

CITY OF MURRIETA



DRAFT

GENERAL FUND ANALYSIS

NOVEMBER 2023



SPICER CONSULTING
GROUP

Background

The City of Murrieta (City) incorporated July 1, 1991. Immediately following incorporation, the Riverside County (County) Transportation department continued to approve tract maps that were already submitted for approval. During the following two years the County transitioned the development approval process to the City. As a function of approving various land use, zone changes, or specific plan amendments submitted by development applicants the City must evaluate the impacts of these changes. One type of impact that needs consideration is any fiscal impacts to the City's general fund for services associated with these changes. Consequently, developers will submit Fiscal Impact Analyses (FIAs) that include the proposed development, estimated revenues, and estimated costs that may occur because of the proposed development. These FIAs present various assumptions and statements which analyze proposed development impacts to the City. Typically, these assumptions include using the City's approved Budget, plan of services, and financial constraints. These budgets are required to be balanced at the time of adoption by the City Council. This is appropriate for the near-term prediction or forecasting as it relates to the overall financial condition of the City's General Fund. However, for long-term planning other factors need to also be considered. These factors include the City's policies related to service levels for each City service department, including public safety, remaining development within the City, population growth, property tax valuation, sales tax estimates, and increases in service costs. It is necessary to evaluate these to provide sustainable services for growth.

Approach

Spicer Consulting Group (SCG) was engaged to evaluate the City's General Fund for future development impacts. SCG obtained information germane to the analysis including: the FY 2020-21 Comprehensive Annual Financial Report; the Unaudited FY 2021-22 Actuals; the FY 2022-23 Budget; the General Plan; the City's Long-Term Financial Projection; data from City Departments; and line item budget detail data. From this information a line item detailed database was prepared determining the eligible budget items relevant to providing services to the community. Our analysis included information planned for FY 2022-23 and determined the appropriate set of General Fund revenues and expenditures on a per capita basis. We evaluate this cost per capita assuming a full build-out scenario and determine the proportionate share associated with the development of new residential properties. After evaluating the proportionate share of costs, an analysis of revenues from new development is prepared including Property Tax, Sales Tax, and Franchise Fees and Charges.

Future Growth

Based upon the City's approved General Plan we determined and evaluated the estimated build-out horizon for the City, the land use categories, and specific plans for residential development, and confirmed the estimated people per household factors available from the State Department of Finance. However, we utilized the estimated people per household the City provided. Additionally, we obtained estimated assessed value information for new single-family and multi-family residential dwelling units. The current population for the City is 114,541 and is anticipated to grow to 150,806 in the year 2039, approximately 31.7%. That is an annual growth rate of 1.86%. The current number of people per household is 3.10 for a single-family residence, 2.50 for a multi-family residential property, and 1.79 for an affordable housing unit. This means that an estimated 3,379 single-family units, 9,600 multi-family units, and 1,000 affordable housing units will need to be built to support that population increase. Currently, the City's new residential development activity includes 3,251 single-family residential, 8,283 multi-family residential properties, and 1,000 residential affordable housing units.

Expenditures

The analysis consists of five primary general fund expenditure categories. These categories include: General Government, Community Development, Public Works/Engineering, Community Services, and Public Safety. General Government consists of the basic functions of running the City's day-to-day operations and includes; Administrative Services, Building and Safety, City Attorney, City Clerk, City Council, City Manager, Emergency Operations, and Finance. Community Development consists of Community Development/Planning and Economic Development. Community Services and Public Works/Engineering encompass only those functions. Public Safety includes Police, Fire, and Animal Control. Below are the FY 2022-23 expenditures by category:

General Fund Expenditures FY 2022-23

Description	Amount
General Government	\$9,466,982
Community Development	\$6,551,129
Public Works/Engineering	\$4,684,321
Community Services	\$603,395
Public Safety	\$56,192,003
Total Direct Costs	\$77,497,830

These expenditures represent the true costs realized in the daily operations (basic level of services approved by the City Council) and exclude any one-time costs and capital projects. The anticipated increase in service costs was estimated at 3.0% annually for all services except Public Safety. According to the City's Annual Budget, Public Safety costs are based upon the City's Long-Term Financial Plan and includes projected increases for salaries and benefits, including projected CalPers retirement costs from actuarial calculations and range from 3% to 7.8%.

General Fund Expenditures FY 2038-39

Description	Amount
General Government	\$14,678,678
Community Development	\$10,157,610
Public Works/Engineering	\$7,263,100
Community Services	\$935,572
Public Safety	\$112,044,381
Total Direct Costs	\$145,079,341

General Fund Revenues FY 2022-23

Description	Amount
Property Taxes	\$21,912,928
Real Property Transfer Tax	\$660,800
Sales Tax	\$20,600,000
Charges for Services	\$3,509,485
Permit Fees	\$1,393,857
Franchise Fees	\$3,918,420
Misc Fines & Fees	\$324,000
VLF	\$9,301,070
Business Licenses	\$730,330
Other taxes	\$2,784,085
Other revenues	\$4,288,900
Transfer In	\$307,010
Total Direct Revenues	\$69,730,885

Property Tax - Property Taxes are derived from the assessed values of all properties within the City of Murrieta. The Riverside County Auditor-Controller-County Clerk levies a 1% tax on the assessed valuation of all parcels within the County of Riverside. By state statute, under Proposition 13 passed in 1978, under Article XIII, it was established that the maximum increase in assessed values in one year is the lesser of 2% or the Consumer Price Index (CPI). Of this 1% Ad Valorem tax, the City of Murrieta receives a weighted average of 12.89% of the one percent levy Property Tax revenues consisting of \$9.1 M of base property tax and \$12.8 M of fire protection property tax representing the City's single largest General Fund revenue source that account for 31.4% of the City's total General Fund revenues of \$69,730,885.

Sales Tax - The Bradley-Burns Sales Tax revenue is derived from 1% of all taxable sales within the City of Murrieta. The District Sales Tax (Measure T) revenue is derived from 1% of all taxable sales within the City of Murrieta. California's state-wide sales tax rate is 6.25%, with an additional 0.5% sales tax in Riverside County, which is dedicated for road maintenance and construction.

Franchise Fees - Franchise Fees are the fifth largest revenue source for the City's General Fund. Currently, the City has six franchise agreements consisting of two public utilities, three cable TV companies, and solid waste hauler. The franchise fees associated with the solid waste hauler is anticipated to increase proportionally with the increase in the number of new homes. Franchise fee revenues are projected to total \$3.9 Million for FY 2022-23.

Other Revenues – Other revenues include charges for services, fines & forfeitures, business licenses, recreation program income, and VLF that were recently restored by the State Legislature. Of the \$23.3 million, \$9.3 million is derived from VLF, and the balance for other sources noted.

Findings

According to the City's General Plan, the City population is estimated to grow by approximately 31.7% as previously stated. This means that on a per capita basis, the new development would be responsible for approximately \$34.9M of the total expenditures by FY 2038-39. Taking into consideration revenues that could be generated through Property Tax, Sales and Use Tax, and Other Revenues the City Net General Fund Impacts would be negative by approximately \$6.8M in FY 2038-39. This translates to \$580 for each newly developed detached single family residential, \$468 per each multi-family residential unit, and \$250 per each affordable housing unit.

Recommendations

Given the net negative impact new residential development has on the City's General Fund each approved project should either participate in establishing or annexing into a Public Safety Services CFD or pay an equal amount to mitigate their impacts for safety services. In establishing a Public Safety Services CFD tax the City will be able to stabilize revenues and build in the flexibility to potentially not need to levy the full amount when the economy is performing well. However, when there is a recession or specific challenges to the City's revenues, the special tax will be able to contribute to providing public safety when these services are more vital.

Upon establishment of the Public Safety Services CFD it would be prudent to periodically review the projected tax amount to insure the tax stays in line with projected public safety costs. Finally, the City should evaluate the stability of the Public Safety Services CFD (if adopted) and may need to establish a new CFD with higher rates in the future.

APPENDICES



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City of Murrieta
General Fund Fiscal Impact Analysis
Residential Population Growth

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Population as of 2021	114,541
Estimated Population Growth (thru 2039)	36,265
Population at Build-out (2039)	150,806

General Fund Expenditures	Service Unit ¹	Per Service Unit	Build-Out LOS
General Government	150,806	\$97.33	\$14,678,678
Community Development	150,806	\$67.36	\$10,157,610
Public Works/Engineering	150,806	\$48.16	\$7,263,100
Community Services	150,806	\$6.20	\$935,572
Public Safety			
Police Services	150,806	\$506.31	\$76,354,964
Fire Services	150,806	\$232.20	\$35,016,758
Animal Control Services	150,806	\$4.46	\$672,659
<i>Total Public Safety</i>	<i>150,806</i>	<i>\$742.97</i>	<i>\$112,044,381</i>
Total General Fund Expenditures		\$962.03	\$145,079,341

Total Service Units at Build-out	150,806
New Residential Service Units	36,265
% of Build-out Service Units	24%

Allocable Share of General Fund Expenditures	\$34,887,811
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General Fund Revenues - New Development	New Homes	Per New Home	Totals
Tax Revenues			
Property Tax	13,979	\$603.04	\$8,429,834
Property Transfer Tax	13,979	\$35.00	\$489,331
Sales and Use Tax ³	13,979	\$1,102.70	\$15,414,576
<i>Subtotal Tax Revenues</i>		<i>\$1,740.74</i>	<i>\$24,333,741</i>
Franchise Fee	13,979	\$104.87	\$1,466,038
Fire Special Assessment	13,979	\$40.84	\$570,902
Fines & Forfeiture	13,979	\$8.67	\$121,198
Misc. Revenues	13,979	\$114.79	\$1,604,649
<i>Subtotal Other Revenues</i>		<i>\$269.17</i>	<i>\$3,762,788</i>
Total General Fund Revenues		\$2,009.91	\$28,096,529

General Fund Impact	Service Unit ¹	Per Service Unit	Totals
Revenues	36,265	\$774.76	\$28,096,529
Less: Expenditures	36,265	(\$962.03)	(\$34,887,811)
Shortfall	36,265	(\$187.27)	(\$6,791,282)

CFD Tax Rates	Factor	Per Service Unit	Tax Rate
Single Family Residential	3.10	\$187.27	\$580
Multi-Family Residential	2.50	\$187.27	\$468
Affordable Housing Residential (75% MFR)	1.33	\$187.27	\$250

	FY 2022-23 ²			Projected Build-Out 2039			
General Fund Expenditures	Operating Budget	\$ Per Capita	% of Total	Escalator	Operating Budget	\$ Per Capita	% of Total
General Government	\$9,466,982	\$83	12%	155%	\$14,678,678	\$97	10%
Community Development	\$6,551,129	\$57	8%	155%	\$10,157,610	\$67	7%
Public Works/Engineering	\$4,684,321	\$41	6%	155%	\$7,263,100	\$48	5%
Community Services	\$603,395	\$5	1%	155%	\$935,572	\$6	1%
Public Safety							
Police Services	\$34,513,824	\$301		221%	\$76,354,964	\$506	
Fire Services	\$21,244,349	\$185		165%	\$35,016,758	\$232	
Animal Control Services	\$433,830	\$4		155%	\$672,659	\$4	
<i>Total Public Safety</i>	<i>\$56,192,003</i>	<i>\$491</i>	<i>73%</i>		<i>\$112,044,381</i>	<i>\$743</i>	<i>77%</i>
Total General Fund Expenditures	\$77,497,830	\$677	100%	187%	\$145,079,341	\$962	100%

Notes:

- ¹Service Unit defined as estimated residential population
- ²FY22-23 Expenditure totals are budget totals from City Annual Operating Budget Fiscal Year 2022-23
- ³Sales and Use Tax estimated using FY22-23 budget per capita rate (\$1,102.70) applied to estimated population growth

City of Murrieta
General Fund Fiscal Impact Analysis
Tax Detail

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Residential Development	Factor	Total
Total Cumulative SFR Units		3,379
Total Cumulative Residents	3.10	10,475
Constructed SFR Assessed Values	\$645,000	\$2,179,455,000
Total Cumulative Multi-Family Units		9,600
Total Cumulative Residents	2.50	24,000
Constructed MFR Assessed Values	\$444,000	\$4,262,400,000
Total Cumulative Affordable Units		1,000
Total Cumulative Residents	1.79	1,790
Constructed AHU Assessed Values	\$100,000	\$100,000,000
Total Cumulative Residents		36,265

Residential Property Tax	Factor	Total
Constructed Assessed Values		\$6,541,855,000
Ad-Valorem	1.00%	\$65,418,550
Residential Tax Rate	12.89%	
Total Residential Tax		\$8,429,834

Residential Property Tax In-Lieu of Sales Tax	\$0
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Residential Property Transfer Tax	Factor	Total
Residential Property Tax Turnover Rate	13.60%	
Transfer Tax Rate	0.055%	
Total Residential Property Transfer Tax		\$489,331

Off-Site Sales Tax	Factor	Total
Sales and Use Tax	\$34.05	\$1,234,820
Less: % Captured at Onsite Retail	20.00%	(\$246,964)
Offsite Sales Tax Revenue		\$987,856
Less: 25% Reclassified to Property Tax	0.00%	\$0
Total Off-Site Sales Tax Revenue		\$987,856

Total Tax Revenues	\$9,907,021
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Population Estimation	
2021 Actual	114,541
Estimated Growth	36,265
2039 Total Population	150,806
24% SFR Growth	10,475
69% MFR Growth	24,000
7% AHU Growth	1,790

City of Murrieta
General Fund Fiscal Impact Analysis
Tax Detail

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FY 2023

CITY OF MURRIETA, CALIFORNIA - EXPENDITURE TABLE

	FIRE DISTRICT	GENERAL FUND	PROJECTED GROWTH ESTIMATED COSTS				Totals
			(A)	(B)	(A+B) * 10%		
General Fund & Fire District Fund Expenditures	FY 2023	FY 2023	Salaries and Benefits (NEW)	Ancillary Costs (Direct)	Indirect Costs 10%	Subtotal	
General Government	\$ -	\$ 9,466,982				\$ -	\$ 9,466,982
Community Development	-	6,551,129				-	6,551,129
Public Works/Engineering	-	4,684,321				-	4,684,321
Community Services	-	603,395				-	603,395
Public Safety							
Police Services	-	34,513,824	-	-	-	-	34,513,824
Fire Services	21,244,349		-	-	-	-	21,244,349
Animal Control Services	-	433,830					433,830
Total Public Safety	21,244,349	34,947,654	-	-	-	-	56,192,003
Total General Fund & Fire District Fund Expenditures	\$ 21,244,349	\$ 56,253,481	\$ -	\$ -	\$ -	\$ -	\$ 77,497,830

FY 2039

CITY OF MURRIETA, CALIFORNIA - EXPENDITURE TABLE

	FIRE DISTRICT	GENERAL FUND	PROJECTED GROWTH ESTIMATED COSTS				Totals
			(A)	(B)	(A+B) * 10%		
General Fund & Fire District Fund Expenditures	FY 2039	FY 2039	Salaries and Benefits (NEW)	Ancillary Costs (Direct)	Indirect Costs 10%	Subtotal	
General Government	\$ -	\$ 14,678,678				\$ -	\$ 14,678,678
Community Development	-	10,157,610				-	10,157,610
Public Works/Engineering	-	7,263,100				-	7,263,100
Community Services	-	935,572				-	935,572
Public Safety							
Police Services	-	53,514,130	18,886,010	1,878,385	2,076,439	22,840,834	76,354,964
Fire Services	27,423,866		5,854,841	1,047,788	690,263	7,592,892	35,016,758
Animal Control Services	-	672,659					672,659
Total Public Safety	27,423,866	54,186,789	24,740,850	2,926,173	2,766,702	30,433,726	112,044,381
Total General Fund & Fire District Fund Expenditures	\$ 27,423,866	\$ 87,221,750	\$ 24,740,850	\$ 2,926,173	\$ 2,766,702	\$ 30,433,726	\$ 145,079,341

SCHEDULE OF PROJECTED GROWTH ESTIMATED COSTS

Police Services

Salaries and Benefits (NEW)

Captain	\$	576,152
Lieutenants		995,403
Sergeants		3,118,835
Officers		3,013,073
Corporals		3,322,639
Detectives		3,405,705
Dispatchers		2,348,945
Professional Staff		2,105,257
SUBTOTAL	\$	<u>18,886,010</u>

Ancillary Costs (Direct)

VEHICLE	\$	-
UNIFORM - SWORN		120,467.24
UNIFORM - DISPATCH		19,588.17
TRAINING - 1		194,058.00
TRAINING - 2		15,925.18
MEMBERSHIP - 1		1,050.74
MEMBERSHIP - 2		19,472.11
FUEL COST		133,046.02
VEHICLE MAINTENANCE		137,965.10
EQUIPMENT		669,262.43
BWC & SUBSCRIPTION		105,408.83
Data Storage		49,786.60
Phone- IT		79,658.55
Mobile devices		64,249.19
Radios - handheld		109,825.96
BPV		46,848.37
Office Suite		9,957.32
Adobe Pro		9,957.32
Telestaff- IT		2,391.75
Guardian		9,957.32
Lexipol- IT		6,692.62
Office Furniture & Cubicle		-
SWAT		22,888.78
Safety		49,926.98
SUBTOTAL	\$	<u>1,878,385</u>

Fire Services

Salaries and Benefits (NEW)

Extended Costs - Salaries and Benefits

Fire Engineer	\$	1,125,962
Paramedic/Firefighter	\$	1,706,003
Battalion Chief	\$	463,870
Add Engine 6	\$	2,559,005
SUBTOTAL	\$	<u>5,854,841</u>

Ancillary Costs (Direct)

Annual costs	\$	211,424
One-time costs	\$	836,364
Vehicle - Battalion Chief	\$	-
Vehicle - Medic Patrol Unit	\$	-
New Fire Engine (Capital)	\$	-
SUBTOTAL	\$	<u>1,047,788</u>