

March 22, 2019

Mr. Robb Steel
Assistant City Administrator/Development Services Director
City of Rialto
150 South Palm Avenue
Rialto, CA 92376

SUBJECT: Citywide Residential and Industrial/Warehouse Fiscal Impact Analysis Proposal

Dear Mr. Steel:

Stanley R. Hoffman Associates, Inc., (SRHA) is very pleased to submit this proposal to assist the City of Rialto in preparing a citywide fiscal analysis of the effect of new residential and industrial/warehouse development on the City's General Fund net revenues versus costs. Our study would focus on the fiscal impacts to the City of Rialto's General Fund operating budget and any related relevant funds, such as the Gas Tax Fund. We would use the latest 2018-2019 budget and employ the fiscal methodology that has recently been applied by SRHA to individual development proposals.

The key fiscal question is whether estimated public revenues from new development in Rialto is covering its fair share of public services costs. This analysis will focus on the following two major land use categories: 1) residential and 2) industrial/warehouse development. Based on increased growth in both land use categories, Rialto wants to ensure that their high quality of public service delivery will be maintained. While the City has prepared and applied these types of analyses on a project-by-project basis, this fiscal analysis will provide a comprehensive citywide evaluation of how new development impacts the goal of a balanced and fiscally sustainable budget. Given the outcome of this fiscal analysis, appropriate fiscal policies may be adopted that include ongoing fiscal impact fees by the respective land use categories.

PROPOSED SCOPE OF WORK

Based on the fiscal analyses that we have recently prepared for various individual projects in Rialto, we will build on this experience to estimate the potential net revenues to the City's General Fund that are required to cover the estimated costs to serve selected new development.

Task 1 Citywide Demographic Analysis

Using the latest U.S. Census and Department of Finance data for population and households, we will estimate Rialto's average persons per household for development housing types, including single family and multi-family development. This will include discussion with Development Services staff to identify the relevant housing types to include in the fiscal analysis. Additionally, the current level of employment by various industry categories will be estimated using sources such as the U.S. Census's Longitudinal Employer-Household Dynamics (LEHD) data base and local employment estimates from the San Bernardino County Transportation Authority and SCAG.

Task 2 Current Fiscal Factors and Levels of Service

The fiscal analysis will be based on the city's most recent adopted budget for Fiscal Year 2018-2019. Public revenue and cost fiscal factors will be developed through current budget analysis and

March 22, 2019

Mr. Robb Steel, Assistant City Administrator/Development Services Director
Citywide Residential and Industrial/Warehouse Fiscal Impact Analysis Proposal
Page 2

interviews with key departmental staff. Using the fiscal factors, we will estimate the revenues and costs from new residential and industrial/warehouse development in Rialto; we will also consider the City's existing service levels as reflected in current budget expenditures and compare this with any identified fiscal policies that reflect a structural increase in long-term expenditures. The fiscal analysis will also identify the level of roadway operations and maintenance that is covered through the City's Gas Tax Fund versus the General Fund. These levels of service will be defined based on discussion with City finance and service delivery staff. We will also examine the distribution of property tax allocations by tax rate area (TRA) for purposes of determining if specific areas of the City have significant differences in their average property tax allocation that would impact projected property tax.

Task 3 Residential Fiscal Analysis

For residential development, our methodology would estimate the project's average pro rata share of various public service costs, such as police, fire and emergency services, community services, development services, public works and general government versus the project's revenue generation from various General Fund sources. This would include an estimation of potential off-site sales tax from taxable expenditures captured by new project residents in Rialto. If a long-term fiscal deficit is estimated, this would be calculated on a per unit basis for the single family and multi-family categories analyzed.

Task 4 Industrial/Warehouse Fiscal Analysis

For industrial/warehouse development, our methodology would cover their relevant public safety, public works, development services and general government services, with focused attention given to the following issues: 1) what is the unique impacts from industrial/warehouse truck traffic on the roadway system and any extraordinary costs required for maintenance and repair; 2) in addition to property tax related revenues, how do these new facilities impact business related taxable sales and sales tax to Rialto – e.g., from internet driven fulfillment centers; and 3) what are the estimated demands on the utility system and how this generates increased utility fees from the City's recently adopted ongoing utility tax ordinance. If a long-term fiscal deficit is estimated, this would be calculated per developed acre and per building square foot basis for the industrial/warehouse categories analyzed.

Task 5 Meetings and Coordination

This task assumes one (1) presentation meeting at the City of Rialto. There will also be ongoing coordination with city staff/team to collect data and assumptions. It is assumed that Stan Hoffman, project manager, will attend the presentation meeting. Additional meetings would be billed either under a separate augmented Scope of Work or on a time and materials basis upon authorization.

PRODUCT: Draft and Final Fiscal Reports, with an executive summary. Attendance at one (1) meeting with City staff and public officials, as directed

March 22, 2019

Mr. Robb Steel, Assistant City Administrator/Development Services Director
Citywide Residential and Industrial/Warehouse Fiscal Impact Analysis Proposal
Page 3

BUDGET / SCHEDULE

As shown in Attachment 1, the proposed budget for this assignment is \$18,910, including labor and expenses. We will complete the draft report as expeditiously as possible for your review, depending upon availability of project information and coordination with key City staff. Ten (10) copies of the final report will be submitted along with an electronic version in PDF format. A nominal amount of expenses are estimated at this time, such as travel and printing and copying, and would be billed at cost.

Thank you for inviting us to submit a proposal for this analysis. We look forward to continuing to work with you on this very important fiscal policy project. Please call me if you need additional information or have any questions.

Very truly yours,

STANLEY R. HOFFMAN ASSOCIATES, Inc.



Stanley R. Hoffman
President

March 22, 2019

Mr. Robb Steel, Assistant City Administrator/Development Services Director
Citywide Residential and Industrial/Warehouse Fiscal Impact Analysis Proposal
Page 4

**Attachment 1
Proposed Budget
Stanley R. Hoffman Associates, Inc.
City of Rialto CFD Fiscal Analysis**

TASK	PRINCIPAL		SENIOR ASSOCIATE		ANALYST		Total
	Hours	Fee	Hours	Fee	Hours	Fee	
Hourly Rates @		\$250		\$180		\$150	
1. Citywide Demographic Analysis	4	\$1,000	4	\$720	12	\$1,800	\$3,520
2. Current Fiscal Factors & Level of Service	4	\$1,000	12	\$2,160	6	\$900	\$4,060
3. Residential Fiscal Analysis	6	\$1,500	16	\$2,880	0	\$0	\$4,380
4. Industrial/Warehouse Fiscal Analysis	6	\$1,500	16	\$2,880	0	\$0	\$4,380
3. Meetings and Coordination	4	\$1,000	4	\$720	4	\$600	\$2,320
Total Labor	24	\$6,000	52	\$9,360	22	\$3,300	\$18,660
Expenses ¹							\$250
Total Estimated Budget							\$18,910

¹ Expenses are for travel, printing and copying, postage and purchase of data and publications, as require
Expenses will be billed at cost.