULTIPLIER REVENUE SOURCES

ASSUMPTIONS

<u>Revenue Category</u>	<u>Revenue Projection Basis</u>	<u>Multiplier Factor</u>
A. Fines, Forfeitures. & Penalties	Per Capita	\$0.36
B. Intergovernmental (State & Federal) Revenues	Per Capita	\$0.90
C. Charges For Current Services	Per Capita	\$0.79
D. Other Revenues	Per Capita	\$6.39
E. Use of Money & Property	Per Capita	\$0.03

FISCAL IMPACT CALCULATION

<u>Fiscal Impact Category</u>	<u>Build-out</u>
A. Fines, Forfeitures. & Penalties	\$2,357
B. Intergovernmental (State & Federal) Revenues	\$5,801
C. Charges For Current Services	\$5,115
D. Other Revenues	\$41,363
E. Use of Money & Property	\$178
Total Multiplier Revenues	\$54,815

NOTES:

* All figures subject to rounding

**EXHIBIT B-15
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
LIBRARY MULTIPLIER EXPENDITURES**

ASSUMPTIONS

<u>Revenue Category</u>	<u>Revenue Projection Basis</u>	<u>Multiplier Factor</u>
A. Salaries and Benefits	Per Capita	\$0.65
B. Services and Supplies	Per Capita	\$5.29
C. Other Charges	Per Capita	\$16.41
D. Equipment	Per Capita	\$0.10

FISCAL IMPACT CALCULATION

<u>Fiscal Impact Category</u>	<u>Build-out</u>
A. Salaries and Benefits	\$4,196
B. Services and Supplies	\$34,238
C. Other Charges	\$106,133
D. Equipment	\$674
Total Multiplier Revenues	\$145,241

NOTES:

* All figures subject to rounding

**EXHIBIT B-16
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
FIRE TAX REVENUE ANALYSIS**

GENERAL PROPERTY TAX ASSUMPTIONS

I. Property Tax Allocation (Portion of the 1% General Property Tax) [1]

<u>Public Agency</u>	<u>% Property Tax Allocation</u>
County Structural Fire Protection	6.26%

FUTURE ASSESSED VALUATION ASSUMPTIONS [2]

<u>I. Residential Land Use Type</u>	<u>Build-out</u>
Single-Family	\$526,971,900
Multi-Family	\$0
Total	\$526,971,900
<u>II. Non-Residential Land Use Type</u>	<u>Build-out</u>
Retail	\$0
Non-Retail	\$0
Total	\$0
Total Assessed Valuation	\$526,971,900

FISCAL IMPACT CALCULATION

I. Fire Revenue Calculation

<u>Fiscal Impact Category</u>	<u>Build-out</u>
Structural Fire Property Tax	\$330,010
Multiplier Revenues	\$48,588
Total Fire Revenues	\$378,598

II. Fire Expenditure Calculation

<u>Fiscal Impact Category</u>	<u>Build-out</u>
Fire Expenditures [3]	\$370,152
Total Fire Expenditures	\$370,152

III. Net Fiscal Impact

Total Annual Surplus/(Deficit)	\$8,446
Total Annual Revenue/Cost Ratio	1.02

NOTES:

[1] Based on average Fire property tax allocation for TRAs in project.

[2] See Exhibit B-4

[3] Estimated based on the County of Riverside Fire budget for Non-Forest related protection. Forest related fire protection is backfilled by the County General Fund Public Protection budget, and therefore has been excluded from this analysis. Additionally, analysis assumes based on County budget, that costs related to fire services to contract Cities would be fully offset by revenues generated from such contracts.

* All figures subject to rounding

**EXHIBIT B-17
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
FIRE TAX REVENUE ANALYSIS**

I. Demographics and Other Data

Countywide

2014 Estimated Countywide Population [1]	2,279,967
2014 Estimated Countywide Employees [2]	619,460
2014 Persons Served Population [3]	2,589,697

County Fire Service Area

2014 Estimated Service Area Population [1]	1,501,117
2014 Estimated Service Area Employees [2]	407,849
2014 Persons Served Population [3]	1,705,041

[1] California Department of Finance, E-5 City/County Population and Housing Estimates, January 1, 2014.

[2] Bureau of Labor Statistics *Quarterly Census of Employment and Wages*, June 2013

[3] Assumes Population plus 50% of Employees.

[4] Estimated Population in Service Area Based on California Department of Finance, E-5 City/County Population and Housing Estimates.
County Fire provides fire service through 21 cities and unincorporated County. Employee count estimated based on population of contracted cities. Subject to change.

II. Library Revenues

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Jurisdiction	Fiscal Impact Basis	Fiscal Impact Revenue Factor
Taxes					
Taxes	\$37,815,204	Recurring		Case Study	NA
Intergovernmental - State & Federal					
Intergovernmental Revenues	\$501,642	Recurring	Service Area	Persons Served	\$0.29
Other Revenue					
Other Revenues	\$12,303,826	Recurring	Service Area	Persons Served	\$7.22

**EXHIBIT B-18
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
FIRE TAX REVENUE ANALYSIS**

I. Demographics and Other Data

Countywide

2014 Estimated Countywide Population [1]	2,279,967
2014 Estimated Countywide Employees [2]	619,460
2014 Persons Served Population [3]	2,589,697

County Fire Service Area

2014 Estimated Service Area Population [4]	1,501,117
2014 Estimated Service Area Employees [5]	407,849
2014 Persons Served Population [3]	1,705,041

[1] California Department of Finance, E-5 City/County Population and Housing Estimates, January 1, 2014.

[2] Bureau of Labor Statistics Quarterly Census of Employment and Wages, June 2013

[3] Assumes Population plus 50% of Employees.

[4] Estimated Population in Service Area Based on California Department of Finance, E-5 City/County Population and Housing Estimates. County Fire provides fire service through 21 cities and unincorporated County. Employee count estimated based on population of contracted cities. Subject to change.

[5] Assumes that Fire Protection Contract revenue fully offsets costs to the County.

[6] Forest Fire Protection element is backfilled through the County General Fund. Therefore, only the net cost to General Fund has been included in this analysis.

II. Library Expenditures

Expenditure Type	Total Expenditures	Expenditure Type	Fiscal Impact Jurisdiction	Fiscal Impact Basis	Fiscal Impact Factor
Fire Protection Contracts [5]					
Fire Protection Contracts	\$80,829,573	Recurring	Service Area	NA	
Fire Protection - Forest [6]					
Fire Protection - Forest	\$46,933,100	Recurring	Service Area	Persons Served	\$27.53
Fire - Non-Forest					
Fire Non-Forest	\$50,620,672	Recurring	Service Area	Persons Served	\$29.69

**EXHIBIT B-19
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
FIRE MULTIPLIER REVENUE SOURCES**

ASSUMPTIONS

<u>Revenue Category</u>	<u>Revenue Projection Basis</u>	<u>Multiplier Factor</u>
A. Intergovernmental (State & Federal) Revenues	Persons Served	\$0.29
B. Other Revenues	Persons Served	\$7.22

FISCAL IMPACT CALCULATION

<u>Fiscal Impact Category</u>	<u>Build-out</u>
A. Intergovernmental (State & Federal) Revenues	\$1,903
B. Other Revenues	\$46,685
Total Multiplier Revenues	\$48,588

NOTES:

* *All figures subject to rounding*

**EXHIBIT B-20
RIVERSIDE COUNTY, CALIFORNIA: COUNTY GENERAL PLAN LAND USES
FIRE TAX REVENUE ANALYSIS**

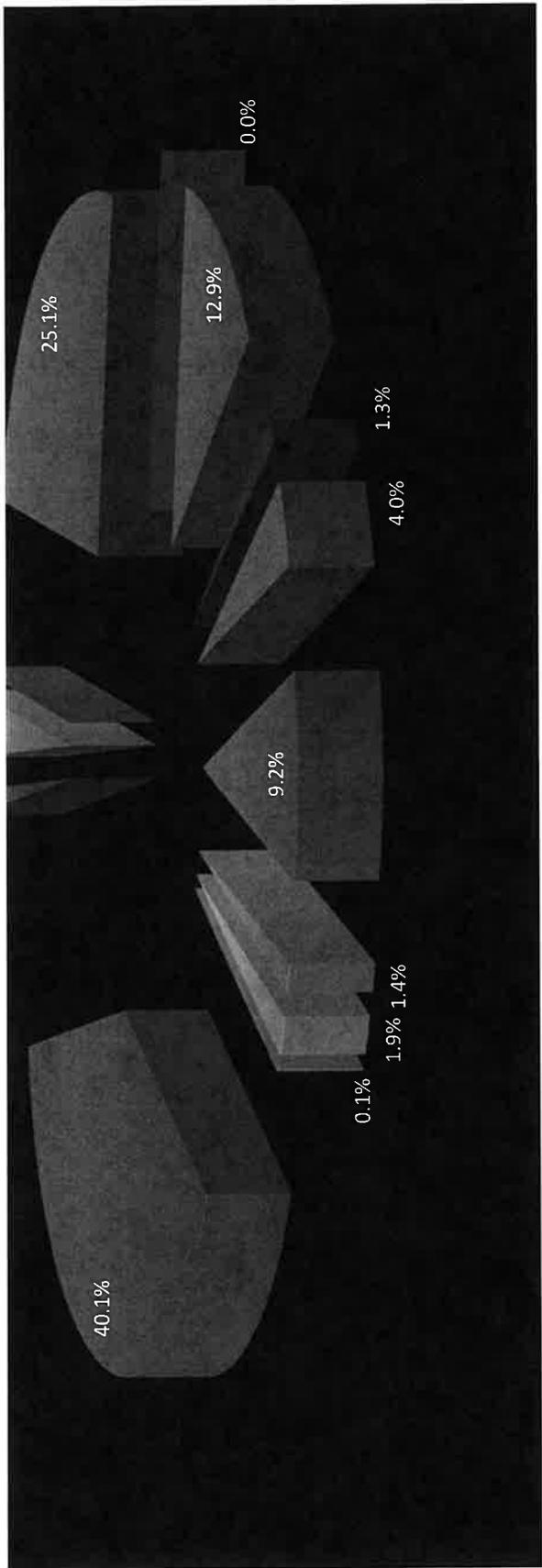
ASSUMPTIONS

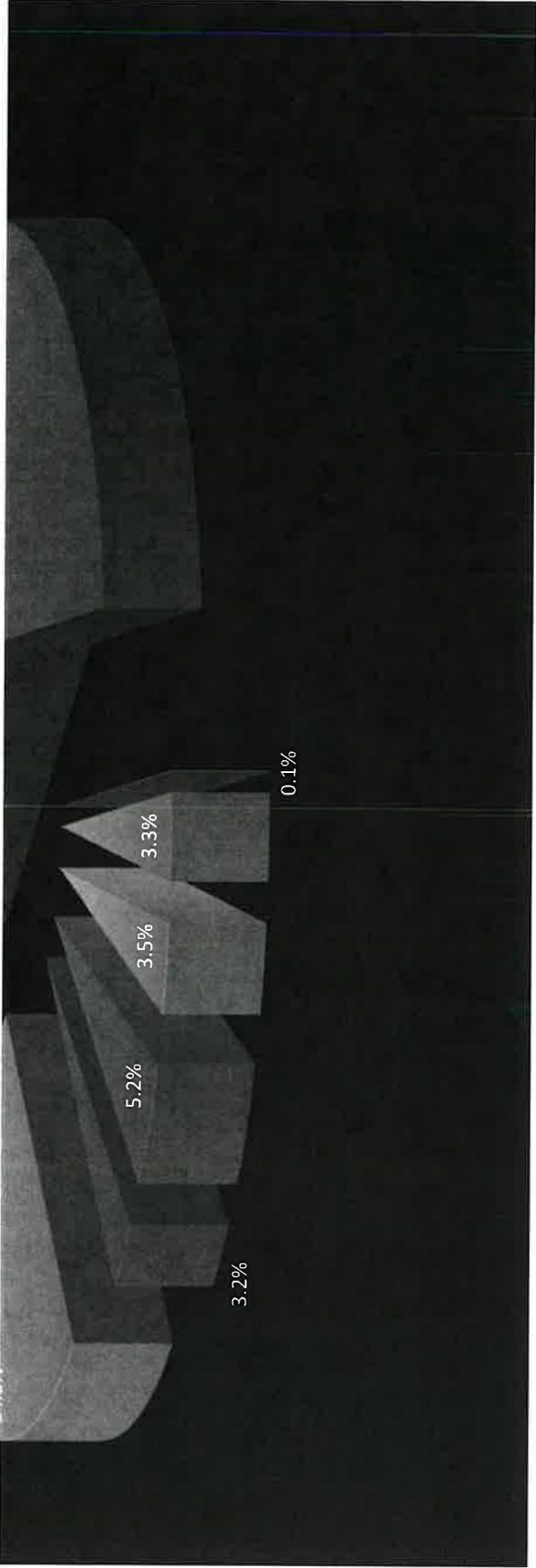
<u>Revenue Category</u>	<u>Revenue Projection Basis</u>	<u>Multiplier Factor</u>
A. Fire Protection - Forest	Persons Served	\$27.53
B. Fire - Non-Forest	Persons Served	\$29.69

FISCAL IMPACT CALCULATION

<u>Fiscal Impact Category</u>	<u>Build-out</u>
A. Fire Protection - Forest	\$178,080
B. Fire - Non-Forest	\$192,072
Total Multiplier Revenues	\$370,152

NOTES:
* All figures subject to rounding





APPENDIX C

**FISCAL IMPACT MODEL
(COUNTY OF RIVERSIDE – UPON ANNEXATION)**

EXHIBIT C-1
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
COUNTY GENERAL FUND/DISCRETIONARY REVENUES (BY TYPE)

I. Demographics and Other Data

2014 Estimated Countywide Population [1]	2,279,967
2014 Estimated Countywide Employees [2]	619,460
2014 Persons Served Population [3]	2,589,697

Unincorporated County

2014 Estimated Unincorporated County Population [1]	363,590
2014 Estimated Unincorporated County Employees [2]	84,588
2014 Unincorporated County Persons Served [3]	405,884

Notes:

- [1] California Department of Finance, Population and Housing Estimate, January 1, 2014.
- [2] California Employment Development Department ("EDD") - Labor Market Information Division, 2013 4th Quarter NAICS Sector Data.
- [3] Assumes County population plus 50% of employees.
- [4] Certain revenues are not expected to increase one-to-one with the new development. A discount was applied to reflect the estimated ratio of fixed revenues to variable revenues and/or one-time to recurring revenues.

II. County Revenue Sources - Discretionary (by Type)

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Jurisdiction	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
Tax Revenue	\$365,100,000			Persons Served		\$3.86
Property Taxes	\$282,200,000	Recurring		Case Study	0%	
Other Property Taxes	\$27,000,000	Recurring		Case Study	0%	
Sales and Use Taxes	\$33,500,000	Recurring		Case Study	0%	
Property Transfer Tax	\$12,400,000	Recurring		Case Study	0%	
Tobacco Tax	\$10,000,000	Recurring	Countywide	Persons Served	0%	\$3.86
Franchisees	\$5,000,000	Recurring	<i>Unincorporated</i>	Persons Served	100%	\$0.00
Interest Income	\$2,900,125	Recurring		Case Study	0%	
Fines, Forfeitures, and Penalties	\$22,800,000	Recurring	<i>Unincorporated</i>	Persons Served	50%	\$28.09
Intergovernmental	\$10,700,000	Recurring	<i>Countywide</i>	Persons Served	0%	\$4.13
VLF/Property Tax Compensation	\$202,300,000	Recurring		Case Study	0%	
Other / Miscellaneous	\$14,700,000	Recurring	<i>Countywide</i>	Persons Served	0%	\$5.68
Transfers In	\$0	Non-Recurring		NA	NA	
Total Recurring Revenues	\$623,500,125					

**EXHIBIT C-2
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
COUNTY GENERAL FUND EXPENDITURES - NET COUNTY COST (BY TYPE)**

I. Demographics and Other Data

2014 Estimated Countywide Population [1]	2,279,967
2014 Estimated Countywide Employees [2]	619,460
2014 Persons Served Population [3]	2,589,697

Unincorporated County

2014 Estimated Unincorporated County Population [1]	363,590
2014 Estimated Unincorporated County Employees [2]	84,588
2014 Unincorporated County Persons Served [3]	405,884

Notes:

- [1] California Department of Finance, Population and Housing Estimate, January 1, 2014.
- [2] California Employment Development Department ("EDD") - Labor Market Information Division, 2013 4th Quarter NAICS Sector Data.
- [3] Assumes County population plus 50% of employees.
- [4] Certain revenues are not expected to increase one-to-one with the new development. A discount was applied to reflect the estimated ratio of fixed revenues to variable revenues and/or one-time to recurring revenues.

II. County Expenditures - Net County Cost (by Type)

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Jurisdiction	Fiscal Impact Basis	Discount [4]	Fiscal Impact Revenue Factor
GENERAL GOVERNMENT						
General Government	\$27,700,000	Recurring	Countywide	Case Study	0%	
NON-GENERAL GOVERNMENT						
Health & Sanitation	\$64,200,000	Recurring	Countywide	Persons Served	0%	\$24.79
Public Assistance	\$40,100,000	Recurring	Countywide	Persons Served	0%	\$15.48
Public Protection	\$354,928,930	Recurring	Countywide	Persons Served	33%	\$91.83
Public Protection - Sheriff	\$116,671,070	Recurring	Unincorporated	Persons Served	100%	\$0.00
Education, Recreation, and Culture	\$700,000	Recurring	Countywide	Persons Served	0%	\$0.27
Other/Debt Service	\$41,400,000	Recurring	Countywide	Persons Served	0%	\$15.99
Total Recurring Revenues	\$645,700,000					

**EXHIBIT C-3
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
LAND USE AND DEMOGRAPHICS SUMMARY**

FUTURE LAND USE DATA

I. Project Developable Land Use Description

A. Residential Land Uses	<u>Number of Units [1]</u>
Single-Family Detached	1,291
Multi-family/Apartments	302
B. Commercial Land Uses	<u>Sq. Ft. [1]</u>
Retail	841,122
Office	1,401,870
Business Park	1,423,671
Industrial	1,090,655

DEMOGRAPHIC DATA

II. Demographics

A. Residential Land Use Population	<u>Persons per Household [2]</u>
Persons per Household	2.66
B. Non-Residential Land Use Employee Generation	
Commercial Land Uses	<u>Sq. Ft. per Employee [3]</u>
Retail	400
Office	550
Business Park	550
Light Industrial	1,667

POPULATION AND EMPLOYEES (CALCULATIONS)

III. <u>Residential Land Use Type</u>	<u>Number of Units</u>	<u>Residential Population</u>
Single-Family Detached	1,291	3,433
Multi-family/Apartments	302	803
IV. <u>Non-Residential Land Use Type</u>	<u>Sq. Ft.</u>	<u>Total Direct Employees</u>
Retail	841,122	2,103
Office	1,401,870	2,549
Business Park	1,423,671	2,588
Light Industrial	1,090,655	654

SOI POPULATION AND EMPLOYEES (TOTALS)

V. Total Projected Residential Population	4,236
VI. Total Projected Direct Employees	7,894
VII. Total Persons Served Population	8,183

NOTES:

[1] Source: City of Hemet. Residential Densities and Non-Residential Floor Area Ratios based on City General Plan.

[2] California Department of Finance, Price and Population Information, January 1, 2014.

[3] Source: DTA Public Works Database. Estimate, subject to change.

* *All figures subject to rounding*

**EXHIBIT C-4
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
PROPERTY TAX REVENUE ANALYSIS**

GENERAL PROPERTY TAX ASSUMPTIONS

I. Property Tax Allocation (as a Portion of the 1% General Property Tax Levy) [1]

Category / Code	County of Riverside, Post-Annexation [2]
County of Riverside General Property Taxes (75%)	11.2576%
County Free Library Property Taxes (0%)	0.0000%
County Structural Fire Property Taxes (0%)	0.0000%

II. Homeowner's Exemption

Homeowner's Exemption (Annually)	\$7,000
Percent of Sale Units Taking Homeowner's Exemption [3]	90%

ASSESSED VALUATION ASSUMPTIONS

III. Assessed Valuation - Projected Land Uses

Residential Land Uses

A. Single-Family Detached Units

Number of Units [4]	1,291
Estimated Blended Sales Price per Unit [5]	\$265,000
Total Estimated Net Taxable Value (Includes Estimated Takedown from Homeowner's Exemptions)	\$333,981,700

B. Multi-family/Apartments

Number of Units [4]	302
Estimated Sales Price per Unit [5]	\$170,000
Total Estimated Net Taxable Value	\$51,340,000

Non-Residential Land Uses

C. Retail

Estimated Number of Sq. Ft. [4]	841,122
Estimated Valuation per Sq. Ft. [6]	\$140
Total Estimated Net Taxable Value	\$117,757,054.80

D. Non-Retail

Estimated Number of Sq. Ft. [4]	3,916,196
Estimated Valuation per Sq. Ft. [6]	\$90
Total Estimated Net Taxable Value	\$352,457,681.40

E. Total Land Use Net Taxable Value (Includes Takeout from Homeowner's Exemption)

\$855,536,436

OTHER PROPERTY TAX REVENUE ASSUMPTIONS

IV. Unsecured Property Taxes - Assumptions [7]

Residential	
Unsecured Taxes as a % of Secured	2.75%
Non-Residential	
Unsecured Taxes as a % of Secured	10.00%

V. Property Tax Transfer - Assumptions [8]

Residential Property Turnover Rate	10.00%
Non-Residential Property Turnover Rate	5.00%
Transfer Tax as a % of Assessed Value	0.11%
Property Transfer Tax Retained by Riverside County	50.00%

VI. Motor Vehicle Licensing Fees - Assumptions

Vehicle Licensing Fees per Capita	NA
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VII. Property Tax In-Lieu of Vehicle License Fee - Assumptions

Total County of Riverside Gross Assessed Value [9]	\$212,975,540,874
County of Riverside Property Tax In-Lieu of Vehicle License Fee [10]	\$202,300,000
Property Tax In-Lieu of Vehicle License Fee Increase per \$1,000 Assessed Value	\$0.95

**EXHIBIT C-4
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
PROPERTY TAX REVENUE ANALYSIS**

Fiscal Impact Calculation

VIII. Fiscal Impact Category	Fiscal Impact Amount
A. Secured Property Tax	
Residential Land Uses	
Single-Family Detached	\$375,982
Multi-family/Apartments	\$57,796
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$132,566
Non-Retail	\$396,782
B. Unsecured Property Tax	
Residential Land Uses	
Single-Family Detached	\$10,340
Multi-family/Apartments	\$1,589
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$13,257
Non-Retail	\$39,678
C. Property Transfer Tax	
Residential Land Uses	
Single-Family Detached	\$18,369
Multi-family/Apartments	\$2,824
Non-Residential Land Uses	
Commercial Land Uses	
Retail	\$3,238
Non-Retail	\$9,693
D. Motor Vehicle Licensing Fees [11]	\$0
E. Property Tax In-Lieu of Vehicle License Fee [12]	
Projected Residential and Non-Residential Land Uses	\$807,601
Total General Fund Property Tax Revenues	
	\$1,869,715

NOTES:

- [1] Based on "General Fund" levy for Tax Rate Areas (TRA). Data provided by the County of Riverside Auditor-Controller's Office. TRA allocations adjusted for ERAF.
 - [2] Analysis assumes that Project is annexed into the City of Hemet and is developed according to the City General Plan.
 - [3] Estimate, subject to change.
 - [4] Please see Exhibit C-3. Subject to change.
 - [5] Source: Trulia.com. Based on recent home sales for new construction in the City of Hemet.
 - [6] Estimated valuation per square foot based on recently conducted fiscal impact studies by DTA and research conducted by DTA for recently constructed comparable buildings in the Inland Empire. Estimate, subject to change.
 - [7] Based on typical DTA baseline assumptions.
 - [8] Source: California Revenue & Taxation Code §11901, et seq., Riverside County Code §4.08.030.
 - [9] Source: County of Riverside Assessor's Office; estimated County total gross assessed value.
 - [10] Source: County of Riverside Operating Budget, Fiscal Year 2014-2015.
 - [11] Motor vehicle licensing fees being phased out for County of Riverside.
 - [12] Property Tax in-lieu of Vehicle Licensing Fees applies to incremental property value post-"base year." Current estimated land value of Project site of \$5,317,933 excluded from calculation.
- * All figures subject to rounding

EXHIBIT C-5
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
SALES TAX REVENUE ANALYSIS

INDIRECT SALES TAX ASSUMPTIONS

I. **Residential Indirect Sales Tax Assumptions**

A. **Mortgage Assumptions**

Projected Residential Units

Single-Family Residential and Multi-family

Projected Sales Price per Unit (Blended)	
Average Mortgage (20% Down Payment) [1]	\$247,000
Annual Mortgage Payment (7% for 30 Years) [2]	\$197,600
Additional Annual Taxes & Insurance (2.00%)	\$15,776
	\$4,940

B. **Disposable Income Assumptions**

Projected Residential Units

Single-Family Residential and Multi-family

Average Household Income (3:1 Income to Household Payment Ratio) [1]	\$62,146.96
Retail Taxable Expenditures (as a % of Disposable Income) [3]	29.87%

C. **Other Indirect Sales Tax Assumptions**

Employees (annual spending per employee) [4]	\$4,421
Retail Taxable Sales Capture	
County of Riverside Retail Taxable Purchase Capture [5]	50%
Other Sales Tax Assumptions	
% to the County of Riverside [6]	0.00%

DIRECT SALES TAX ASSUMPTIONS

II. **Non-Residential Direct Sales Tax Assumptions**

A. **Taxable Sales per Sq. Ft. [7]**

Non-Residential

Retail	\$200
Non-Retail	\$0

B. **Displaced Taxable Sales**

Displaced Existing Taxable Sales within the County of Riverside [8]	33%
---	-----

FISCAL IMPACT CALCULATION

III. **Fiscal Impact Category**

Fiscal Impact Amount

A. **Indirect Sales Tax**

Projected Residential Land Uses

Single-Family & Multi-Family	\$0
------------------------------	-----

Employee Taxable Sales

\$0

B. **Direct Sales Tax [7]**

Projected Non-Residential Land Uses

Commercial Land Uses

Retail	\$0
--------	-----

Total Sales Tax Revenues

\$0

NOTES:

[1] DTA estimates. Subject to change.

[2] DTA estimate. Annual payment includes principal, interest, property taxes, and homeowner's insurance.

[3] Source: BOE 2008 Consumer Expenditure Survey.

[4] Source: "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study," ICSC (2004). Adjusted for inflation assuming 3% annual inflation rate.

[5] Estimate, subject to change.

[6] Source: Riverside County Code §4.12.030. Notably, upon annexation the City will receive sales tax from the Project.

[7] Based on the median sales per sq. ft. figure for retail centers as outlined in "Dollars and Cents of Shopping Centers" (2008) published by the Urban Land Institute.

[8] Estimate, subject to change.

* All figures subject to rounding

**EXHIBIT C-6
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
INVESTMENT INCOME REVENUE ANALYSIS**

ASSUMPTIONS

I. Investment Income Assumptions	
Investment Period for Recurring Non-Interest General Fund Revenues	12 Months
Local Agency Investment Fund (LAIF) Rate of Return [1]	0.24%
Local Agency Investment Fund (LAIF) Percentage of Earnings Cost [2]	50.00%

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category	<u>Fiscal Impact Amount</u>
Total Property Tax Revenues (Exhibit 4)	\$1,869,715
Total Sales Tax Revenues (Exhibit 5)	\$0
Total Multiplier Revenues (Exhibit 7)	<u>\$341,692</u>
Projected Recurring General Fund Revenues Available for Investment	\$2,211,407
<u>Plus: Investment Income (Less Earnings Cost)</u>	<u>\$2,654</u>
Total Recurring General Fund Revenues	<u>\$2,214,061</u>

NOTES:

[1] 59-Quarter Average (March Beginning 2000 to September Ending 2014) is 2.5%, yet current rate is -0.24%, LAIF Apportionment Rates as provided by the California State Treasurer.

[2] Based on quarter ending September 30, 2014, LAIF Administrative Earnings Costs as provided by the California State Treasurer.

* All figures subject to rounding

**EXHIBIT C-7
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
MULTIPLIER REVENUE SOURCES ANALYSIS**

ASSUMPTIONS

I. Multiplier Revenues

Revenue Category	Multiplier Factor [1]	Revenue Projection Basis
Tax Revenue	\$3.86	Persons Served
Fines, Forfeitures, and Penalties	\$28.09	Persons Served
Intergovernmental	\$4.13	Persons Served
Other / Miscellaneous	\$5.68	Persons Served

FISCAL IMPACT CALCULATION

II. Fiscal Impact Category

Fiscal Impact Amount

Tax Revenue	\$31,598
Fines, Forfeitures, and Penalties	\$229,835
Intergovernmental	\$33,810
Other / Miscellaneous	\$46,449

Total Multiplier Revenues	\$341,692
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NOTES:

[1] Based on County of Riverside Operating Budget, Fiscal Year 2014-2015.

* *All figures subject to rounding*

**EXHIBIT C-8
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
MULTIPLIER EXPENDITURES ANALYSIS**

ASSUMPTIONS

I. Multiplier Expenditures

Expenditure Category	Multipler Factor [1]	Expenditure Projection Basis [1]
Health & Sanitation	\$24.79	Persons Served
Public Assistance	\$15.48	Persons Served
Public Protection	\$91.83	Persons Served
Public Protection - Sheriff	\$0.00	Persons Served
Education, Recreation, and Culture	\$0.27	Persons Served
Other/Debt Service	\$15.99	Persons Served

FISCAL IMPACT CALCULATION

II. <u>Fiscal Impact Category</u>	<u>Fiscal Impact Amount</u>
Health & Sanitation	\$202,861
Public Assistance	\$126,709
Public Protection	\$751,414
Public Protection - Sheriff	\$0
Education, Recreation, and Culture	\$2,212
Other/Debt Service	\$130,817
Total Multiplier Expenditures	\$1,214,013

NOTES:

[1] Based on County of Riverside Operating Budget, Fiscal Year 2014-2015.

* All figures subject to rounding

**EXHIBIT C-9
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
GENERAL GOVERNMENT EXPENDITURES ANALYSIS**

ASSUMPTIONS

Total Recurring General Fund Expenditures (excluding General Government Overhead) [1]	\$618,000,000
Recurring General Government Overhead Expenditures (as a % of Total Recurring General Fund Expenditures) [2]	4%
Marginal Increase in General Government Costs [3]	75%

FISCAL IMPACT CALCULATION

I. <u>Fiscal Impact Category</u>	<u>Fiscal Impact Amount</u>
Total Multiplier Expenditures (Exhibit 8)	\$1,214,013
Projected Recurring General Fund Expenditures	\$1,214,013
Plus: General Government Costs	\$40,811
Total Recurring Expenditures	\$1,254,824

NOTES:

- [1] Based on County of Riverside Operating Budget, Fiscal Year 2014-2015.
- [2] General Government Overhead Expenditures defined as costs for Board of Supervisors, Finance, Counsel, Human Resources, etc.
- [3] Estimate, subject to change.
- * *All figures subject to rounding*

**EXHIBIT C-10
RIVERSIDE COUNTY, CALIFORNIA: SOUTH-WEST HEMET PROPOSED ANNEXATION AREA
TOTAL FISCAL REVENUE SUMMARY**

<u>RECURRING GENERAL FUND REVENUES [1]</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Secured Property Tax	\$963,126	43.50%
Unsecured Property Tax	\$64,864	2.93%
Property Transfer Tax	\$34,124	1.54%
Motor Vehicle Licensing Fees	\$0	0.00%
Property Tax In-Lieu of Vehicle License Fee	\$807,601	36.48%
Direct Sales Tax	\$0	0.00%
Indirect Sales Tax	\$0	0.00%
Tax Revenue	\$31,598	1.43%
Fines, Forfeitures, and Penalties	\$229,835	10.38%
Intergovernmental	\$33,810	1.53%
Other / Miscellaneous	\$46,449	2.10%
Investment Income	\$2,654	0.12%
Total Recurring General Fund Revenues	\$2,214,061	100.0%

<u>RECURRING GENERAL FUND EXPENDITURES [2]</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Health & Sanitation	\$202,861	16.17%
Public Assistance	\$126,709	10.10%
Public Protection	\$751,414	59.88%
Public Protection - Sheriff	\$0	0.00%
Education, Recreation, and Culture	\$2,212	0.18%
Other/Debt Service	\$130,817	10.43%
General Government	\$40,811	3.25%
Total Recurring General Fund Expenditures	\$1,254,824	100.0%

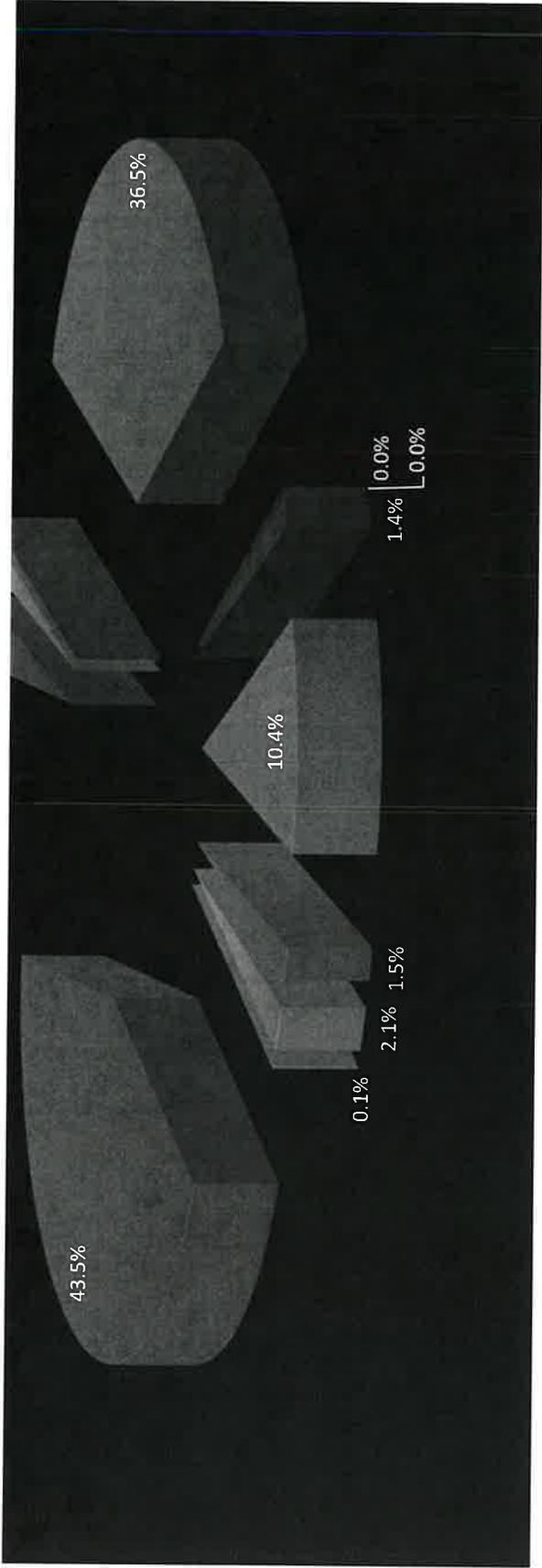
<u>NET FISCAL IMPACT</u>		
Total Annual Recurring General Fund Surplus/(Deficit)	\$959,237	
Total Annual Revenue/Expenditure Ratio	1.76	
Total Fiscal Surplus/(Deficit) per Unit	\$743.02	

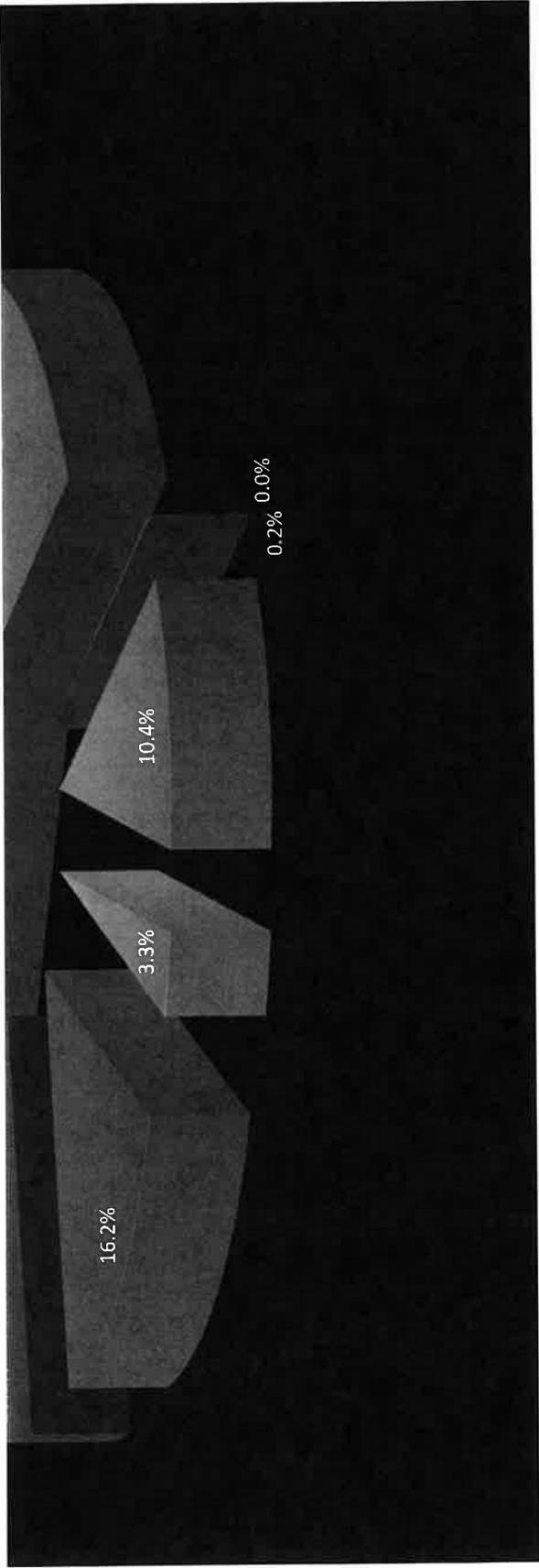
NOTES:

[1] Please see Exhibits 4-7 for the derivation of these calculations.

[2] Please see Exhibits 8-9 for the derivation of these calculations.

* All figures subject to rounding





APPENDIX D

SOUTHWEST HEMET ANNEXATION PROJECT LAND USE PLAN

ATTACHMENT 2



- Railroads
- Annexation Area
- Parcels
- Hemet

Some parcels within the annexation area are shown as unimproved parcels for the City. These parcels are shown as unimproved parcels for the City and are not shown as parcels for the City. The City will be responsible for the improvement of these parcels. The City will be responsible for the improvement of these parcels. The City will be responsible for the improvement of these parcels.

ATTACHMENT 3

M-2

C-2

WARREN RD

MUSTANG WY

PZ R1-7.2

DOMENIGONI PKWY

Artesian Area Zoning	
	Parcel
	Highway
	Mainst
	Parcel
	PZ SP
	PZ M-1
	PZ O9
	PZ R-4-7.2
	PZ SP-LDR
	PZ SP-NU

This document reflects the latest zoning for parcels for information purposes only. The City of Phoenix does not warrant the accuracy of this information. The City of Phoenix is not responsible for any errors or omissions. The City of Phoenix is not responsible for any damages or losses resulting from the use of this information. The City of Phoenix is not responsible for any legal actions taken against it. The City of Phoenix is not responsible for any legal actions taken against it. The City of Phoenix is not responsible for any legal actions taken against it.

Author: Seattle Design
 Layout: County of Maricopa, City of Phoenix
 July 8, 2011
 C:\Users\jgarcia\Documents\Phoenix_Zoning\Phoenix_Zoning.mxd

ADOPTED PREZONING	OWNER
OS	RC Flood Control
OS	RC Transportation Commission
R1-7.2	SVJ Development

re feet)

t)

