

PROPOSAL TO SONOMA LAFCO FOR CITY OF SANTA ROSA

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY

JULY 17, 2023



CONTENTS

RSG SUMMARY OF QUALIFICATIONS 1

About RSG	1
Qualifications.....	2
<i>Effective Redevelopment Dissolution</i>	2
<i>Helping Secure Financing</i>	2
<i>Studying Fiscal Impacts</i>	3
<i>Expanding Financial Capacity</i>	3
<i>Preparing Municipal Service Reviews and Special Studies</i>	3
<i>Evaluating Reorganization, Annexation or Incorporation Proposals</i>	4
<i>Recent Fiscal Health Product Line Assignments</i>	4
Staffing Plan.....	9
<i>Project and Team Management Practices</i>	9

SUBCONSULTANTS 12

WORK EXPERIENCES AND REFERENCES 13

Four Cities Municipal Services Review – LA LAFCO	13
West and Southwest Region Municipal Services Reviews – Orange County LAFCO	13
28 Cities Municipal Services Review – Riverside LAFCO.....	13

SCOPE OF SERVICES 14

Task 1: Project Initiation – Kickoff Meeting, Preliminary Research, GIS Map Preparation, Survey Instrument Creation and Stakeholder Outreach	14
Task 2: Data Collection – Research, Survey Distribution, Interviews, Data Analysis, Preliminary Findings.....	15
Task 3: Administrative Draft MSR – Draft MSR, Client Review, Revisions/Redline Response	16
Task 4: Public Review and Public Hearing Draft MSR – Revisions/Redline Response.....	16
Task 5: Final Draft MSR and Commission Meeting – Revisions/Redline Response	16
Project Schedule.....	18

PROJECT COST 19

Billing Rates & Fee Schedule	19
------------------------------------	----

APPENDIX – CITY OF SOUTH EL MONTE MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR LA LAFCO 20



17872 GILLETTE AVE.
SUITE 350
IRVINE, CA 92614

714 541 4585
INFO@WEBRSG.COM
WEBRSG.COM

July 17, 2023

Via Electronic Mail

Mark Bramfitt, Executive Officer
LOCAL AGENCY FORMATION COMMISSION OF SONOMA COUNTY
111 Santa Rosa Avenue, Suite 240
Santa Rosa, CA 95404

Dear Mr. Bramfitt:

In response to your June 8, 2023 Request for Proposals ("RFP"), RSG, Inc. ("RSG") is pleased to present this proposal for consulting services to prepare a Municipal Service Review ("MSR") and Sphere of Influence ("SOI") Study for the City of Santa Rosa. RSG understands that LAFCO expects the MSR to be conducted in accordance with Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") and LAFCO policies as adopted by the Commission. RSG anticipates a not-to-exceed amount of \$25,925 to complete the project.

RSG brings extensive experience working with LAFCOs across California and the provisions of CKH and related legislative updates. More specifically, RSG's recent experience completing MSRs and SOI updates includes LA LAFCO Four Cities MSRs (2023), Orange County LAFCO West and Southwest Regions MSRs (2023), Siskiyou County Countywide Fire MSR (2023), Riverside LAFCO Countywide Cities MSR (2022), and Los Angeles LAFCO Whittier-La Mirada Joint SOI MSR (2022).

RSG's experience with LAFCOs does not begin or end with MSR and SOI updates. RSG's comprehensive fiscal analysis ("CFA") for the incorporation of Olympic Valley (Placer LAFCO) withstood significant public and State Controller review in 2016. More recently, RSG has nearly completed a CFA for incorporation of Mountain House (San Joaquin LAFCO). We have performed annexation studies for Martinez, San Carlos, and Belmont, among other communities in the past few years as well. RSG is proud to be an active member of the California Association of Local Agency Formation Commissions ("CALAFCO"), where we are honored to serve in the capacity as an Advisory member of their Legislative Committee.

RSG discloses it has no potential conflicts of interest with local agencies in Sonoma County. Should you wish to discuss any of the information presented, please contact me directly at jsimon@webrsg.com or by phone at (714) 316-2120.

Respectfully,

Jim Simon, Principal

Monroe Roush, Senior Analyst/Project Manager

RSG SUMMARY OF QUALIFICATIONS

ABOUT RSG

RSG is a creatively charged consultant to California public agencies. We collaborate with the people responsible for creating vibrant places to accomplish their goals. The inspired leaders at RSG create stronger communities capable of achieving bolder futures by bringing more than four decades of native knowledge to each engagement. As diverse as the agencies we work with, our services span real estate, economic development, fiscal health, and housing initiatives.

RSG, Inc. is a California-based, Subchapter "S" Corporation. Founded in 1979, the firm is currently managed by active Principals Jim Simon and Tara Matthews. Later this year, RSG's corporate address will be relocating from Irvine to Vista, and we will be opening four hubs in California (San Diego, Los Angeles, Oakland, and Corona) where we will be collaborating periodically as a team.

RSG's federal taxpayer identification number is 95-343-5849 and state taxpayer identification number is 27600915. RSG is also a State certified Small Business Enterprise (SBE - 2006876 DGS).

Mission Statement

RSG creates solutions to enhance communities' physical, economic, and social future.

Core Values

Our core values define who we are as people and the standards by which we provide services to our clients.



QUALIFICATIONS

For RSG, fiscal health is about more than just numbers – it's about community livelihood. We think of fiscal health as the oxygen of a community. A local government with a robust fiscal health is able to fully function to meet the needs of its residents and businesses, while those struggling must meet the same demands but with limited capability.

Either way, RSG strives to add clarity when performing our fiscal health services. Our staff recognizes value in presenting financial data that is not only accurate but insightful to decision makers, be they investors in municipal financings, elected officials weighing the consequences in the policy choices available, or the public seeking transparency in a complex manner in which local services are funded.

Communities need to be served by their local government as this is not just a luxury, it is a right. Having worked with a variety of communities, we see those that suffer from a lack of resources strive to rise above their circumstances and find resolution. Underprivileged cities lack the financial resources required to help build and sustain communities capable of offering their residents amenities like municipal services, senior services, economic development programs and affordable housing, among other basic needs. Through our fiscal health services, we strive to pave the way for those communities and help them obtain access to the same services as communities who do not face those same struggles. Our overall goal is to help empower cities by providing them with the tools they need to help their communities thrive and have access to the resources needed to secure sustainability and quality of life.

Effective Redevelopment Dissolution

With our extensive and deep background in redevelopment, RSG is proud that we are trusted advisors to more successor agencies than any other firm in the state. In this capacity, we work as an efficient extension of staff, providing technical, management, and administrative services. This includes preparation of PPAs and ROPS, as well as staff reports, resolutions, cash flow statements, and presentation material. We often present these items to decision makers on behalf of clients, making the burdensome and often confusing process easier on a finance department. In addition to efficiency, we also offer a wide variety of expertise in working with so many agencies enabling RSG to provide insights and suggestions to meeting a successor agency's specific, and often unique, needs effectively.

Helping Secure Financing

Often as an extension of our expertise with tax increment financing and successor agencies, RSG performs fiscal consulting and continuing disclosure services for many of our clients. Since 1979, RSG has served as an independent fiscal consultant on over 235 tax allocation bonds and similar financings, representing over \$5.8 billion in debt issued or refunded.

As one of our founders Kathy Rosenow once said, "Anyone with a computer can prepare revenue projections." We are experienced in preparing tax increment revenue projections that delineate taxing agency payments, administrative costs, project funds, and bonding capacity. RSG knows the nuances and importance of each assumption and variable. That can make a big difference when it comes to sizing a bond and getting the best interest rate and reducing costs of issuance.

After bonds are issued, RSG prepares continuing disclosure reports on behalf of our clients. Given our familiarity with the underlying data sources and required components, RSG can cost effectively ensure compliance with your financial reporting requirements. RSG also acts as a Dissemination Agent, posting the Annual Report for the FY and if needed, filing a notice of significant events to the Electronic Municipal Market Access database.

Studying Fiscal Impacts

Fiscal stability is one of the key drivers for revenue and expenses available to communities. The road to achieving financial efficiency often starts with fiscal impact analysis and forecasting, be it for a city, a department or division, or a specific development project. RSG's financial projection services have been used to develop long-range fiscal studies to ensure that the General Plan build out is economically feasible, develop short-and-long range budget forecasts, and develop program strategies.

Fiscal impact analysis is used to inform communities about the implications of discretionary approvals of development proposals, provide a data-driven foundation for incentivizing investment when necessary, and empower decision makers to have a basis for community benefit negotiations, often needed more than ever to mitigate gentrification risks. Our models allow the public and private sector to collaborate on viable solutions where needed beyond the ribbon cutting.

Expanding Financial Capacity

Because not all communities enjoy the benefits of a robust economy all the time, RSG is asked to assist in finding new sources of financing for projects and entice more private investment into communities. RSG can also identify potential financing and funding sources for various projects and programs that need to be implemented. These activities include identifying and researching the feasibility of obtaining grants, creating programs and incentives for local investment, and negotiating and devising public-private partnerships.

Finally, RSG helps our clients understand today's "alphabet soup" of tax increment financing options: EIFD, CRIA, AHA, NIFTI, and others to ascertain which of these is right for your community. We prepare feasibility studies to estimate the potential capacity, costs, and benefits, while showcasing the need for critical partnerships with other taxing agencies to make these resources more bountiful. We draw upon our 4 decades of experience in tax increment financing plus expertise in the current financing tools to help you decide which of these may best fit your communities' needs.

Preparing Municipal Service Reviews and Special Studies

RSG has provided cutting-edge solutions for local government agencies, including outsourcing, shared service studies, and long-range fiscal planning. We have helped LAFCOs develop policies for island annexations and have worked with cities on crafting a viable path in delivering services to areas in their sphere of influence. We have helped cities understand how they need to restructure the services they deliver, and the manner in which they evaluate how they will take discretionary actions in the future. With our assistance, our clients have been able to instill more fiscal discipline at all levels of their organization, become more effective, and have staff engaged in identifying solutions that meet the strategic needs of their community.

Throughout various project engagements, we have both participated in and observed how MSRs have unfolded, including changes to the MSR statute and how LAFCOs have implemented MSRs in a variety of manners. In some situations, a lack of growth pressure or lack of significant changes in service levels do not warrant an extensive review and a "checklist" approach is sufficient to reaffirm an existing SOI. In other situations, a comprehensive, in-depth analysis of demographic trends, financial data, infrastructure capacity/conditions, rate structures, service extension barriers for "disadvantaged unincorporated communities," and shared service delivery alternatives is warranted to lay the groundwork for SOI updates and/or imminent changes of (re)organization. And in other situations, there may be a political

minefield and the MSR is a necessary tool that allows LAFCO to play independent facilitator and evaluator and bring parties together around common data and agreement points.

Evaluating Reorganization, Annexation or Incorporation Proposals

Occasionally, how communities deliver services goes beyond the capacity of the agencies responsible for those services today, and local government and LAFCOs engage RSG to assist in the independent review of the fiscal and operational implications of proposals to annex, incorporate or reorganize local agencies. RSG has significant experience in providing extensive analysis of the potential municipal impacts associated with annexation and reorganization. RSG first seeks to understand the merits of the primary assumptions behind the prospect. Second, RSG reviews the major cost areas that are not a revenue offset, outlining more realistic approaches to projecting these costs. We conclude the study with final suggestions obtained from conducting a preliminary review of the costs and benefits associated with annexing or reorganizing.

RSG's work products have led to many successful changes in local agency organization and withstood scrutiny of the public, decision makers, and even the State Controller.

Recent Fiscal Health Product Line Assignments

MUNICIPAL SERVICE REVIEWS

Orange LAFCO

Southwest Region MSR Update (Underway)

West Region MSR Update (Underway)

Siskiyou LAFCO

Fire Services MSR Update – in conjunction with Planwest Partners (Underway)

Riverside LAFCO

28 City MSR and SOI Update (Completed 2022)

Los Angeles LAFCO

Bell, Maywood, South El Monte, and Vernon MSRs and SOI Review (Underway)

La Mirada and Whittier MSR and SOI Update (Completed 2021)

Consolidated Fire Protection District MSR and SOI Update (Completed 2020)

Yolo LAFCO

Water Districts MSR and SOI Update (Completed 2013)

ANNEXATION STUDIES

City of Citrus Heights (Sacramento Co.)

Surrounding Areas Annexation Study (Underway)

City of Martinez (Contra Costa Co.)

Sphere of Influence Annexation Study (Completed 2021, Updated 2023)

Alhambra Valley / North Pacheco Annexation Study (Completed 2015)

City of Belmont (San Mateo Co.)

Eastern Harbor BI Annexation Strategy (Underway)

601 Harbor BI Annexation (Completed July 2023)

608 Harbor BI Annexation (Completed July 2023)

Old County Rd/Harbor BI Annexation (Completed 2021)

1304 Elmer Street Annexation (Completed 2018)

City of Huntington Beach (Orange Co.)

Bolsa Chica Annexation Study (Completed 2009, Updated 2013, Updated 2022)

City of San Carlos (San Mateo Co.)

252 Club Drive Annexation (Completed 2020)

Hyde Park Estates Annexation (Completed 2019)

Cranfield Annexation (Completed 2015)

Desert Healthcare District (Riverside Co.)

AB 2414 Annexation Fiscal Analysis (Completed 2017)

Berger Foundation / Cathedral City (Riverside Co.)

SOI Expansion and Annexation Fiscal Analysis (Completed 2013)

INCORPORATION STUDIES

San Joaquin LAFCO

Comprehensive Fiscal Analysis – Mountain House Incorporation (Underway)

Malaga County Water District / Malaga (Fresno Co.)

Initial Fiscal Analysis – Malaga Incorporation (Completed 2018)

Placer LAFCO

Comprehensive Fiscal Analysis – Olympic Valley Incorporation (Completed 2015)

San Bernardino LAFCO

Rim Communities Incorporation Feasibility Study (Completed 2015)

OTHER REORGANIZATIONAL STUDIES

City of Portola / Local Emergency Services Study Group (Plumas Co.)

Portola/East Plumas Fire Protection Reorganization (Underway, with Planwest Partners)

County of San Bernardino

CSA 79 Reorganization Fiscal Analysis (Completed 2018, Updated in 2022)

City of Nevada City (Nevada Co.)

SOI Update and Annexation Plan (Completed 2017)

OTHER FISCAL OR OPERATIONAL STUDIES

March Joint Powers Authority (Riverside Co.)

JPA Sunsetting Services (Underway)

CALAFCO

Update Map of Statewide Disadvantaged Unincorporated Communities (Completed 2022)

Riverside LAFCO

Update Map of Statewide Disadvantaged Unincorporated Communities (Completed 2021)

City of Carlsbad (San Diego Co.)

Custodial Service Level Study (Completed 2020)

Public Works Paint Shop Cost Benefits Analysis (Completed 2016)

Public Works Department Lines of Business Operational Study (Completed 2013)

Street & Signal Maintenance Division Business Plan (Completed 2011)

City of Irwindale (Los Angeles Co.)

General Fund Fiscal Plan and Sustainability Model (Completed 2018)

City of Grand Terrace (San Bernardino Co.)

General Fund Sustainability Analysis (Completed 2011)

City of South Gate (Los Angeles Co.)

Housing Division Efficiency Study (Completed 2021)

FISCAL/ECONOMIC IMPACT ANALYSIS

City of Jurupa Valley (Riverside Co.)

Rubidoux Commerce Park (Scheduled 2023 Completion) ^

Rio Vista Specific Plan (Scheduled 2023 Completion) ^

The District Specific Plan (Scheduled 2023 Completion) ^

^ Included community benefits analysis

Toll Bros Multifamily (Orange Co.)

Oceanside Multifamily Project (Scheduled 2023 Completion)

Dana Point Multifamily Project (Completed 2022)

Santa Ana 4th & Main Mixed Use Project (Completed 2019)

Orangethorpe Investment Partners (Orange Co.)

777 W. Orangethorpe Av Multifamily Project (Underway)

City of San Carlos (San Mateo Co.)

789 Old County Rd Life Sciences Project (Scheduled 2023 Completion) *^

642 Quarry Road Life Sciences Project (Scheduled 2023 Completion) *^

803-851 Old County Road Life Sciences Project (Scheduled 2023 Completion) *^

501 Industrial Hotel Project (Scheduled 2023 Completion) *^

Alexandria District Phase II Life Sciences Project (Scheduled 2023 Completion) *^

405 Industrial Life Sciences Project (Completed 2022) *^

1030 Brittan / MBC Biolabs Project (Completed 2020) *^

888 Bransten Life Sciences Project (Completed 2020) *^

655 Skyway Airport Hangar/Office Project (Completed 2020) *^

1091 Industrial Hotel Project (Completed 2017)

Trestle / Transit Village Mixed Use Project (Completed 2018) ^

Marriott Residence Inn / Landmark Hotel Project (Completed 2016) *^

Alexandria District Phase I / Windy Hill (Completed 2015) *^

* Included feasibility analysis

^ Included community benefits analysis

Vineyards Development / Santa Ana (Orange Co.)

Newpark Plaza (Newark, CA) Development Fiscal Impact Analysis (Completed 2022)

Bowery (Santa Ana) Multifamily Project (Completed 2020)

2525 Main Multifamily (Santa Ana) Project (Completed 2019)

Dyer Road / Heritage (Santa Ana) Multifamily Project (Completed 2015)

The Concord Group

El Segundo Residential Development Fiscal Analysis (Completed 2023)

Santa Monica Bl (Beverly Hills) Office Project Fiscal Impact Analysis (Completed 2021)

J Street (Sacramento) Mixed Use Project Fiscal Impact Analysis (Completed 2021)

Medical Main Street (Lancaster) Mixed Use Master Plan (Completed 2021)

4th & Cabrillo (Santa Ana) Mixed Use Project (Completed 2020)

4th & Mortimer (Santa Ana) Mixed Use Project (Completed 2020)

Town Madison (Madison, AL) Interchange (Completed 2020)

651 Sunflower / Legacy (Santa Ana) Multifamily Project (Completed 2019)

The Gulch / Atlanta Mixed Use Project (Completed 2017)

Ridgeline (San Bernardino) Retail Project (Completed 2015)

Basking Ridge Development (Basking Ridge NJ) (Completed 2015)

East Hartford (CN) Outlet Mall (Completed 2015)

City of Los Angeles, Office of Chief Legislative Analyst

Venice Hope Mixed Use Project (Completed 2020) *

AECOM Capital Hotel Project (Completed 2019) *

Grand Avenue Los Angeles Mixed Use Project (Completed 2016) *

Westfield Village at Topanga (Completed 2012) *

* Included feasibility analysis

City of Belmont (San Mateo Co.)

Artisan Crossing Mixed Use Project (Completed 2018)

STAFFING PLAN

The staff at RSG strives to be trusted advisors to our clients, providing them with essential data and guidance. At the root of our services is the innate desire of our staff members to seek answers, and in every engagement, our clients' questions become our own. What should we do? How do we get there? What is best for our community? Our staff's problem-solving skills are products of training and experience, but it is also our tenacious desire to unearth practical solutions that pervades our corporate conscience.

RSG dedicates a Principal to each project assignment and creates a core group of project managers and staff who work on the individual assignments on a consistent basis throughout all stages of the contract engagement. Our staff is focused, committed, and passionate about the work we do. We conduct our engagements around our Core Values and are proud of it. We pride ourselves on our ability to appropriately allocate our time and resources to ensure that a project is completed on time and within budget.

Jim Simon, Principal, would lead the team for this engagement and is the main point of contact. Mr. Simon would be assisted by Monroe Roush, Senior Analyst, who would serve as Project Manager on this engagement. Additional RSG staff will be assigned support roles as needed. Resumes of consulting staff assigned to this engagement are on the following pages.

Project and Team Management Practices

RSG manages staff allocation weekly to ensure that clients experience consistent, timely, and high-quality services. When responding to a proposal, RSG considers the expertise needed as well as the availability of personnel and makes assignments at that stage—even before getting a contract. This early commitment of resources minimizes the personnel turnover on engagements, so clients have a consistent team of consultants working on their project.

Each month, employees submit a forecast of their three-month (3) workload (after collaborating with project managers and principals) to RSG's resource management team for a review of overall hourly commitments to ensure adequate time allocation for the highest quality work products.

Project management is a critical part to RSG's operations, and we use several tools that all consulting staff employ as part of their daily activities. RSG employs WorkFlowMax, a project and time management application, daily to manage and track hours and milestones on assignments. On a weekly basis, all RSG team members provide updates on each project assignment in Microsoft Teams, and the Principals conduct weekly one-on-one meetings with each of our staff to review all assignments, actual hours, projected hours, and deliverables to ensure jobs are completed on time, within budget, and at our quality standards.



JIM SIMON

Principal & President

714.316.2120
jsimon@webrsg.com

PROFILE

"With determination and imagination, I serve myself and others to discover our capacity for what is possible by designing solutions for a complex world so we can cherish and nurture our communities."

OUT & ABOUT

CALED 40 at 40 Honoree for contributions to California Economic Development

Co-Chair, CALED EDFRE Technical Committee

Member, CALED Legislative Committee

"Business Retention and Attraction" – Advanced Certification Program Instructor (CALED)

"Community Economic Development" – Keys Program

Housing California

Non-Profit Housing Association of Northern California (NPH)

Southern California Association of Non-Profit Housing (SCANPH)

California Association of Local Housing Finance Agencies (Cal-ALHFA)

San Diego Housing Federation (SDHF)

California Association of Local Agency Formation Commissions (CALAFCO)

ABOUT JIM

Inspired to improve the Golden State in his work, Jim delivers intelligence, innovation, and passion to projects requiring his unparalleled expertise in fiscal health, real estate, and economic development. For over 30 years, Jim is proud to have led projects that have resulted in the investment of over \$10 billion in private and public capital, transforming cities and communities across California. As President of RSG, Jim is helping to shape the next generation of the firm's legacy - leading RSG's team of inspired, creative, and insightful consultants that serve over 100 communities each year.

EDUCATION

Jim joined RSG in 1991 and has served as a Principal and shareholder since 2001. He received a BA in Business Administration with a concentration in entrepreneurial management from California State University, Fullerton. In 2014, Jim was selected as an Advisory Board member of the California Association for Local Economic Development, where he serves as Co-Chair of CALED's Economic Development, Real Estate and Finance technical committee. Jim is also an Advisory member of the Legislative Committee for the California Association of LAFCOs (CALAFCO), and active in other professional organizations including NAIOP, ICSC, NPH, and SCANPH.

RECENT ENGAGEMENTS

Led the preparation of a MSR for the 28 cities in Riverside County, provided MSR and SOI updates for 13 cities and 12 special districts for Orange County LAFCO, and provided MSR and SOI updates for 4 cities for LA LAFCO.

Prepared fiscal impact analysis for several annexations proposals within city SOIs, including Martinez, San Carlos, Huntington Beach, and Belmont.

Served as engagement manager for the most recent incorporation comprehensive fiscal analysis (Olympic Valley, Placer County) in which RSG's work withstood substantial public scrutiny, including DOF review.

Prepared the 2020 Municipal Services Review and SOI Update for the Consolidated Fire Protection District of Los Angeles County, the largest special district in California, for LA LAFCO.

Completed an Economic Impact Analysis report for the Big Bear Airport analyzing the Airport's impact on businesses in and around Big Bear.





MONROE ROUSH

Senior Analyst

714.316.2195
mroush@webrsg.com

PROFILE

"I care deeply about supporting local governments in their work to build more equitable societies. Through the use of data analysis and research, I hope to provide communities with the resources they need to reach their full potential."

OUT & ABOUT

Housing California

Non-Profit Housing
Association of Northern
California (NPH)

Southern California
Association of Non-Profit
Housing (SCANPH)

California Association of Local
Housing Finance Agencies
(Cal-ALHFA)

San Diego Housing Federation
(SDHF)

California Association of Local
Agency Formation
Commissions (CALAFCO)

ABOUT MONROE

Originally from Denver, Colorado, Monroe has both a personal and academic background in sustainability. Her experiences in Denver and Orange County have magnified the importance of local government and motivate her to focus on equity at the community level.

During her time studying environmental science at Chapman University, Monroe conducted research about science communication and the ways the general public interacts with science. She also worked with the City of Costa Mesa for her thesis project to help develop considerations for creating an urban forestry plan in order to mitigate climate impacts.

EDUCATION

Monroe joined RSG in 2021. She holds a BS in Environmental Science and Policy with a minor in Political Science from Chapman University in Orange, California.

RECENT ENGAGEMENTS

Assisting LA LAFCO with MSR and SOI updates for Bell, Maywood, South El Monte, and Vernon.

Analyzed clients' financial statements and budgets in order to provide a fiscal impact analysis of reorganization for the San Bernardino LAFCO.

Used ArcGIS Pro to identify oil extraction sites in the City of Huntington Beach in order to determine potential oil revenues for the City in the event of annexation.

Analyzed tax roll data and collaborated with a variety of agencies to determine the potential impacts, both financial and governmental, of annexation in the City of Huntington Beach.

Collected information from City budgets and financial statements and tax roll data in order to understand and support City service providers.

Used ArcGIS Pro to identify available vacant land for development in the City of Montclair, and to help create an effective fee structure for inclusionary housing.

Reviewed clients' financial statements as related to their affordable housing projects to help ensure they comply with state and federal law.



SUBCONSULTANTS

RSG will not be subcontracting any portion of this work.

WORK EXPERIENCES AND REFERENCES

The projects below demonstrate RSG's recent experience comparable to the services requested in this RFP. We encourage you to contact our references or follow up with additional questions.

FOUR CITIES MUNICIPAL SERVICES REVIEW – LA LAFCO

RSG was retained in 2022 by the Local Agency Formation Commission for the County of Los Angeles to provide Municipal Service Review and Sphere of Influence updates for the cities of Bell, Maywood, South El Monte, and Vernon. Our work has also included interviewing the four cities to understand service challenges and opportunities, and analyzing budget and audit data to make determinations about fiscal health. RSG is currently in the process of preparing the MSR for Commission review.

CONTACT: Paul Novak, Executive Officer
(626) 204-6500 / pnovak@lalafco.org

A copy of a completed analysis for the city of South El Monte is included as an Appendix, as requested in the Proposal Requirements section of the RFP

WEST AND SOUTHWEST REGION MUNICIPAL SERVICES REVIEWS – ORANGE COUNTY LAFCO

RSG was retained in 2022 by the Local Agency Formation Commission for the County of Orange to provide Municipal Service Review and Sphere of Influence updates for thirteen cities and twelve special districts in the west and southwest portions of the County. The MSR is designed to meet the requirements of the law for LAFCO to conduct periodic MSR and SOI updates. RSG is currently in the process of preparing the MSR for Commission review.

CONTACT: Carolyn Emery, Executive Officer
(714) 640-5100 / cemery@oclafco.org

28 CITIES MUNICIPAL SERVICES REVIEW – RIVERSIDE LAFCO

RSG drafted the municipal services review for the 28 cities in Riverside County, including updating the maps of disadvantaged unincorporated communities using updated Census data released in December 2020. Our work entailed collection and analysis of budget, audit, and operational data, including developing agency profiles by function and service provider/model. The MSR addressed both the basic requirements under state law and also considered various policy focus areas such as several metrics on overall fiscal condition. RSG interviewed the 28 cities and drafted the Administrative Draft MSR which was provided to LAFCO staff for internal review, and RSG completed the public review draft for Commission consideration in 2022.

As part of the MSR, RSG also completed a countywide analysis of the most recent American Community Survey (ACS) 2015-19 data from the Census and developed new maps for LAFCO's 78 disadvantaged unincorporated communities. The analysis included use of current registered voter data, residential values, land use data, as well as Census data using a methodology developed jointly with LAFCO, analyzed in a test area, then implemented countywide.

CONTACT: Crystal Craig, Assistant EO
(951) 369-0631 / ccraig@lafco.org

SCOPE OF SERVICES

TASK 1: PROJECT INITIATION – KICKOFF MEETING, PRELIMINARY RESEARCH, GIS MAP PREPARATION, SURVEY INSTRUMENT CREATION AND STAKEHOLDER OUTREACH

Prior to the kickoff meeting, RSG will review previous MSR determinations and SOI recommendations for the City of Santa Rosa. During the kickoff meeting, RSG and LAFCO staff will review previous MSR determinations and SOI recommendations, including consolidation options, for status updates and a progress report since the previous MSR. This content would also be reviewed with the agency during the interview process.

RSG conducted a preliminary appraisal of previous MSR determinations and SOI recommendations for the City of Santa Rosa and identified the following discussion topics for the kickoff meeting:

- Growth and development in the City had been constrained by the habitat location of the California Tiger Salamander, which potentially limited the City's ability to develop land designated for urban development in its General Plan.
- Unincorporated islands within the City presented several challenges, including fragmented development and discontinuity of infrastructure and services. In some unincorporated areas, there was opposition to annexation by the residents.
- The 2006 MSR indicated that the water entitlement for the City was not sufficient to meet projected demand, and that the City was exploring alternative ways of increasing its water allotment.
- Funding was not sufficient as of the 2006 MSR for the City to fully maintain its streets and transportation infrastructure. The funding deficiencies led to a significant maintenance backlog.
- The Fire Department struggled to maintain a high level of service as of 2006 due to insufficient funding and aging equipment and facilities. The City passed a sales tax in 2004 to assist with the funding shortfalls.

RSG will coordinate a kickoff meeting with LAFCO staff following contract commencement. The kickoff meeting is the opportunity to review and discuss the scope of work, define project objectives and possible outcomes, discuss the scope of the survey instrument, assign roles and responsibilities, define communication frequency and platform, exchange contact information for data collection (such as GIS data providers), and discuss the project schedule. Additional items for discussion during the kickoff meeting include the draft introductory letter and draft survey instrument.

RSG will request GIS files from LAFCO staff or the appropriate County department and compile GIS layers into a mapping tool that will be used during the interview stage to understand and discuss potential consolidation concepts, SOI amendments, or physical and geographic constraints to future consolidations and SOI amendments.

RSG will work with LAFCO staff to develop a survey instrument, which would be distributed to the agency prior to the interview process to introduce it to interview topics and guide the interview towards a meaningful discussion around shared services and consolidation, among other topics. RSG anticipates that the survey instrument would include a template of common questions that would be discussed with the agency, augmented by specific questions as identified during the initial data collection process and in response to prior MSR determinations and SOI recommendations. The survey instrument would be accompanied by an introductory letter, signed by LAFCO staff, that would serve to introduce the agency to the

MSR process. LAFCO staff may also wish to distribute an introductory letter directly to the agency.

TASK 2: DATA COLLECTION – RESEARCH, SURVEY DISTRIBUTION, INTERVIEWS, DATA ANALYSIS, PRELIMINARY FINDINGS

At an early stage, RSG will begin collection of GIS, demographic, fiscal, and economic data in order to better understand the agency prior to the interview. RSG would augment the County's GIS data with County auditor controller reports, assessment data, DOF demographic data, and the SCO's most recently available fiscal transactions report data, and other public available information. Agency budgets and audits will be collected, where available. RSG will compile all data in a digital library, prepare a data profile for the agency, and use summarized data to augment and individualize the survey instrument.

RSG will review, interpret, and analyze relevant data sources to develop an understanding of the agency. If available, engineering reports and financial data will be reviewed for significant findings and discussed with agency staff during the interview process.

RSG will rely on LAFCO's disadvantaged unincorporated communities and island/pocket designations for mapping purposes.

For the purposes of the MSR, RSG will rely on LAFCO's disadvantaged unincorporated communities and island/pocket designations for mapping purposes. This proposal does not include any budget for identification of DUCs aside from the purposes required by Section 56430(a)(3).

To provide an efficient means for collecting information and agency input in the MSR, RSG would prepare a survey instrument to be distributed electronically prior to a virtual interview session of the agency's management team. The purpose of this research is to understand needs, opportunities, and concerns regarding shared service or consolidation from the agency's perspective. We will also share and review with the agency findings from prior MSR determinations and recommendations, preliminary data collection, mapping, and analysis. Finally, RSG will discuss with the agency their thoughts on the current sphere of influence and any interest or impediments around annexation either within or outside the current SOI.

RSG would distribute the introductory letter along with the survey instrument to the agency and contact the agency directly to schedule Zoom interviews with management. The interview is expected to take one hour and would likely conclude the majority of RSG's interaction with the agency until the MSR is distributed for public review. Of course, if the interview identifies items that require additional information, RSG would reach out directly to the agency.

Based on RSG's data collection and analysis, and the interview and response to the survey instrument, RSG would compile preliminary findings. The preliminary findings, which generally follow the format of MSR determinations and SOI recommendations, would be distributed to LAFCO staff for review while the administrative draft MSR preparation is underway. RSG would look to LAFCO staff for comments and clarification on any outstanding items identified in the preliminary findings.

TASK 3: ADMINISTRATIVE DRAFT MSR – DRAFT MSR, CLIENT REVIEW, REVISIONS/REDLINE RESPONSE

Building on RSG’s data compilation and analysis, and the anecdotal information collected during the interview stage, RSG would develop a detailed agency profile, which will represent the body of the MSR. The profile would include, at a minimum, the following:

- Agency data summaries, including population, demographic, and land use summaries, as well as staffing and governance summaries,
- Summary and discussion of services provided, including any extraterritorial services provided,
- General financial information, including historical revenues and expenditures, reserve fund balances and policies, and pension and other post-employment benefit obligations,
- Discussion about the agency’s existing boundary, any recent changes, locations of disadvantaged unincorporated communities and islands/pockets, if any, and potential consolidation/reformation opportunities, and sphere of influence amendments,
- A discussion about recent and planned major capital improvements, including relevant findings identified in any engineering reports, and
- The profile would also include MSR determinations and SOI recommendations designed to meet the requisite legal requirements under CKH.

RSG would deliver the administrative draft MSR to the client electronically in both PDF and DOCX format shared via OneDrive to LAFCO staff for review and comment. Following LAFCO staff review, RSG would coordinate a virtual meeting to review and discuss LAFCO staff’s comments. RSG would revise the draft MSR by incorporating comments and corrections based on staff comments. The revised administrative draft MSR would then be known as the public review draft MSR.

TASK 4: PUBLIC REVIEW AND PUBLIC HEARING DRAFT MSR – REVISIONS/REDLINE RESPONSE

RSG will distribute the public review draft MSR to the agency and any other interested parties for review and comment. RSG will work with LAFCO staff to determine an appropriate review time period. RSG will review draft MSR comments and work with LAFCO staff, where appropriate, to obtain input in addressing the public review draft MSR comments.

The revised public review draft MSR, reflecting any changes received during the public review period, would then be known as the public hearing draft MSR. RSG anticipates that the public hearing draft MSR would be posted for public review ahead of the Commission public hearing. RSG would work with LAFCO staff to review and prepare to address any comments received prior to the Commission public hearing.

RSG would coordinate with LAFCO staff to prepare a public hearing slide deck, to be provided to LAFCO staff prior to the Commission public hearing (PPT and PDF format shared via OneDrive). RSG and LAFCO staff would also work together to coordinate speaking roles and assignments during the public hearing.

TASK 5: FINAL DRAFT MSR AND COMMISSION MEETING – REVISIONS/REDLINE RESPONSE

RSG will review and compile any comments and revisions received prior to and during the public hearing, and any final comments or corrections by LAFCO staff or the Commission. The

revised public hearing draft MSR would then be known as the Final Draft MSR. RSG will provide an electronic PDF copy via OneDrive of the Final Draft MSR to LAFCO staff.

RSG would attend a second public hearing for final draft MSR approval, if necessary.

PROJECT SCHEDULE

Below, RSG has prepared a tentative schedule for completion of the scope of work. If awarded the contract, RSG would update the schedule in consultation with LAFCO and discuss this at the kickoff meeting. The timeline presented below assumes expeditious contract approval and execution by August 2, 2023.

Task	Timeline
Contract Approval / Contract Execution	August 2, 2023
Task 1: Project Initiation	Late August 2023
Task 2: Data Collection	August - November 2023
Task 3: Administrative Draft MSR	September - November 2023
Task 4: Public Review and Public Hearing Draft MSR	December - January 2023
Task 5: Final Draft MSR	February 2023

PROJECT COST

RSG proposes a total budget not to exceed \$25,925 for this single-agency MSR. Additionally, should the Commission opt to make changes to the MSR as presented at the public hearing, RSG has included an optional budget of up to \$3,125 for revisions and attendance at that meeting.

	Tasks 1-4	Task 1-5 (w/ Optional)
TOTAL	\$ 25,925	\$ 29,050

BILLING RATES & FEE SCHEDULE

The assignment would be billed on a time-and-materials basis in accordance with our billing rates and policies set forth below:

Principal / Director	\$ 275
Senior Associate	\$ 200
Associate	\$ 185
Senior Analyst	\$ 150
Analyst	\$ 135
Research Assistant	\$ 125
Technician	\$ 100
Clerical	\$ 60

RSG does not charge clients for travel or mileage (except direct costs related to field work/surveys), parking, standard telephone/fax expenses, general postage, or incidental copies. However, we do charge for messenger services, overnight shipping/express mail costs and teleconferencing services. We also charge for copies of reports, documents, notices, and support material more than five (5) copies. These costs are charged back at the actual expense plus a 10% surcharge.

RSG issues monthly invoices payable upon receipt, unless otherwise agreed upon in advance. Invoices identify tasks completed to date, hours expended and the hourly rate.

APPENDIX – CITY OF SOUTH EL MONTE MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR LA LAFCO

Local Agency Formation Commission for the County
of Los Angeles
80 S Lake Ave #870
Pasadena, CA 91101

Municipal Service Review and Sphere of Influence Update

City of South El Monte

July 5, 2023



TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
Summary of SOI Recommendations.....	1
Summary of MSR Determinations.....	2
BACKGROUND.....	3
Legal Requirements and Purpose.....	3
LAFCO Responsibilities	3
Sphere of Influence	3
Disadvantaged Unincorporated Communities.....	5
Sphere of Influence Updates and LAFCO Policy	5
Municipal Service Review (MSR) Requirements.....	6
Previous MSR Determinations	7
Purpose of this MSR and Scope of Work.....	8
Methodology.....	8
SERVICE REVIEW – CITY OF SOUTH EL MONTE	11
Form of Government and Staffing.....	14
Current Sphere of Influence	15
Extraterritorial Services	16
Services Provided	16
Fiscal Health.....	25
Annual Audit Findings	25
Operating Revenues	26
Operating Expenditures	30
Performance Standards	31
Reserve Fund Balance.....	31
Pension and OPEB Obligations	32
California State Auditor Fiscal Health Evaluation.....	33
SOI RECOMMENDATIONS.....	35
MSR DETERMINATIONS.....	37
APPENDICES	39
Appendix 1: City of South El Monte Organizational Chart.....	39
Appendix 2: South El Monte Sphere of Influence	40

TABLE OF FIGURES

Figure 1: Demographic Profile – South El Monte	12
Figure 2: Land Use Summary – South El Monte	13
Figure 3: South El Monte Service Provider Matrix.....	17
Figure 4: City of South El Monte Operating Revenue – 2020-21	27
Figure 5: South El Monte Historical Revenues	27
Figure 6: South El Monte General Tax Revenues as Compared to All California Cities	28
Figure 7: City of South El Monte Operating Expenditure History.....	30
Figure 8: South El Monte Department Expenditures	31
Figure 9: South El Monte Pension and OPEB Liabilities	32
Figure 10: South El Monte Pension Indicators	33

LIST OF ABBREVIATIONS USED

ACFR	Annual Comprehensive Financial Report
CalPERS	California Public Employees' Retirement System
CFPD	Consolidated Fire Protection District
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
DAC	Disadvantaged Community
DUC	Disadvantaged Unincorporated Community
FY	Fiscal Year
ISO	Insurance Service Office
JPA	Joint Powers Authority
LAFCO	Local Agency Formation Commission
LMIHF	Low- and Moderate-Income Housing Fund
MSR	Municipal Service Review
OPEB	Other Post-Employment Benefits
SCAG	Southern California Association of Governments
SEAACA	Southeast Area Animal Control Authority
SOI	Sphere of Influence

EXECUTIVE SUMMARY

The Local Agency Formation Commission (“LAFCO” or “Commission”) for the County of Los Angeles is preparing this Municipal Service Review (“MSR”) and Sphere of Influence (“SOI”) update for the City of South El Monte (“City”). LAFCO acts as the county-wide oversight agency that coordinates logical and timely changes to local government boundaries.

The last service review of the City of South El Monte adopted by LAFCO on November 30, 2004, as part of the West San Gabriel Valley Municipal Services Review, prepared by Burr Consulting, herein referred to as the “2004 MSR”. The 2004 MSR examined forty-three (43) local agencies, including twenty-five (25) cities (including South El Monte) and eighteen (18) special districts in the West San Gabriel Valle region of Los Angeles County (bound by La Cañada-Flintridge, South Pasadena, and Monterey Park on the west; Montebello and South El Monte on the southeast; and Duarte and Monrovia on the Northeast). Subsequently, the City has experienced several changes but has not seen any changes in its jurisdictional boundaries nor its SOI since that time.

This MSR reviews the City’s corresponding services within the requirements of State law and LAFCO policies, including its corresponding SOIs.

SUMMARY OF SOI RECOMMENDATIONS

- South El Monte’s growth potential is impacted due to existing buildout at capacity within the city limits. Growth is limited to redeveloping existing properties, such as the redevelopment of the Starlight Theater Property for housing.
- Public facilities and services are sufficient to accommodate growth over the next decade. The City is currently working on improvements to thoroughfares within its boundaries.
- South El Monte’s SOI is larger than its jurisdictional boundary.

RSG recommends South El Monte’s SOI be reconfirmed to the current boundaries pursuant to LAFCO’s SOI Policy as described beginning on page 5.

SUMMARY OF MSR DETERMINATIONS

- South El Monte’s population and economic growth is impacted due to existing buildout at capacity and geography.
- South El Monte’s SOI contains two disadvantaged unincorporated communities. The City does not provide services to any of the unincorporated areas of its SOI.
- South El Monte’s public facilities and services are generally sufficient to meet community needs and expected growth.
- The State Auditor gave South El Monte a fiscal health risk of “low” for Fiscal Year (“FY”) 2020-21. RSG did not identify challenges with their financial ability to provide services.
- The City is collaborating with nearby jurisdictions to address concerns about homelessness, including raising funding from State and Federal sources to build a shelter.
- The City employs best practices to provide transparency and accountability in order to meet the municipal service needs of the public it serves.

BACKGROUND

LEGAL REQUIREMENTS AND PURPOSE

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56430 et. seq., (“CKH”) requires LAFCOs to prepare periodic reviews of services provided by most local agencies and provides discretion on the manner in which a commission undertakes these reviews. The reviews are instrumental in making determinations on jurisdictional and SOI boundaries, as well as informing commissions, affected agencies, and the general public of opportunities for improving service delivery.

LAFCO RESPONSIBILITIES

CKH directs LAFCOs in California to discourage urban sprawl, encourage the orderly formation and development of cities and special districts, and preserve agricultural land. LAFCOs act as the county-wide oversight agency that is responsible for considering logical and timely changes in local governmental boundaries, including annexations and detachments of territory, incorporations of cities, formations of special districts, and consolidations, mergers, and dissolutions of districts. In this manner, LAFCOs play an important role in assuring the thoughtful, appropriate, and efficient reorganization, simplification, and streamlining of quality local governmental services.

As part of these objectives, LAFCOs establish and periodically review spheres of influence for local agencies through a process known as an MSR and SOI update.

SPHERE OF INFLUENCE

Since 1972, LAFCOs in California have been responsible for determining and overseeing the sphere of influence for local government agencies. An SOI is defined as “a plan for probable physical boundaries and service area of a local agency, as determined by the Commission.” Consistent with Commission SOI policies, an SOI can be a) coterminous to agency boundaries

as the ultimate foreseen configuration of the agency in anticipation of no future growth, b) extended beyond the agency boundaries in anticipation of future growth, c) be smaller, indicating the need to detach areas from the agency boundaries or d) be designated a “zero sphere”, which indicates a potential dissolution of the agency. In order to amend the sphere of influence boundaries, formal approval from the Commission is required. Factors considered in an SOI include current and future land use, capacity needs, and any relevant areas of interest such as geographical terrain, location, and any other aspects that would influence the level of service.

Per Government Code Section 56425, an SOI shall consider and prepare a written statement of its determinations of the following factors:

1. Present and planned land use in the area, including agricultural and open space lands.
2. Present and probable need for public facilities and services in the area.
3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. Existence of any social or economic communities of interest in the area.
5. Present and future need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The purpose of an SOI is to ensure efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands by preventing overlapping jurisdictions and duplicating services. On a regional level, LAFCOs consider the orderly development of a community by reconciling differences between different agency plans. This is intended to ensure the most efficient urban service arrangements are created for the benefit of area residents and property owners.

DISADVANTAGED UNINCORPORATED COMMUNITIES

As part of the MSR, RSG considered the impact of the SOI related to Disadvantaged Unincorporated Communities. A Disadvantaged Unincorporated Community (“DUC”) is defined by Government Code Section 56033.5 as an area of inhabited territory located within an unincorporated area of a county within a “disadvantaged community.” A disadvantaged community is defined in Water Code Section 79505.5(a) as a community with an annual median household income which is less than 80 percent of the statewide median household income. Government Code Section 56046 defines “inhabited” as a territory within which there are 12 or more registered voters.

LAFCO designated the DUCs in the County using 2016-2020 American Community Survey Census data, meaning any unincorporated area wherein the median household income is less than \$62,939.

SPHERE OF INFLUENCE UPDATES AND LAFCO POLICY

From time-to-time, an SOI may be modified as determined by LAFCO; the procedures for making sphere amendments are outlined in CKH, and in some cases, further refined by a Commission’s own guidelines. Pursuant to Government Code Section 56430, a commission must first conduct a municipal services review prior to updating or amending a SOI.

The Commission adopted a “Sphere of Influence Policy” on November 13, 2019, which provides a framework for SOI updates considered after an MSR is completed. The policy defines three types of SOIs for cities and special districts:

- Coterminous Sphere of Influence: A SOI for a city or special district that includes the same physical territory as the jurisdictional boundaries of that city or special district. LAFCO adopts a Coterminous SOI if there is no anticipated need for services outside the jurisdictional boundaries of a city or special district, or if there is insufficient information to support the inclusion of additional territory within the sphere.

- Larger than Sphere of Influence: A SOI for a city or special district which includes territory that is larger than the jurisdictional boundary of the subject city or special district. LAFCO adopts a Larger than SOI if there is an expectation of future growth of the agency's physical boundaries and associated service area.
- Zero Sphere of Influence: A SOI for a city or special district that includes no territory. LAFCO adopts a Zero SOI if the functions, services assets, and liabilities of that city or special district should ultimately be re-assigned to another public agency or service provider.

RSG analyzes the spheres in the SOI Recommendations section of this MSR.

MUNICIPAL SERVICE REVIEW (MSR) REQUIREMENTS

Section 56425(g) of CKH requires that LAFCOs evaluate a given SOI every five years, as necessary; the vehicle for doing this is known as a Municipal Service Review ("MSR"). Prior to or in conjunction with SOI reviews, an MSR must be prepared pursuant to Government Code Section 56430. MSRs are conducted to assist in the SOI review process by providing information regarding the ability of agencies to provide public services. Pursuant to Government Code Section 56430, MSRs are to make determinations considering the seven required topics based on CKH. These seven areas include:

1. Growth and population projections for the affected area.
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence(s).
3. Present and planned capacity of public facilities and adequacy of public services, infrastructure needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.

5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including government structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCO Policy.

The focus of an MSR is to describe how public services are being carried out and to determine if the residents of the community are receiving the highest level of service possible, while also discouraging urban sprawl and the premature conversion of agricultural lands. If an MSR determines that certain services are not being carried out to an adequate standard, LAFCO can recommend changes such as sphere changes, as well as consolidation or dissolution of service providers to provide the best service possible to the population.

PREVIOUS MSR DETERMINATIONS

The 2004 MSR made several findings with respect to the City, including recommending that the City expand its SOI. For context, these findings are identified below:

- The 2004 MSR indicated that many parts of the MSR area, including South El Monte, faced infrastructure adequacy challenges including solid waste disposal facilities, stormwater drains, and street quality.
- The 2004 MSR noted that General Fund revenues per capita were less than half of the countywide average of \$552 per capita.
- The Commission expanded the City's SOI to include the South El Monte US Army Reserve Base Site located adjacent to the City.

PURPOSE OF THIS MSR AND SCOPE OF WORK

MSRs are conducted to assist in the SOI review process by providing information regarding the ability of agencies to provide public services. This Municipal Service Review will review the services provided by the City of South El Monte and, to a lesser extent, services provided within the City of South El Monte by other agencies.

METHODOLOGY

RSG worked with LAFCO staff throughout this MSR. Key tasks and activities in completing this MSR include data collection, interviews with City staff, City profile development, determination analysis, public review of MSR, and the adoption of the final MSR.

Data Collection

To fully understand key factors and current issues involving the City, RSG conducted an initial working session with LAFCO staff to determine the project scope and formalize overall MSR objectives, schedules, policy and fiscal criteria, service standards, and roles and responsibilities. The MSR began with a complete and thorough review of available data and documents including adopted budgets, comprehensive financial reports, capital improvement plans, strategic plans, and the General Plan. These documents were assessed to develop a comprehensive overview of the City. In addition, various reports and documents were utilized from the Southern California Association of Governments (“SCAG”), the California Department of Finance, the California Department of Tax and Fee Administration, the California State Auditor, the Census Bureau, LAFCO, CoStar (a commercial real estate database), and ESRI Business Analyst.

Interviews

In coordination with LAFCO, during the month of November 2022 RSG met with the executive leadership of South El Monte. This interview allowed RSG to gain insight on the current operations and any unique challenges of the City.

The content of this interview included the following topics:

- Financing constraints and opportunities;
- Growth and population projections;
- Infrastructure needs or deficiencies;
- Cost avoidance opportunities;
- Opportunities for rate restructuring regarding services provided;
- Opportunities for shared facilities with other cities or agencies;
- Government structure options, including advantages or disadvantages of consolidation or reorganization of service providers;
- Evaluation of management efficiencies; and
- Local accountability and governance, specifically the structures in place to support public engagement and participation.

Agency Profiles

Following data collection and interviews, RSG developed a City profile based on the criteria noted previously and required for the completion of the MSR per CKH. The profile includes key characteristics such as services offered, staffing levels, population and growth, service providers, infrastructure, financial condition, and boundary areas and maps. Department profiles can be found in the following sections.

Annual Budget Data

RSG utilized the City’s annual budgets for fiscal years (“FYs”) 2018-19 through 2022-23 to analyze historical operating revenues and expenditures for South El Monte. RSG analyzed the data to make determinations regarding the City’s fiscal health, including tax revenue and expenditure trends. The dataset provides current expenditures by department (general government, public safety, community development, transportation, etc.), and operating

expenditures (salaries and wages, retirement benefits, materials and supplies, contract services, debt service, and capital outlay). The data also includes reports on general revenues, tax revenues, fees for services, special benefit assessments, and intergovernmental revenues.

SERVICE REVIEW – CITY OF SOUTH EL MONTE

South El Monte is located in the First Supervisorial District of Los Angeles County (“County”). It is on the southern end of San Gabriel Valley, west of Interstate 605 between Interstate 10 and State Route 60, and north of the Whittier Narrows Recreation Area. South El Monte shares borders with the City of El Monte to the north and east and the City of Rosemead to the west. It also shares large portions of its eastern and southern borders with the unincorporated area that makes up the Whittier Narrows Recreation Area, and the San Gabriel River to the southeast. South El Monte is home to 19,793 residents, 2,311 business, and a workforce of 14,512 employees¹. South El Monte is a general law City and maintains a contract service model.

The City was incorporated on July 30, 1958. At present, South El Monte spans an area of approximately 2.85 square miles and includes four noncontiguous unincorporated SOI areas (of which two are LAFCO-designated DUCs) totaling another 0.4 square miles. South El Monte’s current 3.2 square mile SOI was initially established in 1975, and expanded in 1984, 1986, and 2004. The unincorporated SOI areas are described below:

- The first unincorporated SOI area and DUC is in the northern part of the City, north of East Garvey Avenue and to the east of North Chico Avenue.
- The second unincorporated SOI area and DUC is in the southeastern part of the City between the San Gabriel River and Peck Road.
- The third unincorporated SOI area is south of the San Gabriel River and borders the City of Industry to the south.
- The final unincorporated SOI area is in the southwest portion of the City, and borders with the Whittier Narrows Recreation Area to the south. This area is the site of the South El Monte US Army Reserve Base.

¹ Source: Esri Business Analyst

Figure 1 presents a demographic and land use profile of South El Monte, its unincorporated SOI, and the overall County.

Figure 1: Demographic Profile – South El Monte

	South El Monte	SOI	LA County
Population as of 2010	20,188	2,689	9,822,121
Population as of 2020	19,793	2,683	9,861,224
Annual Pop. Growth Since 2010	-0.16%	-0.02%	0.40%
Total Housing Units	5,169	630	3,635,136
Persons/Housing Unit	3.83	4.26	2.71
Land Area (Sq Miles)	2.8	0.4	4,059.28
Persons/Square Mile	7,069	6,708	2,429
Median Household Income	\$54,208		\$71,358
Projected Population in 2035	22,000		10,331,803
Annual Proj. Growth 2020-2035	0.82%		0.36%
Projected Population in 2045	22,600		10,193,978
Annual Proj. Growth 2020-2045	1.03%		0.26%

Sources: Esri Business Analyst, Department of Finance, US Census, Southern California Association of Governments

Between 2010 and 2020 South El Monte experienced a population decrease of less than one percent.² According to SCAG’s 2016-200 Growth Forecast, the population is expected to grow over the next 15 to 20 years at approximately one percent annually.³

The State of California and the County have seen an overall decrease in population brought about by a variety of factors including an aging population, declining birth rates, impacts of COVID-19, and an increase in domestic migration to other areas. According to City staff, the decreasing population in South El Monte throughout the last ten years is attributed to the high cost of living in the City.

² Source: ESRI Business Analyst

³ Source: Southern California Association of Governments 2016-2010 RTP/SCS Final Growth Forecast by Jurisdiction

The median household income in the City is \$54,208, which qualifies the City as a Disadvantaged Community (“DAC”). A DAC is a community with an annual median household income less than 80% of the statewide median household income (\$62,938).⁴

The largely urbanized City of South El Monte consists mostly of residential and industrial areas. There are several large public facilities in the southern part of the South El Monte, including New Temple Park and Shiveley Park. The majority of the western part of the City and the central corridor are zoned for industrial uses.⁵ South El Monte’s major employment sectors include the service industry (40.3 percent of employment), manufacturing industry (16.7 percent), and retail trade industry (12.2 percent).⁶

Figure 2 provides a land use summary of residential and commercial development in South El Monte.

Figure 2: Land Use Summary – South El Monte

South El Monte	County		
Residential Units	Units	%	%
Single Family	3,773	73.0%	54.5%
Multifamily	946	18.3%	43.9%
Mobile Home	450	8.7%	1.6%
Total Units	5,169	1	100%
New Units Since 2010	458		
Commercial	Gross SF	%	%
Retail	1,244,363	9.1%	24.4%
Industrial	12,014,291	87.5%	48.7%
Office	223,271	1.6%	23.7%
Other	245,736	1.8%	3.1%
Total	13,727,661	100%	100%
New Commercial Since 2010	184,974		

Sources: California Department of Finance, Costar

⁴ Source: California Department of Water Resources, DAC Mapping Tool, Disadvantaged Communities (ACS: 2016-2020)

⁵ Source: City of South El Monte General Plan Map

⁶ Source: ESRI Business Analyst

Single family housing is the predominant residential building type, representing approximately 73 percent of the 5,169 housing units in South El Monte. Approximately 460 of these 5,169 units have been constructed since 2010, or approximately nine percent. Residential areas in the northern part of the City have more medium-density capacity. There are two housing projects approved by Council that will add 280 dwelling units to the City. At the current population density, these projects could add approximately 1,000 residents to the City. Industrial space makes up over 87 percent of the commercial building area in South El Monte.

The City's adopted 6th Cycle Housing Element for 2021-2029 was reviewed by the Department of Housing and Community Development on July 29, 2022, and it is currently out of compliance.

FORM OF GOVERNMENT AND STAFFING

The City of South El Monte is a general law city governed by a five-member City Council. The City Council and Mayor are elected at-large by eligible registered voters. Each year, the City Council selects a Mayor Pro Tempore to preside over meetings. City Council members have staggered four-year terms. In the November 2022 election, two Council seats were up for re-election.

The City Council appoints a City Manager to serve as the administrative head of the City government responsible for the efficient operation of the City.⁷ The City Council also appoints a City Attorney, City Clerk, Community Services Commission, Planning Commission, Patriotic Commission, and newly formed Advancement of Women and Girls Commission. The City Attorney is under contract by a private-sector law firm. Other department heads are hired by, and report to, the City Manager. The City is organized into several departments operating under the direction of the City Manager, including Planning and Building, Community Services, and Public Works. The City Council of the City of South El Monte also serves as the Successor Agency of the former Redevelopment Agency, as well as the governing body for both the Financing Authority and Parking Authority.

⁷ Source: South El Monte Municipal Code Chapter 2.08 City Manager

The City of South El Monte operates with an annual General Fund budget of about \$35 million and employs 55 full-time employees and an additional 64 part-time employees.⁸ South El Monte is generally regarded as a contract city, meaning that it outsources administration of many municipal services rather than using staff. The City contracts with other agencies to provide services such as police protection and fire protection services, but it provides some services in house such as planning and community development.

Appendix 1 contains the current organizational chart of the City of South El Monte for FY 2022-23.

CURRENT SPHERE OF INFLUENCE

Appendix 2 shows the City of South El Monte's jurisdictional boundary and SOI as of November 2022; the City has not had any change in the City limits nor to the City's SOI since the 2004 MSR.

South El Monte's 3.2 square mile SOI is larger than the current City limits, encompassing a total of 2.8 square miles within the City boundaries and four adjacent noncontiguous unincorporated areas of approximately 0.4 square miles. The four areas include Study IX Area 5, Area C, Area 3, and Area 4, as indicated on South El Monte's SOI map⁹ by LAFCO and dated February 21, 2013. Two of the four areas also contain DUCs. The SOI areas are described below:

- Study IX, Area 1 (approximately 3.2 acres) was established in 1975 and is a small area on the northern edge of South El Monte at the intersection of Garvey Avenue and Chico Avenue. This small island is surrounded entirely by the City of South El Monte (on the south) and the City of El Monte (on the north). It is also a LAFCO-designated DUC, commonly referred to as the South El Monte DUC. The area is currently zoned for small commercial uses and is the site of an existing mobile home park.
- Area C/Area 2 (approximately 89.6 acres) was established in 1984 and is in the southeastern part of South El Monte between the San Gabriel River and Peck Road. The

⁸ Source: City of South El Monte 2022-23 Budget

⁹ Source: LAFCO City Maps, South El Monte Sphere of Influence Map, revised February 21, 2013. <http://lalfco.org/wp-content/uploads/documents/cities-map/South%20El%20Monte.pdf>

area is predominantly single-family residential. Within the Area C is the second DUC within the South El Monte's SOI, which is a portion of the area known as the Avocado Heights-Bassett DUC.

- Area 3 (approximately 153.6 acres) was established in 1986 and is south of the San Gabriel River and borders the City of Industry to the south. There is a mix of industrial and single-family residential zoning within the area.
- Area 4 (approximately 12.8 acres) is in the southwest portion of South El Monte and borders the Whittier Narrows Recreation Area to the south. This area is the site of the South El Monte US Army Reserve Base. The area was established in 2004 after the 2004 MSR recommended the City's SOI be expanded to include the Army Reserve Base. The City does not have any plans to annex this area.

Approximately 2,700 people reside in the South El Monte's unincorporated SOI, compared to 19,800 residents inside the city boundaries. While the city limits and unincorporated SOI are similar in terms of average persons per household, population densities are higher in the SOI because it is predominantly residential in character. The population within the unincorporated SOI has not changed significantly over the past ten years. In comparison, the City has experienced a small decrease in population of 0.16 percent annually over the past ten years within the City limits.

EXTRATERRITORIAL SERVICES

The City does not provide nor receive any extraterritorial services to or from other jurisdictions at the present time.

SERVICES PROVIDED

The City provides general government, community development, and community services. Public safety (including police, fire, and health) and public works services are primarily provided by

contractors, other government agencies, or private entities. Figure 3 provides a summary of municipal services and associated service providers within South El Monte.

In general, the City has the capacity to provide adequate services to the community at the current level of demand, and City representatives anticipate that they will be able to continue to provide service in accordance with projected growth rates.

Figure 3: South El Monte Service Provider Matrix

Public Service	Responsible Agency	Service Provider
Law Enforcement	City (Contract)	LA County Sheriff's Department
Fire Protection	City (Contract)	Consolidated Fire Protection District of Los Angeles
Emergency Medical	City (Contract)	Consolidated Fire Protection District of Los Angeles
Building/Planning	City	City of South El Monte Building and Safety Department
Housing	City	City of South El Monte Community Development Department
Code Enforcement	City	City of South El Monte Community Development Department
Animal Control	City (Contract)	Southeast Area Animal Control Authority
Parks and Recreation	City	City of South El Monte Community Services Department
Library	LA County	County of LA Public Library System
Museum	The American Military Museum	The American Military Museum
Landscape Maintenance	City	City of South El Monte Public Works Department
Lighting	City	City of South El Monte Public Works Department
Streets/Road Maintenance	City	City of South El Monte Public Works Department
Electricity/Natural Gas	City (Franchise)	Southern California Edison
Solid Waste	City (Contract)	Athens Services
Stormwater Drainage	City	City of South El Monte Public Works Department
Water	Investor Owned Utility	San Gabriel Valley Water Company
Wastewater Collection	City	City of South El Monte Public Works Department
Wastewater Treatment & Disposal	Special District	LA County Sanitation District No. 15

Government Services

General government services are primarily provided by elected officials and City management. The City's elected officials are responsible for all legislative and policy functions that establish the quality of City services, and administration and support staff are responsible for implementing such policies. The City Council also serves on several City agencies and boards, including the Financing Authority, Parking Authority, Successor Agency to the Redevelopment Agency, and the Successor Oversight Agency. In addition to the City Council, the City's legislative bodies include

special citizen advisory commissions, including the Community Services Commission, Planning Commission, Patriotic Commission, and Advancement of Women and Girls Commission. The City Clerk and City Attorney provide additional support to the City’s legislative bodies.

Police Services

The City of South El Monte contracts with the County Sheriff’s Department for police protection services. The Sheriff’s station that serves South El Monte is located approximately six (6) miles away in Temple City. The City provides a Public Safety Center for office facilities and a staging area for deputies and civilian public safety officers.

The City contracts for 18 sworn officers on an annual basis as of March 2023, or 0.9 officers per 1,000 residents. There are five sworn officers on-site for South El Monte at any given time. The Sheriff also has 33 civilian personnel servicing the Temple station. As of FY 2021-22 the Sheriff’s Department has an average response time of approximately 4 minutes for emergency calls, eight minutes on priority calls, and 45 minutes on routine calls in South El Monte. Between FY 2010-11 and 2021-22, response times have decreased for emergency services and remained stagnant for routine and priority calls. South El Monte has seen an increase in reported crimes between 2012 and 2021. In 2021, 146 violent crimes and 786 property crimes were reported to the Department of Justice by the Sheriff’s Department.¹⁰ The number of violent crimes has increased by 66 percent since 2012 and the number of property crimes has nearly doubled since 2012.

The City provides public safety administration and emergency preparedness services. The City’s Public Safety Center provides parking citation information, parking enforcement, and street sweeper information. The Emergency Preparedness Department maintains two initiatives, the “Prepare El Monte/South El Monte” coalition and a storm preparedness program. The Prepare El Monte/South El Monte coalition includes the City of El Monte and the American Red Cross and provides first aid/CPR training, fire and earthquake safety training, and information about risk

¹⁰ Source: California Department of Justice

management in the area. The storm preparedness program provides sandbags, manages fallen trees and large debris, and fixes downed wires.

Fire Protection and Ambulatory Services

South El Monte is within the Consolidated Fire Protection District (“CFPD”) of Los Angeles County. The CFPD Station No. 90 is located within the City limits. CFPD provides fire protection services and emergency medical services. CFPD has specialized resources including a helicopter fleet, contract aircraft, and California Task Force 2, a specialized search and rescue task force.

South El Monte was part of CFPD prior to the adoption of Proposition 13, which allows CFPD to collect a share of the one (1) percent property tax in existing district areas.

CFPD Station No. 90 falls under Division 9 of the CFPD, which received an Insurance Service Office (“ISO”) class rating of 2. The ISO evaluates the ability of fire protection agencies to respond to fire incidents in their communities, with class one (1) being the highest rating and ten (10) being the lowest. The most recent performance measures report published by the County of Los Angeles Fire Department indicates that CFPD responds to calls within five (5) minutes of receiving calls, and has a success rate of 99.5 percent.¹¹

Animal Services

The Southeast Area Animal Control Authority (“SEAACA”) provides animal control and rescue services to South El Monte. South El Monte is a member city of SEAACA, which is a Joint Powers Authority (“JPA”) that is independently governed by a Board of Commissioners. Downey, Norwalk, Pico Rivera, Bell Gardens, Montebello, and Paramount are the other member cities of SEAACA. The JPA extends contract services to Bellflower, Buena Park, La Palma, Lakewood, South Gate, and Vernon. The nearest shelter is located in the City of Downey, approximately twelve (12) miles from South El Monte’s City Hall and five and a half miles from the most southeastern corner of the City.

¹¹ Source: 2019-20 Performance Measures, County of Los Angeles

Vector Control

The Greater Los Angeles County Vector Control District (“Vector Control District”), an independent special district, provides ongoing mosquito and vector control within South El Monte. The Vector Control District provides routine services within South El Monte, including the identification prevention, and control of pests. Additionally, the Vector Control District responds to case-by-case services requests for mosquito issues, dirty pools, and infestations (e.g., bees, rodents, and fire ants). The City does not pay for these services, which are instead funded by ad valorem property and special assessment taxes on individual parcels.

Community Development

The City’s Community Development Department oversees the physical development within South El Monte. It includes six divisions: Building and Safety, Code Enforcement, Economic Development, Housing, Planning, and the Vacant and Abandoned Property Registration Division. The Department also maintains a Homelessness Plan. These divisions are responsible for implementing the City’s land use and building policies, including the General Plan, Zoning Ordinance, California Environmental Quality Act and building codes. The Housing Division prepares the City’s Housing Element and Housing Annual Progress Reports. The City acts as the Housing Successor Agency, overseeing the assets of the former Redevelopment Agency’s Low- and Moderate-Income Housing Fund (“LMIHF”). Income generated from the LMIHF are reinvested for housing purposes. South El Monte contracts with TransTech (an outside engineering consultant) for building plan check services, but the department is otherwise staffed by City personnel.

The City is currently collaborating with the City of El Monte and the City of Baldwin Park to address concerns about homelessness, which are present throughout the region. This cohort is currently in its third year, and it is working to secure funding from County and State sources to build shelters.

Code Enforcement

The City of South El Monte provides code enforcement services through the Community Development Department. The Code Enforcement Division receives and investigates complaints regarding violations of the Municipal Code, including commercial and industrial violations, illegal vendors, and licensing and permit compliance issues.

Public Works

The City's Public Works Department performs general maintenance for the City's fleet, roads, parks, public facilities, and capital projects. The Public Works Department includes two divisions: Engineering Division and Maintenance Services. The Department is responsible for maintaining streets, sewers, sidewalks, storm drains, and street lighting, as well as reviewing public works contracts. The Engineering Division is specifically responsible for reviewing and approving plans for private developments, planning programs, and any City projects to ensure compliance with all applicable laws. Engineering Services are provided by a contractor. The Maintenance Services Division oversees City facilities and parks and ensures they are maintained in compliance with State and Federal standards. It also performs maintenance on all City-owned vehicles and equipment and administers the Graffiti Abatement Program.

South El Monte currently owns and operates one (1) developed park in the city, amounting to 1.56 acres of parkland in the City or 0.07 acres of parkland per 1,000 population. The City currently does not have a Master Park Plan. Figure 4 presents developed City parks identified in the City's Public Health, Safety, and Environmental Justice Element adopted in October of 2021.

Figure 4: South El Monte City Parks

Park Name	Park Address	Size	Facilities
Mary Van Dyke Park	1819 Central Ave	1.56 acres	Basketball courts, baseball fields, picnic tables, play area, community centers

In addition to the park maintained and operated by the City of South El Monte, the City and Valle Lindo School District are involved in two joint-use programs for the shared use of park space at Shiveley Middle School and the New Temple School. The City is also located in close proximity

to Lashbrook Park in the adjoining city of El Monte. The nearest regional park is the Whittier Narrows Recreational Area, located adjacent to the City of South El Monte.

By comparison, the 2016 Los Angeles County Parks and Recreation Needs Assessment identified an average of 3.3 acres of local and regional recreation park space for every 1,000 persons in the County. The National Recreation and Park Association, however, no longer declares a set of standards that every individual park and recreation agency should measure itself against due to the unique needs, desires, and challenges of different agencies.

South El Monte has 37.8 miles of roadways, including 4.9 miles of arterial streets, 3.5 miles of collector roadways, and 29.4 miles of local and residential streets. The City is currently in the process of updating its pavement management plan, which was last updated in 2018. The City has also identified several areas throughout the City in need of street maintenance and repairs, and will begin making improvements in the spring of 2024.

The Public Works Department is currently in the process of planning and implementing the Merced Avenue Greenway Project. The project aims to improve Merced Avenue's functionality to reduce heat, improve livability, enhance public safety, and protect water quality. The City has been awarded a \$3 million grant from the California Natural Resources Agency for construction of the southern portion of the project.

South El Monte's adopted budget for FY 2022-23 allocated \$8.09 million for a Capital Improvements Program. The most significant capital expenditures are for parks improvements (\$2.05 million) and highway safety improvement (\$1.8 million). The FY 2021-22 adopted budget allocated \$4.97 million for capital projects, with the plurality of funding designated for parks improvements, street rehabilitation, and facility retrofitting with Department of Energy grants.

Water

The San Gabriel Valley Water Company (an investor-owned utility) provides water services to the City of South El Monte. The San Gabriel Valley Water company charges \$4.01 for the first 11 Ccf (i.e., 748 gallons) of water, and \$4.53 for all Ccf greater than 11 Ccf.¹²

Storm Drainage

The City of South El Monte's Public Works Department manages the City's storm drain system assets, including channels, drains, laterals, and catch basins. However, the Los Angeles County Flood Control District owns and maintains the majority of the storm drain system in the City.

Wastewater

The Facility Maintenance Services Division of the South El Monte Public Works Department contracts with the Consolidated Sewer Maintenance District of the Los Angeles (LA) County Public Works Department to maintain the City's wastewater infrastructure. Currently, the wastewater infrastructure is sufficient for the current population. South El Monte is part of the LA County Sanitation District Number 15, which provides wastewater treatment and disposal services.

Solid Waste

The City has a franchise agreement with Athens Services for solid waste collection services. Athens Services provides residential trash collection, recycling services, and compost within the City. Athens also provides bulk disposal pickup services for large items such as furniture upon request. South El Monte has 35 ongoing diversion programs to ensure the City complies with recycling and solid waste diversion regulations.¹³

¹² Source: San Gabriel Valley Water Company, Schedule No. LA-1C

¹³ Source: CalRecycle Diversion Program Status Summary Report for City of South El Monte

Utilities

Utilities are provided by third parties under franchise agreements with the City. These include Southern California Edison (electricity) and Southern California Gas Company (natural gas), both of which supply utilities throughout the County. Southern California Edison also owns and operates most of the streetlights in the City.

Communications

Under a franchise agreement, Charter Communications (parent company to Spectrum) provides communications services within South El Monte.

Community Services

The Community Services Department provides programs, recreational activities, and special events to the community in South El Monte. The Parks and Recreation Division organizes programming such as after-school care, community events, and classes. The Community Services Department also has a Senior Services Division, which maintains a multipurpose center and provides information and services to assist adults older than 55. The Division has services including classes, health screenings, recreation programs, and more. The City also provides transportation services to residents who are 60 or older or who are disabled on weekdays. Finally, the Community Services Department administers a Title VI program, which was established in July 2022. Title VI prohibits discrimination on the basis of race, color, or national origin under any program or activity receiving federal financial assistance. The program monitors City activities to ensure that they are in compliance with Title VI requirements.

Due to the proximity of the Whittier Narrows Park, South El Monte does not always qualify for funding from the State for parks and recreation improvements and programming. The City recently worked with their State representative to secure funding to improve restrooms and playground equipment in their parks, along with installing rubber asphalt.

FISCAL HEALTH

RSG has evaluated the City's fiscal health, inclusive of revenue sources and major expenditure categories.

ANNUAL AUDIT FINDINGS

The City of South El Monte is required to undergo an annual financial audit, with the results published in an Annual Comprehensive Financial Report ("ACFR"), in which the auditors report whether the financial statements of the City accurately present the financial position of the city. The ACFRs from FY 2018-19 through FY 2020-21 did not present any findings and stated, "In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America."

Figure 5 shows the City's actual historical General Fund revenues and expenditures from FY 2018-19 through FY 2020-21.

Figure 5: South El Monte Historical Net General Fund Actual Spending

Revenues	2018-19	2019-20	2020-21
Actual Revenues			
Taxes	\$12,241,564	\$12,888,142	\$14,102,143
Licenses and Permits	1,625,233	2,326,397	1,752,197
Fines and Forfeitures	284,632	201,387	134,735
Use of Money and Property	446,893	306,972	99,266
Charges for Services	637,276	280,113	190,755
Intergovernmental	-	-	878,301
Other	197,015	531,559	96,155
Total Revenues	15,432,613	16,534,570	17,253,552
Actual Expenditures			
General Government	\$3,691,546	\$4,716,178	\$4,839,635
Public Safety	5,261,806	5,457,712	5,749,350
Community Development	1,779,332	1,660,005	1,171,661
Public Works/Utilities	1,247,301	2,158,144	3,718,766
Community Service Programs	1,820,357	1,893,119	1,009,212
Capital Outlay	-	-	235,553
Debt Service	207,401	211,358	169,563
Total Expenditures	14,007,743	16,096,516	16,893,740
Net Spending	1,424,870	438,054	359,812

Source: South El Monte Budgetary Comparison Schedule, General Fund

In FY 2020-21, the City's General Fund revenues totaled approximately \$870 per capita.

OPERATING REVENUES

RSG compiled three years of financial history, plus the City's current FY 2021-22 and FY 2022-23 adopted budgets. In the City's last annual budget for FY of 2022-23, General Fund approved revenues exceeded \$24 million.

Figure 6 illustrates the City's revenue sources for the most recent year available in the audit, FY 2020-21.

Figure 6: City of South El Monte Operating Revenue – FY 2020-21

	General Fund	HSIP Fund ¹	Sewer Assessment Fund ¹	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$14,102,143	\$0	\$0	\$1,472	\$14,103,615
Licenses and Permits	1,752,197	0	0	0	1,752,197
Fines and Forfeitures	134,735	0	0	0	134,735
Use of Money and Property	99,266	0	0	17	99,283
Charges for Services	190,755	0	0	249,817	440,572
Special Assessments	0	0	383,564	0	383,564
Intergovernmental	878,301	156,042	0	4,542,735	5,577,078
Other	96,155	0	0	130,479	226,634
Total Revenue	17,253,552	156,042	383,564	4,924,520	22,717,678

¹ Special Revenue

Source: South El Monte Audit "Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds"

Tax revenues made up 62 percent of all revenues collected by the City of South El Monte in FY 2020-21, inclusive of sales tax, property tax, franchise tax, and transient occupancy tax. The City's second largest revenue source is intergovernmental revenue, which includes revenues from federal, state, and other local governments. Grants, shared revenues, and other types of intergovernmental payments are included in this category.

Figure 7 illustrates the City's historical General Fund revenue sources.

Figure 7: South El Monte Historical Revenues

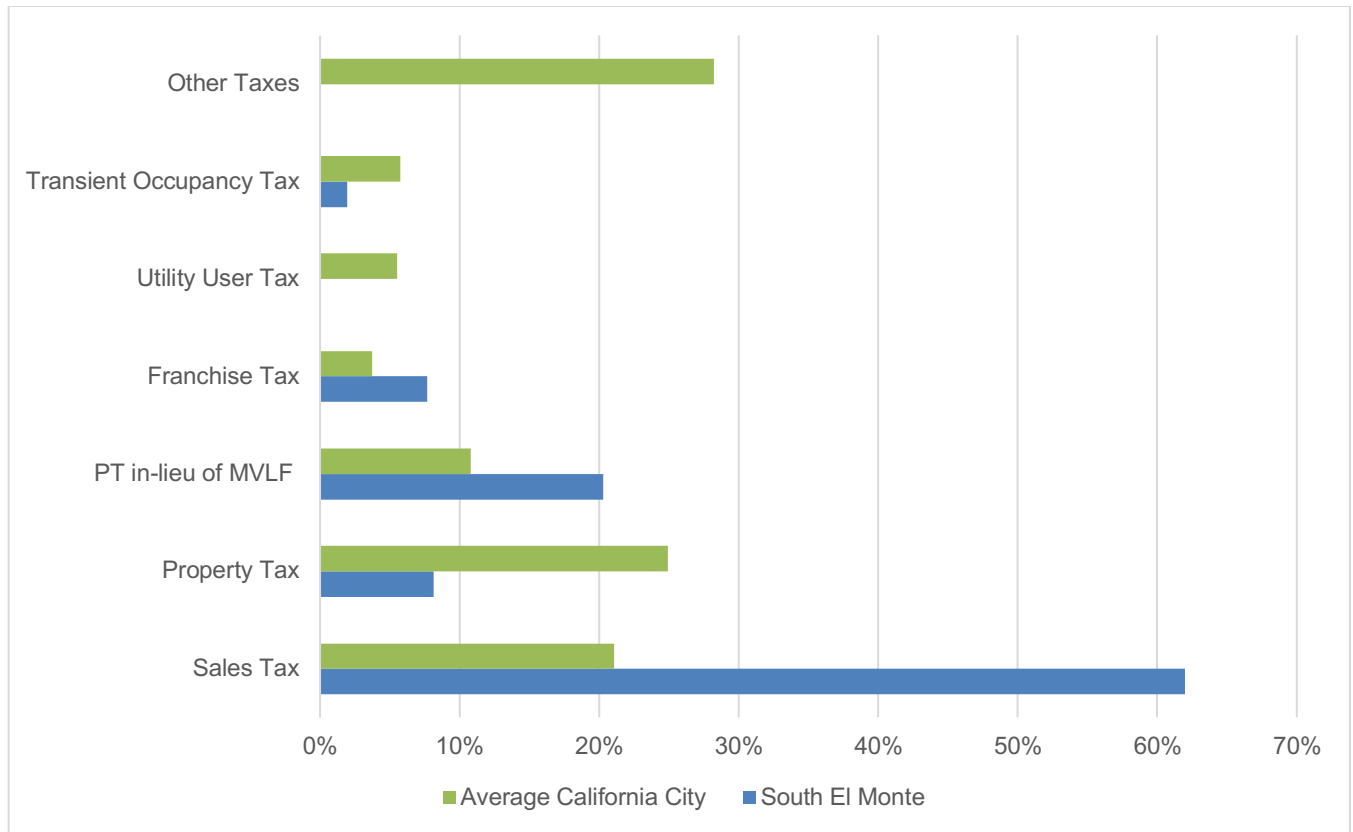
Revenues	2018-19	2019-20	2020-21
General Tax Revenues			
Sales Tax	\$7,545,803	\$7,343,638	\$8,487,635
Property Tax	1,035,976	1,696,431	1,114,424
Property Tax in-lieu of MVLFF	2,481,572	2,638,576	2,776,579
Franchise Tax	890,867	973,919	1,050,379
Transient Occupancy Tax	288,383	236,442	268,482
Total General Tax Revenues	12,242,601	12,889,006	13,697,499
Investment Income	91,983	140,950	46,753
Other	139,208	503,180	226,633
Total Revenues	12,473,792	13,533,136	13,970,885

Source: South El Monte Audit "Statement of Activities"

As shown in Figure 7, sales tax is consistently the City's greatest single revenue source, averaging about 60 percent of general tax revenues annually.

Figure 8 compares the City’s general tax revenues with the general tax revenues of all cities in California.

Figure 8: South El Monte General Tax Revenues as Compared to All California Cities¹⁴



Source: South El Monte ACFR, Statement of Activities; California SCO

As seen in Figure 8, South El Monte is heavily dependent on sales tax revenues. Unlike many cities in California which rely more heavily on property tax revenue, South El Monte’s single largest revenue source is from sales tax by a significant margin. While this may be a sign of successful economic development efforts, it also leaves the City of South El Monte exposed to sharp changes in market conditions, such as the impact of the COVID-19 pandemic.

¹⁴ Source: California State Controller’s Office, Local Government Financial Data FY 2020-21; South El Monte Audit 2020-21

Sales Tax

Cities receive one percent of gross receipts from the sale of tangible personal property sold within city municipalities. The City have two additional local sales taxes: Measure R, which is half a cent per dollar, and Measure ES, which is a quarter of a cent per dollar. Neither measure has a sunset date. Measure R was passed by the voters in 2010 and Measure ES was passed by the voters in 2020. Both can be used for General Fund expenditures. Approximately 60 percent of general tax revenues collected by the City were derived from sales tax in FY 2020-21.

The City's FY 2022-23 Adopted Budget provides forward guidance on future sales tax revenues. During the City's FY 2022-23 budget process, budgeted sales tax revenue was revised upward to account for anticipated increased spending as the economy recovers from the pandemic.¹⁵

Property Tax

The City receives between six percent and seven percent of the property tax collected within the City, as general tax revenue. In FY 2020-21, about \$1.1 million, or about 8 percent of the City's general tax revenues, were derived from property taxes.¹⁶

Charges for Services

Charges for services accounted for approximately \$440,000 in FY 2020-21 across all governmental funds. Charges for services include charges for recreational services including after school programs, day care, and sports classes, along with planning fees and costs associated with facility reservations. City staff noted that they are working on updating the fee schedule and are aiming to bring the updates to Council at the beginning of FY 2023-24.

Intergovernmental Revenues

In general, intergovernmental revenues consist of Federal, State, and local reimbursements for disasters and mutual aid agreements, and specific use grants. By their nature, these revenues

¹⁵ Source: City of South El Monte 2022-23 Adopted Budget

¹⁶ Source: City of South El Monte 2020-21 ACFR

tend to fluctuate more than other revenue sources. The City receives intergovernmental revenues related to the Road Maintenance and Rehabilitation Act, vehicle license fees in excess, homeowner’s property tax exemption reimbursement, Community Development Block Grant funds, Air Quality Management District funds, California Oil Recycling Enhancement Act funds, Beverage Container Recycling grants, State COPS grants, and other appropriations from the Federal government, State of California, and Los Angeles County. The City received approximately \$5.6 million in intergovernmental revenues FY 2020-21.

The City’s budget also treats property tax in-lieu of motor vehicle license fees as intergovernmental revenues. The City of South El Monte collected approximately \$2.8 million in property tax in-lieu of motor vehicle license fee revenues in FY 2020-21.¹⁷

OPERATING EXPENDITURES

Figure 9 shows the actual General Fund expenditures from FY 2018-19 through FY 2020-21. Total General Fund expenditures amount to about \$14 million in in FY 2018-19 and increased to \$16.9 million in FY 2020-21.

Figure 9: City of South El Monte Operating Expenditure History

Category	2018-19	2019-20	2020-21	Change from 18-19 to 20-21
General Government	\$3,691,546	\$4,716,178	\$4,839,635	31%
Public Safety	5,261,806	5,457,712	5,749,350	9%
Community Development	1,779,332	1,660,005	1,171,661	-34%
Public Works/Utilities	1,247,301	2,158,144	3,718,766	198%
Community Service Programs	1,820,357	1,893,119	1,009,212	-45%
Capital Outlay	-	-	235,553	N/A
Debt Service	207,401	211,358	169,563	-18%
Total Expenditures	14,007,743	16,096,516	16,893,740	21%

The most current budget for FY 2022-23 includes debt service expenditures of \$441,000 from the General Fund. City staff noted that the City issued Leased Revenue Bonds to fully fund its unfunded pension liability in 2022-23.

¹⁷ Source: City of South El Monte 2020-21 ACFR

Figure 10 breaks down the City’s departmental operating expenditures by function between FYs 2018-19 and 2020-21.

Figure 10: South El Monte Department Expenditures

Department	2018-19	2019-20	2020-21
General Government	\$3,072,128	\$6,345,062	\$5,209,417
Public Safety	5,453,070	5,530,803	5,761,462
Community Development	1,789,151	1,674,360	2,644,505
Community Service	3,388,622	3,299,829	2,294,313
Public Works	3,463,458	3,273,015	5,348,358
Total Expenditures	17,166,429	20,123,069	21,258,055

Source: South El Monte Audit "Statement of Activities"

General government expenditures increased significantly between FYs 2018-19 and 2019-20 due to a rise in the actuarial pension expense from \$562,574 in FY 2018-19 to \$2,121,154 in FY 2019-20.¹⁸ This increase is due to adjustments in California Public Employees’ Retirement System (“CalPERS”) investment return targets, which in turn changed actuarial assumptions. In FY 2022-23, the City issued lease revenue bonds at 3.3 percent to fully fund the unfunded pension liability.

PERFORMANCE STANDARDS

RSG analyzed three different performance measures to evaluate the City of South El Monte’s fiscal performance. The three measures include reserve fund balances, pensions and other post-employment benefits (“OPEB”), and third-party fiscal health evaluations. The findings are outlined below.

RESERVE FUND BALANCE

The City of South El Monte has a reserve policy for General Fund reserves, requiring 25 percent of General Fund expenditures to be held in reserve. The City’s projected reserve balance is

¹⁸ Source: City of South El Monte ACFRs

approximately \$5.5 million for FY 2020-21.¹⁹ City staff indicated that the General Fund reserve balance is higher, at \$9.9 million.

South El Monte’s General Fund reserve balance is approximately 31 percent of the FY 2021-22 estimated expenditures. The City is in compliance with their reserve policy.

PENSION AND OPEB OBLIGATIONS

The City of South El Monte contributes toward the CalPERS pension plan. The City sponsors one miscellaneous plan for qualifying employees.

South El Monte also offers an OPEB plan. The OPEB plan provides medical benefits to retirees (and dependents and surviving spouses in some cases) if they retire at age 50 or later, have five or more years of CalPERS service, and were enrolled in a CalPERS plan at retirement. The City pays the minimum benefit. There are currently 70 employees covered by the OPEB plan, including 14 inactive employees receiving benefit payments.

The City had a long-term net pension liability of \$8.8 million and total OPEB liability of \$1.9 million at the end of FY 2020-21. As of July 2022, the City fully funded its OPEB plan. This funding will be reflected in the 2021-22 audit. The City’s historical pension liability and OPEB liability are outlined in Figure 11.

Figure 11: South El Monte Pension and OPEB Liabilities

South El Monte	2018-19	2019-20	2020-21
Total OPEB Liability/(Surplus)	\$1,812,356	\$1,616,518	\$1,928,082
Ending Plan Fiduciary Net Position	-	-	-
Net OPEB Liability/(Surplus)	1,812,356	1,616,518	1,928,082
Net Pension Liability/(Surplus)	\$7,601,059	\$8,238,409	\$8,857,694
Net Benefit Liability/(Surplus)	9,413,415	9,854,927	10,785,776

Source: 2018-19, 2019-20, and 2020-21 ACFRs

¹⁹ Source: City of South El Monte ACFR

The City’s pension indicators provide insight into the City’s pension plan health. The City’s employer contribution rate compared to the actuarially determined contribution, total covered payroll, and employer contribution rate are outlined in Figure 12.

Figure 12: South El Monte Pension Indicators

South El Monte	2018-19	2019-20	2020-21
Actuarially Determined Contribution	\$572,837	\$673,881	\$776,018
Employer Contribution	572,837	673,881	776,018
Covered Payroll	2,308,132	2,886,967	2,997,621
Employer Contribution Rate	24.8%	23.3%	25.9%

Source: 2018-19, 2019-20, and 2020-21 ACFRs

The City has historically made employer contributions equivalent to the actuarially determined contribution and the employer contribution rate has kept pace with the increases to covered payroll over the years.

CALIFORNIA STATE AUDITOR FISCAL HEALTH EVALUATION

The California State Auditor completes an annual audit of local governments in the State to determine which cities may be facing fiscal challenges by assessing risk associated with various fiscal indicators. The fiscal health analysis examined liquidity, debt burden, general fund revenues, revenue trends, pension obligations, pension funding, pension costs, future pension costs, OPEB obligations, OPEB funding, and overall risk. The Auditor ranked all 431 cities in California on each fiscal indicator, with 1 being the highest risk, and 431 the lowest risk.

As of FY 2020-21, the City of South El Monte ranked 208 out of 431 cities (or 57 of 130 cities in the Los Angeles region which stretches from southern Orange County up to Ventura) and is considered to be at “low” financial risk. Previously, in FY 2016-17, the Auditor ranked South El Monte as moderate risk due to challenges associated with its general fund reserves, revenue trends, pension funding, and future pension costs.

South El Monte’s current low risk status means that the State Auditor has determined little risk of “experiencing financial distress” based on ten financial indicators. One fiscal indicator, OPEB

funding, was ranked high risk by the State Auditor. Two fiscal indicators (revenue trends and future pension costs) were ranked moderate risk by the State Auditor. All other fiscal indicators were ranked low risk.

SOI RECOMMENDATIONS

RSG's recommended determinations related to any potential South El Monte amendments are presented by topic below.

1. Present and Planned Land Uses

Development growth is constrained under present land uses within the City's current boundary. The City is not considering annexing the unincorporated areas, and there are no opportunities to expand the SOI.

2. Present and Probable Need for Public Facilities and Services

The City's public facilities and services are generally sufficient to accommodate growth over the next decade. The City is currently working on improvements to major thoroughfares within its boundaries, including expanding the current network of bike lanes.

3. Present Capacity of Public Facilities

RSG did not identify any significant issues related to the present capacity of public facilities.

4. Social or Economic Communities of Interest

The City does not provide services to either of the LAFCO-identified DUCs within its SOI.

5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services

The City's SOI contains two DUCs. The City is not currently providing services to either of these areas.

Presently, South El Monte's SOI is larger than its corporate boundary. RSG recommends South El Monte's SOI be reconfirmed to the current boundaries pursuant to LAFCO's SOI Policy. South

El Monte's SOI would maintain a "Larger than Sphere of Influence" designation under LAFCO policy.

MSR DETERMINATIONS

Pursuant to Government Code Section 56430, the requisite CKH determinations for this MSR for the City of South El Monte are presented below:

1. Population and Growth

The City has experienced a small decline in population over the past ten years, in comparison to a small increase in the population of the County as a whole. There are currently two housing projects approved by Council that will add 280 dwelling units to the City. Based on the current household size per dwelling unit in the City, these developments could add over 1,000 new residents to South El Monte.

2. Disadvantaged Unincorporated Communities in SOI

The City's SOI contains four LAFCO-identified unincorporated islands, two of which are disadvantaged unincorporated communities. The City does not provide any services to the DUCs within its SOI. The City as a whole qualifies as a DAC.

3. Present and Planned Capacity of Facilities

The City's present and planned facilities are generally sufficient to meet community needs and are designed to meet current and future planned uses. The City did not identify a need for additional facilities.

4. Financial Ability to Provide Services

The City of South El Monte experienced both increasing General Fund revenues and expenditures from FYs 2018-19 through 2020-21 (see Figure 7 and Figure 10). Revenues increased by 12 percent during this period, while expenditures grew by 24 percent. The City's fiscal health is considered low risk by the State Auditor. City staff did not identify any challenges with their financial ability to provide services.

5. Opportunities for Shared Facilities

South El Monte is currently collaborating with El Monte and Baldwin Park to address concerns about homelessness, which are common across the County. In its third year, the cohort is aiming to secure funding from County and State sources in order to build shelters.

6. Accountability for Community Service Needs

The City Council and Mayor are elected on an at-large basis. South El Monte's website includes information about City Council meetings, other City services, and contact information for different departments. Public notices and the City newsletter are posted on the website. The City Council streams its meetings through Zoom, and the link is available online to the public. The City is active on at least two social media platforms.

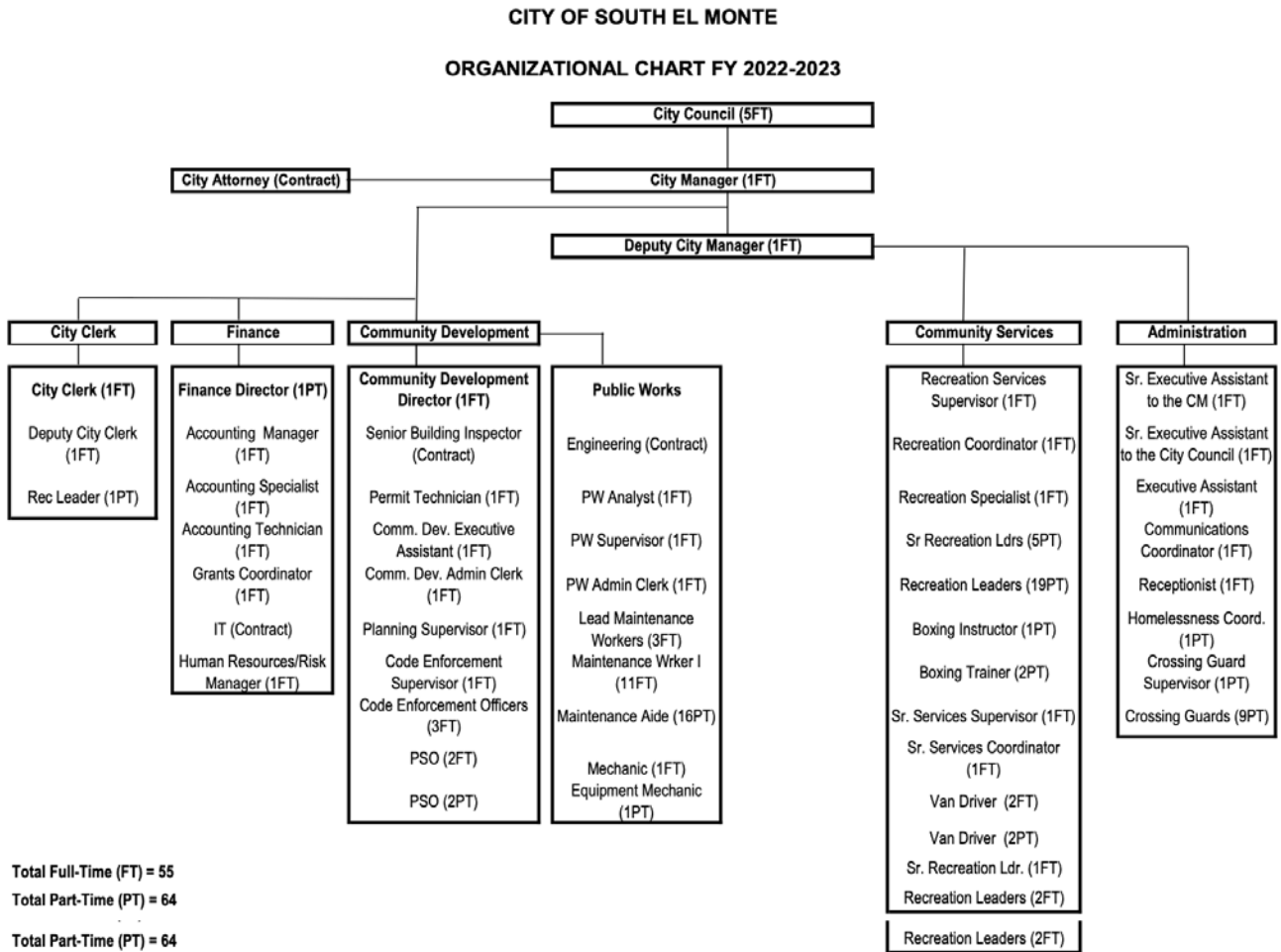
The City utilizes technology and social media to share information with the public effectively. RSG did not identify any issues with accountability in the City.

7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy

The City did not identify any other matters related to effective or efficient service delivery as required by LAFCO Policy.

APPENDICES

APPENDIX 1: CITY OF SOUTH EL MONTE ORGANIZATIONAL CHART



APPENDIX 2: SOUTH EL MONTE SPHERE OF INFLUENCE

