

PROPOSAL TO SONOMA LAFCO

IDENTIFICATION AND MAPPING OF DISADVANTAGED UNINCORPORATED COMMUNITIES

April 12, 2023

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April 12, 2023

Via Electronic Mail

Mark Bramfitt, Executive Officer
SONOMA LAFCO
111 Santa Rosa Ave. Suite 240
Santa Rosa, CA 95404

Dear Mr. Bramfitt:

In response to your March 15, 2023, Request for Proposals, RSG, Inc. ("RSG") is pleased to present this proposal for consulting services to identify and map disadvantaged unincorporated communities ("DUCs") in the County, to better inform the preparation of Municipal Service Reviews ("MRSs"), and to comply with the annexation provisions in Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CHK").

RSG recently completed a similar project for Riverside LAFCO as well as the statewide DUC map available on CALAFCO's website. We work with DUCs as part of municipal service reviews and sphere of influence studies, which we have been conducting in numerous counties in the past few years, including Siskiyou, Riverside, Los Angeles, and Orange. RSG has also used DUCs in annexation and reorganizational studies over that same period in these and other counties including Plumas and Contra Costa.

Based on our review of the RFP, RSG understands that there are three cities in the County where identification of DUCs is critical, or otherwise of political interest, the Commission is seeking an analysis of DUC territories proximate to all nine cities in the County.

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. I will be the Principal-in-Charge of this engagement. 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

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. We maintain three offices in California, including our main office in Irvine and two satellite offices in Berkeley and Vista.

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 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.

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 MSR's have unfolded, including changes to the MSR statute and how LAFCOs have implemented MSR's 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.

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.

CASE STUDIES AND REFERENCES

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
Riverside LAFCO
(951) 369-0631 / ccraig@lafco.org
6216 Brockton Avenue, Suite 111-B, Riverside, CA 92506

Date of Services: 2020 – 2022

Statewide Disadvantaged Unincorporated Communities (“DUC”) Map – CALAFCO

To assist LAFCOs comply with state law, CALAFCO published a map of Disadvantaged Unincorporated Communities (“DUCs”) for all California counties to use in the event they have not yet had the resources locally to prepare and update. RSG was retained by the California Association of Local Agency Formation Commissions (“CALAFCO”) to analyze the most recent and accurate household income data to identify and map DUCs in 2021 using recent Census data.

As part of the CALAFCO DUC map, RSG completed a statewide analysis of unincorporated areas using the most recent American Community Survey (“ACS”) 2015–19 data from the Census, registered voter data from the California Redistricting Commission’s Statewide Database, and the most recent city boundaries published by the California State Board of Equalization. The methodology utilized was developed by RSG in a previous DUC analysis when preparing a countywide MSR for Riverside County. This methodology was then adjusted to meet the needs of the statewide analysis. Currently, the revised CALAFCO DUC map identifies 1,018 areas as a DUC and is live on the CALAFCO website.

Contact: Rene LaRoche, Executive Director
California Association of Local Agency Formation Commissions
(916) 442-6536 / rlaroch@calafco.org
1020 12th Street, Suite 222, Sacramento, CA 95814

Date of Services: July 2021 – April 2022

RSG TEAM

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 RSG staff members Wesley Smith, Senior Analyst, and Samantha Wu Rose, Analyst. All assigned staff are available to work 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

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

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.

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 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.





WESLEY SMITH

PROFILE

“I love working with communities to better tailor their environments to their constituents needs. I strive to support and create communities that understand interconnectedness and the value diligent planning and policy brings to complex issues.”

OUT & ABOUT

California Association of Local Agency Formation Commissions (CALAFCO)

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)

ABOUT WESLEY

Wesley joined RSG in 2019 bringing with him a background in local government, public transportation, government relations, and policy analysis. Wesley has performed cost-benefit analyses of public finances, rent affordability analyses, and best practice assessments of workforce development policies. Wesley’s years at RSG have helped develop his knowledge of state housing laws and enhanced his skills in property tax analysis, GIS mapping, and qualitative writing.

EDUCATION

Wesley holds a Bachelor’s Degree in Political Science from the University of Hawai’i at Manoa, and a Master’s Degree in Public Policy from USC. Wesley’s experience in the public sector combined with his educational background have given him the analytical, statistical, and geospatial skills needed to provide the best work to RSG’s clients.

RECENT ENGAGEMENTS

Developed a brand-new methodology using ArcGIS Pro, for refining and creating various Disadvantaged Unincorporated Communities (DUCs) in the County of Riverside for the Riverside LAFCO MSR.

Developed an at-scale methodology using ArcGIS Pro, to create Disadvantaged Unincorporated Communities (DUCs) in the entirety of California for CALAFCO, in order to assist low-resourced LAFCOs with their statutory requirements.

Used ArcGIS Pro to create shapefiles, analyze data, and produce a report on the effects of the City of Martinez annexing several regions within its Sphere of Influence.

Currently drafting and reviewing various municipal services in the West and Southwest regions of Orange County for OC LAFCO’s 2022 MSRs. Districts reviewed include Water, Sanitary, Recreation and Parks, Library Districts, a JPA, and Community Services Districts.

Collected and analyzed data through ArcGIS to develop a Municipal Service Review for the Riverside County LAFCO.

Currently drafting a model and report for a Comprehensive Fiscal Analysis (CFA) for the potential incorporation of the Mountain House Community Services District (CSD), inclusive of the analysis of Police, Fire, City Council, Public Works, Community Development, and all other major municipal services.





SAMANTHA WU ROSE

PROFILE

"I am passionate about building thriving communities through engagement and strategic planning that improves accessibility to stable housing, supportive services, and economic opportunities for all community members. Through my work, I hope to provide resources and solutions that promote equity and empower communities to determine their own futures."

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 SAMANTHA

Samantha joined RSG in August of 2021 bringing with her a background in Urban Planning and Community Development. Prior to working with RSG, Samantha served as a VISTA Leader in Washington DC, helping manage one of the largest AmeriCorps VISTA projects in the nation, focused on community and economic development programs at the local level. She also previously worked at Oregon Metro on an initiative to implement workforce equity standards for construction projects across the region. Throughout her professional and academic experiences, Samantha has been able to apply her skills in community engagement, research, and analysis to help create opportunities and build healthy futures for local communities.

EDUCATION

Samantha holds a BA in Urban Planning and Sustainable Development from Western Washington University's accredited planning program.

RECENT ENGAGEMENTS

Support ongoing efforts to help with the dissolution of the March Joint Powers Authority, including the disbursement of the Authority's financial assets and liabilities, reassignment of municipal services within the JPA, and preparing presentations and recommendations to be reviewed by the Technical Advisory Committee.

Analyzed the fiscal impact of a mixed-use development in Commerce, and multi-family projects in Placentia and Dana Point to assess additional revenues that would be collected by the City over a thirty-year period as well as additional full time employment generated by the projects using the IMPLAN model.

Provide analysis and project assistance in negotiations of the Willowbrook Joint Development Project between LA County, Charles Drew University, and Compton Unified School District, including corresponding with project partners, drafting agendas, reviewing developer materials, and analyzing finance reports.

Assisting the City of Jurupa Valley in negotiating community benefits for two upcoming multi-use specific plan development projects. This includes evaluating the constructions costs of both specific plans and analyzing the City's historic practices regarding community benefits in order to make recommendations that will provide the City with adequate return for development impacts while still encouraging new development in the region.



SCOPE OF SERVICES

Using GIS shapefiles from our recent work with CALAFCO on the statewide DUC mapping project and other material supplied by the client, RSG would approach this project with a two-phased work plan that tests a methodology to plot disadvantaged communities more accurately within a new LAFCO policy framework; depending whether the results meet expectations on a test case, we would expand or refine our methodology before analyzing and plotting DUCs countywide.

PROJECT KICKOFF / POLICY SCOPE

RSG reviewed LAFCO's website and generally understands some of the concerns around the lack of refinement in Government Code Section 65302.10(a)(2) that requires LAFCOs to designate disadvantaged unincorporated communities ("DUCs"). In our experience, some LAFCO's have seen the breadth of the Cortese Knox Hertzberg Local Government Reorganization Act as an opportunity to establish a local policy that achieves a more precise and applicable definition or methodology around how DUCs are identified.

In 2021, RSG worked with Riverside LAFCO to develop new DUCs, which included a process of creating a scalable methodology for designating DUCs, taking the "lessons learned" in that pilot project and assisting the Assistant Executive Officer take to the commission a revision to their DUC policy, and ultimately designating DUCs for the entire County.

We feel a similar approach may be appropriate to consider here. Even though Sonoma County is not as large as Riverside County and may not have as many DUCs, the process we used in Riverside may help LAFCO achieve its goals around designating DUCs. In Riverside County, the area has a wide and diverse range of household incomes not all of which correspond to disadvantaged due the variety of housing prices available within the submarkets. In that case, we considered whether households in different parts of the County met were disadvantaged based on their ability to purchase a home given the corresponding income.

In consultation with Sonoma LAFCO staff, we can discuss the issues that they are facing and feasible means to refine the DUCs to make them better correlate to the circumstances in the County. As such, we anticipate a kickoff meeting to dive deeper into the specific concerns that LAFCO staff have about the current designations and collectively devise feasible means to better sharpen the methodology to meet LAFCO's needs.

PHASE I – PILOT AREA

At the conclusion of the kickoff meeting, RSG would collect from LAFCO agency shapefiles and other GIS data necessary to initiate our work and commence preparation of an analysis within a pilot area for testing and refinement. At this stage, we anticipate the methodology may entail the following steps based on the methodology we used in Riverside County (subject to discussion and revision at the kickoff meeting):

1. Within the unincorporated study area, identify Block Groups under 80% of Statewide MHI (median household income)
2. Eliminate Registrar of Voter Precincts with less than 50 registered voters/units
3. Screen based on housing cost burden, as follows:
 - a. Summarize home Sales Data by Tax Rate Area
 - b. Calculate Affordability based on Sale Price and MHI

- c. Create Variables at 30, 35, and 40 Percent of Monthly MHI
- d. Combine Data with Parcel Shapefiles & Toggle Visibility based on housing cost exceeding 30 percent of household income threshold to identify housing cost burden (at three levels) as an additional screening criterion for disadvantaged unincorporated community designation.

4. Compare results (current vs. resulting SOI), provide client transmittal and maps

At the completion of this step, RSG and LAFCO staff would review the findings and draft language for a possible LAFCO policy on the methodology and/or refined DUC definition as appropriate prior to completion of the work plan.

PHASE II – BALANCE OF COUNTY

Same steps as above with refinement to methodology as appropriate based on findings from Phase I. Client would receive complete shapefile set for all DUCs identified above along with a technical memorandum for file explaining our methodology.

No public meetings or presentations are included in the scope of work.

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 May 15, 2023.

Task	Timeline
Contract Approval / Contract Execution	May 15, 2023
Kickoff Meeting	Late May
Phase I – Pilot Area / Policy Creation	Early July
Phase II – Completion of Mapping (After any Commission action)	July-August

PROJECT COST

RSG proposes a total budget not to exceed \$25,000, inclusive of the hours and expenses pursuant to our Billing Rates and Fee Schedule. The assignment would be billed on a time-and-materials basis in accordance with our billing rates and policies set forth below.

BILLING RATES & FEE SCHEDULE

Our Billing Rates are as follows:

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 – RIVERSIDE LAFCO DUC METHODOLOGY MEMO AND MAP



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Date: June 24, 2021

To: Crystal Craig, Assistant Executive Officer
Riverside Local Agency Formation Commission (“LAFCO”)

From: Jim Simon, Principal
Wesley Smith, Analyst
RSG Inc.

Subject: **New Methodology for Mapping Disadvantaged Unincorporated Communities (“DUCs”) Phase 1: Hemet Test Area**

As part of the larger Riverside LAFCO Municipal Services Review (“MSR”), RSG was retained to produce a new methodology for mapping DUCs throughout Riverside County (“County”). The statutory definition of DUCs comes from Government Code (“GOV”) Section 56033.5, which defines a DUC as “inhabited territory” that constitutes all or a portion of a “disadvantaged community”. “Inhabited territory” may be defined by GOV Section 56046 as having at least 12 registered voters, or it can be determined by “commission policy”. A “disadvantaged community” on the other hand, is defined in Water Code (“WAT”) 79505.5(a), as a community with an annual median household income (“MHI”) less than 80 percent of the statewide MHI.

With these statutory definitions in mind, RSG discussed with Riverside LAFCO staff the limits of the prior methodology used to identify DUCs in the County, and potential alternative methodologies including those used by other LAFCOs around the state. The current Interim DUC Policy created DUCs based on three steps:

- (1) the DUC must consist of inhabited territory using the Commission-approved threshold of 50 registered voters,
- (2) the DUC must be in a US Census Bureau block group with an MHI less than 80% of the statewide MHI, and
- (3) the DUC must consist of mostly residential land uses.

This policy was applied to data analysis done through Google Earth and included extensive manual combing of satellite imagery to visually determine inhabited territory and residential use. RSG research found that many other LAFCOs also used some form of manual aerial or satellite combing. Because of the long time length and difficulty of manually eliminating areas, RSG sought to produce a methodology that made the process of identifying DUCs more efficient and potentially less subjective.

The new DUC methodology drafted by RSG would instead eliminate any vacant or affluent areas based on available data rather than manual observation. The methodology requires the data analysis to be performed in ESRI’s ArcGIS Pro software as opposed to Google Earth. It also calls for the use of County parcel shapefiles as opposed to the larger census block group files. In addition to using data from the US Census Bureau, the RSG method utilizes data from the Riverside County Registrar of Voters, the Riverside County Assessor-Clerk-Recorder, and ArcGIS Pro.

RSG therefore recommends the following updated LAFCO DUC Policy/Methodology:

1. Identify Census block groups that are under 80% of Statewide MHI.
2. Eliminate Registrar of Voter precincts with *less* than 50 registered voters.
 - a. RSG, in consultation with Riverside LAFCO, decided to use prior Commission policy that set the number of registered voters at 50 for "inhabited territory". This is consistent with GOV Section 56033.5 that allows for “commission policy” in determining “inhabited territory”.
3. Remove Tax Rate Areas (“TRA”) that have an average home sale price *greater* than the County median home value.
4. Remove areas where the estimated mortgage cost per month is *more* than 30% of the block group MHI.
 - a. RSG determined through analyzing home values and income, that areas where mortgage costs were higher than 30% of the block group MHI correlated with larger, more expensive properties. We originally assumed by identifying where mortgage costs were high as a percent of MHI the data would reveal cost-burdened areas. Instead, it showed that those areas that were the least cost-burdened by this metric were actually the most impoverished due to low property values. The 30% figure was taken from RSG’s industry experience in estimating rent-burdened areas, where 30% of income or more going to rent means an area is rent-burdened.

(A previous version of this memo included a step for using the buffer analysis feature of ArcGIS Pro to smooth over gaps between parcels. This was suggested to make the DUCs possess a contiguous boundary but after consultation with Riverside LAFCO, RSG removed this step.)

5. Eliminate parcels or groups of parcels with large *commercial, institutional, or vacant* land on the periphery of the new DUCs.
 - a. RSG’s method, though improved, is not perfect. Although voter precinct data was originally used to eliminate low population areas, those areas do not neatly map with census block groups, TRAs, or GIS parcel shapefiles. ArcGIS automates the creation of DUCs fairly well, but these must still be double-checked through manual review of satellite imagery. DUCs that appear to be only a few parcels long or wide should be checked with the latest satellite data for land not designated for inclusion in a DUC.
6. Label island parts of DUCs with the alphabet following the number of the nearest large DUC.
 - a. If a larger DUC labeled number 2, has a few small, disconnected island parts nearby that also qualify under this methodology, those parts should be labeled as 2a, 2b, and so on. If the island parts are quite large, they should be labeled numerically as their own separate DUC.

Crystal Craig, Assistant Executive Officer
Riverside Local Agency Formation Commission (“LAFCO”)
June 24, 2021
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Accompanying this updated memo are the parcel shapefiles for the new DUCs around the City of Hemet. This is the deliverable described in Phase 1 of the scope of RSG’s agreement with Riverside LAFCO. Phase 2, to be undertaken once RSG is given permission, will result in the creation of new DUCs for all of the County using this methodology.

If there are any questions, comments, or concerns with this methodology as drafted please do not hesitate to contact Wesley Smith at 714-316-2130 or at wsmith@webrsg.com.