



Chief Executive Office.

COUNTY OF LOS ANGELES

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May 12, 2025

To: Supervisor Kathryn Barger, Chair
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From: Fesia A. Davenport
Chief Executive Officer

FEASIBILITY OF THE INCORPORATION OF EAST LOS ANGELES (EAST LA) AS A CITY OR SPECIAL DISTRICT (ITEM NO. 73-E, AGENDA OF APRIL 23, 2024)

On April 23, 2024, the Board of Supervisors directed my office to engage the Local Agency Formation Commission for the County of Los Angeles (LAFCO), labor partners, and relevant Los Angeles County (County) departments to analyze the feasibility of the incorporation of East Los Angeles (East LA) as a city or special district, including a summary and breakdown of existing revenues (federal, State, and local sources) and projected revenues as an incorporated city, with a comparison of investments in capital projects, programs, and municipal services over the last 10 years.

BACKGROUND

Over the years, some East LA residents and community groups have called for cityhood. In 2009, petitioners submitted an incorporation application with LAFCO to incorporate East LA as a city. LAFCO prepared a Comprehensive Fiscal Analysis (CFA) in September 2011 which found the new city would not be financially feasible. In February 2012, LAFCO denied the application petition for lack of financial feasibility.



Concerns about the community's representation were raised again during the 2024 legislative session around Assembly Bill 2986, which would have directed LAFCO to establish a task force to identify and evaluate the potential impacts of East LA incorporation or the creation of special districts within East LA. Proponents of cityhood cite the desire for the authority to more directly address needs within East LA, and the belief that status as a city would lead to improved public services, enhanced community development and engagement, and greater visibility into County revenue collected and County expenditures and investments in East LA.

ANALYSIS

As directed by your Board, we reviewed the CFA and compared revenue and cost projections for a new incorporated City of East LA with actual or estimated actual revenues and costs for Fiscal Year (FY) 2022-23. The CFA projected an operating deficit of approximately \$12.4 million for FY 2022-23. The current estimate in the Chief Executive Office report for revenues and expenditures for FY 2022-23 indicate the new city's operating deficit would be approximately \$27.8 million, more than double the deficit projected by LAFCO's consultant in the CFA. Therefore, the East LA incorporation, as described in the 2009 incorporation application, continues to be fiscally infeasible. A chart with a summary of the analysis is below and our detailed report is attached.

Summary Analysis	2012 Incorporation Proposal		CEO's Current Analysis
	FY14-15 Projections	FY22-23 Projections	FY22-23 Actual/Estimate
Total Revenues	\$ 30,443,288	\$ 31,139,931	\$ 45,491,375
Total Expenditures	\$ 49,447,076	\$ 43,556,061	\$ 73,304,745
Net General Fund Surplus/(Deficit)	\$ (19,003,788)	\$ (12,416,130)	\$ (27,813,370)

Moreover, we found that the County spends significantly more on services in East LA than revenue received (see following table). The three primary revenue sources paid by East LA residents, property taxes, sales taxes, and utility user taxes, totaled \$28.2 million in FY 2023-23.

<u>GENERAL FUND</u>	East LA FY2022-23 Actual
Actual Tax Revenues	
Property Taxes	\$ 15,490,697
Sales Tax	\$ 5,680,341
Utility User Tax (UUT)	\$ 6,994,628
Total	\$ 28,165,666

The primary municipal services provided for the East LA unincorporated area cost the County General Fund \$53.3 million in FY 2022-23, demonstrating the County's commitment to the area.

GENERAL FUND	
Actual Expenditures	East LA FY 2022-23
Code Enforcement (District Attorney)	\$ 882,804
Police	\$ 36,421,000
Animal Control	\$ 1,579,994
Public Works	\$ 5,508,333
Parks and Rec	\$ 6,445,601
Regional Planning/Community Development	\$ 2,425,486
Total	\$ 53,263,218

Additionally, because the incorporation analysis required under State law generally does not factor non-recurring costs into the incorporation analysis, our analysis does not consider significant capital and other investments in East LA over the years since LAFCO denied the incorporation application. As directed by your Board, we evaluated County investments in East LA over the prior approximately 10 years that have contributed to the quality-of-life and diverse services mix provided by the County to the East LA community. The County draws on its substantial revenue and other resources generated both within and outside of East LA to provide these investments and services. Based on our updated financial analysis, an incorporated City of East LA would not have access to a commensurate level of community-serving resources and residents could experience a decline in available services.

During Supervisor Hilda L. Solis's tenure, the County has invested over \$500.0 million in East LA, directly benefitting the residents, workers, and business owners of the East LA unincorporated County area. Many of these investments are highlighted below.

Investments in economic development

The East Los Angeles Entrepreneur Center (Entrepreneur Center) was opened just prior to the pandemic in January 2020. The Entrepreneur Center is the County's one-stop small business development hub to develop and support small businesses in East LA. The Entrepreneur Center, operated by the Department of Economic Opportunity's (DEO) Office of Small Business, helps County small business owners looking to start or grow a business, access one-on-one business counseling

services, connect to technical assistance, attend business development webinars and workshops, and more. Programs run by the Entrepreneur Center have provided resources to over 145 East LA businesses, including dispersing \$1.4 million in grants and supporting business corridor facade capital improvements along the First Street and City Terrace corridors.

The Entrepreneur Center also provides small and micro businesses counseling, including one-on-one sessions on how to access business capital. This community infrastructure has helped the County launch several programs all of which are available in East LA, including the Economic Mobility Initiative, Economic Opportunity Grant Program, the LA County Sidewalk Vending Program, and RENOVA TE (a business façade improvement program).

Housing Investment

The County has worked to address homelessness and housing affordability in East LA, directing \$258.0 million to create 17 affordable housing buildings with 875 new units. The County also offered \$32.0 million in rent relief, providing 3,600 families with tenant-based housing and over 5,600 households with legal services to prevent evictions.

Since 2021, the County has addressed nearly 350 homeless encampments. Also, the County is investing over \$6.0 million over the next two years to support a Pathway Home program in East LA. Pathway Home is an encampment resolution program that brings people off the streets, into immediately available interim housing accompanied by a comprehensive suite of supportive services, and ultimately, into safe, permanent homes.

Community Planning

The County also invested in dozens of ordinances and community plans with robust community engagement. Several of these plans, including the Parks Needs Assessment, Comprehensive Economic Development Strategy Plan, Metro Area Plan, and East Los Angeles Community Pedestrian Plan, are being implemented. Several ordinances adopted by the County Board of Supervisors ensure community well-being and success and put forward a plan of implementation to uplift the vibrancy of East LA while protecting its most vulnerable low-income community members from gentrification and displacement. These ordinances include the Accessory Dwelling Units Ordinance, Inclusionary Housing Ordinance, Short-Term Rental Ordinance, Rent Stabilization Ordinance, Density Bonus Ordinance, Sidewalk Vending Ordinance, and Green Zones Ordinance.

Infrastructure Investments

Over the last 10 years in East LA, the County has invested \$150.0 million for infrastructure projects as well as \$30.0 million to support local parks. County projects included several beautification projects to improve community assets. In East LA along Northside Drive, the County has dedicated resources to a quarter-mile, open space area for the Saybrook community with a walking path and picnic tables surrounded by new landscaping with drought tolerant plants and native trees.

To help improve pedestrian safety and traffic flow along major corridors, the County collaborated with the Whittier, Olympic, and City Terrace communities to begin repairing over five miles of roadway features including sidewalk and curb ramp reconstruction, pavement resurfacing, traffic signal and high-visibility crosswalk and pedestrian “bulb-out” upgrades and added bicyclists’ space and roadway reconfigurations to reduce speeding and traffic collisions.

And the County invested \$12.0 million for improvements at the Centro Maravilla Service Center (where the Entrepreneur Center is located), a pillar of the community in providing access to services and resources, to strengthen its functionality and express the County’s commitment to a long-term partnership with East LA. The building has been modernized with drought-tolerant landscaping, a new heating, ventilation, and air conditioning system, Americans with Disabilities Act-compliant restroom renovations, and energy-efficient lighting upgrades.

Programmatic Investments

In 2020, the County established a new Aging and Disabilities Department, which runs programs at the Maravilla Services Center aimed at assisting East LA seniors and vulnerable residents, including the Emergency Food Assistance Program which distributed food commodities to 65,548 households between 2015¹ and 2025; the Elderly Nutrition Program which provided 72,622 meals supporting the health and social engagement of older adults; fitness and health programs that advance public health outcomes through structured wellness activities engaging over 34,000 participants; the Utility Assistance Program which delivered financial relief to 1,392 households for gas and electricity bills; and \$1.0 million in American Rescue Plan Act funding was deployed during the 2020 pandemic to equip older adults with digital devices, internet access, and literacy training, promoting digital inclusion and independent living.

¹ The County's department of Workforce Development, Aging and Community Services provided these services prior to the establishment of the Aging and Disabilities Department In 2020.

Also, within East LA, DEO through America's Job Center (AJC), has served 2,824 adults and 1,478 youth, with an employment placement percentage of 60 percent and 63 percent respectively. Through AJC, DEO has supported 106 businesses and 3,735 additional workers with Rapid Response/Layoff Aversion Services. East LA AJC also administers the Careers for a Cause program, in partnership with East LA College, providing training for 130 individuals with 62 placements into unsubsidized employment so far.

Furthermore, the County has expanded its suite of community services through the Department of Business and Consumer Affairs (DCBA). The range of DCBA services was not included in the 2012 incorporation analysis. In the past two years alone, DCBA has provided critical assistance to constituents through more than 6,700 service calls and the management of over 3,200 cases across key program areas, including housing and tenant protections, foreclosure prevention, mediation services, immigrant affairs, worker protections, consumer protection, and cannabis management. The management of these constituent cases and service calls reflect an investment into East LA of \$4.85 million dollars through the Stay Housed LA services, Rent Relief Program, and Comprehensive Service Delivery programs.

Digital Divide

The County recently allocated \$5.3 million to deploy and operate a residential broadband internet service in East LA that is affordable, highly reliable, and high quality. The network, known as Community Broadband Network, will bring low-cost internet service to East LA residents experiencing a lack of affordable or accessible internet options. Construction is expected to start soon with service available to East LA residents at the end of 2025.

Environmental Justice

With the support of Supervisor Hilda L. Solis and your entire Board, the County Department of Public Health led an unprecedented effort on June 10, 2017, to conduct a door-to-door community outreach event to homes within 1.7 miles of the Exide lead-acid battery recycling facility, including in East Los Angeles, to conduct a health survey to understand the concerns and needs of residents and provide health education materials and resources. The County has helped secure over \$600 million in State funding to clean up homes that have been contaminated by Exide.

RECOMMENDATION TO ESTABLISH A MUNICIPAL ADVISORY COUNCIL

As directed by your Board, the attached report analyzes the feasibility of establishing a special district or Municipal Advisory Council in East LA to address community concerns and provide more direct community input and influence into municipal services in East LA. Creating a special district requires LAFCO to conduct a financial feasibility study, similar to an incorporation analysis. Proponents would have to define the services that would be incorporated into a special district. Although technically feasible in the abstract, specific feasibility will be determined by LAFCO. As an additional consideration, because the County General Fund subsidizes services in East LA, creating a special district will not necessarily provide a financial benefit to residents and could make providing services more expensive.

Although cityhood may not be financially feasible for East LA, we recommend your Board consider establishing a Municipal Advisory Council to advise the Board on County services in East LA and robustly address residents' concerns. Under State law, Municipal Advisory Committees (MAC) are directly advisory to the Board and serve as a conduit for community-driven recommendations regarding services, programs, and other matters in the unincorporated areas. Moreover, MACs are a formal part of county governance, created by a county board of supervisors and subject to the Ralph M. Brown Act open meeting laws.

State law grants your Board the discretion to designate the specific services or matters concerning the community over which a MAC will have jurisdiction. For example, the Board could designate a single MAC to represent East LA community concerns, or the Board could create multiple MACs that focus on specific service areas (e.g., parking enforcement, street vending, encampment cleanups, etc.) to enhance feedback between residents and County government with the objective of improving services. The Board also has discretion under State law over the formation and appointment of MAC members, including specifying the number of members, their qualifications, and how they become members (voter-elected or appointed by the Board).

The attached report provides more detail on the feasibility of establishing a MAC or special district within East LA.

SUMMARY AND RECOMMENDATION

Although, based on our analysis, East LA incorporation remains fiscally infeasible, a MAC offers a formal and sanctioned way for community residents to participate in the governance of East LA. We recommend your Board direct my office to retain a

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consultant to conduct multilingual and culturally competent community outreach regarding the matters of concern to the community and matters over which a MAC or a Town Council could have jurisdiction to address community concerns most effectively, and report back to the Board in writing with recommendations.

Should you have any questions, please contact me or Mason Matthews at (213) 974-2395 or mmatthews@ceo.lacounty.gov.

FAD:JMN:MM
RM:AD:cg

Attachment

c: Executive Office, Board of Supervisors
County Counsel



Analysis of a Proposed Incorporation of East Los Angeles

May 2025

Executive Summary of Key Findings

This report, [directed](#) by the Board of Supervisors, compares updated revenue and cost figures from 2022-23 to assess the current day relevance and viability of findings from the most recent comprehensive analysis of East LA Cityhood by the Local Agency Formation Commission for the County of Los Angeles (LAFCO) in 2011.

This review determined that a new city would face a significantly wider operating gap than was projected in LAFCO's comprehensive fiscal analysis for Fiscal Year (FY) 2022-23. The gap between the new city's operating costs and available property tax revenues more than doubled—from a projected \$12.4 million net operating deficit to an estimated \$27.8 million now.

From this analysis, we conclude that a renewed application to incorporate East LA would again be found financially infeasible. In addition to the net operating deficit of \$27.8 million, these additional factors, identified by LAFCO in 2011, continue to weigh on the viability of East Los Angeles (East LA) as a City:

- Under state law, the new city would still be unable to use State Vehicle Licensing Fee (VLF) revenue to close its operating deficit.
- Sales tax revenues in East LA are lower than those in comparable cities. For example, sales tax receipts for East LA in FY 2022-23 totaled \$5.7 million, compared to \$31.0 million in El Monte and \$18.6 million in Monterey Park.

The appendix includes schedules that set forth our calculations. Table 1 is the 10-year projections prepared by LAFCO in 2011 and assess the fiscal viability of a City of East LA. Table 2 contains our analysis of actual or estimated actual revenues and costs for FY 2022-23. Table 3 contains the municipal service providers identified. Tables 4 and 5 compare costs and revenues of a City of East LA with those of comparably-sized or adjacent cities.

The report also assessed alternatives to cityhood such as:

- Establishing a Special District
- Forming a Municipal Advisory Council/Town Council

This review was conducted by Chief Executive Office (CEO) staff with existing resources and is not intended to replicate the scope or depth of a comprehensive financial analysis by LAFCO reflecting a prescriptive and detailed government structure and municipal services system.

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I. Introduction and Background

The unincorporated community of East LA is one of the earliest established communities in Los Angeles County (County), with a rich history and distinct cultural heritage dating back centuries. The LA County Library has catalogued many defining moments of the community's recent history in its [online exploration of East LA](#)¹.

As an unincorporated community, the County is the primary provider of municipal services for the area, establishes applicable land use and zoning rules, and is responsible for the construction and maintenance of public-serving facilities, such as roads, parks, and community and senior centers, among other services. The County Sheriff provides law enforcement and parking enforcement services. The LA County Library and LA County Consolidated Fire Protection District are special districts that are distinct legal entities with their own revenues and operating budgets. These special districts provide library, fire suppression, and paramedic services for the community.

Since the emergence of East LA as a cultural hub in the 1930s, community members have attempted numerous incorporation efforts (1931, 1933, 1961, 1965, 1975, and 2012)². Advocates of cityhood have cited concerns that direct County governance limits access to East LA's resources and self-determination and argue that cityhood would increase residents' ability to address local needs, improve public services, and enhance community development and engagement. These prior incorporation efforts have failed for various reasons, as detailed in Section IV below.

On February 16, 2024, then-Assemblymember Wendy Carrillo introduced Assembly Bill (AB) 2986 which would have, among other things, directed the LAFCO to create a task force to complete and submit a report to the Legislature on the potential impacts of city and special district incorporation in East LA, including an analysis of advantages, disadvantages, and recommendations for future actions.

On April 23, 2024, concerned that prior incorporation analyses had shown that incorporation is unlikely to prove beneficial for East LA residents and businesses, the Board of Supervisors directed the CEO to oppose AB 2986. The Board of Supervisors further directed the CEO to work with County departments providing services to the East LA community and to report back on the following:

¹ East Los Angeles Community History, LA County Library (<https://lacountylibrary.org/eastla-local-history/>)

² The Long Road to Self-Determination: A Critique of Municipal Incorporation Through the East Los Angeles Cityhood Movement, Sarah Ihn, 2010 (<https://www.caunincorporated.com/files/4918dac91/East+LA.pdf>)

- (a) Consultant and County costs related to the past two East LA incorporation studies with estimated projected cost in 2024;
- (b) Impacts that AB 2986 would have to other resources and studies under LAFCO's purview;
- (c) Impacts that AB 2986 would have on other resources, studies, and programs under County purview;
- (d) A summary of findings from prior incorporation studies;
- (e) A summary and breakdown of existing revenues (federal, State, and local sources) and a projection of East LA's revenues as an incorporated city, with a comparison of investments in capital projects, programs, and municipal services over the past 10 years; and
- (f) Analysis and feasibility of East LA fiscal viability as a city or special district.

In a July 2024 letter from the CEO to the author of AB 2986, the County expressed its opposition to the bill. The letter addressed directives (a) through (c) above, citing that it would cost the County \$5.1 million to produce the detailed fiscal analysis that would be required under LAFCO incorporation law.

This report responds to directives (d) through (f) above, and Directive 3 from the Board motion (feasibility of forming a Municipal Advisory Council (MAC), a local Town Council, or a Coordinating Council), and covers the following topics:

Section I	Introduction and Background
Section II	Summary of Findings and Considerations
Section III	Incorporation Process and Requirements
Section IV	East LA Incorporation Past Outcomes
Section V	Updated Financial Analysis and Findings
Section VI	Comparable/Adjacent Cities
Section VII	Special Districts/Municipal Advisory Councils/Town Councils

II. Summary of Findings and Considerations

In September 2011, in response to an incorporation application filed with LAFCO, LAFCO published a Comprehensive Fiscal Analysis (CFA) evaluating the fiscal viability of a new “City of East Los Angeles.” The CFA showed that the new city, which would have been incorporated effective Fiscal Year (FY) 2013-14, would have a substantial operating deficit over the next 10 years. The LAFCO executive officer subsequently recommended that LAFCO deny the incorporation application on the grounds that the new city would not be financially viable. After holding a public hearing in January 2012 and a public meeting in February 2012 to consider East LA’s incorporation, LAFCO adopted a resolution denying the incorporation application based on the finding that it would not be financially viable.

In this report, we compare actual revenues and costs for FY 2022-23 with the projections in the CFA to determine if there have been any material changes to revenues and costs that would indicate whether a new LAFCO-prepared CFA might show a City of East LA would be financially viable. We used FY 2022-23 actuals because that was the most recent fiscal year for which we had actual receipts at the time we started this analysis, and because FY 2022-23 was the last year in the CFA’s 10-year projections, creating a convenient and consistent opportunity to compare whether any material changes exist.

As explained below, we find that there have not been material changes to indicate that a new City of East LA would be financially viable if a CFA were prepared today by LAFCO.

The primary reasons are:

- 1) The cost of services that the County would transfer to the proposed city greatly exceed the property tax revenue that would be transferred. The City of East LA would have an estimated \$27.8 million net operating deficit as of FY 2022-23 (See Table 2). This operating gap is more than double the operating deficit projected by the CFA for 2022-23.
- 2) The passage of Senate Bill (SB) 89, discussed below, made it very difficult for new cities to incorporate because they will not receive State VLF revenue. The CFA noted that East LA would not have access to \$9 million in VLF revenues in FY 2013-14. SB 89 prevents the new city from using VLF as a revenue source to help close its operating deficit.

- 3) East LA's sales tax revenues are relatively low compared to cities of comparable size and adjacent cities. Sales tax receipts for East LA in FY 2022-23 totaled \$5.7 million, whereas cities such as El Monte and Monterey Park generate annual receipts of approximately \$31.0 million and \$18.6 million, respectively.
- 4) Another large source of revenue for East LA is the Utility User Tax (UUT), a 4.5% tax on electric, communications, and gas utilities. In FY 2022-23, East LA's share of UUT revenue was \$7.0 million. Although a new city could increase the UUT rate, doing so would require voter approval and is speculative. Our analysis is limited to the existing 4.5% UUT rate. However, even if voters approved a rate of 10% in UUT, as of FY 2022-23, that rate would have generated an additional \$8.5 million which is not enough to close its projected operating deficit.

In reaching these conclusions, it is important to consider that city incorporation is governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code sections 56000, et seq.)³. The procedure for the incorporation of an unincorporated community in Los Angeles County is lengthy, complex, and requires LAFCO review and approval.

Under California law, incorporation proposals are initiated at the formal request of affected government agencies or by signed petition of at least 25 percent of registered voters, 25 percent of the number of landowners, or by landowners who own at least 25 percent of the assessed value of the land within the proposed incorporation area. The incorporation [application](#)⁴ must specify the proposed boundary to be incorporated, existing land uses, and a justification for the proposed incorporation.

LAFCO staff coordinates the review of the incorporation petition, often a years-long process, to ensure that any proposed incorporation is economically feasible, in the best interests of the community, and environmentally and logically sound from a public services standpoint. An environmental impact report may also be needed.

LAFCO's most recent East LA incorporation analysis concluded in early January 2012. In January 2012, the LAFCO Executive Officer issued his [Executive Officer's](#)

³ California Government Code, Section 5600
(https://leginfo.ca.gov/faces/codes_displaySection.xhtml?sectionNum=56000&lawCode=GOV)

⁴ Application to Initiate Proceeding for Change of Organization/Reorganization, LAFCO for the County of Los Angeles (<https://lalfco.org/wp-content/uploads/documents/lafco%20application%203-20-18.pdf>)

[Report](#)⁵ titled “Proposed Incorporation of East Los Angeles” (referred to in this report as the “2012 East LA Incorporation Proposal”), with LAFCO finding that East LA does not generate enough revenue to sustain a healthy and financially sound city. The 2012 East LA Incorporation Proposal was initiated in 2007 with a formal application submitted in April 2009. The analysis was conducted over multiple years and followed the statutory provisions that govern LAFCO incorporation proposals. The Executive Officer’s Report included a [Comprehensive Fiscal Analysis](#)⁶ (CFA) that provides a majority of the analysis and findings that LAFCO relied on for their determinations.

The analysis in this report is not the same as the years-long analysis conducted as part of the LAFCO incorporation process.

- Although detailed and data driven, this report updates the revenue and cost findings from the 2012 East LA Incorporation Proposal based on actual or estimated actual data from FY 2022-23 (or data from the most recently available fiscal year) to determine whether material changes in revenue and cost assumptions demonstrate that a renewed LAFCO CFA could find that a new City of East LA is financially viable today. The report does not analyze the environmental or logistical service requirements or other legally mandated analyses that govern the LAFCO process.
- Although the development of this report required lengthy review and analysis, this analysis is expedited relative to the LAFCO process. As stated above, the most recent 2012 East LA Incorporation Proposal commenced five years earlier, in 2007, with a formal application submitted in April 2009, and ultimately concluding in February 2012.
- This report is not based on a new incorporation petition that specifically describes what is being proposed, including but not limited to any proposed changes to the incorporation boundary or methods for providing services. Instead, the report presumes that the scope of the incorporation proposal is the same as what was proposed as part of the 2012 East LA Incorporation Proposal and is updated to reflect current service level assumptions and revenues.
- This report is being conducted within existing County CEO and departmental resources. This report is not intended to cover the scope or depth of a CFA

⁵ Executive Officer’s Report Proposed Incorporation of East Los Angeles, Local Agency Formation Commission for the County of Los Angeles, January 25, 2012
(<https://lalafo.org/wp-content/uploads/documents/2012/Agenda01-25-12%20.pdf>)

⁶ Comprehensive Fiscal Analysis of the Proposed Incorporation of East Los Angeles, prepared for LAFCO for the County of Los Angeles by Economic & Planning Systems, Inc.
(https://file.lacounty.gov/SDSInter/lac/1162456_PublicHearingComprehensiveFiscalAnalysisFinal09-08-11.pdf)

reflecting a prescriptive and detailed government structure and municipal services system. During the 2023-24 legislative process, CEO reported to the relevant committees that the cost of such an analysis is around \$5.1 million. For this study, the CEO used the previous CFA as a starting point and collaborated with all relevant municipal services and tax revenue departments to provide the best point-in-time updates and analysis of the financial viability of incorporating East LA.

III. The California Incorporation Process and Requirements

Incorporating a city in California follows a statutory process that allows an unincorporated area (i.e., a region not governed by a city but rather by a county) to become a new city with its own local government. This process is outlined by the State's Cortese-Knox-Hertzberg Act, and the general steps include:

1. Initiating the Process

- **Petition or Resolution:** The process typically begins with a petition or a resolution from a group of residents or local officials in the area seeking incorporation. This petition generally requires signatures from at least 25 percent of the registered voters within the proposed city's boundaries, or 25 percent of the number of landowners who own at least 25 percent of the assessed value of the land within the proposed incorporation area.
- **City Council or County Board:** The petition or resolution is submitted to the local county board of supervisors or city council to begin the process.

2. Feasibility Study

- **Fiscal Feasibility:** If proponents decide to pursue incorporation, a county LAFCO may prepare a preliminary assessment of the fiscal resources available to establish a new city. This initial fiscal feasibility review helps community groups review a quick appraisal of the potential for incorporation. The initial fiscal feasibility study is not intended to be used as a substitute for the CFA. It is only intended to be used to educate proponents regarding the fiscal potential for incorporation.
- **Environmental Impact Report (EIR):** An environmental review may be necessary to assess the impact of incorporation on the environment.

3. Submission to a County LAFCO

- **A County LAFCO Role:** A county LAFCO is the governing body responsible for reviewing and approving proposed incorporations in California. A county LAFCO evaluates whether the proposed city meets the necessary criteria and determines whether the incorporation is in the best interests of the community.

4. LAFCO evaluation and analysis of the incorporation proposal.

Typically prepared as part of a CFA, a county LAFCO evaluates factors including:

- Whether the area is a logical and viable boundary for a new city.
- The financial viability of the new city.
- The impact on public services and resources.
- Whether incorporation would be detrimental to the county or surrounding areas.

5. LAFCO Hearing and Decision

- Public Hearing: A county LAFCO holds a public hearing to discuss the proposal, where residents, officials, and other interested parties can provide input.
- LAFCO's Decision: After the hearing and review of all data, a County LAFCO will determine whether the incorporation can proceed. If LAFCO approves, the process moves to the next step.

6. Voter Approval

- Ballot Measure: Once a county LAFCO approves the incorporation, incorporation will proceed to the voters in the proposed area.
- Approval Requirement: A majority vote (more than 50 percent) is required for approval. If the voters approve the incorporation, the new city will be officially established.

7. Formation and Organization of the New City

- New City Council: Once incorporation is approved, voters will elect a city council. The city council will then establish a local government, set up city departments, create a budget, and provide public services.
- City Charter: The new city will adopt a city charter, which is the foundational document that outlines the structure and powers of the local government.
- Transition from County Services: Services previously provided by the county (e.g., law enforcement, public works, etc.) will be transferred to the new city's government or reorganized as necessary. This transfer will take place in the sequence and timing as negotiated by the County and/or approved by a county LAFCO.

8. Post-Incorporation

- Ongoing Administration: After incorporation, the new city will begin functioning as an independent local government, assuming responsibility for services, governance, and economic development.

Incorporating a city is a significant decision that requires careful planning and public support. The involvement of a county LAFCO ensures that the decision is made with the long-term viability of the region in mind.⁷

The most recent incorporations in the County of Los Angeles were Calabasas and Malibu, both in 1991. Elsewhere in the State, the most recent incorporation was the City of Mountain House (2020 population of 24,499) in San Joaquin County in 2024. Prior to Mountain House, a few smaller cities (Jurupa Valley, Eastvale, Menifee, and Wildomar) in Riverside County were incorporated from 2008 to 2011.

IV. East LA Incorporation Background and Past Outcomes

Prior to the 2012 East LA Incorporation Proposal, there were six attempts at incorporation in East LA: 1931, 1933, 1961, 1963, 1975, and 2012. Voters rejected incorporation in 1933, 1961, and 1975. The efforts in 1931 and 1963 did not advance to a vote.

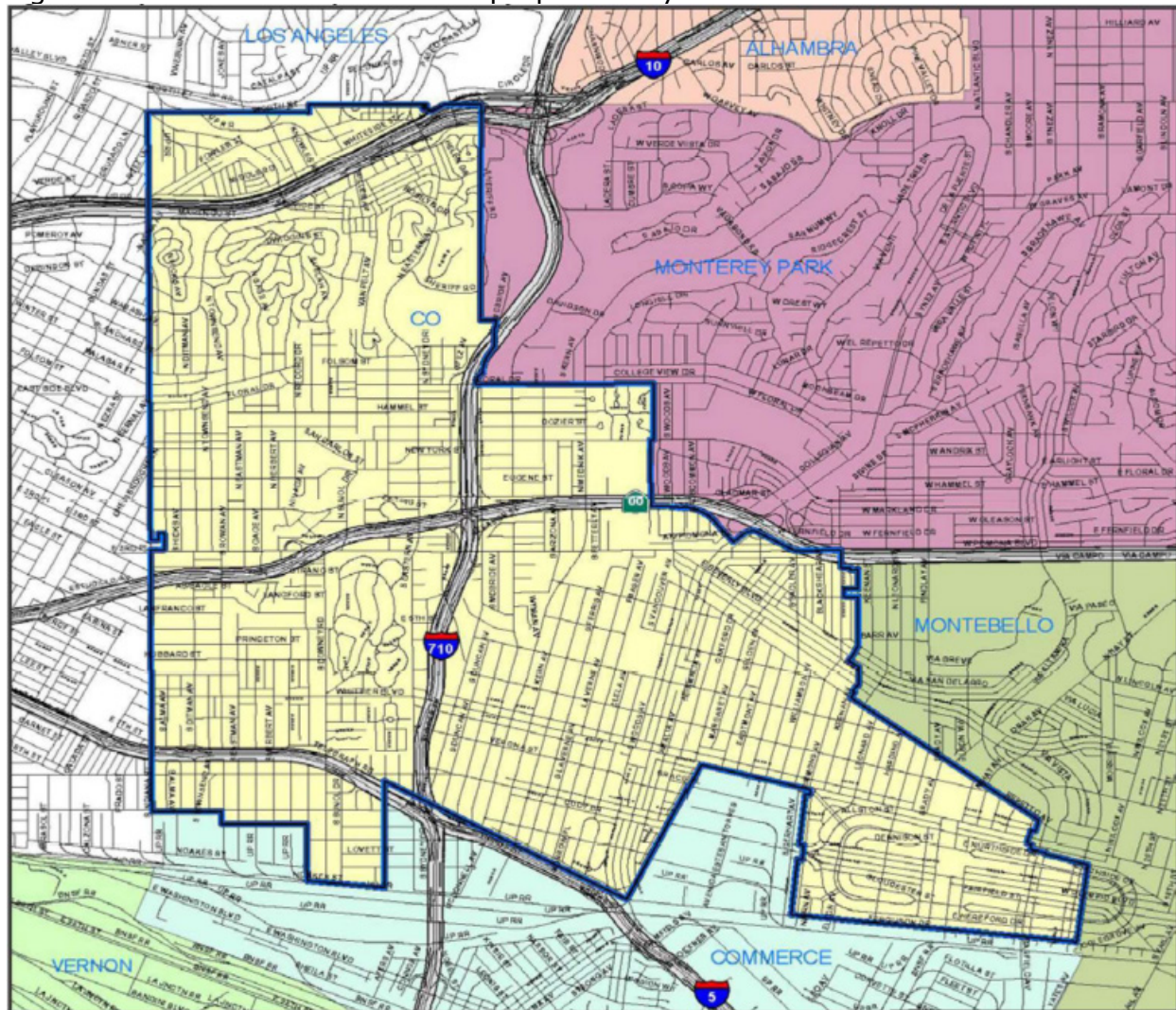
The 2012 East LA Incorporation Proposal is the most recent cityhood effort, initiated in 2007 by the East LA Residents Association. The organization followed the Cortese-Knox-Hertzberg Act, which included gathering the necessary signatures to petition LAFCO to review its application to incorporate. The petitioners stated the following reasons for the proposal request:

1. *To place upon the residents of the area, the responsibility for self-government and the subsequent provisions of a range of municipal services as defined and provided for by the Constitution of the State of California.*
2. *To provide the residents with localized control over planning policy and zoning, including land use, open space, growth and revitalization areas.*
3. *To influence revitalization of blighted commercial and residential districts and promote homeownership and maintenance.*
4. *To foster economic revitalization, employment growth and beautification in key commercial districts.*
5. *To increase public safety by fostering and promoting a citywide neighborhood watch program that will work closely with law enforcement services provided to the community.*

⁷ A Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Assembly Committee on Local Government, November 2020 (<https://alcl.assembly.ca.gov/sites/alcl.assembly.ca.gov/files/CKH%20GUIDE%20-%202020%20FINAL%2012.9.20.pdf>)

6. *To foster civic engagement by promoting community service and involvement by local residents who will have an opportunity to serve in their municipal government in various capacities.*
7. *To create local environmental programs that will increase recycling, create incentives for cleaner burning vehicles or vehicles that use renewable sources of energy, mitigate noise pollution, and improve air quality.*
8. *To exercise greater localized control over local transportation planning, including roadway maintenance, alleviation of congestion, synchronization or signal lights, and future infrastructure growth.*
9. *To create grant opportunities that will generate increased funding for localized education, social and community programs for senior citizens, parents, children, and high-risk youth.*
10. *To create a local, politically accountable governing body that will be available and responsive to the unique needs of East LA.*

Figure 1. Petitioners identified the proposed city boundaries below.



As shown by the map in Figure 1, the unincorporated community of East LA is surrounded by cities, including Los Angeles to the west and north, Commerce to the south, Monterey Park to the northeast, and Montebello to the southeast. Four major freeways extend through the area: Interstate 10 runs east-west near the northern boundary, Interstate 5 runs along portions of the southern boundary, Highway 60 runs east-west centrally through the community, and Interstate 710 runs north-south through the middle of East LA.

In September 2011, LAFCO published its CFA studying the proposed incorporation. The CFA concluded:

- The new City of East LA would not generate sufficient revenues to cover projected operating costs unless anticipated revenues are augmented.
- Additional revenues could be generated to narrow the operating shortfall, but VLF revenue, a key funding source that was previously available to newly incorporated cities, was eliminated with the passage of SB 89 in 2011, and other revenue increases required voter approval.
- City feasibility required lower levels of contract law enforcement services than recommended by the County Sheriff's Department (LASD).
- The new City of East LA would have insufficient operating reserves without revenue augmentation.
- City incorporation would not have an adverse fiscal impact on the County or on other service providers.

The LAFCO Executive Officer prepared a report recommending LAFCO disapprove the 2012 East LA Incorporation Proposal because the new city would not generate enough revenue to sustain a healthy and financially sound city.

LAFCO considered the proposal and the Executive Officer's recommendation on [January 25, 2012](#), and [February 8, 2012](#). LAFCO adopted a resolution on February 8, 2012, disapproving the incorporation proposal, finding the proposed city is not expected to receive revenues sufficient to provide for adequate public services and facilities, and a reasonable reserve during the three fiscal years following incorporation.

V. Updated Financial Analysis and Findings

A. Methodology

As stated above, the purpose of this report is to identify whether any material changes in projected revenues or costs could indicate that a renewed LAFCO CFA could find that a new City of East LA is fiscally viable today.

To conduct our analysis, we started with the revenue and cost projections established in LAFCO's CFA. The CFA established baseline costs for the proposed new city in FY 2013-14 (the "transition year") and projected costs and revenues for a 10-year period through FY 2022-23. The CFA projected a net operating deficit of

\$12.4 million in FY 2022-23, with \$0 in reserves. The projections developed by the CFA in 2011 are reflected in the Appendix, Table 1.

To test whether material changes to revenues or costs exist such that incorporation might be feasible today, we established the actual or estimated actual revenues and costs for FY 2022-23 (or the most recently available fiscal year). If the actuals demonstrate a deficit materially less than what the CFA projected in 2011, we can fairly presume that engaging in a renewed LAFCO CFA could be beneficial to establish whether incorporation is fiscally feasible. On the other hand, if the actuals show that the deficit is equal to or more than what the CFA projected for FY 2022-23, we can presume that further LAFCO-driven analyses are unlikely to change the conclusion from the 2012 East LA Incorporation Proposal that the new city would not have sufficient revenues to sustain its operations.

To establish FY 2022-23 actual or estimated actual revenues and costs, we worked with the finance teams from 15 County departments that provide municipal services or administer tax collection and monitoring within the East LA boundary (as reflected in Figure 1, above) to determine FY 2022-23 revenues and expenditures within the East LA boundary. Many departments do not track revenues and expenditures by geographic area. Those departments used varying methods to formulate estimated actuals. Some estimated actuals were calculated using East LA's relative share of the total County unincorporated population (e.g., Franchise fees, UUT, etc.) while other estimates were determined by departments based on the portion of a project or program that covered a particular area of East LA (e.g., Animal Care and Control and Public Works departments).

Other estimates were made by comparing East LA to other incorporated cities similar in size or population that may have comparable revenue for some sources (e.g., Deed Transfer Tax). The larger municipal services departments such as Sheriff, Fire, Library, Public Works, and Parks provided more detailed estimates based on their facilities located in East LA and providing direct or exclusive services. Moreover, Fire and Library are considered separate taxing agencies and receive an apportionment of the general 1% levy from property tax. It is important to note that municipal services expenditures that exceed their direct revenue sources are generally supplemented by other County revenues. We provide more details about how we determined revenues and costs in the notes that follow Table 2a in the Appendix.

B. Revenue Analysis

To assess actual or estimated actual revenues in FY 2022-23, we examined all revenue sources identified in the CFA and calculated or estimated actual receipts for the FY 2022-23. We analyze the major components of revenue for East LA below: property tax, sales tax, and UUT. The FY 2022-23 actuals for all revenue sources examined in the CFA are included in Table 2 in the Appendix. We also discuss VLF and SB 89's impact on the CFA's assessment of financial viability.

Property Tax

The largest single source of revenue for most California cities is property tax, which represents a stable source of revenue under normal economic conditions, with steady but often modest annual growth. [Proposition 13](#), which restricts annual tax levies except upon change of ownership or new construction, and high demand in the County for residential real property create significant "stored value" that taxing entities, including cities, realize when properties are sold or redeveloped, which contribute to steady growth over time.

The actual property tax collected by the County in East LA in FY 2022-23 was approximately \$15.5 million. However, the Cortese-Knox-Hertzberg Act uses a specific formula to establish the amount of property tax transferred from the County to the new city. The formula is based on the percentage of the net cost of services funded by the County general fund. The property tax transfer calculation is not based on the amount of property tax revenue that will be collected within a new city's boundaries. After the initial year, the new city would receive a share of future property tax growth from property transfer reassessments, property improvements and expansions, and the constitutionally mandated annual assessment increase.

Section 56810 of the Government Code establishes the calculation for determining the amount of property tax transferred from the County to the new city. Section 56810 requires calculation of the new city's initial property tax base by multiplying the net cost of County services by the proportional percentage of those services that are paid for by property tax, referred to as the "Auditor's Ratio." For the purposes of the CFA, the Auditor's Ratio was 52.598 percent. Using this legally required methodology, the CFA established the baseline property tax transfer for FY 2013-14 to be \$16.8 million.

For our updated FY 2022-23 analysis, we applied an updated Auditor's Ratio of 55.213 percent and applied it to the potential net expenditures for services that would be transferred from the County to the new city to determine the property tax transfer estimate. In Figure 2 below, we establish the total net costs for FY 2022-23 at \$40.8 million. Applying the estimated factor to those costs, we established a property tax transfer estimate for FY 2022-23 of \$22.5 million and reflect this amount in Figure 2 below. This would become the new city of East LA's property tax baseline for FY 2022-23.

Figure 2. How we reached our calculation using the Auditor's Ratio

<u>Property Tax Transfer Amount</u>	
<u>County Services:</u>	
District Attorney	\$ 882,804
Sheriff	36,421,000
<i>Sheriff Prop 172 revenue offset @ 53.41% *</i>	(19,452,302)
Animal Care and Control	1,579,994
Public Works	5,508,333
Parks and Recreation	6,445,601
Regional Planning	2,425,486
Library (General Fund)	7,006,472
Total	<u>\$ 40,817,388</u>
 <i>Auditor's Ratio - FY 2022-23</i>	 55.213%
Property Tax Transfer Amount	<u>\$ 22,536,505</u>

**The CFA reflected a Prop 172 revenue offset that was 53.4% of the Sheriff's estimated cost of providing services to the new city. This same percentage was applied to the Sheriff's updated cost estimate.*

In terms of inhibitors to property tax growth, many factors noted in the CFA continue to exist in East LA. For example, within East LA, roads, freeways, and other rights-of-ways represented 25 percent of the land in East LA in 2011, and government and non-profit institutions (churches, cemeteries, etc.) represented 19 percent. The commercial (6 percent) and industrial (3 percent) areas were small, and there was relatively little vacant land (2 percent or 110-acres) available for redevelopment.

Consistent with State laws, the Metro Area Plan was adopted by the Board of Supervisors in 2024, regarding future land use in East LA. The Metro Area Plan redesignated existing commercial sites in East LA—which were subject to East LA Community Plan designations of Community Commercial, Major Commercial, and Commercial Manufacturing—to Mixed-Use (MU). Many of these lots are located along major commercial corridors. The MU land use designation allows for pedestrian-friendly and community-serving commercial uses that encourage walking, bicycling, and transit use, residential and commercial mixed uses, and multifamily residences. The MU land use designation allows a residential density of 50 to 150 dwelling units per net acre and a maximum floor-to-area ratio of 3.0 for non-residential and mixed-use development.

To comply with State law regarding the Regional Housing Needs Allocation (RHNA), the Metro Area Plan included some rezoning. Rezoned sites in East LA included General Commercial (C-3) properties located along the north side of Whittier Boulevard. Other sites included C-3 zoned properties along Atlantic Boulevard between Whittier Boulevard and Eagle Street, as well as a handful of sites along Beverly Boulevard between Margaret Avenue and Sadler Avenue. These sites underwent a zone change from commercial (e.g., Restricted Commercial [C-1], Neighborhood Commercial [C-2], C-3) to a mixed-use (i.e., Mixed-Use Development Zone [MXD]).

These rezoning efforts are likely to have some growth impacts on tax revenue generation in East LA, but it is unclear yet to what degree. Additionally, because of the recency of the zoning amendments, we did not incorporate them into our analysis of establishing actual receipts for FY 2022-23, nor are we able to project impacts to revenue over time without additional analysis and expert support. Moreover, a new city, once incorporated, would establish its own zoning designations within city boundaries.

Sales Taxes

The CFA established baseline sales taxes in East LA at \$3.1 million in FY 2013-14 with a FY 2022-23 projection of \$3.9 million. In our analysis, we find that sales taxes have outperformed projections. Actual sales tax revenue in East LA totaled \$5.7 million for FY 2022-23. We calculated this amount in collaboration with outside consultants by aggregating quarterly Bradley-Burns 1% sales tax data reported by the California Department of Tax and Fee Administration (CDTFA). The sales tax data was aggregated based on the geographical boundary of the unincorporated East LA from Figure 1 on page 13 of this analysis.

California cities can also add voter-approved local sales tax. CEO examined three similar-sized cities: El Monte, Norwalk, and South Gate. All three of these cities have voter-approved local sales taxes.

Figure 3. Sales tax comparison of East LA to similar jurisdictions

City	Population	Square Miles	Additional Local Sales Tax	Total Sales Tax Rate	FY 2022-23 Total Sales Tax Budget
El Monte	103,794	9.7	.50%	10.00%	\$31.0 million
Norwalk	98,078	9.4	.75%	10.25%	\$26.3 million
South Gate	90,070	7.5	.75%	10.25%	\$28.1 million
East LA	118,786	7.4	-	9.50%	\$5.68 million

The commercial character in East LA has historically been dominated by many mom-and-pop retailers with small shops located in the same location for decades. While beneficial to the economic and cultural fabric of the community, the concentration of local small businesses generates less sales tax per capita than big-box retail and other large sales tax generators like shopping malls and automobile dealerships. While the proposed new city could decide to attract such sales tax drivers, doing so at a scale sufficient to drive substantial growth in sales tax revenue could impact the community character of the existing commercial corridors in East LA.

UUT

In unincorporated County, UUT revenue is generated from a voter-approved tax on electric, gas, and communication (wireless and landline) utilities in the unincorporated area (Los Angeles County Code sections 4.62.060 through 4.62.080). Both in 2011 and today, the UUT rate is 4.5 percent in unincorporated areas.

Based on this rate, the CFA calculated UUT revenues in FY 2013-14 at \$5.1 million and projected growth of UUT revenues in FY 2022-23 at \$5.3 million. We are estimating actual UUT revenues for East LA for FY 2022-23 at \$7.0 million. We calculated this estimate by multiplying the total UUT, reported by the County's Treasurer and Tax Collector (TTC) for FY 2022-23 for all unincorporated areas, by the East LA population percentage. East LA's current UUT rate is 4.5 percent while other similar jurisdictions UUT percentage is slightly higher (at 5.5 to 7 percent).

The CFA states that, "the new City of East Los Angeles does not generate sufficient revenues to cover projected operating costs unless anticipated revenues are augmented, e.g., by an increase in the existing Utility User Tax." A revenue increase scenario was presented in the CFA to increase the UUT to 10 percent, more than doubling the rate. Any increase to the current rate would require two-thirds majority approval by East LA voters, and it should be noted that a municipality can consider a rate increase for only some utilities rather than an increase for all. For consistency with the CFA, we provide UUT revenue estimates at 5.5 percent, 7.0 percent, and 10.0 percent below. However, because these revenues depend on voter approval (i.e., they cannot be relied on as a revenue source), we did not factor them into our revenue analysis.

Figure 4. Utility User Tax Rate Increase Scenarios

Rate Increase Scenarios for All Utilities (Gas, Electricity, Communications)				
Rate	4.5% (Current)	5.5%	7.0%	10.0%
Rate Percentage Increase from Current	-	22%	55.5%	122%
Estimated Revenue	\$6,994,628	\$8,547,435	\$10,883,641	\$15,542,063
Estimated Revenue Increase from Current	-	\$1,552,807	\$3,889,013	\$8,547,435

VLF

New incorporated cities can no longer draw down VLF funding from the State and this is an important component for assessing the fiscal viability of a potential new city, including in East LA.

Before 1998, cities had three primary sources of revenue: property tax, sales tax, and VLF revenue. VLF originated as a local property tax levied on vehicles since 1935, set at 2 percent of the vehicle's value. VLF was subsequently allocated to cities on a per-capita basis, which meant that cities received increased shares of VLF revenue when they annexed inhabited areas. New cities that incorporated also received an allocation of VLF according to population.

In 1998, the rate for VLF was reduced from 2 percent to 0.65 percent. Then in 2011, during a budget crisis in the State, the Legislature passed SB 89 and swept away all remaining VLF funds as part of a budget solution. The bill did not include any solution for the loss of VLF for cities that incorporate in the future. According to the 2012 East LA Incorporation Proposal, LAFCO estimated the impact of the loss of the VLF in the range of \$6 million to \$9 million a year. While this amount alone would not have made the new city financially viable, it had a material impact on LAFCO's assessment.

Our analysis does not consider VLF revenue as SB 89 remains in effect.

C. Costs Analysis

As we did for revenues, we also worked with County departments to establish the actual or estimated actual operating costs for municipal services in East LA for FY 2022-23. We focus our discussion below on the largest cost drivers, police protection, public works, regional planning and community development, library services, and parks. FY 2022-23, actuals or estimated actuals for all costs examined in the CFA are shown in Table 2 in the Appendix, including a brief discussion of how we calculated each cost in Table 2a. The services and associated costs that would transfer to the new city are consistent with the CFA and reflected

in Table 3 in the Appendix. Using the government structure identified by the CFA, we applied average annual County departmental growth to the cost of those positions for the period used in the analysis. For the non-departmental expenses identified in the CFA, we applied the Consumer Price Index for All Urban Consumers, which showed a 28.6 percent increase.

Police Protection

Appropriate costs for police protection were subject to substantial scrutiny in the CFA and debated at length by LAFCO during its public discussions on the 2012 East LA Incorporation Proposal. The County Sheriff submitted a budget of \$31.2 million plus \$6.8 million for one-time capital improvements. LAFCO staff reduced that budget to \$21.2 million in FY 2012-13 with the justification that the lower amount represented service levels in comparable cities. Based on this scaled-down service assumption, the CFA projected Sheriff contract costs for FY 2022-23 at \$22.0 million. During the 2012 East LA Incorporation Proposal process, the Sheriff contended that the proposed contract amount recommended in the CFA (\$21.2 million) would result in 72 fewer positions and a 32 percent reduction in service levels and the increased responsibility of providing park patrol and traffic enforcement. The Sheriff's Department also stated that the costs of providing services for subsequent years should be based on an inflation rate of 4.55% annually. As noted in the LAFCO minutes for its February 8, 2012, meeting, the then-Sheriff declined in writing to accept a contract at the CFA-estimated cost.

Moreover, the proponents of the incorporation in 2012 appealed LAFCO's findings to the State Controller. The State Controller noted that the CFA was likely underestimating the expenditures due to the reduction in the Sheriff's estimates.

Because the cost for police protection in the CFA was based on a budget proposed by the Sheriff, scaled down by CFA staff to levels considered consistent with jurisdictions of comparable size, establishing actual costs for police services for East LA in FY 2022-23 that compare to what the CFA analyzed is particularly challenging.

With these complexities in mind, and to ensure we developed the most accurate estimate, we relied on current (FY 2024-25) contract rates developed by the Sheriff.⁸ Using these rates, we estimated police protection costs of \$36.4 million.

⁸ To the extent that costs for police protection are overstated by using Sheriff contract city rates for FY 2024-25 instead of FY 2022-23, the impacts are mitigated because we used the FY 2024-25 cost estimates to calculate the base property tax transfer (see Figure 2, above). In other words, any higher estimated costs are partially offset by a higher estimated property tax revenue. These calculations are consistent with the CFA methodology.

This estimate includes:

- Traffic enforcement and traffic collision investigations in County unincorporated areas are currently the responsibility of the California Highway Patrol (CHP). The CFA recognized that traffic enforcement and investigations would need to be provided by the Sheriff, likely under a contract to the new city. This is consistent with the CEO's updated estimate for the Sheriff.
- Additional patrols for parks that are currently patrolled by Sheriff Parks Bureau.
- Conversion of two-deputy patrol units into single-deputy patrol units, consistent with contracts with Commerce, Cudahy, and Maywood.
- Purchase of patrol vehicles for the additional deputies.

The estimated costs include approximately \$3.4 million to participate in the Contract Cities' Liability Trust Fund liability pool for law enforcement services. Recent actuarial analyses have indicated the liability trust fund is funded below required levels, which will require increasing percentage contributions from contract cities over time.

Finally, the Sheriff's Department is in the process of enhancing parking enforcement in the unincorporated areas in the County, including East LA. Additional parking enforcement officers are being hired to address parking violations that generate the most complaints from communities (double parking, failure to obey signs and signals, blocking driveways, pedestrian safety, and impeding the flow of traffic including emergency vehicles). Performance measures and metrics are being established, tracked, and reported to the Board on a quarterly basis. The cost of the added Parking Citation Officers and Parking Enforcement Supervisors is initially offset by additional parking citation revenue from the increase in the number of parking citations, and for this reason is not factored into our analysis.

Fire District

Revenues for the Consolidated Fire Protection District come from a dedicated share of property taxes, not County General Funds, that are paid by the residents within the District. The CFA assumed the revenues and expenditures of the Fire District were in balance, therefore they did not impact the finances of the proposed new city, as fire protection would continue to be provided by the Consolidated Fire Protection District. We conclude the same here and, consistent with the CFA, we are not including fire protection costs in the list of expenditures. However, the proposed new city could request services over and above what the District provides, which would add costs, or it could establish its own fire department. Negotiations would be required to determine the cost of transferring facilities and equipment from the County to the new city.

Library

The CFA showed that library services would continue to be provided by the County through a contract with the proposed new city. The CFA noted that the expenditure amount for Library services would require an additional \$4 million to maintain current service levels at that time. The County library is a taxing agency and receives a portion of the general 1 percent levy based on assessed property value. This means that East LA did not generate enough property tax to cover the cost of library services. At that time, UUT revenues were used to cover the gap in funding. The incorporation would have resulted in a shortfall and a new source of funding to fill the \$4 million gap was needed. At that time, voters would have needed to pass a special tax to cover the gap funding, or else services would have been reduced by around 65 percent.

Based on our current analysis of FY 2022-23 costs of \$8.2 million, which are offset by special district revenue of \$1.2 million, continuing to fund the Library at current service levels would require an additional \$7.0 million. The new petitioners and their consultant would need to determine an additional funding source to fill the new, larger funding gap.

Parks

The CFA states that the proposed city would be responsible for programs and services of parks as well as all maintenance of facilities and open space, yet it was unclear whether the new city would be able to provide an equivalent level of service or programming because there were significant funding constraints. The petitioners at that time requested the facilities and services of seven of the eight parks located within East LA be transferred to the new city: Atlantic Avenue, City Terrace, Eugene E Obregon, Parque de Los Sueños, Robert F Salazar, Saybrook, and Eastside Eddie Heredia Boxing Club. The petitioners requested Belvedere operate as a regional facility like other similar County facilities throughout the County. The funding constraints of the Department of Parks and Recreation (DPR) revealed a total revenue of around \$260,000 for all seven parks with expenditures of approximately \$4.2 million.

For our analysis we examined the revenues and expenditures of all eight parks. As noted in Table 2 in the Appendix, the Department reported that their expenditures include the cost of employee salaries and benefits as well as services and supplies. For FY 2022-23, we found the total expenditures of the eight parks to be around \$6.4 million while the revenues were only around \$367,000. The significance of the budget constraints still exists for East LA's County parks services and operations.

Department of Public Works

The County, through the Department of Public Works (DPW), coordinates building and safety operations, infrastructure project construction, and infrastructure

maintenance (e.g., building inspection and plan check, stormwater infrastructure, flood control, roadway maintenance, traffic controls) in unincorporated East LA and uses various funding sources for these projects. The CFA assumed that the new city would assume these responsibilities, as shown in Table 3. The FY 2022-23 expenditure budgets presented in this report reflect only programs and services funded by the County General Fund and do not include ongoing infrastructure operations and maintenance, capital projects, nor one-time, non-recurring project costs.

Although not included in the CFA, we feel it is important to note that there are additional costs for staffing, equipment purchases, and facilities acquisitions the new city would have to bear and are not reflected in the County General Fund expenditures shown in our updated fiscal analysis in Table 2. Moreover, as with transferring the Sheriff services, mentioned above, there will be start-up costs for items such as equipment and vehicles, facilities overhead, and staffing. These additional costs are material and would need to be considered by the proposed new city.

Administrative Expenses

Estimated Administrative expenses for East LA include Finance, City Attorney, City Manager, City Clerk, office equipment, insurance, and contingency. We did not account for human resources or the provision (purchase or lease) for a city hall. Because we have no actual costs for these expenses, we updated the costs for these expenses in the CFA using the average annual County departmental growth applied to the CFA's FY 2014-15 estimates (see Appendix, Table 2). It is not possible to anticipate how a new city will arrange and fund its internal departments. However, our estimates appear to be comparable to the administrative expenses of other cities (see Appendix, Table 5). In total, we estimate \$13.0 million in administrative expenses.

Other Expenses

The primary intent of this report was to update the CFA's analysis completed in 2011. There are other costs that were not included in the prior analysis, have been paid by the County, and would need to be addressed by the new city.

This report, consistent with the CFA, does not account for the provision of a city hall. Either a facility would need to be built, leased, or existing County facilities would need expansion. It would be reasonable to anticipate costs of additional millions of dollars for any capital projects undertaken to build out council offices, mayor's office, city hall services center, and council chambers.

Other infrastructure costs, services, and programs provided by the County, including new programs by the Departments of Economic Opportunity and Aging

and Disabilities that have been established after the CFA was completed, should also be addressed by the new city.

Finally, the CFA included a repayment to reimburse the County for services the County would be obligated to provide in the first year of incorporation. The CFA indicates: "Government Code Section 57384 provides that, the County Board of Supervisors is obligated to continue to furnish all services that were provided to the area prior to incorporation, for the remainder of the fiscal year during which the incorporation becomes effective. The new city is obligated to reimburse the County within five years of the effective date, or longer if the Board of Supervisors agrees to a longer period." This repayment, although not reflected here, could be significant, and would add to the projected budget deficit in the five years after the year of incorporation. Further, this repayment could make it difficult for the new city to establish the reserves recommended by State guidelines in the early years of the new city's operations. The CFA concluded that the new city would have to pay the County \$6.6 million annually for five years following incorporation to repay the County for providing services during the transition year. This amount would be higher today because the cost of services has increased.

VI. Comparable/Adjacent City statistics

In addition to providing the actual or estimated actual costs and revenues for FY 2022-23, we analyzed adopted budgets from cities of comparable size to East LA – El Monte, Norwalk, and South Gate – as well as smaller, adjacent cities of Montebello and Monterey Park (See Appendix, Table 4).

Comparing city budgets is difficult due to different budget methodologies. Cities have different approaches to salary Cost of Living Adjustments (COLAs), as well as pension and retiree costs, and prioritize their service mix differently.

Nevertheless, a comparison of the similar sized cities of El Monte, Norwalk, and South Gate shows that these cities generate a significantly higher amount of revenues overall to balance their budgets, although South Gate produces relatively the same amount of property tax as East LA. All three comparable cities generate around five times as much sales tax (around \$20 million in additional revenue).

During this study we did not investigate the specific zoning plans of these comparable cities. However, it can be assumed that the amount and size of retail establishments within these jurisdictions is significantly higher than East LA given the large difference in revenue yet the similar square area. The CFA notes, "there is no likelihood of significant growth in the area" and development in East LA is limited to only in-fill projects. Moreover, the study explains that East LA and all adjacent areas are built-out, so significant density expansion of commercial/retail zoning would be required to increase its sales tax base.

Sales tax is highly dependent on generators such as big-box retail, auto dealerships, gas stations, and other retail outlets. The cities of El Monte, Norwalk, and South Gate are the largest producers of sales tax revenues, which include: big box retail (Home Depot, Sam's Club, Walmart, Target, Costco); large grocery stores (Food 4 Less, Walmart Supercenter, Stater Brothers, Smart & Final, Northgate Market); and auto dealerships (Honda, Hyundai, Lexus, and Toyota).

An example of a successful sales tax generator is the Azalea Shopping Center in South Gate. Opened in 2014, the Center transformed 30 acres of vacant industrial land into a retail amenity that incorporates environmentally friendly features and a community gathering space. The Center is home to 37 shops and restaurants including Walmart, Marshalls, Ross, Petco, Ulta, and Michael's.

VII. Establishing a Special District or Municipal Advisory Council

A. Special Districts

Special districts are public agencies that provide specialized essential services related to their well-being such as public safety, sanitation, road maintenance, and fire protection. Authorized through State law, and analyzed by a county LAFCO, a special district is formed by public referendum which begins with a petition, then progresses to hearings and a vote of the residents within the proposed new district's service area. Overseeing each special district is a board comprised of trustees, directors, or commissioners, elected by their constituents to govern the district operations. In certain circumstances, a city council or county executive board may appoint special district board members. Special districts are subject to states' sunshine laws that apply to cities, counties, and other forms of local government, as well as audits of district finances and regulatory compliance of its operations.

Special districts must file independent audits with the county auditor and annual financial transaction and compensation reports with the State Controller's Office. The special districts board must comply with Fair Political Practices Commission regulations, the Public Records Act, and all open meeting requirements in the Brown Act. When a special district is being created, the county's local governing body is often foundational to the process, particularly in unincorporated areas, as they may be required to take formal action to allow the public vote for formation of the new district to occur.

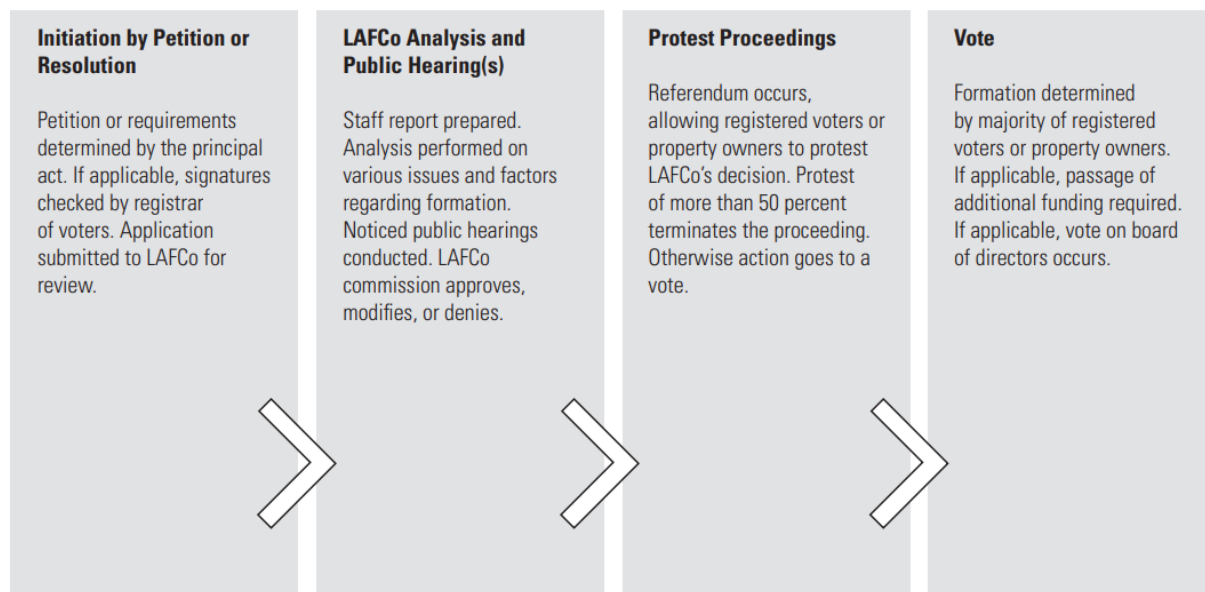
CEO staff assessed the feasibility of creating a new special district in East LA which would undergo a similar costly and lengthy process to incorporation administered by LAFCO, including a higher voter approval rate of two-thirds due to a needed tax increase. East LA is currently part of several special districts which include

Belvedere Garbage Disposal District; Greater Los Angeles County Vector Control District; Consolidated Fire Protection District of Los Angeles County; Central Basin Municipal Water District; Water Replenishment District; Special Road District No. 1; Lighting Maintenance District No. 1687; Consolidated Sewer Maintenance District; and County Sanitation District No. 2. Each district is for a specific and limited purpose.

Creating a new special district would require the East LA community to determine which specific service enhancements are needed, then develop a structured plan in compliance with LAFCO rules and conduct the necessary feasibility studies. Furthermore, each specific service identified as potentially being administered by a special district would require its own individual analysis and formation process.

The flow chart below summarizes the special district creation process. The California Special District Association states in its Special District Formation Guide, generally, an outside consultant must be hired by the applicant community to prepare the necessary feasibility analysis, and the association offers a list of experienced professionals to conduct such an analysis. The application for incorporation process can take approximately three years to complete. There are several community organizing efforts that precede the application process that add to the overall timeline for incorporation.

Figure 5. Special District Creation Process



Without a specific LAFCO analysis, it is unclear whether forming a special district would be financially beneficially to the community of East LA, or whether it would limit overall resource availability by eliminating or limiting County investments over-and-above revenues generated in the district. It is also unclear whether

forming a special district would increase local control and accountability to the community as composed with current services.

B. Municipal Advisory Council/Town Council

CEO reviewed the process of forming a Municipal Advisory Council (MAC) that could represent the interests of East LA and act as an advisory body to the County Board of Supervisors. Under state law, MACs are advisory bodies of local citizens established through resolution of the Board. Government Code 31010 states the resolution establishing any such municipal advisory council shall provide for the following:

- a) The name of the municipal advisory council.
- b) The qualifications, number, and method of selection of its members, whether by election or appointment.
- c) Its designated powers and duties.
- d) The unincorporated area or areas for which the municipal advisory council is established.
- e) Whether the establishment of the council should be submitted to the voters and the method for such submission; provided that if an election is required pursuant to subdivision (b), such election shall be held at the same time as an election held pursuant to this subdivision.
- f) Such other rules, regulations and procedures as may be necessary in connection with the establishment and operation of the municipal advisory council.

MAC members can be elected by the community or appointed by the Board.

East LA does not have a formally recognized MAC or an organized community group subject to open meeting laws and other State laws. East LA does have the Maravilla Community Advisory Committee (MCAC), which was created in 1991 to involve local community stakeholders in redevelopment projects for the immediate area Maravilla, as it used to be formerly a federal redevelopment area that used tax increment funds to build projects. Prior to the State dissolution of redevelopment areas, MCAC would meet once a month to get presentations from the County's Redevelopment Agency (currently named the Los Angeles County Development Authority) on projects being built.

Since the dissolution of the redevelopment areas, the formal purpose of the MCAC has ended, though they have continued to hold unofficial/unsanctioned meetings at the Centro Maravilla Service Center to discuss local issues beyond the scope of their original purpose, such as parking, street vending, crime and safety, graffiti, transportation. However, the MCAC is more appropriately characterized as a

community organization, not a formal entity created by the County with official recognized duties and powers.

Currently within the County, there are town councils which are a variation of MACs. While MACs are defined in state law, town councils are not. As such, town councils are not chartered, are not subject to the Brown Act, have no official authority, and purely advise on local issues such as safety, planning, public works, or public health.

Approximately 21 town councils have been formed in the County, mostly in Supervisorial District 5. They conduct their own elections, are self-funded, and memberships vary in size. Some town councils are more formal and organized, while others less so, operating informally without established bylaws, policies, and procedures. The town councils allow local unincorporated communities to share information and requests with the Board of Supervisors.

The Altadena Town Council (ATC) is a more formal and organized body which has a 16-member council (two representatives from each census tract) with executive and standing committees. The ATC website includes links to its By-Laws, Ethical Standards, meeting videos, agendas, minutes, and other community announcements. ATC is a well-organized body with committees covering several topics including Communications, Education, Filming, Land Use, Legislative, and Safe Streets-Traffic Safety. Typical monthly meetings include reports from various County departments regarding activity in Altadena.

Establishing an East LA MAC could provide an official platform for the community to express concerns, raise issues, and decide on resolutions to help the area thrive. Before the Board can develop a resolution establishing the MAC, engagement with the East LA community is needed to determine the MAC's overall purpose, its role and duties in County government and any powers, how it will be established (i.e., by appointment or election), and any other rules that the Board sees fit for such a body.

Transparency in establishing a MAC is key to ensure the needs of the community are addressed and that the council body can contribute the strong partnership between the County and the East LA community. Community information sessions held to educate the community on the impact the MAC can have and the regulations for its implementation. Once the community is aware of these requirements, meetings should be held to determine the duties of the MAC. From there, the Board can begin to develop a resolution for its implementation.

APPENDIX

Table 1. Summary chart from the 2011 CFA

Summary of Results (all figures in constant \$\$s) NO VLF
East Los Angeles CFA

Item	Fiscal Year									
	2013-14 Transition Year	2014-15 2	2015-16 3	2016-17 4	2017-18 5	2018-19 6	2019-20 7	2020-21 8	2021-22 9	2022-23 10
1 GENERAL FUND										
2 Revenues										
3 Property Taxes	\$16,796,266	\$16,821,475	\$16,846,936	\$16,872,652	\$16,898,625	\$16,924,858	\$16,951,353	\$16,978,113	\$17,005,141	\$17,032,438
4 Sales Tax	\$3,070,337	\$3,702,827	\$3,721,341	\$3,739,948	\$3,758,647	\$3,777,441	\$3,796,328	\$3,815,310	\$3,834,386	\$3,853,558
5 Transient Occupancy Tax	Transition	\$114,169	\$115,310	\$116,463	\$117,628	\$118,804	\$119,992	\$121,192	\$122,404	\$123,628
6 Real Property Transfer Tax	\$56,424	\$56,988	\$57,558	\$58,133	\$58,715	\$59,302	\$59,895	\$60,494	\$61,099	\$61,710
7 Franchise Fees	Transition	\$1,349,011	\$1,355,734	\$1,362,458	\$1,369,181	\$1,375,904	\$1,382,627	\$1,389,350	\$1,396,074	\$1,402,797
8 Utility User Tax	\$5,057,954	\$5,083,288	\$5,108,622	\$5,133,956	\$5,159,290	\$5,184,624	\$5,209,958	\$5,235,293	\$5,260,627	\$5,285,961
9 Public Wks/Building Fees	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189	\$725,189
10 Parks and Recreation Fees	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611	\$261,611
11 Business Licenses	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107	\$107,107
12 Fines, Penalties, Misc.	\$1,916,640	\$1,926,240	\$1,935,840	\$1,945,440	\$1,955,040	\$1,964,640	\$1,974,240	\$1,983,840	\$1,993,440	\$2,003,040
13 State Motor Vehicle License Fees	-- eliminated by SB 89 --									
14 VLF (AB 1602)	-- eliminated by SB 89 --									
15 Investment Earnings	<u>\$283,787</u>	<u>\$295,383</u>	<u>\$291,412</u>	<u>\$287,394</u>	<u>\$283,330</u>	<u>\$279,219</u>	<u>\$280,133</u>	<u>\$281,049</u>	<u>\$281,969</u>	<u>\$282,892</u>
16 Subtotal	\$28,275,314	\$30,443,287	\$30,526,661	\$30,610,351	\$30,694,363	\$30,778,698	\$30,868,433	\$30,958,548	\$31,049,046	\$31,139,931
17										
18 Expenditures										
19 Legislative	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000	\$92,000
20 City Clerk, City Treasurer	\$388,800	\$390,744	\$392,698	\$394,661	\$396,635	\$398,618	\$400,611	\$402,614	\$404,627	\$406,650
21 Elections		\$200,000		\$200,000		\$200,000		\$200,000		\$200,000
22 City Manager	\$861,433	\$987,848	\$992,787	\$997,751	\$1,002,740	\$1,007,753	\$1,012,792	\$1,017,856	\$1,022,945	\$1,028,060
23 City Attorney	\$1,500,000	\$1,507,500	\$1,515,038	\$1,100,000	\$1,105,500	\$1,111,028	\$1,116,583	\$1,122,166	\$1,127,776	\$1,133,415
24 Administrative Services	\$1,028,250	\$2,158,740	\$2,169,534	\$2,180,381	\$2,191,283	\$2,202,240	\$2,213,251	\$2,224,317	\$2,235,439	\$2,246,616
25 Police	Transition	\$21,157,215	\$21,263,001	\$21,369,316	\$21,476,163	\$21,583,544	\$21,691,461	\$21,799,919	\$21,908,918	\$22,018,463
26 Animal Control	Transition	\$410,734	\$412,788	\$414,852	\$416,926	\$419,011	\$421,106	\$423,212	\$425,328	\$427,454
27 Community Development	\$902,950	\$1,551,175	\$1,557,406	\$1,563,668	\$1,569,961	\$1,476,286	\$1,382,642	\$1,389,031	\$1,395,451	\$1,401,903
28 Public Works	\$793,800	\$2,324,621	\$2,363,438	\$2,375,255	\$2,387,131	\$2,399,067	\$2,411,062	\$2,423,118	\$2,435,233	\$2,447,410
29 Parks and Rec	\$1,009,800	\$4,207,734	\$4,228,773	\$4,249,917	\$4,271,166	\$4,292,522	\$4,313,985	\$4,335,554	\$4,357,232	\$4,379,018
30 Library (Gen'l Fund)	\$4,502,878	\$4,502,878	\$4,502,878	\$4,502,878	\$4,502,878	\$4,502,878	\$4,502,878	\$4,502,878	\$4,502,878	\$4,502,878
31 Non-Departmental										
32 Office Rent/Equipment/Supplies	\$365,250	\$597,500	\$449,500	\$449,500	\$449,500	\$449,500	\$449,500	\$449,500	\$449,500	\$449,500
33 Insurance	\$465,806	\$757,259	\$755,074	\$740,835	\$743,429	\$742,036	\$740,656	\$743,290	\$745,936	\$748,596
34 Contingency (5%)	\$605,548	\$2,042,297	\$2,044,746	\$2,031,551	\$2,040,266	\$2,043,824	\$2,047,426	\$2,056,273	\$2,065,163	\$2,074,098
35 Transition Yr Cnty Services (repayment)		<u>\$6,558,831</u>	<u>\$6,558,831</u>	<u>\$6,558,831</u>	<u>\$6,558,831</u>	<u>\$6,558,831</u>				
36 Subtotal	\$12,516,516	\$49,447,076	\$49,298,490	\$49,221,396	\$49,204,409	\$49,479,137	\$42,795,954	\$43,181,726	\$43,168,427	\$43,556,061
37 Net General Fund	\$15,758,798	(\$19,003,789)	(\$18,771,830)	(\$18,611,044)	(\$18,510,046)	(\$18,700,439)	(\$11,927,521)	(\$12,223,178)	(\$12,119,381)	(\$12,416,131)
38										
39 Other Funds and Transfers										
40 Road Maintenance		(\$37,157)	(\$373,837)	(\$714,072)	(\$1,057,862)	(\$1,405,208)	\$184,627	\$182,606	\$180,420	\$178,070
41 Transit		(\$929,313)	(\$931,597)	(\$933,936)	(\$936,330)	(\$938,778)	(\$463,236)	(\$465,796)	(\$468,412)	(\$471,084)
42 Redevelopment (transfer)	Transition	\$713,526	\$717,094	\$720,679	\$724,282	\$727,904	\$731,543	\$735,201	\$738,877	\$742,572
43 Belvedere District (transfer)	Transition	\$321,411	\$323,018	\$324,633	\$326,256	\$327,888	\$329,527	\$331,175	\$332,831	\$334,495
44 Lighting Maintenance (transfer)	Transition	<u>\$280,235</u>	<u>\$281,636</u>	<u>\$283,044</u>	<u>\$284,460</u>	<u>\$285,882</u>	<u>\$287,311</u>	<u>\$288,748</u>	<u>\$290,192</u>	<u>\$291,643</u>
45 Subtotal	\$0	\$348,703	\$16,314	(\$319,651)	(\$659,193)	(\$1,002,313)	\$1,069,773	\$1,071,934	\$1,073,908	\$1,075,695
46 TOTAL	\$15,758,798	(\$18,655,086)	(\$18,755,515)	(\$18,930,695)	(\$19,169,239)	(\$19,702,752)	(\$10,857,747)	(\$11,151,244)	(\$11,045,473)	(\$11,340,436)
47 Cumulative Reserves	\$15,758,798	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 2. Updated Summary Chart

		2012 Incorporation Proposal		CEO's Current Analysis	
		FY 14-15 Projections	FY 22-23 Projections	FY 22-23 Actual/Estimate	Notes
<u>GENERAL FUND</u>					
1	Revenues				
2	Property Taxes	\$ 16,821,475	\$ 17,032,438	\$ 22,536,505	A
3	Sales Tax	3,702,827	3,853,558	5,680,341	B
4	Transient Occupancy Tax (TOT)	114,169	123,628	147,569	C
5	Real Property Transfer Tax	56,988	61,710	250,000	D
6	Franchise Fees	1,349,011	1,402,797	2,004,110	E
7	Utility User Tax (UUT)	5,083,288	5,285,961	6,994,628	F
8	Public Works/Building Fees	725,189	725,189	2,878,176	G
9	Parks and Recreation Fees	261,611	261,611	367,195	H
10	Animal Control Fees	N/A	N/A	358,905	I
11	Business Licenses	107,107	107,107	107,640	J
12	Regional Planning/Community Development	N/A	N/A	671,261	K
13	Fines, Penalties, Misc.	1,926,240	2,003,040	2,302,035	L
14	Investment Earnings	295,383	282,892	353,010	M
15	Measure W (Safe, Clean Water Program (SCWP))	N/A	N/A	840,000	N
16	Measure A (Parks)	N/A	N/A	N/A	O
17	Total Revenues	\$ 30,443,288	\$ 31,139,931	\$ 45,491,375	
18	Expenditures				
19	Administrative				
20	Legislative (City Council expenses-five positions)	\$ 92,000	\$ 92,000	\$ 134,044	P
21	City Clerk, City Treasurer	390,744	406,650	569,314	P
22	Elections	200,000	200,000	291,400	P
23	City Manager (five positions)	987,848	1,028,060	1,439,295	P
24	Administrative Services (includes IT, HR, and Finance)	2,158,740	2,246,616	3,145,284	P
25	Public Safety				
26	Code Enforcement (District Attorney)	N/A	N/A	882,804	Q
27	City Attorney	1,507,500	1,133,415	2,196,428	P
28	Police	21,157,215	22,018,463	36,421,000	R
29	Municipal Services				
30	Animal Control	410,734	427,454	1,579,994	S
31	Public Works	1,551,175	1,401,903	5,508,333	T
32	Parks and Rec	2,324,621	2,447,410	6,445,601	U
33	Regional Planning/ Community Development	4,207,734	4,379,018	2,425,486	V
34	Library (General Fund)	4,502,878	4,502,878	7,006,472	W
35	Non-Departmental				
36	Office Rent and Supplies	597,500	449,500	768,325	X
37	Insurance	757,259	748,596	1,000,263	X
38	Contingency (5%)	2,042,297	2,074,098	3,490,702	X
39	Transition Year County Services (repayment)	6,558,831	N/A	N/A	Y
40	Total Expenditures	\$ 49,447,076	\$ 43,556,061	\$ 73,304,745	
41	Net General Fund Surplus /(Deficit)	\$ (19,003,788)	\$ (12,416,130)	\$ (27,813,370)	

Table 2a. Notes for Summary Chart – Current

	Revenue	Notes on Source and Calculation																										
A	Property Tax	<p>Data Source: CEO Calculation. This estimate was calculated by applying the "Auditor's Ratio" to the potential net expenditures provided by or transferred to the new city by the County based on the municipal services identified in the CFA. The potential net expenditures for these services are estimated to be \$40.8 million for FY 2022-23 as shown in the chart below. Applying the Auditor's Ratio of 55.2% to this amount, we calculated a property tax transfer estimate for FY 2022-23 of \$22.5 million.</p> <p>The following items reflect the net expenditures of \$40.8 million:</p> <table><tr><th colspan="2"><u>Property Tax Transfer Amount</u></th></tr><tr><td colspan="2"><u>County Services:</u></td></tr><tr><td>District Attorney</td><td>\$ 882,804</td></tr><tr><td>Sheriff</td><td>36,421,000</td></tr><tr><td><i>Sheriff Prop 172 revenue offset @ 53.41% *</i></td><td>(19,452,302)</td></tr><tr><td>Animal Care and Control</td><td>1,579,994</td></tr><tr><td>Public Works</td><td>5,508,333</td></tr><tr><td>Parks and Recreation</td><td>6,445,601</td></tr><tr><td>Regional Planning</td><td>2,425,486</td></tr><tr><td>Library (General Fund)</td><td>7,006,472</td></tr><tr><td>Total</td><td><u>\$ 40,817,388</u></td></tr><tr><td> <i>Auditor's Ratio - FY 2022-23</i></td><td> <u>55.213%</u></td></tr><tr><td>Property Tax Transfer Amount</td><td><u>\$ 22,536,505</u></td></tr></table> <p>* The CFA reflected a Prop 172 revenue offset that was 53.4% of the Sheriff's estimated cost of providing services to the new city. This same percentage was applied to the Sheriff's updated cost estimate.</p>	<u>Property Tax Transfer Amount</u>		<u>County Services:</u>		District Attorney	\$ 882,804	Sheriff	36,421,000	<i>Sheriff Prop 172 revenue offset @ 53.41% *</i>	(19,452,302)	Animal Care and Control	1,579,994	Public Works	5,508,333	Parks and Recreation	6,445,601	Regional Planning	2,425,486	Library (General Fund)	7,006,472	Total	<u>\$ 40,817,388</u>	 <i>Auditor's Ratio - FY 2022-23</i>	 <u>55.213%</u>	Property Tax Transfer Amount	<u>\$ 22,536,505</u>
<u>Property Tax Transfer Amount</u>																												
<u>County Services:</u>																												
District Attorney	\$ 882,804																											
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 <i>Auditor's Ratio - FY 2022-23</i>	 <u>55.213%</u>																											
Property Tax Transfer Amount	<u>\$ 22,536,505</u>																											
B	Sales Tax	<p>Data Source: CEO and consultant. FY 2022-23 actual amount reflects aggregated quarterly Bradley-Burns 1% sales tax data reported by the CDTFA. This sales tax data aggregated by CEO's consultant based on the geographical boundary of the unincorporated East LA area.</p>																										

	Revenue	Notes on Source and Calculation
C	Transient Occupancy Tax (TOT)	Data Source: TTC. FY 2022-23 actual amount reported by TTC reflects the total TOT collected for all relevant registered accounts within the zip codes 90022, 90023, and 90063. Although this tax is tracked by zip code and 90023 is shared with the City of LA, only the businesses within East LA were included in the report.
D	Real Property Transfer Tax	Data Source: County Registrar-Recorder/County Clerk (RR/CC). This is an estimate based on reported deed transfer tax distributions to similar size jurisdictions in FY 2019-20. A more accurate estimate would consider the specific property transfer rate within East LA and the median sale price of real property. This is a generous estimate determined using the most recent data provided by RR/CC at the time of this report. The estimate considered the transfer tax distributions of cities of similar size in the immediate vicinity.
E	Franchise Fees	Data Source: Auditor-Controller (A-C). This estimate was calculated from FY 2022-23 actual countywide account totals reported by A-C for utilities accounts of natural gas, electricity, and telecommunications. A-C reported the UUT collected from these accounts for all County unincorporated areas. CEO multiplied the total fees collected by the percentage of the Countywide population for East LA. This total also includes less significant franchise fees accounts specific to East LA such as rent paid by community organizations for using County buildings.
F	UUT	Data Source: TTC. This estimate for FY 2022-23 was calculated for East LA from the FY 2022-23 countywide totals reported for all major utility accounts of natural gas, electric, and water for the unincorporated areas. The CEO multiplied the total fees collected by the percentage of East LA's population compared to the total countywide unincorporated areas population. East LA's current UUT rate is 4.5%.
G	Public Works/Building Fees	Data Source: DPW. FY 2022-23 actual provided by DPW and reflects revenues from compliance and inspection fees for services such as building and safety, environmental review, nuisance/graffiti abatement, crossing guard services, stormwater quality, and catch basin maintenance. The scope of this revenue does not include other major service operations provided by Special Districts. Generally, Special Districts' revenues and expenditures offset. The East LA public bus service (El Sol) is also not included, although it is currently operating at a

	Revenue	Notes on Source and Calculation
		significant deficit. DPW's capital projects were also not included since they are not within the scope of this analysis.
H	Parks and Recreation Fees	Data Source: Department of Parks and Recreation (DPR). FY 2022-23 actual provided by DPR and includes license fees, charges for services, some federal revenue, and other miscellaneous revenues. Revenues vary by park, and not all parks have revenue streams from the same sources.
I	Animal Care and Control Fees	Data Source: County Department of Animal Care and Control (DACC). FY 2022-23 actual provided by DACC and reflects license and franchise fees as well as other miscellaneous revenues. DACC does not receive any federal or state revenues. The fees collected are estimates related to servicing the zip codes 90022 and 90063.
J	Business License Fees	Data Source: TTC. This is an estimate from TTC for FY 2022-23 based on FY 2023-24 business license fee data. There has been an immaterial increase in these fees since the CFA was done, so we used the FY 2023-24 data as a proxy for FY 2022-23.
K	Regional Planning/Community Development	Data Source: County Department of Regional Planning (DRP). FY 2022-23 actual provided by DRP. DRP data reflects its general operations such as operations of zoning enforcement, field offices, permits, community studies, environmental planning, housing policy, ordinance studies, and general plan development. The CFA categorizes Regional Planning expenditures/revenues as "Community Development" operations.
L	Fines, Penalties, Misc.	Data Source: CEO estimate. CEO developed a simple estimate based on an average 2% annual growth of the CFA's FY 2014-15 estimate. The FY 2014-15 estimate was based on a per capita calculation after a review of total annual fines and penalties of other jurisdictions. A base per capita amount was applied to the East LA population total to calculate this amount.
M	Investment Earnings	Data Source: CEO estimate. CEO developed a simple estimate based on an average 2% annual growth of the CFA's FY 2014-15 estimate. This amount may vary significantly depending on several economic factors such as interest rates and general market return.

	Revenue	Notes on Source and Calculation
N	Measure W Safe Clean Water Program (SCWP)	Data Source: DPW. Estimate provided by DPW for SCWP funding that would go to the new city through the Municipal Program. The SCWP is a parcel tax calculated at \$0.025 per square foot of impervious areas through which 40 percent of the funding goes to cities and municipal governments for the Municipal Program to address local stormwater and urban runoff challenges. Funding for the Municipal Program is divided proportionately, based on how much each municipality contributed to the SCWP.
O	Measure A (Parks)	Data Source: N/A. The CFA specifically calls out federal and state grant funding as unreliable sources of funds for local government. Measure A is dependent on grants distributed by the County's Regional Park and Open Space District, so we did not include Measure A funding as a possible revenue source.

	Expenditures	Notes on Source and Calculation
P	Administrative Expenditures/G overnment Structure	Data Source: CEO estimate. FY 2022-23 estimates for line 22 through 26 and 29 in Table 1 based on average County department growth from FY 2014-15 to FY 2022-23 of 45.7% applied to the CFA's FY 2014-15 estimates. The CEO did not attempt to reimagine the government structure for an incorporated East LA. These are simple estimates and assume that the proposed government structure would reflect the CFA. Further study and exploration are needed by the community of East LA.
Q	Code Enforcement	Data Source: County District Attorney (DA). FY 2022-23 actual provided by the DA. This cost is exclusive to the DA for enforcing County authority regarding zoning. Planning and zoning services not requiring law enforcement personnel is contained in the Regional Planning/Community Development expenditures. The CFA did not have a line item for code enforcement, however, our analysis determined these services are necessary when voluntary compliance cannot be obtained by other County departments such as Public Works and Regional Planning.
R	Police	Data Source: Sheriff's Department. This is an estimate which includes the FY 2024-25 salaries and benefits; services and supplies; and overhead for the East LA Sheriff Station; as well as estimates for a park patrol unit, traffic enforcement unit, and parking enforcement unit, which are services currently provided by agencies external from the East LA Sheriff Station (as noted in

	Expenditures	Notes on Source and Calculation
		the CFA). These additional external agencies may produce additional revenues from citations, fines, and penalties; however, it is unknown whether those revenues would offset any portion of the expenditures included for this item.
S	Animal Control	Data Source: DACC. FY 2022-23 actual provided by DACC and reflects the costs of its animal Housing Program, Field Services Program License Program, and Veterinary Services Program. The actuals include salaries, benefits, and overhead. Expenditures do not include cost of capital projects or assets since there is no Animal Care and Control center located in East LA.
T	Public Works	Data Source: DPW. FY 2022-23 actual provided by DPW and reflects expenditures for services such as building and safety, environmental review, nuisance/graffiti abatement, crossing guard services, stormwater quality, and catch basin maintenance. Certain services that do not have a revenue source from compliance or inspection are currently covered by the County's General Fund. These expenditures do not include other major operations of DPW such as the Road Maintenance Districts or Lighting Maintenance District. Generally, Special Districts' revenues and expenditures offset. The East LA public bus service (El Sol) is also not included, although it is currently operating at a significant deficit. DPW's capital projects were also not included since they are not within the scope of this analysis.
U	Parks and Rec	Data Source: DPR. FY 2022-23 actual provided by DPR and includes the cost of employee salaries and benefits as well as services and supplies of each of the East LA parks: Atlantic Avenue, Belvedere Regional, City Terrace, Eugene E Obregon, Parque de Los Sueños, Robert F Salazar, Saybrook, and Eastside Eddie Heredia Boxing Club.
V	Regional Planning/ Community Development	Data Source: Department of Regional Planning (DRP). FY 2022-23 actual provided by DRP. DRP based its estimate on its general operations such as operations of zoning enforcement, field offices, permits, community studies, environmental planning, housing policy, ordinance studies, and general plan development. The CFA categorizes Regional Planning expenditures/revenues as "Community Development" operations.
W	Library (General Fund)	Data Source: County Library. FY 2022-23 actual provided by the Library and reflects the total expenditures of \$8.2 million for libraries in East LA, less the special district revenue of

	Expenditures	Notes on Source and Calculation
		\$1.2 million: Anthony Quinn, East Los Angeles, El Camino Real, and City Terrace.
X	Non-Departmental	Data Source: CEO estimate. FY 2022-23 are estimates based on CPI Index growth of 28.6% from FY 2014-15 to FY 2022-23. CEO multiplied the CFA expenditures by the CPI growth rate above.
Y	Transition Year County Services (repayment)	The CFA indicates: "Government Code Section 57384 provides that, the County Board of Supervisors is obligated to continue to furnish all services that were provided to the area prior to incorporation, for the remainder of the fiscal year during which the incorporation becomes effective. The new city is obligated to reimburse the County within five years of the effective date, or longer if the Board of Supervisors agrees to a longer period." This repayment, although not reflected here, could be significant, and would add to the projected budget deficit in the five years after the year of incorporation. Further, this repayment could make it difficult for the new city to establish the reserves recommended by State guidelines in the early years of the new city's operations.

Table 3. Municipal Service Providers Identified in 2012 Study

Service	Present Provider	After Incorporation
General Government		
Governing Board	LA County	New City - City Council
Manager	LA County	New City - City Staff
Attorney	LA County	New City - City Staff/Contracts
Finance/Clerk/Administrative Services	LA County	New City - City Staff/Contracts
Public Protection		
Law Enforcement	LA County Sheriff	New City/LASD
Traffic Control/Accident Investigation	California Highway Patrol	New City/LASD
Fire Protection & Paramedic	Consolidated Fire Protection Distr.	No Change
Ambulance	American Medical Response	No Change
Animal Control	County Dept. of Animal Care/Control	New City
Mosquito Abatement	Greater LA Vector Control Distr.	No Change
Land Use and Planning		
Zoning Code Enforcement	LA County	New City - City Staff
Land Use Application Processing	LA County	New City - City Staff
Building Inspection & Plan Check	LA County	New City - City Staff
Advance Planning	LA County	New City - City Staff
Economic Dev./Redevelopment	LA County	New City - City Staff
Community Services		
Recreation Program	County Dept. of Parks and Rec	New City - City Staff
Senior Services	LA County	New City - City Staff
Local Parks	LA County Dept. of Park and Rec.	New City
Landscape Maintenance	Montebello Recreation & Park District Bella Vista Recreation & Park District	New City
Regional Parks/Open Space	LA County Dept. of Park and Recreation	No Change
Library	LA County	No Change
Health Services	LA County	No Change
Public Works/Public Utilities		
Road Maintenance	LA County/County Road Dist. #1	New City
Signal Maintenance	LA County	New City
Street Lighting	County Lighting Maint. Dist. No. 1687	New City
Traffic Control	LA County	New City

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Stormwater Quality/NPDES	LA County	New City
Flood Control & Conveyance	LA County	New City
Drainage		
Solid Waste Management	Belvedere Garbage Disposal District	New City
Service	Present Provider	After Incorporation
Wastewater Collection	County Consolidated Sewer Maint Dist	No Change
Wastewater Treatment/Disposal	LA County Sanitation District No. 2	No Change
Domestic Water	Central Basin MWD (wholesaler) CA Water Service Company (retailer)	No Change
Public Education		
K-12 Grade Levels	LAUSD, Montebello USD	No Change
Other Services		
Electricity	Southern California Edison	No Change
Franchise		
Gas	Southern California Gas Company	No Change
Franchise		
Cable Television	Time Warner	No Change
Franchise		
Public Transit	LA Metro	No Change
Shuttle, Dial-a-Ride	LA County	New City

Source: 2012 East LA Incorporation Proposal

Table 4. Comparable Cities Revenues and Expenditures

East Los Angeles Incorporation

	El Monte	Norwalk	South Gate	Montebello	Monterey Park	East LA
Square Miles	9.7	9.4	7.5	8.4	7.7	7.4
2010 population	113,475	105,549	94,396	62,500	60,269	126,496
2020 population	109,450	102,773	92,726	62,640	61,096	118,786
* source: census.gov						
Sales tax rate	10.00%	10.25%	10.25%	10.25%	10.25%	9.50%

2023-24 Budget

(\$ in 000s)

CEO Est. for

Revenues

2022-23

Property Tax	\$ 25,811	\$ 24,624	\$ 17,010	\$ 15,613	\$ 22,385	\$ 22,537
Sales Tax	\$ 30,960	\$ 26,340	\$ 28,124	\$ 26,085	\$ 18,586	\$ 5,680
UUT	\$ 6,840	\$ 5,606	\$ 3,220		\$ 3,328	\$ 6,995
TOT		\$ 1,571			\$ 2,880	\$ 148
Bus. License Tax	\$ 3,866	\$ 930	\$ 1,596		\$ 912	\$ 108
Other Taxes		\$ 250	\$ 910	\$ 3,680	\$ 1,671	
Licenses & Permits	\$ 4,020	\$ 3,521	\$ 1,742	\$ 7,051	\$ 1,716	\$ 2,878
Service Charges	\$ 5,117		\$ 3,451	\$ 8,365	\$ 7,194	\$ 2,004
Other Revenue	\$ 5,436	\$ 11,875	\$ 5,168	\$ 5,283	\$ 4,714	\$ 2,840
Fines & Forf.	\$ 1,651		\$ 1,311	\$ 2,940		\$ 2,302
Transfers in	\$ 3,025		\$ 2,634	\$ 4,300		
Total Revenues	\$ 86,726	\$ 74,717	\$ 65,166	\$ 73,317	\$ 63,386	\$ 45,492

Expenditures

Police	\$ 40,741	\$ 24,683	\$ 35,879	\$ 20,159	\$ 25,462	\$ 36,421
Public Works	\$ 9,941	\$ 16,061	\$ 5,509	\$ 16,753	\$ 2,879	\$ 5,508
Library					\$ 2,637	\$ 7,006
Community & ED	\$ 5,384	\$ 4,626	\$ 3,955	\$ 2,739	\$ 2,974	\$ 2,425
Parks & Rec.	\$ 3,145	\$ 6,292	\$ 11,161	\$ 4,170	\$ 2,065	\$ 6,446
Gen. Admin.	\$ 14,051	\$ 14,369	\$ 7,358	\$ 8,647	\$ 6,307	\$ 5,579
Other Depart.		\$ 4,018				\$ 4,660
Non-Depart.		\$ 90	\$ 3,718	\$ 3,147	\$ 1,051	\$ 5,259
Capital Improv.		\$ 1,614			\$ 2,257	
Total Expenditures	\$ 73,262	\$ 71,753	\$ 67,580	\$ 55,615	\$ 45,632	\$ 73,304

Table 5. Comparable Cities Administrative Expenditures Detail

East Los Angeles Incorporation

	El Monte	Norwalk	South Gate	Montebello	Monterey Park	East LA
Square Miles	9.7	9.4	7.5	8.4	7.7	7.4
2010 population	113,475	105,549	94,396	62,500	60,269	126,496
2020 population	109,450	102,773	92,726	62,640	61,096	118,786
2023-24 Budget						
<u>Admin. Expenditures</u>						
Finance	2,790,151	2,920,385	2,805,826	3,082,650	5,727,301	3,145,284
City Attorney	1,545,000	410,000	1,239,849	650,000	722,488	2,196,428
City Manager	1,481,201	1,876,984	1,246,444	1,319,500	1,583,893	1,439,295
Public Affairs/IT	1,335,616	2,668,368		1,656,600		
Human Resources	1,297,737	4,877,583	1,175,343	1,684,500	1,665,099	
City Clerk	517,600	1,063,760	591,754	73,900	602,639	860,714
City Council	329,450	551,415	298,725	178,500	304,331	134,044
Non-Dept.	4,753,814	1,613,713	3,717,762	3,146,700	3,308,000	5,259,290
	<u>\$ 14,050,569</u>	<u>\$ 15,982,208</u>	<u>\$ 11,075,703</u>	<u>\$ 11,792,350</u>	<u>\$ 13,913,751</u>	<u>\$ 13,035,055</u>
Admin. headcount	34	36	37	47	36	

1 Includes \$2.5 million retiree health care and \$1.5 million lease payment

2 Debt Service

3 Debt Service and Insurance

4 Debt and Lease payments

5 Worker's Comp. and General Liability

6 Office equip and Insurance

Comparable city budget information

South Gate:

<https://www.cityofsouthgate.org/files/sharedassets/public/v1/government/budgets-amp-financial-transparency/documents/fy-23-24-adopted-budget.pdf>

Norwalk:

<https://cms3.revize.com/revize/norwalkca/Departments%20&%20Services/Finance/Budget%20And%20Financial%20Reports/Fiscal%20Year%20202324%20Adopted.pdf>

El Monte:

www.ci.el-monte.ca.us/DocumentCenter/View/6351/City-of-El-Monte-Budget-2023-24?bidId=

Monterey Park:

<https://www.montereypark.ca.gov/ArchiveCenter/ViewFile/Item/1298>

Montebello:

<https://www.montebellocagov/common/pages/GetFile.ashx?key=dRoCAIjl>