

## **Study Methodology**

### **Study Approach and Assumptions**

The assumptions used in this analysis were based on documentation and data provided by the City of Huntington Beach staff members and department management, Hearthside Homes, and the County of Orange Planning Department and Assessor's Office. The Huntington Beach General Plan, City budget data, the 1999 Bolsa Chica Annexation Study (completed by RSG), and case study methodology were utilized to develop forecasts in this fiscal impact analysis. RSG has taken precautions to assure the accuracy of the data used in the formulation of this analysis by working closely with City and LAFCO staff. We cannot, however, ensure that the current fiscal year revenue and expenditure estimates will continue the same trends in the future.

This Study anticipates the Brightwater project will develop as currently proposed by Hearthside Homes, and as approved by the Coastal Commission on the Warner Mesa. Projections are based on this proposed plan, which consists of 349 single family detached housing units with an estimated ratio of 2.4 persons per dwelling unit, resulting in an expected population of 838 residents. Based on these numbers, three alternative development scenarios are presented, each projecting fiscal impacts over a seven year time horizon.

#### **Scenario 1 – Annexation Prior to Development**

#### **Scenario 2 – Annexation After Development**

#### **Scenario 3 – Development Without Annexation**

As most fees associated with land use permit fees, inspection fees, processing, or similar charges that would be collected from new development are calculated to offset direct costs to the City, they are in this study considered to be fiscally neutral. Both costs and revenues have been adjusted to reflect an annual inflation rate of 2%. Furthermore, though future annexation may include more land than the proposed Hearthside Homes development, only the fiscal impacts of the Brightwater community itself are considered here.

### **Schedule**

This fiscal analysis commences in fiscal year 2006/2007, based on proposed preliminary construction activities that may begin to occur at that time. According to Hearthside Homes, the project shall have a single building phase. Though Hearthside Homes expects construction completion in the spring of 2007, this study takes a more conservative estimate showing completed construction in the fiscal year 2007/2008 or "Year 2" of this study. Residential occupancy is expected to begin immediately after completion, and to continue into the following year, fiscal year 2008/2009, or "Year 3". For the purposes of this study, the total number of expected residential in-migration has been split equally into

Year 2 and Year 3, thus 50% of the residents move into the development in each of those two years.

Valuation for the proposed Brightwater development (in 2005 dollars) was provided by Hearthside Homes and confirmed by RSG's market research. Valuations for the seven year period were determined as follows:

- Year 1 (FY 2006-07): Assumes 10% of value of development will appear on the Assessment Roll (Valuations have been inflated at 2% per annum).
- Year 2 (FY 2007-08) Assumes 55% of total development value will appear on the Assessment Roll.
- Year 3 (FY 2008-09) Assumes 100% of the value of the development (with inflation) will appear on the Assessment Roll.
- Years 4 through 7 Assessment Value of development increased by 2% per annum.

The fiscal analysis extends for seven years, from the 2006/2007 fiscal year to the 2012/2013 fiscal year, to include costs incurred by major road maintenance and both local and residential elections, and revenues from housing turnover and property tax growth.

### **Agency Roles**

As an unincorporated island, the County of Orange is the primary local and regional governmental service provider to the Bolsa Chica area, including the proposed Brightwater site. The County is responsible for policy making and administration, law enforcement through the Sheriff's Department, animal control, planning and land use regulation, building inspection, parks and recreation, and library services. The Orange County Fire Authority is currently responsible for providing fire protection, rescue, and emergency paramedic services to all properties within the Bolsa Chica.

If the City of Huntington Beach were to annex the Brightwater project at any time, the City would become the primary local service provider extending police, fire, paramedic and ambulatory, parks and recreation, senior services, planning and land use regulation, and library services. Currently, the City contracts with the County to provide animal control services. Therefore, regardless of whether annexation occurs, animal control will remain a County of Orange service.

The Brightwater development proposal has been through prior iterations; therefore consideration for governmental services has been underway for many years. Particularly germane to the project is water and sanitary sewer service, which the County does not directly offer. If annexed prior to development, the City of Huntington Beach would provide local water and sewer service. In the event that annexation is not completed prior to commencement of construction, Hearthside Homes has prepared to contract for potable water supply through the

Southern California Water Company ("SCWC"). This would be accommodated by extending SCWD transmissions lines southward approximately 6.7 miles from their nearest current service area in the City of Cypress. Therefore, unless annexation occurs before development, Hearthiside Homes has stated they will execute a water service contract with the SCWD for potable water and connect directly to the Orange County Sanitation District for sewer service. The City will not in this case provide water or sewer service to the development.

In the event that annexation occurs after development, as Scenario 2 reflects, City staff has stated that some service agreements are expected to be negotiated between the County and the City to insure the effective and cost-efficient provision of services to the residents of Brightwater during the interim period prior to annexation. Should the development not be annexed at any time, City staff anticipates similar service agreements will nevertheless be made with a long-term time horizon.

## **Fiscal Analysis**

### **Scenario 1: Annexation Prior to Development**

Scenario 1 describes the forecasted incremental expenditures and revenues to be made by the City if annexation were to occur prior to development. Annexation of the Warner Mesa would be consistent with LAFCO's policies, and with both the Land Use and Growth Management Elements of Huntington Beach's General Plan. Annexation is often proposed prior to development to ensure that municipal services are in place, which is of particular relevance in this case with regard to water and sanitary sewer service. Annexation prior to development would result in municipal water and sewer service from the City, and would also provide assurances to Huntington Beach that any development revenues, both one-time and ongoing, will accrue to the City.

### **Expenditures**

The following provides an analysis of the potential cost impacts associated with annexation upon individual City functions and programs, including costs for operation, services and equipment, and other miscellaneous expenditures. Table 1a reflects these expenditures, which have been categorized by departments within the City's organizational structure and estimates are discussed below. It should be noted that it is not the purpose of this study to analyze the total cost to the City if the proposed Brightwater development is annexed, but only the incremental costs associated with such action.

#### **General Government:**

- a. Administration  
No new positions, equipment, or major operating costs are expected to be incurred as a result of the annexation. Minimal expenditures including legal costs, advertising, postage, and other selected services and supplies are considered to be neutralized by development permits and fees. Some additional public support is expected to be required in order to handle basic inquiries and assistance. These costs have been estimated from the budget of the City Clerk for public support on a per capita basis.
- b. Elections  
Costs associated with biennial elections (local and presidential) are included. Election costs were estimated based on a per registered voter rate calculated from City budget data and historical cost figures from the City. The number of voters was estimated using the overall percentage of registered voters in the city according to the Orange County Registrar, and applying that percentage to the number of expected residents in Brightwater.
- c. County Property Tax Collection Charges  
Beginning in the 1992-1993 fiscal year, the County Auditor-Controller's Office charged cities and local districts receiving

property tax revenue for incidental administrative costs. These charges are estimated at 0.946% of all property tax revenues.

***Planning and Building and Safety***

Upon the annexation of the Brightwater project, the City Planning Department and the Building and Safety Department will assume the processing of all land use related services as well as construction inspections. All fees associated with these services are required to offset costs (in almost all cases) and are therefore not included in expenditures or revenues.

***Community Services***

a. Parkland

Regardless of annexation, the regional open space and wetlands will be the responsibility of the State of California, and the County of Orange will retain ownership of Linear Park, resulting in no financial impact on the City.

Within the project boundaries, there are no anticipated costs relative to landscape maintenance services. All neighborhood parks, open spaces, and landscaping will be maintained by the proposed homeowners association. However, this responsibility was proposed by the developer for the parkland and open space that currently exists in the Brightwater site plan. Under the standards set by the City General Plan, five acres of parkland per 1,000 people are required. The development package proposed by Hearthside Homes offers passive open space with a trail. Therefore, the creation of additional park space may be negotiated with the developer or an in-lieu fee may be imposed. Any possible costs associated with the maintenance of negotiated additional parkland have not been included in this study.

There will be some impacts on existing recreation programs and facilities, including day care, summer camp, playground equipment, and lifeguard services etc., and exist regardless of whether the City annexes the area. Registration fees will offset some of the costs of organized activities; however General Fund expenditures have been calculated on a per capita basis due to the high volume of informal services made available in the City.

b. Senior Services

The City's Human Services Division provides a variety of programs for seniors in the community, including the operation of the Rodgers Seniors' Center and the Seniors Outreach Center. These costs are included in the General Fund expenses, and are included regardless of annexation.

## **Public Safety**

### **a. Police Department**

If annexed, the City's Police Department will provide all law enforcement-related services to the development.

The City's ratio for officer employment is 1.15 per 1000 residents. With an increase of 838 residents, this ratio indicates a need for an additional 0.9637 officers. However, the Department does not anticipate a dramatic increase in service requests, nor the need for any additional employees. A proportional share of the Police Department's General Fund expenses has been incorporated into the City's expenditures, which were calculated using the 2004-2005 per capita rates.

### **b. Fire Protection**

Recurring fire protection expenditures were estimated using current City Fire Department budget data for costs associated with vehicle maintenance, fuel consumption, and vehicle supplies on a per capita basis. General Fund expenditures are based on the per capita costs associated with the additional residents of the area.

Paramedic and ambulatory transport costs have been calculated based on data provided by the City Fire Department at a cost per emergency medical patient transported in 2004. The Fire Department also offers a voluntary membership program to residents called FireMed, which allows members to receive paramedic and ambulatory service from the City for no additional out-of-pocket expenses. The costs to operate this program have been calculated on a per household basis, for those households enrolled in the program. Approximately 33% of all households City-wide participate in FireMed at an annual cost to the City of \$51.26 per household. This study projects that 33% of Brightwater households will also participate in FireMed.

In addition to the above costs, the Fire Department plans to relocate Fire Station Number 8 in order to increase response time to the affected residents. The proportional cost share for the residents in the Brightwater community has been included in the Study, based on an estimated cost of approximately \$10.3 million to relocate the station in Year 5. This relocation price estimate was provided by RRM Design Group of San Luis Obispo, California, and was obtained at the request of City staff. In this scenario, the proportional cost of relocating the station on a per capita basis has been captured as an expenditure in Year 5.

## **Library Services**

The additional population produced by the proposed development will increase the use of library services throughout the City. The costs associated with the additional residents have been forecasted using City budget data at a per capita rate. It should be

noted that Library Services has requested one additional children's librarian and one additional library clerk specialist to meet the increased demand on the library system, and the City should consider the marginal impacts associated with the additional residents. However, for the purpose of this study, only costs that reflect the per capita estimates of operating the Huntington Beach library system have been utilized.

### **Public Works**

#### **a. Sewer Maintenance Services**

Through annexation, the addition of residential units to the City from the Brightwater development will require the expansion and maintenance of the applicable local sewer system services. Costs were forecasted based on the estimated length of the piping. Service costs and maintenance scheduling rates were provided by the City's Public Works department. Residential sewer lines are expected to be serviced once a year. Arterial line services are not included, as only a small extension from the existing arterial line may be required. Capital costs for improvements or replacement of pump stations were not included in this analysis. If an additional lift station or similar apparatus were required to serve the development, infrastructure will be provided by the developer.

#### **b. Storm Drain Maintenance Services**

The community will have approximately 45 storm drain catch basins, which require cleaning once a year. Upon entering the storm drain system, stormwater will be then be diverted into a debris unit at one outlet point. The City employs Continuous Deflective Separation (CDS) units to capture debris in the nearby coastal downtown area, and have found them to be successful at a maintenance rate of four times a year. Based on this experience, the City expects a similar single CDS unit with similar maintenance needs will be installed to capture debris from stormwater runoff on the Warner Mesa. Catch basin and debris unit cleaning costs and scheduling were obtained from the Public Works Department.

#### **c. Park and Landscape Maintenance Services**

As discussed earlier, it is expected that all park, open space, median and landscaping will be the financial responsibility of a homeowners association. Thus, no City landscape maintenance costs have been included as forecasted expenditures.

#### **d. Street Lighting**

According to City estimates, and verified by RSG research, approximately 100 street lights will be required for 3.17 miles of road within the Brightwater community. The City already contracts with Southern California Edison to provide streetlights in other areas, and expects to do so for the Brightwater community if it is annexed. The average monthly cost to the City for Southern California Edison to maintain the light is \$10 per unit.

### **Contingency**

A 15% contingency factor has been added to the General Fund expenditure estimate to meet unforeseen programs or emergency needs.

### **Road Maintenance**

a. Street Maintenance

Street maintenance expenditures were projected based upon the length of road measurements provided by the developer, and the maintenance costs estimated by the City's Department of Public Works. A total of 6.34 lane miles (3.17 miles of two lane roads) are planned, all of which are public. Costs include slurry sealing and bi-monthly street sweeping. According to the City, street slurry sealing (Type II sealing) occurs approximately every seven years. Street sweeping is estimated at a rate of 25 times per year.

b. Traffic Signal Maintenance

The Department of Public Works does not anticipate the need for a new traffic signal.

### **Revenues**

The following revenue section analyzes new, recurring revenues from various state and local sources that will be received by the City as a result of annexation. Table 1b demonstrates these revenues. One-time only, development related fees are often discussed as potential revenue sources, but with the exception of development contributions to the library, certain public works fees, and possible in-lieu fees for parkland, one-time fees are expected to have a neutral impact, as they offset any initial costs of staff services, infrastructure, and supplies.

### **Taxes**

a. Property Taxes

The Local Agency Formation Commission reports that the property tax ratio contained in the Master Property Tax Agreement between the City and the County, as set forth in a City Council resolution adopted on October 28, 1980, is current and will apply if the Brightwater development is annexed. The division of the property tax proscribed by the agreement, which is based on historical tax ratios prior to the passage of Proposition 13, is 56% City and 44% County. Thus, upon annexation the City would receive 56% of the total current County General Fund property tax revenue, and the County would retain the remaining 44% of their current General Fund property tax revenue share.

In addition to the split of the County base property tax, the City would receive the tax override of 0.696% for the City's Employee Retirement System. City staff members have stated that the City would also receive an estimated 70% of the total current County Library District property tax revenues for services rendered by the

city library system, and 100% of the total current Orange County Fire Authority property tax revenue for services provided by the City fire department.

b. Property Transfer Taxes

Property transfer taxes are generated at the time a new property is sold or an existing property is resold. A property transfer tax of \$0.55 per \$1,000 of transferred value is levied on the sale of real property and is divided between the County of Orange and the City. The amount of property tax received will depend upon the sale of land and the level of resale activity within the project. These revenues have been estimated based on a 5% annual turnover rate.

c. Vehicle License Fee

Vehicle license Fee ("VLF") revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. VLF revenues are an important component of the fiscal viability of annexations. Prior to 2004, state law required that a city whose population increased by virtue of annexing land would receive additional VLF revenue to fund services to that area. With the VLF for Property Tax Swap of 2004, more than 90% of city VLF (and VLF backfill) revenue was replaced with property tax revenue. These changes severely reduced the amount of VLF revenue available to fund annexations. Because of the difficulty in accurately projecting these numbers, this calculation is based on a per capita rate from the additional residents in the development.

Under the law prior, the portion of VLF revenue available for distribution as general revenue to cities and counties was divided in half. One half was distributed to the cities on a per capita basis and the remaining was distributed to counties in a similar manner.

Under the new law, effective FY 2004-05, most of the VLF revenue allocated to cities and all of the revenue allocated to counties increases based on assessed value growth instead of population growth in a jurisdiction. Revenue is distributed as property tax in-lieu of VLF. Currently, legislative efforts are being pursued to restore the loss of revenues from the VLF subvention for annexations and new cities. Under AB 1602, Assemblyman John Laird, in partnership with the League of California Cities is drafting language and formulating a solution to re-establish population calculations and allocation procedures.

d. Supplemental Property Tax Roll

Supplemental Revenue is revenue generated by the tax increment created when a sale takes place or a construction project is completed after January 1 of a given year (the assessor's office cut-off date for the next year's assessment roll), but the reassessment occurs and the owner is issued a supplemental tax bill for the period between the sale or completion and the next

regular tax bill. Because the nature of these revenues is unpredictable, they cannot be accurately projected, and therefore, no provision is made within the projections to reflect their impact on future revenues.

e. Franchise Fees

Franchise fees have been established for utilities, transfer stations, pipeline franchises, cable television franchises, and bus bench franchises. These fees have been aggregated and forecasted using data from the budget on a per capita basis.

f. Unitary Utility Tax

Following the passage of AB454, the State Board of Equalization determines and distributes the statewide apportionment of the Unitary Utility revenue. This makes revenues difficult to project, therefore conservative projections are based upon a 5% tax rate applied to utility service billings City tax rate.

g. Sales Tax

The Brightwater project does not include any retail uses; hence no direct sales tax revenues will be incurred by the City. However, sales tax revenues are likely to grow indirectly because of an increase in population, creating additional purchasing potential. The project's proximity to retail businesses within the City will engender some additional sales tax revenue regardless of annexation.

**Road Funds**

a. Gas Tax

As stated in the City Municipal Code, all moneys received by the City from the State under the provisions of the Streets and Highways Code for the acquisition of real property or interests therein for, or the construction, maintenance or improvement of streets or highways other than state highways, shall be paid into the fund.

Within this study, the Gas Tax revenue was calculated on a per capita basis, using the total dollar amount from the 2004-05 Budget. This differs slightly from the actual State method used, which bases revenue on a per capita basis and a per need basis. This number more closely represents the average dollar amount over the seven year time period.

b. Measure M

Measure M is a half cent sales tax, approved in 1990 by the voters of Orange County, which is used for transportation projects. The breakdown of this tax includes 43% of the funds towards freeways, 21% towards local streets and roads, 25% towards transit, and 11% towards regional streets. To date, Huntington Beach has received \$22,854,971. Actual allocation is based on need and population; therefore calculations in this study are based

on a per capita estimate, using 2004-05 budget numbers for guidance. Actual numbers may vary due to the discrepancies in distribution.

### **Other Revenues**

a. Community Services

The Community Services Department has reviewed the development package proposed by Hearthside Homes, and does not feel adequate parkland is currently included. Under the Quimby Act, in-lieu funds can be used for park renovation, acquisition, and development. The City of Huntington Beach uses a standard equation for parkland in-lieu fees. At the request of the city, average land values have been placed at \$2.5 million per acre. The standard equation then reads:

$$5 (\# \text{ units} \times 2.68) / 1000 \times \$2.5\text{M} = \text{Park in-lieu fee}$$

The City may choose to negotiate in-lieu fees based on the park space the Brightwater plan currently incorporates, which would reduce this revenue.

b. Library Community Enrichment and Development Fees

The City currently assesses two separate library fees from new developments. The Community Enrichment Library Fee (CELF) is assessed at a rate of \$0.15 per square foot for new residential units. Revenue from this fee is split into \$0.08 per square foot for the Art Center operated by Community Services and \$0.07 for the Library, but for the purpose of this study the CELF has been evaluated as a single fee. The Library Development Fee (LDF) is assessed at \$0.44 per square foot for residential units. Therefore, a fees total of \$0.59 per square foot is incorporated in this study, using an average housing size of approximately 2,755 square feet each as proposed by the developer.

c. Paramedic and Ambulance Transport Fees

The City imposes an ambulance and paramedic transport fee for services rendered. The City's ambulance service charges were supplied by the Fire Department on a per transport basis, using service data from 2004, and have been applied at a per capita ratio to the additional residents.

d. FireMed

The City of Huntington Beach Fire Department offers a voluntary membership program to residents, which allows members to receive paramedic and ambulatory service from the City for no out of pocket expenses. The cost to join the FireMed program is \$60 per year, per household. This study estimates a 33% household participation rate based on the city-wide membership average, for a total of 115 projected member households in the Brightwater community.

e. Fines and Forfeitures

This revenue source is generated by Motor Vehicle Code fines, Municipal Code fines, and other miscellaneous fines and forfeitures. Projected revenues are based on per capita amounts from the 2004-2005 budget year.

**Summary**

The forecasted expenditures and revenues for this study have been calculated using conservative methodologies and modest escalation factors. Based on this analysis of annexation prior to development, forecasted revenues will exceed expenditures. Projections indicated a cumulative surplus over the seven year study period of \$19,159,306.

**Table 1a: Seven Year Expenditure Summary (Annexation Prior to Development)**

	2006-07 Year 1	2007-08 Year 2	2008-09 Year 3	2009-10 Year 4	2010-11 Year 5	2011-12 Year 6	2012-13 Year 7
<b>Administration</b>							
Administration/Public Support	\$0	\$718	\$1,465	\$1,495	\$1,524	\$1,555	\$1,586
Elections <sup>1</sup>	\$0	\$568	\$1,204	\$1,182	\$757	\$1,230	\$1,303
Animal Control <sup>2</sup>	\$0	\$977	\$1,992	\$2,032	\$2,073	\$2,114	\$2,157
County Tax Collection Charge <sup>3</sup>	\$989	\$5,548	\$10,290	\$10,495	\$10,705	\$10,919	\$11,138
<b>Subtotal</b>	<b>\$989</b>	<b>\$7,811</b>	<b>\$14,951</b>	<b>\$15,204</b>	<b>\$15,060</b>	<b>\$15,819</b>	<b>\$16,184</b>
<b>Building &amp; Safety <sup>4</sup></b>							
Permit and Plan Check Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>						
<b>Community Services</b>							
General Fund Expenses <sup>5</sup>	\$0	\$2,262	\$4,615	\$4,708	\$4,802	\$4,898	\$4,996
<b>Subtotal</b>	<b>\$0</b>	<b>\$2,262</b>	<b>\$4,615</b>	<b>\$4,708</b>	<b>\$4,802</b>	<b>\$4,898</b>	<b>\$4,996</b>
<b>Fire Department</b>							
Fire Med <sup>6</sup>	\$0	\$3,071	\$6,265	\$6,390	\$6,518	\$6,648	\$6,781
General Fund Expenses <sup>7</sup>	\$0	\$45,550	\$92,877	\$94,734	\$96,629	\$98,562	\$100,533
Paramedic & Ambulance Transport <sup>8</sup>	\$0	\$9,586	\$19,545	\$19,936	\$20,335	\$20,742	\$21,156
Fire Department Relocation <sup>9</sup>	\$0	\$0	\$0	\$0	\$42,940	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>	<b>\$58,206</b>	<b>\$118,687</b>	<b>\$121,060</b>	<b>\$166,421</b>	<b>\$125,951</b>	<b>\$128,470</b>
<b>Library Services</b>							
General Fund Expenses <sup>10</sup>	\$0	\$6,996	\$14,271	\$14,557	\$14,848	\$15,145	\$15,448
Library Service Fund <sup>11</sup>	\$0	\$2,831	\$2,888	\$2,946	\$3,004	\$3,065	\$3,126
Library Development <sup>12</sup>	\$0	\$962	\$981	\$1,000	\$1,021	\$1,041	\$1,062
<b>Subtotal</b>	<b>\$0</b>	<b>\$10,789</b>	<b>\$18,140</b>	<b>\$18,503</b>	<b>\$18,873</b>	<b>\$19,250</b>	<b>\$19,635</b>
<b>Police</b>							
General Fund Expenses <sup>13</sup>	\$0	\$100,163	\$204,236	\$208,321	\$212,487	\$216,737	\$221,072
<b>Subtotal</b>	<b>\$0</b>	<b>\$100,163</b>	<b>\$204,236</b>	<b>\$208,321</b>	<b>\$212,487</b>	<b>\$216,737</b>	<b>\$221,072</b>
<b>Public Works</b>							
Residential Sewer Cleanings <sup>14</sup>	\$0	\$11,841	\$12,078	\$12,320	\$12,566	\$12,817	\$13,074
Storm Drain Basin Cleanings <sup>15</sup>	\$0	\$826	\$842	\$859	\$876	\$894	\$912
Storm Drain Debris Unit Cleaning <sup>16</sup>	\$0	\$6,242	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892
Street Lighting <sup>17</sup>	\$0	\$12,240	\$12,485	\$12,734	\$12,989	\$13,249	\$13,514
General Fund Expenses <sup>18</sup>	\$0	\$36,808	\$75,052	\$76,553	\$78,084	\$79,646	\$81,239
<b>Subtotal</b>	<b>\$0</b>	<b>\$67,957</b>	<b>\$106,825</b>	<b>\$108,961</b>	<b>\$111,140</b>	<b>\$113,363</b>	<b>\$115,631</b>
Contingency - 15%	\$148	\$37,078	\$70,118	\$71,514	\$79,317	\$74,403	\$75,898
<b>Road Maintenance</b>							
Street sweeping <sup>19</sup>	\$0	\$3,328	\$3,394	\$3,462	\$3,531	\$3,602	\$3,674
Local Street Maintenance <sup>20</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$221,486
<b>Subtotal</b>	<b>\$0</b>	<b>\$3,328</b>	<b>\$3,394</b>	<b>\$3,462</b>	<b>\$3,531</b>	<b>\$3,602</b>	<b>\$225,160</b>
Contingency - 15%	\$0	\$499	\$509	\$519	\$530	\$540	\$33,774
<b>GRAND TOTAL ALL EXPENDITURES</b>	<b>\$1,137</b>	<b>\$288,095</b>	<b>\$541,475</b>	<b>\$552,252</b>	<b>\$612,162</b>	<b>\$574,563</b>	<b>\$840,819</b>

**Table 1b: Seven Year Revenue Summary (Annexation Prior to Development)**

	2006-07 Year 1	2007-08 Year 2	2008-09 Year 3	2009-10 Year 4	2010-11 Year 5	2011-12 Year 6	2011-12 Year 7
<b>Taxes</b>							
Basic Levy - Property Tax <sup>1</sup>	\$104,435	\$585,880	\$1,086,541	\$1,108,272	\$1,130,437	\$1,153,046	\$1,176,107
Utility Unitary Tax <sup>2</sup>	\$0	\$2,133	\$4,351	\$4,438	\$4,527	\$4,617	\$4,710
Property Transfer Tax <sup>3</sup>	\$0	\$92,303	\$171,179	\$17,460	\$17,809	\$18,166	\$18,529
<b>Subtotal</b>	<b>\$104,435</b>	<b>\$680,315</b>	<b>\$1,262,071</b>	<b>\$1,130,170</b>	<b>\$1,152,773</b>	<b>\$1,175,829</b>	<b>\$1,199,345</b>
<b>Franchise Fees</b>							
Gas, Electric, Cable TV, etc	\$0	\$11,227	\$22,892	\$23,350	\$23,817	\$24,293	\$24,779
<b>Subtotal</b>	<b>\$0</b>	<b>\$11,227</b>	<b>\$22,892</b>	<b>\$23,350</b>	<b>\$23,817</b>	<b>\$24,293</b>	<b>\$24,779</b>
<b>Motor Vehicle Revenues</b>							
Vehicle License Fees <sup>4</sup>	\$0	\$3,278	\$6,684	\$6,818	\$6,954	\$7,093	\$7,235
In-Lieu of VLF <sup>5</sup>	\$0	\$16,643	\$33,952	\$34,631	\$35,324	\$36,030	\$36,751
<b>Subtotal</b>	<b>\$0</b>	<b>\$19,921</b>	<b>\$40,636</b>	<b>\$41,449</b>	<b>\$42,278</b>	<b>\$43,123</b>	<b>\$43,986</b>
<b>Other Revenues</b>							
Fire Med <sup>6</sup>	\$0	\$26,156	\$53,332	\$54,399	\$55,487	\$56,596	\$57,728
Paramedic & Ambulance Transport <sup>7</sup>	\$0	\$391	\$797	\$813	\$829	\$846	\$863
Fines and Forfeitures <sup>8</sup>	\$0	\$11,097	\$22,626	\$23,079	\$23,540	\$24,011	\$24,491
<b>Subtotal</b>	<b>\$0</b>	<b>\$37,643</b>	<b>\$76,755</b>	<b>\$78,290</b>	<b>\$79,856</b>	<b>\$81,453</b>	<b>\$83,082</b>
<b>One Time Fees</b>							
Community Enrichment Library & Art Center Fee <sup>9</sup>	\$144,232	\$0	\$0	\$0	\$0	\$0	\$0
Library Development Fee <sup>10</sup>	\$423,081	\$0	\$0	\$0	\$0	\$0	\$0
Park Space - In Lieu Fee <sup>11</sup>	\$11,691,500	\$0	\$0	\$0	\$0	\$0	\$0
Traffic Impact Fee <sup>12</sup>	\$586,320	\$0	\$0	\$0	\$0	\$0	\$0
Sewer Connection Fee (5% to City) <sup>13</sup>	\$30,520	\$0	\$0	\$0	\$0	\$0	\$0
Drainage Fee (per acre) <sup>14</sup>	\$374,000	\$0	\$0	\$0	\$0	\$0	\$0
Water Connection Fee <sup>15</sup>	\$1,675,200	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$14,924,853</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Road Funds</b>							
Measure M - Local Turnback <sup>16</sup>	\$0	\$4,777	\$9,740	\$9,935	\$10,134	\$10,337	\$10,543
Gas Tax <sup>17</sup>	\$0	\$7,383	\$15,053	\$15,354	\$15,661	\$15,975	\$16,294
<b>Subtotal</b>	<b>\$0</b>	<b>\$12,160</b>	<b>\$24,794</b>	<b>\$25,290</b>	<b>\$25,795</b>	<b>\$26,311</b>	<b>\$26,838</b>
<b>GRAND TOTAL ALL REVENUES</b>	<b>\$15,029,288</b>	<b>\$761,266</b>	<b>\$1,427,148</b>	<b>\$1,298,548</b>	<b>\$1,324,519</b>	<b>\$1,351,010</b>	<b>\$1,378,030</b>
<b>GRAND TOTAL ALL EXPENDITURES (see Table 1a)</b>	<b>\$1,137</b>	<b>\$288,095</b>	<b>\$541,475</b>	<b>\$552,252</b>	<b>\$612,162</b>	<b>\$574,563</b>	<b>\$840,819</b>
<b>REVENUE SURPLUS (SHORTFALL)</b>	<b>\$15,028,151</b>	<b>\$473,171</b>	<b>\$885,673</b>	<b>\$746,296</b>	<b>\$712,357</b>	<b>\$776,447</b>	<b>\$537,210</b>
<b>CUMULATIVE SURPLUS (DEFICIT)</b>	<b>\$15,028,151</b>	<b>\$15,501,322</b>	<b>\$16,386,995</b>	<b>\$17,133,291</b>	<b>\$17,845,649</b>	<b>\$18,622,095</b>	<b>\$19,159,306</b>

## **Scenario 2: Annexation After Development**

The Brightwater project may be initially developed within the jurisdiction of the County of Orange, and not annexed into the City until after development has occurred. Once residents have moved into the community, annexation is typically initiated by the resident registered voters, though the City, County, or a special district may continue to pursue it as well.

Generally, annexation is requested if residents perceive a need for increased public services. Because development is complete, annexation at this time does not provide the city with options to negotiate new or additional assessments or fees.

The below summary addresses the changes in fiscal calculations based on annexation occurring in Year 3, or fiscal year 2008/2009. Thus, Years 1 and 2 calculate expenditures and revenues based on the project remaining within the jurisdiction of the County of Orange. Following annexation, beginning in Year 3, revenues and costs are calculated in the same manner as Scenario 1. Please refer to Tables 2a and 2b for projected dollar amounts.

As discussed below, the principal differences in this scenario as compared to Scenario 1 are the lack of one-time development revenues associated with both the park in-lieu fees and the library fees.

### **Expenditures and Revenues**

#### ***Administration***

The city will continue to pay the County Tax Collection Charge based on revenue it receives from pass through agreements with the County for library and fire services, as discussed below.

#### ***Community Development***

a. Parks

Community parks and open spaces within the planned development are expected to be maintained by the homeowners' association. If the Brightwater Community annexes after development, in-lieu fees will no longer be applicable.

b. Community Services

Senior residents of the Brightwater Community may participate in activities at local City-run senior centers, and may also require some additional services through City senior programs. Therefore, costs associated with those activities and services continue to be included in projections regardless of annexation.

Other recreational services provided by the City such as lifeguards and maintained recreational equipment in parks will be impacted by the additional residents regardless of annexation. As such,

General Fund costs have been included based on a per capita estimate to reflect these expenditures.

***Public Safety***

Nearly a decade ago, Hearthside Homes proposed a larger housing development at the same location on the Warner Mesa, and an arrangement was subsequently established between the City of Huntington Beach, the Orange County Fire Authority, and Hearthside Homes. This 1997 Tri-Party Agreement allowed for the City of Huntington Beach to provide fire, paramedic, and ambulatory services to the project, instead of the Orange County Fire Authority, which does not maintain a nearby fire station. The Tri-Party Agreement also included a capital contribution fee. As stated in the agreement, the developer made this contribution fee to the OCFA for the tentative purpose of locating an OCFA fire station within the project to serve the development; however, most of this contribution was in turn made to pass to the City for the relocation of a City fire station, as the OCFA would not be the service provider. Based on discussions with the City Fire Department management staff, and the proximity of the project to the City, this study reflects forecasts based on a similar agreement for an 80% tax revenue pass-through being negotiated by the City to provide these services if annexation does not take place. This study currently excludes any potential capital contribution from the developer to maintain a conservative projection; but it should be noted that the relocation of the fire station is still expected to be necessary in order for the Fire Department to maintain city-wide service standards, and therefore a new capital contribution may be negotiated in the future.

Hence, in Scenario 2, Years 1 and 2, an 80% pass through of tax revenue from the Orange County Fire Authority has been included, as was stipulated in the 1997 agreement. After annexation in Year 3, expenditures and revenues were calculated in the same manner as Scenario 1 wherein 100% of the OCFA revenues were passed to the City for services rendered by the Huntington Beach Fire Department. Furthermore, as the City is expected to serve the Brightwater community regardless of annexation, residents will be able to enroll in the FireMed program at any time, with its associated cost and revenue impacts both included in the forecasts.

***Library Services***

The nearest libraries are maintained by the City of Huntington Beach, and thus are logically anticipated to be impacted by the addition of residents. A 1996 negotiation between the City, County, and developer resulted in an agreement to mitigate for these impacts through one-time fees. This study has made its projections based on this agreement remaining valid, wherein Hearthside Homes would pay \$200 per unit to the City and the County would pay \$100 per unit to the City upon issuance of grading permits. It should be noted that these fees were based upon the average revenue generated by the Community Enrichment Library Fee in 1996, and do not reflect the revenues generated by the Library Development Fee, which was instituted in 1998. More importantly, it should be noted that the prior agreement was intended for a no annexation scenario.

Thus, in Scenario 2, Years 1 and 2, based upon direction from Library Services Department management staff, a 70% pass through of tax revenue from the County of Orange library fund has been included as well as a \$300 per unit capital contribution, as was arranged in the 1996 agreement. After annexation in Year 3, expenditures and revenues were calculated in the same manner as Scenario 1.

**Summary**

The forecasted expenditures and revenues for this study have been calculated using conservative methodologies and modes escalation factors. Based on this analysis of annexation after development, forecasted revenues will exceed expenditures. Projections indicated a cumulative surplus of \$4,119,764 over the seven year study period.

**Table 2a: Seven Year Expenditure Summary (Development Prior to Annexation)**

	2006-07 Year 1	2007-08 Year 2	2008-09 Year 3	2009-10 Year 4	2010-11 Year 5	2011-12 Year 6	2012-13 Year 7
<b>Administration</b>							
Administration/Public Support	\$0	\$0	\$1,465	\$1,495	\$1,524	\$1,555	\$1,586
Elections <sup>1</sup>	\$0	\$0	\$1,204	\$1,182	\$757	\$1,230	\$1,303
Animal Control <sup>2</sup>	\$0	\$0	\$1,992	\$2,032	\$2,073	\$2,114	\$2,157
County Tax Collection Charge <sup>3</sup>	\$589	\$3,307	\$10,290	\$10,495	\$10,705	\$10,919	\$11,138
<b>Subtotal</b>	<b>\$589</b>	<b>\$3,307</b>	<b>\$14,951</b>	<b>\$15,204</b>	<b>\$15,060</b>	<b>\$15,819</b>	<b>\$16,184</b>
<b>Building &amp; Safety <sup>4</sup></b>							
Permit and Plan Check Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>						
<b>Community Services</b>							
General Fund Expenses <sup>5</sup>	\$0	\$2,262	\$4,615	\$4,708	\$4,802	\$4,898	\$4,996
<b>Subtotal</b>	<b>\$0</b>	<b>\$2,262</b>	<b>\$4,615</b>	<b>\$4,708</b>	<b>\$4,802</b>	<b>\$4,898</b>	<b>\$4,996</b>
<b>Fire Department</b>							
Fire Med <sup>6</sup>	\$0	\$3,071	\$6,265	\$6,390	\$6,518	\$6,648	\$6,781
General Fund Expenses <sup>7</sup>	\$0	\$45,550	\$92,877	\$94,734	\$96,629	\$98,562	\$100,533
Paramedic & Ambulance Transport <sup>8</sup>	\$0	\$9,586	\$19,545	\$19,936	\$20,335	\$20,742	\$21,156
Fire Department Relocation <sup>9</sup>	\$0	\$0	\$0	\$0	\$42,940	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>	<b>\$58,206</b>	<b>\$118,687</b>	<b>\$121,060</b>	<b>\$166,421</b>	<b>\$125,951</b>	<b>\$128,470</b>
<b>Library Services</b>							
General Fund Expenses <sup>10</sup>	\$0	\$6,996	\$14,271	\$14,557	\$14,848	\$15,145	\$15,448
Library Service Fund <sup>11</sup>	\$0	\$2,831	\$2,888	\$2,946	\$3,004	\$3,065	\$3,126
Library Development <sup>12</sup>	\$0	\$962	\$981	\$1,000	\$1,021	\$1,041	\$1,062
<b>Subtotal</b>	<b>\$0</b>	<b>\$10,789</b>	<b>\$18,140</b>	<b>\$18,503</b>	<b>\$18,873</b>	<b>\$19,250</b>	<b>\$19,635</b>
<b>Police</b>							
General Fund Expenses <sup>13</sup>	\$0	\$0	\$204,236	\$208,321	\$212,487	\$216,737	\$221,072
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$204,236</b>	<b>\$208,321</b>	<b>\$212,487</b>	<b>\$216,737</b>	<b>\$221,072</b>
<b>Public Works</b>							
Residential Sewer Cleanings <sup>14</sup>	\$0	\$0	\$12,078	\$12,320	\$12,566	\$12,817	\$13,074
Storm Drain Basin Cleanings <sup>15</sup>	\$0	\$0	\$842	\$859	\$876	\$894	\$912
Storm Drain Debris Unit Cleaning <sup>16</sup>	\$0	\$0	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892
Street Lighting <sup>17</sup>	\$0	\$0	\$12,485	\$12,734	\$12,989	\$13,249	\$13,514
General Fund Expenses <sup>18</sup>	\$0	\$0	\$75,052	\$76,553	\$78,084	\$79,646	\$81,239
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$106,825</b>	<b>\$108,961</b>	<b>\$111,140</b>	<b>\$113,363</b>	<b>\$115,631</b>
Contingency -15%	\$88	\$11,185	\$70,118	\$71,514	\$79,317	\$74,403	\$75,898
<b>Road Maintenance</b>							
Street sweeping <sup>19</sup>	\$0	\$0	\$3,394	\$3,462	\$3,531	\$3,602	\$3,674
Local Street Maintenance <sup>20</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$221,486
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,394</b>	<b>\$3,462</b>	<b>\$3,531</b>	<b>\$3,602</b>	<b>\$225,160</b>
Contingency - 15%	\$0	\$0	\$509	\$519	\$530	\$540	\$33,774
<b>GRAND TOTAL ALL EXPENDITURES</b>	<b>\$678</b>	<b>\$85,748</b>	<b>\$541,475</b>	<b>\$552,252</b>	<b>\$612,162</b>	<b>\$574,563</b>	<b>\$840,819</b>

**Table 2b: Seven Year Revenue Summary (Development Prior to Annexation)**

	2006-07 Year 1	2007-08 Year 2	2008-09 Year 3	2009-10 Year 4	2010-11 Year 5	2011-12 Year 6	2012-13 Year 7
<b>Taxes</b>							
Basic Levy - Property Tax <sup>1</sup>	\$62,241	\$349,171	\$1,086,541	\$1,108,272	\$1,130,437	\$1,153,046	\$1,176,107
Utility Unitary Tax <sup>2</sup>	\$0	\$0	\$4,351	\$4,438	\$4,527	\$4,617	\$4,710
Property Transfer Tax <sup>3</sup>	\$0	\$0	\$171,179	\$17,460	\$17,809	\$18,166	\$18,529
<b>Subtotal</b>	<b>\$62,241</b>	<b>\$349,171</b>	<b>\$1,262,071</b>	<b>\$1,130,170</b>	<b>\$1,152,773</b>	<b>\$1,175,829</b>	<b>\$1,199,345</b>
<b>Franchise Fees</b>							
Gas, Electric, Cable TV, etc	\$0	\$0	\$22,892	\$23,350	\$23,817	\$24,293	\$24,779
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22,892</b>	<b>\$23,350</b>	<b>\$23,817</b>	<b>\$24,293</b>	<b>\$24,779</b>
<b>Motor Vehicle Revenues</b>							
Vehicle License Fees <sup>4</sup>	\$0	\$0	\$6,684	\$6,818	\$6,954	\$7,093	\$7,235
In-Lieu of VLF <sup>5</sup>	\$0	\$0	\$33,952	\$34,631	\$35,324	\$36,030	\$36,751
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$40,636</b>	<b>\$41,449</b>	<b>\$42,278</b>	<b>\$43,123</b>	<b>\$43,986</b>
<b>Other Revenues</b>							
Fire Med <sup>6</sup>	\$0	\$26,156	\$53,332	\$54,399	\$55,487	\$56,596	\$57,728
Paramedic & Ambulance Transport <sup>7</sup>	\$0	\$391	\$797	\$813	\$829	\$846	\$863
Capital Contribution Fee (Library) <sup>8</sup>	\$104,700	\$0	\$0	\$0	\$0	\$0	\$0
Fines and Forfeitures <sup>9</sup>	\$0	\$5,548	\$22,626	\$23,079	\$23,540	\$24,011	\$24,491
Park Space - In Lieu Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$104,700</b>	<b>\$32,095</b>	<b>\$76,755</b>	<b>\$78,290</b>	<b>\$79,856</b>	<b>\$81,453</b>	<b>\$83,082</b>
<b>Road Funds</b>							
Measure M - Local Turnback <sup>10</sup>	\$0	\$0	\$9,740	\$9,935	\$10,134	\$10,337	\$10,543
Gas Tax <sup>11</sup>	\$0	\$0	\$15,053	\$15,354	\$15,661	\$15,975	\$16,294
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$24,794</b>	<b>\$25,290</b>	<b>\$25,795</b>	<b>\$26,311</b>	<b>\$26,838</b>
<b>Subtotal - One Time Revenues</b>	<b>\$104,700</b>						
<b>GRAND TOTAL ALL REVENUES</b>	<b>\$166,941</b>	<b>\$381,266</b>	<b>\$1,427,148</b>	<b>\$1,298,548</b>	<b>\$1,324,519</b>	<b>\$1,351,010</b>	<b>\$1,378,030</b>
<i>GRAND TOTAL ALL EXPENDITURES (see Table 2a)</i>	<i>\$678</i>	<i>\$85,748</i>	<i>\$541,475</i>	<i>\$552,252</i>	<i>\$612,162</i>	<i>\$574,563</i>	<i>\$840,819</i>
<b>REVENUE SURPLUS (SHORTFALL)</b>	<b>\$166,263</b>	<b>\$295,518</b>	<b>\$885,673</b>	<b>\$746,296</b>	<b>\$712,357</b>	<b>\$776,447</b>	<b>\$537,210</b>
<b>CUMULATIVE SURPLUS (DEFICIT)</b>	<b>\$166,263</b>	<b>\$461,781</b>	<b>\$1,347,453</b>	<b>\$2,093,750</b>	<b>\$2,806,107</b>	<b>\$3,582,554</b>	<b>\$4,119,764</b>

### **Scenario 3: Development with No Annexation**

The Brightwater project may remain an unincorporated island and not annex into the City of Huntington Beach. As with the first two years of development in Scenario 2, several services may still be provided to the residents by the City due to the close proximity, therefore impacting their expenditures and revenues. Tables 3a and 3b reflect the expenditures and revenues for this scenario.

#### **Expenditures and Revenues**

##### ***Administration***

The city will continue to pay the County Tax Collection Charge based on revenue it receives from pass through agreements with the County for library and fire services, as discussed below.

##### ***Fire Protection***

The City Fire Department maintains the station geographically closest to the Brightwater community, making it probable that they will often be the first unit to respond in an emergency. Fire Department management staff has stated that based upon the prior 1997 Tri-Party Agreement, this scenario provides an 80% pass through of tax revenue from the Orange County Fire Authority to the City for services rendered. The City is expected to serve the Brightwater community regardless of annexation; therefore residents will be able to enroll in the FireMed program at any time.

##### ***Community Services***

Senior residents of the Brightwater Community may participate in activities at local City-run senior centers, and may also require some additional services through City senior programs. Therefore, costs associated with those activities and services continue to be included in projections regardless of annexation.

##### ***Library Services***

Based upon input from the Library Services management staff, the 1996 negotiation between the City, County, and developer was used to forecast this scenario without any adjustment. Though a renegotiation of fees is probable, it is unreasonable to project the results. Thus, for the purposes of this study, Hearthside Homes shall pay a fee of \$200 per housing unit and the County shall pay \$100 per housing unit to the City. The City will also receive a 70% pass through of funds from the County library tax revenue from the development. It should be noted that the one-time fees were based upon an average revenue generated by the Community Enrichment Library Fee in 1996, and do not reflect the revenues generated by the Library Development Fee, which was instituted in 1998.

**Summary**

The forecasted expenditures and revenues for this study have been calculated using conservative methodologies and modes escalation factors. Based on this analysis of development without annexation, forecasted revenues will exceed expenditures. Projections indicated a cumulative surplus of \$3,289,060.

**Table 3a: Seven Year Expenditure Summary (No Annexation)**

	2006-07 Year 1	2007-08 Year 2	2008-09 Year 3	2009-10 Year 4	2010-11 Year 5	2011-12 Year 6	2012-13 Year 7
<b>Administration</b>							
Administration/Public Support	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Elections <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Animal Control	\$0	\$0	\$0	\$0	\$0	\$0	\$0
County Tax Collection Charge <sup>2</sup>	\$589	\$3,307	\$6,132	\$6,255	\$6,380	\$6,508	\$6,638
<b>Subtotal</b>	<b>\$589</b>	<b>\$3,307</b>	<b>\$6,132</b>	<b>\$6,255</b>	<b>\$6,380</b>	<b>\$6,508</b>	<b>\$6,638</b>
<b>Building &amp; Safety <sup>3</sup></b>							
Permit and Plan Check Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>						
<b>Community Services</b>							
General Fund Expenses <sup>4</sup>	\$0	\$2,262	\$4,615	\$4,708	\$4,802	\$4,898	\$4,996
<b>Subtotal</b>	<b>\$0</b>	<b>\$2,262</b>	<b>\$4,615</b>	<b>\$4,708</b>	<b>\$4,802</b>	<b>\$4,898</b>	<b>\$4,996</b>
<b>Fire Department</b>							
Fire Med <sup>5</sup>	\$0	\$3,071	\$6,265	\$6,390	\$6,518	\$6,648	\$6,781
General Fund Expenses <sup>6</sup>	\$0	\$45,550	\$92,877	\$94,734	\$96,629	\$98,562	\$100,533
Paramedic & Ambulance Transport <sup>7</sup>	\$0	\$9,586	\$19,545	\$19,936	\$20,335	\$20,742	\$21,156
Fire Department Relocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>	<b>\$58,206</b>	<b>\$118,687</b>	<b>\$121,060</b>	<b>\$123,482</b>	<b>\$125,951</b>	<b>\$128,470</b>
<b>Library Services</b>							
General Fund Expenses <sup>8</sup>	\$0	\$6,996	\$14,271	\$14,557	\$14,848	\$15,145	\$15,448
Library Service Fund <sup>9</sup>	\$0	\$2,831	\$2,888	\$2,946	\$3,004	\$3,065	\$3,126
Library Development <sup>10</sup>	\$0	\$962	\$981	\$1,000	\$1,021	\$1,041	\$1,062
<b>Subtotal</b>	<b>\$0</b>	<b>\$10,789</b>	<b>\$18,140</b>	<b>\$18,503</b>	<b>\$18,873</b>	<b>\$19,250</b>	<b>\$19,635</b>
<b>Police</b>							
General Fund Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>						
<b>Public Works</b>							
Residential Sewer Cleanings	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Storm Drain Basin Cleanings	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Storm Drain Debris Unit Cleaning	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Street Lighting	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Fund Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>						
Contingency - 15%	\$88	\$11,185	\$22,136	\$22,579	\$23,030	\$23,491	\$23,961
<b>Road Maintenance</b>							
Street sweeping	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Local Street Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>						
<b>GRAND TOTAL ALL EXPENDITURES</b>	<b>\$678</b>	<b>\$85,748</b>	<b>\$169,710</b>	<b>\$173,105</b>	<b>\$176,567</b>	<b>\$180,098</b>	<b>\$183,700</b>

**Table 3b: Seven Year Revenue Summary (No Annexation)**

	2006-07 Year 1	2007-08 Year 2	2008-09 Year 3	2009-10 Year 4	2010-11 Year 5	2011-12 Year 6	2012-13 Year 7
<b>Taxes</b>							
Basic Levy - Property Tax <sup>1</sup>	\$62,241	\$349,171	\$647,554	\$660,505	\$673,715	\$687,189	\$700,933
Utility Unitary Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Transfer Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$62,241</b>	<b>\$349,171</b>	<b>\$647,554</b>	<b>\$660,505</b>	<b>\$673,715</b>	<b>\$687,189</b>	<b>\$700,933</b>
<b>Franchise Fees</b>							
Gas, Electric, Trash, Cable TV, etc	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Motor Vehicle Revenues</b>							
Vehicle License Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0
In-Lieu of VLF	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Revenues</b>							
FireMed <sup>2</sup>	\$0	\$26,156	\$53,332	\$54,399	\$55,487	\$56,596	\$57,728
Paramedic & Ambulance Transport <sup>3</sup>	\$0	\$391	\$797	\$813	\$829	\$846	\$863
Fines and Forfeitures <sup>4</sup>	\$0	\$5,548	\$11,313	\$11,539	\$11,770	\$12,006	\$12,246
Capital Contribution Fee (Library) <sup>5</sup>	\$104,700	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$104,700</b>	<b>\$32,095</b>	<b>\$65,442</b>	<b>\$66,751</b>	<b>\$68,086</b>	<b>\$69,448</b>	<b>\$70,837</b>
<b>Road Funds</b>							
Measure M - Local Turnback	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gas Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal - One Time Revenues</b>	<b>\$104,700</b>						
<b>GRAND TOTAL ALL REVENUES</b>	<b>\$166,941</b>	<b>\$381,266</b>	<b>\$712,996</b>	<b>\$727,256</b>	<b>\$741,801</b>	<b>\$756,637</b>	<b>\$771,770</b>
<b>GRAND TOTAL ALL EXPENDITURES (see Table 3a)</b>	<b>\$678</b>	<b>\$85,748</b>	<b>\$169,710</b>	<b>\$173,105</b>	<b>\$176,567</b>	<b>\$180,098</b>	<b>\$183,700</b>
<b>REVENUE SURPLUS (SHORTFALL)</b>	<b>\$166,263</b>	<b>\$295,518</b>	<b>\$543,285</b>	<b>\$554,151</b>	<b>\$565,234</b>	<b>\$576,539</b>	<b>\$588,070</b>
<b>CUMULATIVE SURPLUS (DEFICIT)</b>	<b>\$166,263</b>	<b>\$461,781</b>	<b>\$1,005,066</b>	<b>\$1,559,217</b>	<b>\$2,124,451</b>	<b>\$2,700,990</b>	<b>\$3,289,060</b>

## APPENDIX A – PROPERTY TAX TRANSFER RATES

**Appendix A Table 1: Forecasted Property Tax Transfer (Annexation Prior to Development)**

	2006-07 Year 1	2007-08 Year 2	2008-09 Year 3	2009-10 Year 4	2010-11 Year 5	2011-12 Year 6	2012-13 Year 7
Total Assessed Value	\$59,829,890	\$335,645,682	\$622,470,174	\$634,919,578	\$647,617,970	\$660,570,329	\$673,781,735
<b>Property Tax Levy @ 1.00696% <sup>1</sup></b>	<b>\$602,463</b>	<b>\$3,379,818</b>	<b>\$6,268,026</b>	<b>\$6,393,386</b>	<b>\$6,521,254</b>	<b>\$6,651,679</b>	<b>\$6,784,713</b>
<b>Current Property Tax Distribution</b>							
County of Orange @ 6.27%	\$37,793	\$212,016	\$393,193	\$401,057	\$409,078	\$417,260	\$425,605
City of Huntington Beach @ 0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Orange County Library District @ 1.69%	\$10,215	\$57,308	\$106,280	\$108,405	\$110,573	\$112,785	\$115,041
Orange County Fire Authority @ 11.4%	\$68,863	\$386,320	\$716,447	\$730,776	\$745,392	\$760,300	\$775,506
<b>Potential Property Tax Distribution</b>							
Huntington Beach General Fund @ 3.5%	\$21,164	\$118,729	\$220,188	\$224,592	\$229,084	\$233,666	\$238,339
OC Library Transfer to City @ 1.69% <sup>2</sup>	\$10,215	\$57,308	\$106,280	\$108,405	\$110,573	\$112,785	\$115,041
OCFA Transfer to City @ 2.7% <sup>3</sup>	\$68,863	\$386,320	\$716,447	\$730,776	\$745,392	\$760,300	\$775,506
HB Employee Retirement Fund @ .696% <sup>4</sup>	\$4,193	\$23,524	\$43,625	\$44,498	\$45,388	\$46,296	\$47,222
<b>Additional Property Tax to City</b>	<b>\$104,435</b>	<b>\$585,880</b>	<b>\$1,086,541</b>	<b>\$1,108,272</b>	<b>\$1,130,437</b>	<b>\$1,153,046</b>	<b>\$1,176,107</b>
<b>Property Transfer Taxes</b>							
Value Transferred	\$0	\$167,822,841	\$311,235,087	\$31,745,979	\$32,380,898	\$33,028,516	\$33,689,087
<b>Revenue to City @ \$0.55/\$1,000 <sup>5</sup></b>	<b>\$0</b>	<b>\$92,303</b>	<b>\$171,179</b>	<b>\$17,460</b>	<b>\$17,809</b>	<b>\$18,166</b>	<b>\$18,529</b>

Please refer to Appendix B for notes.

**Appendix A Table 2: Forecasted Property Tax Transfer (No Annexation)**

	2006-07 1	Year 2007-08 2	Year 2008-09 3	Year 2009-10 4	Year 2010-11 5	Year 2011-12 6	Year 2012-13 7	Year
Total Assessed Value	\$59,829,890	\$335,645,682	\$622,470,174	\$634,919,578	\$647,617,970	\$660,570,329	\$673,781,735	
Property Tax Levy <sup>1</sup>	\$602,463	\$3,379,818	\$6,268,026	\$6,393,386	\$6,521,254	\$6,651,679	\$6,784,713	
Current Property Tax Distribution								
County of Orange @ 6.27%	\$37,793	\$212,016	\$393,193	\$401,057	\$409,078	\$417,260	\$425,605	
City of Huntington Beach @ 0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Orange County Library District @ 1.69%	\$10,215	\$57,308	\$106,280	\$108,405	\$110,573	\$112,785	\$115,041	
Orange County Fire Authority @ 11.4%	\$68,863	\$386,320	\$716,447	\$730,776	\$745,392	\$760,300	\$775,506	
<b>Potential Property Tax Distribution</b>								
Huntington Beach General Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
OC Library Transfer to City @ .11% <sup>2</sup>	\$7,151	\$40,115	\$74,396	\$75,884	\$77,401	\$78,949	\$80,528	
OCFA Transfer to City @ 9.1% <sup>3</sup>	\$55,090	\$309,056	\$573,158	\$584,621	\$596,313	\$608,240	\$620,405	
HB Employee Retirement Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Additional Property Tax to City</b>	<b>\$62,241</b>	<b>\$349,171</b>	<b>\$647,554</b>	<b>\$660,505</b>	<b>\$673,715</b>	<b>\$687,189</b>	<b>\$700,933</b>	

Please refer to Appendix B for notes.

## APPENDIX B – TABLE FOOTNOTES

### Exhibit 1a: Seven Year Expenditure Summary (Annexation Prior to Development)

Estimates for this scenario assume that the Warner Mesa area will be annexed in early (calendar year) 2006 and that development will be completed in Year 2 (2007-08). Approximately half of the community's 838 residents (419) will move in during Year 2, and the remainder will move in during Year 3. Per capita and usage costs/revenues are adjusted accordingly.

1. The calculations for elections are based on the following assumptions:
  - No Elections: Year 1 (FY 2006-07) and Year 5 (FY 2010 - 11) will have no elections, however, election costs are still accrued to the City. Total election costs for Huntington Beach in the last non-election year were \$143,701. According to the County of Orange Registrar of Voters, there were 125,861 voters in Huntington Beach in 2004, or 63% of the total population. Using this percentage as a guide, election costs in a non-election year are \$1.20 per registered voter. Using actual inflation rates from the United States Department of Labor, Bureau of Labor Statistics, this equals \$1.30 per registered voter in 2005 dollars. An inflation rate of 2% was used to calculate subsequent non-election year costs.
  - Local Elections: Year 2 (FY 2007-08), Year 4 (FY 2009-2010), and Year 6 (2011-12) will have local elections. Total election costs from the General Fund in the last local election (2003-04) were \$243,567. Using the OC Registrar of Voters percentage as a guide, the cost of elections in 2003-04 was approximately \$1.96 per registered voter. Using actual inflation rates, these costs would be approximately \$2.07 per registered voter. An inflation rate of 2% was used to calculate subsequent non-election year costs.
  - Presidential Elections: Year 3 (FY 2008-09) and Year 7 (2012-13) will have Presidential elections. Presidential election costs are based on the election costs in FY 2004-05. Total election costs from the General Fund were \$262,809, or approximately \$2.09 per registered voter. Using actual inflation numbers, these costs would increase to approximately \$2.15 per registered voter in 2005 dollars. An inflation rate of 2% was used to calculate subsequent non-election year costs. An inflation rate of 2% was used to calculate subsequent non-election year costs.
2. The City of Huntington Beach contracts with the County of Orange to provide Animal Control services. The expected cost for Animal Control is based on the 2004-05 Budget. Actual approved funding amounted to \$414,149.
3. The Orange County Administration Fee for this Tax Rate Area is .947%.
4. It is assumed that building, permit, grading, etc. fees will offset all costs associated with the additional labor, and therefore net costs for Building and Safety equal zero.
5. Community Services figures are based upon a per capita statistic. It is difficult to calculate the percentage of Huntington Beach residents that use City community services (versus non-residents), thus calculations are distributed evenly among a per capita basis for the purpose of this study.
6. FireMed costs are based on the 2004-05 City of Huntington Beach budget and are calculated on a per household cost.
7. Fire Department General Fund expenditures are based on a per capita cost of the additional residents in the development.
8. The paramedic and ambulance transport expenditures were calculated by taking the actual expenditures in 2004-05 and estimating costs per emergency medical patient. Approximately 4.8% of the City's residents used these services in 2004-05, and this percentage was applied to the Brightwater Community.
9. The Fire Department plans to relocate Fire Station Number 8 to increase response time to the affected residents. The proportional cost share for the residents in the Brightwater community has been included in the Study, based on an estimated cost of approximately \$10.3 million to relocate the

station in Year 5. The relocation price estimate was provided by RRM Design Group of San Luis Obispo, California, and was obtained at the request of City staff. The number reflects building and site improvements, design, project management, utility connections, furnishings, equipment, moving costs, and a 10% contingency. This estimate also reflects an 11% construction cost index for project cost escalation.

10. These costs reflect the per capita estimates of operating the Huntington Beach library system as a result of the addition of new residents. It should be noted that Library Services has requested one additional children's librarian and one library clerk specialist to meet increased demand on the library system, and the City should consider the marginal impacts associated with the additional residents. However, for the purpose of this study, only per capita estimates of operating the Huntington Beach library system have been reflected here.
11. The Library Service Fund is estimated on a per capita basis.
12. Library Development expenditures are estimated at a per capita basis.
13. These costs are per capita expenditures for the new development. According to the Huntington Beach General Plan, there is a ratio of 1.15 police officers per 1000 residents. Using the assumption of 838 new residents in the area, this would equate to .9637 officers. However, potential demographics of the area do not indicate a need for any additional officers or staff. These estimates do not reflect the need for an additional officer; however, represent the overall burden of the increased population on the Police department.
14. Residential sewer cleanings are completed once a year, with a cost of \$0.34 per lineal foot. The number of sewer feet was estimated by using the miles of roads in the development.
15. There are 45 storm drain catch basins in the Brightwater community. They are cleaned once a year at \$17.64 per basin.
16. Storm drain debris units are cleaned four times a year at \$1500 per unit. There is one unit in the Brightwater Community.
17. Costs for street lighting are estimated to be \$10 per light, per month. Assuming there are 100 streetlights, the average annual cost is \$12,000. This number is inflated at 2% every year thereafter.
18. General Fund expenses are calculated from only the General Fund monies in the Public Works budget.
19. Street sweeping is \$20.18 per curb mile (where one mile of road equals two curb miles) and based on average of 25 cleanings per year, with 6.34 curb miles of streets in the development.
20. Local street maintenance is \$0.18 per square foot and is completed every seven years. This process is defined as application of slurry seal, type II. This cost assumes that the streets in the development are 32 feet wide.

**Exhibit 1b: Seven Year Revenue Summary (Annexation Prior to Development)**

1. The City's general property tax rate is 1.00696% (including the override for the Huntington Beach Retirement Fund). Calculations are based upon the 1980 Master Property Tax Transfer Agreement between the County of Orange and the City of Huntington Beach.
2. The utility unitary tax is calculated by taking 5% of the utility user's tax.
3. The property transfer tax assumes a 5% turnover rate in Huntington Beach, and \$.55/\$1000 fee.
4. Vehicle License Fee ("VLF") revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. VLF revenues are an important component of the fiscal viability of annexations. Prior to 2004, state law required that a city whose population increased by virtue of annexing an area would receive additional VLF revenue to fund services to the area. With the VLF for Property Tax Swap of 2004, more than 90% of city VLF (and VLF backfill) revenue was replaced with property tax revenue. These changes severely reduced the amount of VLF revenue

available to fund annexations. Because of the difficulty in accurately projecting these numbers, this calculation is based on a per capita rate from the additional residents in the development.

5. Under the new law, effective FY 2004-05, most of the VLF revenue allocated to cities and all of the revenue allocated to counties increases based on assessed value growth instead of population growth in a jurisdiction. Revenue is distributed as property tax in-lieu of VLF. This study estimates in-lieu VLF on a per capita basis.
6. FireMed revenues are based on a fee of \$60 per year and a 33% participation rate among new households. This is consistent with the current number of households participating in the program.
7. The calculation for paramedic and ambulance transport is based on a per capita rate. In reality, it would be best to find a percentage of people who have been transported, and apply that average to calculate actual fees per trip. This information was not available.
8. Fines and forfeitures include, but are not limited to, parking tickets and municipal code violations. This is a per capita calculation based on revenues in the 2004-05 Budget.
9. The Community Enrichment Library Fee is a one time fee paid to the City by the developer. The fee is \$0.15 per square foot, per unit, with \$.07 to the Library, and \$.08 to Community Services. This is based on a total estimated square footage of 961,548 for the development. Square footage estimates are based on information from Hearthside Homes.
10. The Library Development Fee is a one time fee paid to the City by the developer. The fee is \$.44 per square foot, per unit, for all units.
11. The City has a 5 acre of park land per 1000 people requirement. The in-lieu fee was calculated by using the formula:

$$\frac{5(\text{\#of units} * 2.68)}{1000} * 2.5 \text{ million}$$

Where \$2.5 million is the per acre value of the project site and 2.68 is the number of people per household.

12. The City charges developers a one time traffic impact fee \$140 per trip end, with 12 trips per household, per year.
13. The City charges developers a one time sewer connection for each unit. This calculation is based on a fee of \$1680 per unit, with 95% of this revenue passed on to the Orange County Sanitation District, and the remaining 5% staying in the City. This rate is effective October 1, 2005.
14. The City charges developers a one time drainage fee. This calculation was estimated using a fee of \$5500 per acre, at 68 acres.
15. The City will receive a water connection fee of \$4800 per household.
16. Measure M is a half cent sales tax in Orange County that is used for transportation projects. The breakdown of this tax includes 43% of the funds towards freeways, 21% towards local streets and roads, 25% towards transit, and 11% towards regional streets. To date, Huntington Beach has received \$22,854,971. Actual allocation is based on need and population. Because of the difficulty in predicting the need for future projects, calculations in this study are based on a per capita estimate, using 2004-05 budget numbers for guidance. Actual numbers may vary.
17. Gas Tax revenue was calculated on a per capita basis, using the total dollar amount from the 2004-05 Budget. This differs slightly from the actual method used, which bases it on a per capita basis and a per need basis. This number more closely represents the average dollar amount over the seven year time period.

**Exhibit 2a: Seven Year Expenditure Summary (Development Prior to Annexation)**

Estimates for this scenario assume that the Warner Mesa area will be annexed in 2008-09. Estimates are based on the assumption that development will be complete in Year 2 (2007-08). Approximately half of the community's 838 residents (419) will move in during Year 2, and the remainder will move in for Year 3. Per capita and usage costs/revenues are adjusted accordingly.

1. This assumes that residents of Brightwater will not use City of Huntington Beach facilities to vote in elections prior to annexation. Annexation is assumed to occur in Year 3.
2. The City of Huntington Beach contracts with the County of Orange to provide Animal Control services. The expected cost for Animal Control is based on the 2004-05 Budget. Actual approved funding amounted to \$414,149.
3. The Orange County Administration Fee for this Tax Rate Area is .947%.
4. It is assumed that building, permit, grading, etc. fees will offset all costs associated with the additional labor, and therefore net costs for Building and Safety equal zero.
5. Community Services figures are based upon a per capita statistic. It is difficult to calculate the percentage of Huntington Beach residents that use City community services (versus non-residents), thus calculations are distributed evenly among a per capita basis for the purpose of this study.
6. FireMed costs are based on the 2004-05 City of Huntington Beach budget and are calculated on a per capita cost. The costs assume a 33% participation rate among new households.
7. This number is based on a per capita cost of the additional residents in the development.
8. The paramedic and ambulance transport expenditures were calculated by taking the actual expenditures in 2004-05 and estimating costs per emergency medical patient. Approximately 4.8% of the City's residents used these services in 2004-05, and this percentage was applied to the Brightwater Community.
9. The Fire Department plans to relocate Fire Station Number 8 to increase response time to the affected residents. The proportional cost share for the residents in the Brightwater community has been included in the Study, based on an estimated cost of approximately \$10.3 million to relocate the station in Year 5. The relocation price estimate was provided by RRM Design Group of San Luis Obispo, California, and was obtained at the request of City staff. The number reflects building and site improvements, design, project management, utility connections, furnishings, equipment, moving costs, and a 10% contingency. This estimate also reflects an 11% construction cost index for project cost escalation.
10. These costs reflect the per capita estimates of operating the Huntington Beach library system as a result of the addition of new residents. It should be noted that Library Services has requested one additional children's librarian and one library clerk specialist to meet increased demand on the library system, and the City should consider the marginal impacts associated with the additional residents. However, for the purpose of this study, only costs that reflect the per capita estimates of operating the Huntington Beach library system have been reflected here. Because of the proximity to Huntington Beach Library facilities, residents of Brightwater will use the Library with the same frequency as if they were residents of the City. Therefore, the same expenditures will be used for each scenario.
11. This fund is estimated on a per capita basis.
12. Library Development expenditures are estimated at a per capita basis.
13. These costs are per capita expenditures for the new development. According to the Huntington Beach General Plan, there is a ratio of 1.15 police officers per 1000 residents. Using the assumption of 838 new residents in the area, this would equate to .9637 officers. However, potential demographics of the area do not indicate a need for any additional officers or staff. These estimates do not reflect the need for an additional officer; however, represent the overall burden of the increased population on the Police department. Prior to annexation, City police will not service the area.

14. Residential sewer cleanings are completed once a year, with a cost of \$0.34 per lineal foot. The number of sewer feet was estimated by using the miles of roads in the development. It is assumed that the City will not clean these units until annexation.
15. There are 45 storm drain catch basins in the Brightwater community. They are cleaned once a year at \$17.64 per basin. It is assumed that the City will not clean these units until annexation.
16. Storm drain debris units are cleaned four times a year at \$1500 per unit. There is one unit in the Brightwater Community. It is assumed that the City will not clean this unit until annexation.
17. Costs for street lighting are estimated to be \$10 per light, per month. Assuming there are 100 streetlights, the average annual cost is \$12,000. This number is inflated at 2% every year thereafter.
18. General Fund expenses are calculated from only the General Fund monies in the Public Works budget.
19. Street sweeping is \$20.18 per lane mile and based on average of 25 cleanings per year, with 6.34 lane miles of streets in the development. It is assumed that the City will not clean these units until annexation.
20. Local street maintenance is \$0.18 per square foot and is completed every seven years. This process is defined as application of slurry seal, type II. This cost assumes that the streets in the development are 32 feet wide.

**Exhibit 2b: Seven Year Revenue Summary (Development Prior to Annexation)**

1. The City's general property tax rate is 1.00696% (including the override for the Huntington Beach Retirement Fund). Calculations are based upon the 1980 Master Property Tax Transfer Agreement between the County of Orange and the City of Huntington Beach. In Years 1 and 2, the City only receives revenue from the Orange County Fire Association transfer and the Orange County Library District transfer.
2. The utility unitary tax is calculated by taking 5% of the utility user's tax.
3. The property transfer tax assumes a 5% turnover rate in Huntington Beach, and \$.55/\$1000 fee.
4. Vehicle license Fee ("VLF") revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. VLF revenues are an important component of the fiscal viability of annexations. Prior to 2004, state law required that a city whose population increased by virtue of annexing an area would receive additional VLF revenue to fund services to the area. With the VLF for Property Tax Swap of 2004, more than 90% of city VLF (and VLF backfill) revenue was replaced with property tax revenue. These changes severely reduced the amount of VLF revenue available to fund annexations. Because of the difficulty in accurately projecting these numbers, this calculation is based on a per capita rate from the additional residents in the development.
5. Under the new law, effective FY 2004-05, most of the VLF revenue allocated to cities and all of the revenue allocated to counties increases based on assessed value growth instead of population growth in a jurisdiction. Revenue is distributed as property tax in-lieu of VLF. This study estimates in-lieu VLF on a per capita basis.
6. FireMed revenues are based on a fee of \$60 per year and a 33% participation rate among new households. Based on a conversation with the Fire Chief, residents of Brightwater will be able to participate in this program, regardless of annexation.
7. The calculation for paramedic and ambulance transport is based on a per capita rate. In reality, it would be best to find a percentage of people who have been transported, and apply that average to calculate actual fees per trip. This information was not available. This calculation is based on the assumption that the City of Huntington Beach will service the area regardless of annexation.
8. The Capital Contribution Fee for the Library is a \$200 per unit fee from the developer to the City. This is based on the 1996 Library Agreement between Koll (now Hearthside), the County of Orange, and

the City of Huntington Beach. The City of Huntington Beach also added a separate fee to the developer of \$100 per unit, making the total Capital Contribution Fee \$300 per unit.

9. Fines and forfeitures include, but are not limited to, parking tickets and municipal code violations. This is a per capita calculation based on revenues in the 2004-05 Budget.
10. Measure M is a half cent sales tax in Orange County that is used for transportation projects. The breakdown of this tax includes 43% of the funds towards freeways, 21% towards local streets and roads, 25% towards transit, and 11% towards regional streets. To date, Huntington Beach has received \$22,854,971. Actual allocation is based on need and population. Calculations in this study are based on a per capita estimate, using 2004-05 budget numbers for guidance. Actual numbers may vary.
11. Gas Tax revenue was calculated on a per capita basis, using the total dollar amount from the 2004-05 Budget. This differs slightly from the actual method used, which bases it on a per capita basis and a per need basis. This number more closely represents the average dollar amount over the seven year time period.

#### **Exhibit 3a: Seven Year Expenditure Summary (No Annexation)**

1. This assumes that the residents of Brightwater will not use Huntington Beach facilities to vote.
2. The City still needs to pay a County Tax Collection Charge because they are receiving revenues from the OCFA and County Library District.
3. This calculation assumes that the County does not contract with the City for Building and Safety Services.
4. This expenditure assumes Community Services programs will be utilized at the same rate as if the Community were annexed.
5. This assumes that the City will service the area regardless of annexation.
6. This assumes the City will service the area regardless of annexation.
7. The paramedic and ambulance transport expenditures were calculated by taking the actual expenditures in 2004-05 and estimating costs per emergency medical patient. Approximately 4.8% of the City's residents used these services in 2004-05, and this percentage was applied to the Brightwater Community.
8. These costs reflect the per capita estimates of operating the Huntington Beach library system as a result of the addition of new residents. It should be noted that Library Services has requested one additional children's librarian and one library clerk specialist to meet increased demand on the library system, and the City should consider the marginal impacts associated with the additional residents. However, for the purpose of this study, only costs that reflect the per capita estimates of operating the Huntington Beach library system have been reflected here. Because of the proximity to Huntington Beach Library facilities, residents of Brightwater will use the Library with the same frequency as if they were residents of the City. Therefore, the same expenditures will be used for each scenario.
9. This fund is estimated on a per capita basis.
10. Library Development expenditures are estimated at a per capita basis.

#### **Exhibit 3b: Seven Year Revenue Summary (No Annexation)**

1. The property tax levy includes 70% of the Orange County Library District taxes to the Huntington Beach Library. It also assumes that Orange County Fire Association will pay 80% of the property tax revenues to the Huntington Beach Fire Department for service of the area.
2. This calculation assumes that the City will service the area regardless of annexation and FireMed is available to the residents of the Brightwater Community.

3. This calculation assumes the City will service the area regardless of annexation.
4. The calculations for fines and forfeitures assume 50% of the fines that would be accrued than if the City annexed the community.
5. This fee is based on the 1996 Library Agreement between the County of Orange and the City of Huntington Beach. This fee is to be paid to the City by the County of Orange.

**Appendix A, Table 1: Forecasted Property Tax Transfer (Annexation Prior to Development)**

1. The property tax levy is based on four components:
  - The current assessed value of the land owned by Hearthside Homes, according to Metro Scan data
  - The assessed value from the projected home sales, based on numbers from Hearthside Homes. The 349 units range from 1769 – 3667 square feet and are projected to sell at prices ranging from \$1.068 million to \$2.175 million
  - Unsecured value, which is estimated at 2.8% of the projected secured value (sales price) for the units
  - The 1980 Master Property Tax Agreement between the City of Huntington Beach and the County of Orange. This agreement stipulates that 56% of the General Fund taxes from Orange County will be shifted to the City of Huntington Beach upon annexation, and the County will retain 44%.

In Year 1, property tax to the City is based on 10% of the estimated future total assessed value of the development.

In Year 2, property tax to the City is based on 55% of the projected assessed value, to accommodate for the new residents who have started to move into the development.

In Years 3 – 7, property tax to the City is based on 100% of the projected assessed value of the development.

2. The Orange County Library Transfer rate assumes that 100% of the County's library funds from that Tax Rate Area will be passed through to the City of Huntington Beach.
3. The Orange County Fire Association Transfer Rate assumes that 100% of the OCFA funds will be transferred to the City of Huntington Beach upon annexation.
4. The City of Huntington Beach has an override of .696% for the Employee Retirement Fund.
5. Property transfer taxes to the City have been calculated at \$.55/\$1000. After the development is complete, the calculations assume a 5% turnover rate within the development.

**Appendix A, Table 2: Forecasted Property Tax Transfer (No Annexation)**

1. The property tax levy in the no annexation scenario is based on six components:
  - The current assessed value of the land owned by Hearthside Homes, according to Metro Scan data
  - The assessed value from the projected home sales, based on numbers from Hearthside Homes. The 349 units range from 1769 – 3667 square feet and are projected to sell at prices ranging from \$1.068 million to \$2.175 million
  - Unsecured value, which is estimated at 2.8% of the projected secured value (sales price) for the units
  - The 1980 Master Property Tax Agreement between the City of Huntington Beach and the County of Orange. This agreement stipulates that 56% of the General Fund taxes from Orange County will be shifted to the City of Huntington Beach upon annexation, and the County will retain 44%.
  - The 1996 Agreement between the City of Huntington Beach and the County of Orange regarding library funds. (See note 2 for details)
  - The 1997 Agreement between the City of Huntington Beach, the County of Orange, and Koll (now Hearthside Homes). See note 3 for details.
2. The Orange County Library Transfer Rate is based on a 1996 agreement between the City of Huntington Beach and the County of Orange regarding library usage. The County agreed to pay the

City 70% of its Library District funds from that Tax Rate Area to the City for the library. This transfer also allows residents of the Brightwater Community to attend Huntington Beach libraries without paying for a non-resident card.

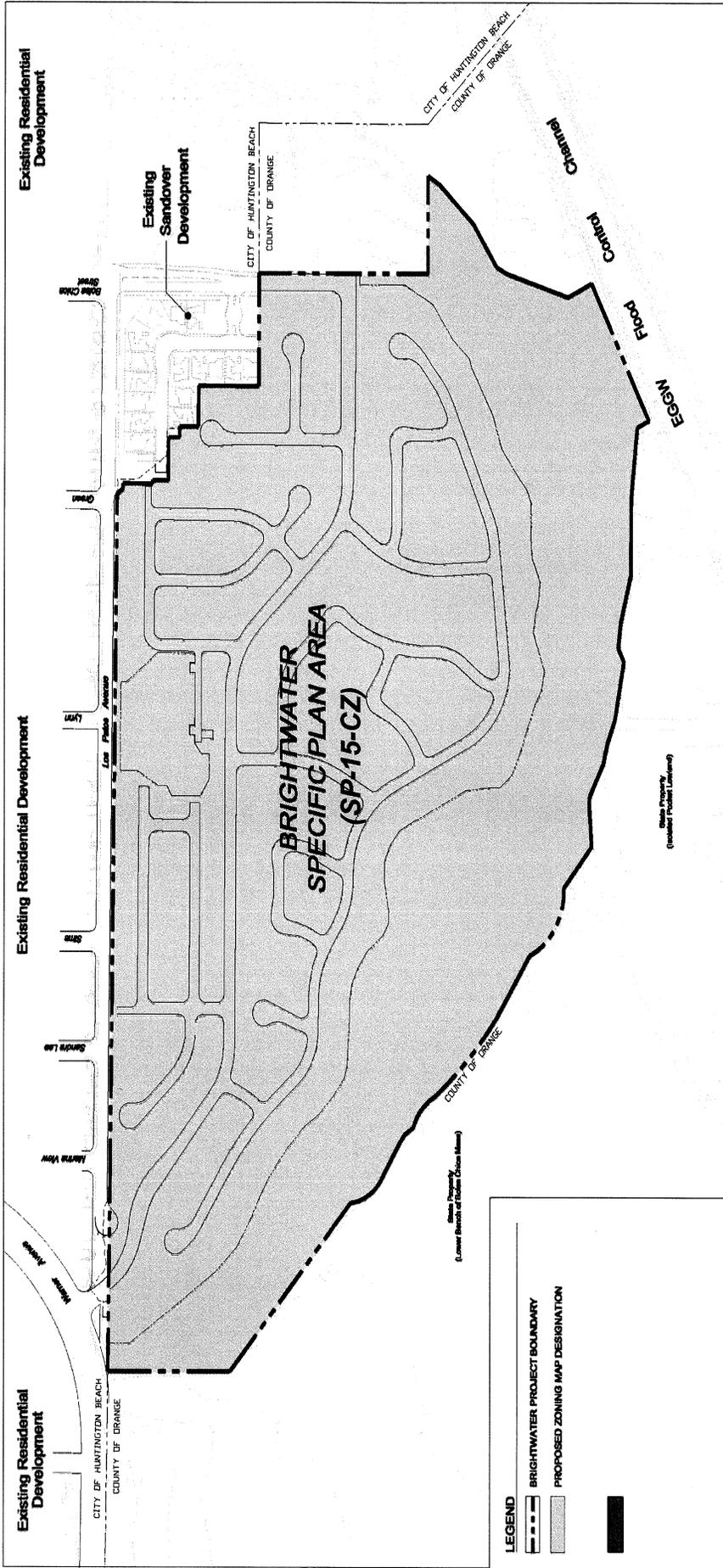
3. The Orange County Fire Association Transfer rate is based on the May 1997 Agreement between the City of Huntington Beach, the County of Orange, and Koll (now Hearthside Homes). The OCFA agreed to pay the City "an agreed upon sum which represents eighty percent (80%) of the County's Fiscal Year 1997/1998 Structural Fire Fund revenue generated by the tax rate area protected (the tax pass-through). This amount will be adjusted for the percentage increase or decrease in the gross valuation, including secured and unsecured rolls..."

**Community Landscape Plan and Ownership & Maintenance Map are oversized exhibits, available separately.**

**The Community Landscape Plan is exhibit 4.2-1 in the Brightwater Specific Plan. The Ownership & Maintenance Map is exhibit 1-6 in the Habitat Management Plan**

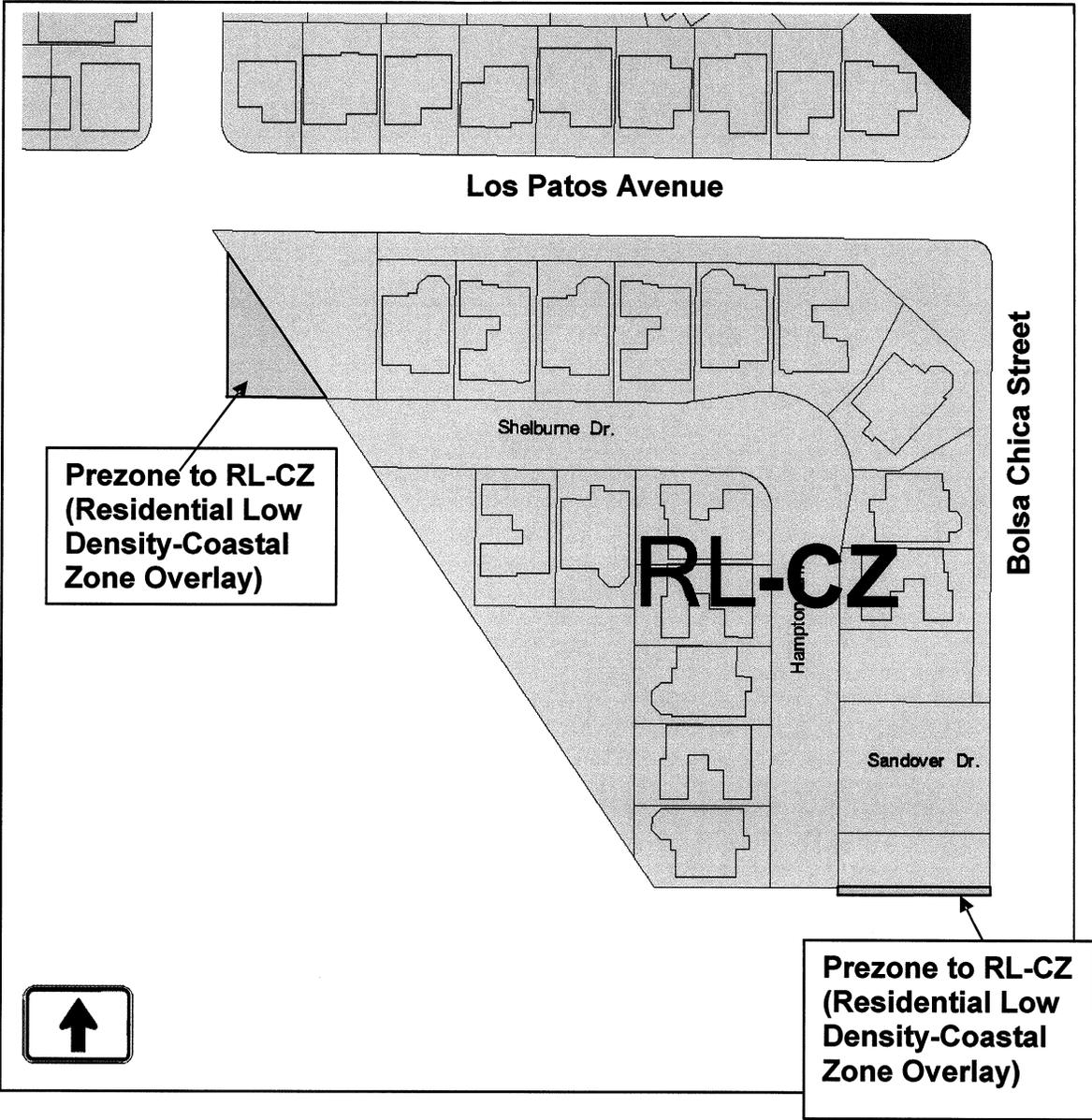
**Copy available at the Planning and Zoning Counter, 2000 Main Street and the City's website, [www.surfcity-hb.org/CityDepartments/planning/major/](http://www.surfcity-hb.org/CityDepartments/planning/major/)**

# PREZONING MAP



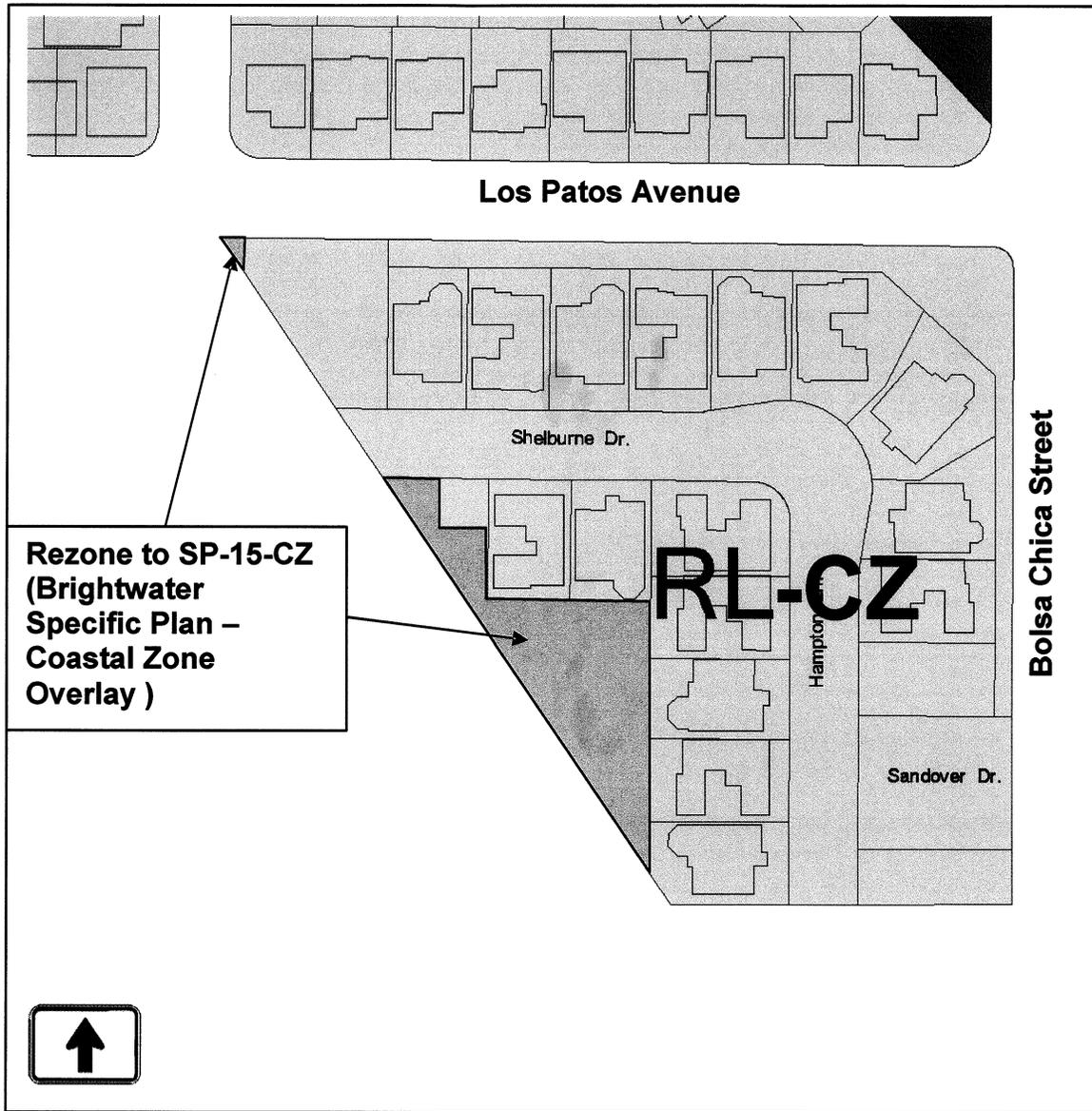
# BRIGHTWATER SPECIFIC PLAN (SP-15) WITH COASTAL ZONE OVERLAY

# PREZONING MAP



## PREZONE TO RL-CZ (RESIDENTIAL LOW DENSITY- COASTAL ZONE OVERLAY)

# REZONING MAP



**REZONE TO SP-15-CZ  
(BRIGHTWATER SPECIFIC PLAN- COASTAL ZONE  
OVERLAY)**