



Local Agency Formation Commission for the County of Riverside

6216 Brockton Avenue, Suite 111-B
Riverside, CA 92506

City Municipal Service Review and Sphere of Influence Update

Riverside County

LAFCO 2021-06-1, 2, 3, 4, 5
Final Draft approved on July 28, 2022



CITY OF MENIFEE

The City of Menifee is one of Riverside County's newest cities, having incorporated in 2008 as a general law city.¹⁰² Menifee is located in the County's Western Region. The City's northern boundary extends to the City of Perris and unincorporated Riverside County territory; its eastern boundary is unincorporated area, its southern boundary is the City of Murrieta, Murrieta SOI, unincorporated County territory, and the City of Wildomar. The City's western boundary is coterminous with the boundaries for the cities of Wildomar, Lake Elsinore, Canyon Lake and Perris. The City's incorporated area is 46.5 square miles and its SOI is coterminous with the City boundary.¹⁰³

The City's demographic profile is presented in Figure 72.

Figure 72: Demographic Profile - Menifee

Menifee	City	County
Population as of 2020	97,093	2,442,304
Population as of 2010	77,519	2,189,641
Annual Pop. Growth Since 2010	2.28%	1.10%
Housing Units	35,675	867,637
Persons / Housing Unit	2.72	2.81
Land Area (sq mi)	46.5	7,206.0
Persons / Square Mile	2,088	339
Median Household Income	\$66,867	\$67,369
Projected Population in 2035	115,690	2,995,509
Annual Proj. Growth 2020-2035	1.18%	1.37%
Projected Population in 2045	129,750	3,251,705
Annual Proj. Growth 2020-2045	1.95%	1.93%

Sources: California Department of Finance, Southern California Association of Governments, US Census, ESRI Business Analyst Online (Growth rates are presented as annual growth rates)

¹⁰² Source: City of Menifee

¹⁰³ Source: Riverside LAFCO

Menifee's population increased by an annual rate of 2.28 percent between 2010 and 2020, which is more than double the County-wide growth rate. The City's housing population, presented as persons per housing unit, is similar to the County-wide average while the City's population density, measured as persons per square mile, is significantly higher than the County-wide average. The population density (persons per square mile) is about average for incorporated cities in Riverside County. And the median household income for the City is similar to the County-wide average. Future growth projections indicate slower growth over the next 15 to 25 years, with annualized growth rates more in line with the County-wide average.

City staff noted that the 2020 Census indicated that the City's population is now 102,527, which is about 5.6 percent higher than the Department of Finance population estimate for 2020. City staff indicated that this results in an increase in population density to about 2,083 persons per square mile. Finally, according to City staff, the median income in Menifee increased to \$70,224.

The City's RHNA allocation for the 5th Housing Element Cycle (2013-2020) was 6,245 housing units. The City permitted 2,671 market rate and 1,291 affordable housing units during the 5th Cycle but the development community did not produce sufficient housing units to meet the 5th Cycle RHNA allocation. The City's RHNA allocations are discussed in greater detail later in this MSR.

Menifee has substantially more retail development, representing 58.1 percent of all commercial square footage in the City, when compared to the County average. Additionally, the City's single-family housing units (85.6 percent) represent a disproportionately larger share of all housing units in the City, when compared to the County average (54.8 percent).

Menifee has an estimated 1,637 businesses and 13,350 employed persons.¹⁰⁴ The City's largest employers include three (3) school districts, including Mt San Jacinto College District (1,068 employees), Menifee Union School District (1,040 employees) and Romoland School District (595 employees), four (4) retail operators, including Target (364 employees), Stater Brothers (270

¹⁰⁴ Source: ESRI Business Analyst Online

employees), Texas Roadhouse (167 employees), and Lowes (154 employees), two (2) medical providers, including Menifee Valley Medical Center (356 employees) and Life Care Center of Menifee (161 employees), and one utility – Southern California Edison (202 employees).¹⁰⁵ While the City has a large concentration of retail square footage, in proportion to other Riverside County communities, the City has a diverse array of business operations.

Menifee's land use summary is presented in Figure 73

Figure 73: Land Use Summary - Menifee

Menifee		County	
Residential Units	Units	%	%
Single Family	30,552	85.6%	54.8%
Multifamily	2,534	7.1%	43.6%
Mobile Home	2,589	7.3%	1.6%
Total Units	35,675	100.0%	100.0%
New Units Since 2010	5,406		
Commercial	Gross SF		
Retail	2,272,600	58.1%	26.6%
Industrial	1,194,229	30.5%	61.8%
Office	442,633	11.3%	9.6%
Other	2,400	0.1%	2.0%
Total	3,911,862	100.0%	100.0%
New Commercial Since 2010	613,566		

Sources: California Department of Finance (2020) and Costar (Other includes hospitality, healthcare, specialty, sports and entertainment)

According to City staff, development proposals are being required to provide infrastructure to meet the needs of the new development. The City is utilizing Community Financing Districts ("CFD") to address infrastructure and service needs for all new developments. CFDs are a method of financing public improvements and services that were established under the Mello-Roos Community Facilities Act of 1982. The CFD is a special tax on property that must be approved by

¹⁰⁵ Source: City of Menifee, 2018-19 Comprehensive Annual Financial Report

two-thirds of the registered voters or landowners within the CFD. The City is requiring CFD approval prior to approving new development permits.

CURRENT SPHERE OF INFLUENCE

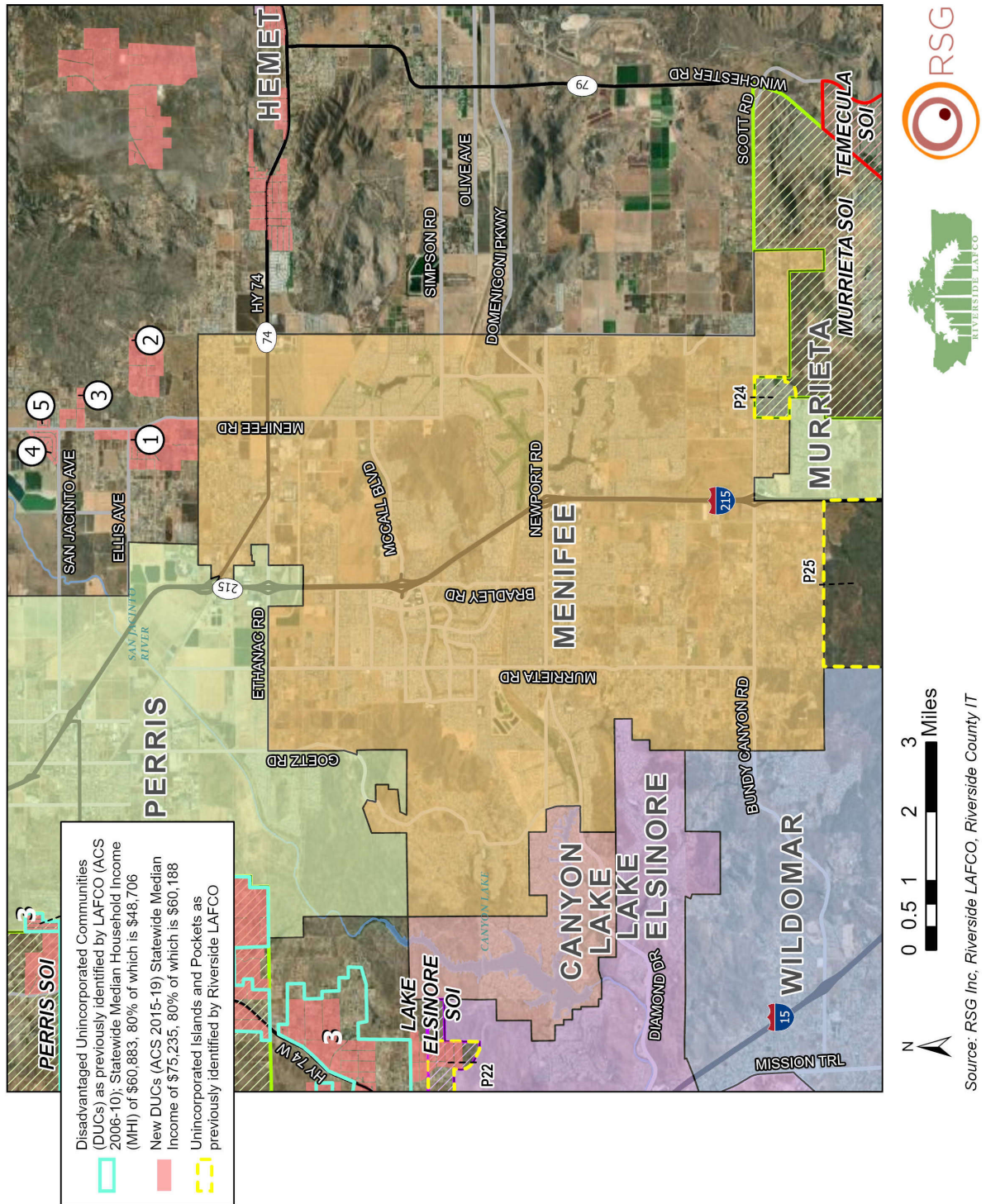
The City of Menifee's SOI is coterminous with its corporate City boundary. Menifee's City and SOI boundary are illustrated in Exhibit 11. Because Menifee's SOI is coterminous with the City's corporate boundary, the SOI does not contain any DUCs. However, there are five (5) DUCs near the City that are described below:

- DUCs 1, 2, and 3 are commonly known as Romoland, and are located north of the City's corporate boundary along Menifee Road and south of San Jacinto Avenue.
- DUCs 4 and 5 are commonly known as Nuevo, and are located north of San Jacinto Avenue on opposite sides of Menifee Road.

The City of Menifee's boundary was previously reconfirmed in the September 2014 City of Menifee MSR (LAFCO 2014-02-5) (the "2014 MSR").

Exhibit 11: Current City and SOI Boundaries - Menifee

City of Menifee and DUCs North of Menifee



FORM OF GOVERNMENT AND STAFFING

The City of Menifee operates under a "Council – Manager" form of government, with the City Council elected according to districts to staggered four (4) year terms. The City's Mayor is directly elected at-large to a four (4) year term. The City Council also appoints a City Manager, who serves as the head of the administrative branch of the City government.

The City of Menifee has several commissions and committees that carry out assignments at the direction of the City Council, including the Planning Commission, Parks Recreation and Trails Commission, Senior Advisory Committee, Quality of Life Measure DD Oversight Committee, and Menifee Citizens Advisory Committee.

The City Manager, as head of the administrative branch of the City's government, reports directly to the City Council. The City Manager oversees a staff of 199 full time personnel and 9.89 part time full time equivalent personnel, and an annual operating budget that ranged from \$55.3 million to \$64.7 million between 2016-17 and 2018-19. City staff indicated that the 2021-22 adopted Capital Improvement Plan appropriated \$28 million.

According to City staff, the City's rapid development pace has stretched the capacity of the City's staff – the City will require increases to staffing across the board as the City continues to grow, including increases to information technology, street maintenance, community development, public works, and policing staff. The City is able to temporarily address these challenges with contract staff.

SERVICES PROVIDED

City staff provide the community with law enforcement, building and planning, housing, code enforcement, streets and road maintenance, stormwater drainage, and innovation and technology services. City staff provide parks and recreation services within Council Districts #1 and #2, and some services in Council Districts #3 and #4. The following section describes municipal services provided within Menifee and identifies the service provider. Figure 74 presents a matrix summarizing the services provided by the City of Menifee and other service providers.

Figure 74: Service Provider Matrix - Menifee

Public Service	Service Provider	City Department	County	Small Independent Special District	Large Independent Special District	Small Dependent Special District	Large Dependent Special District	Private Contractor	Franchise	Shared Service	Other
Law Enforcement	Police Department										
Fire Protection	Fire/CalFire										
Emergency Medical	Fire/CalFire										
Building/Planning	Community Development and Building and Safety										
Housing	Community Development										
Code Enforcement	Code Enforcement Department										
Animal Control	Animal Friends of the Valleys										
Parks and Recreation	Community Services, Valley-Wide RPD, CSA										
Library	Library System										
Museum	Menifee Valley Historical Association										
Landscape Maintenance	Valley-Wide RPD, LLMD & CFD, CSA										
Streets/Road Maintenance	Public Works, CSA										
Streetlights	CSA & CFD, CSA										
Lighting	LLMD & CFD										
Utilities	Edison, So Cal Gas										
Solid Waste	Waste Management										
Stormwater Drainage	Public Works, Flood Control & Water Conservation										
Innovation and Technology	Information Technology, Spectrum, AT&T										
Airport	N/A										
Cemetery *	Perris Valley Cemetery District										
Healthcare *	Valley Health System Hospital District										
Water *	Eastern Municipal Water District										
Wastewater *	N/A										

* Not included in this MSR

Government Services

General government services in Menifee are provided by the elected City Council, and appointed staff, including the City Manager and City Clerk. The City Manager is responsible for the daily operation of City functions and staff, fulfillment of policy and programs established by the Council, providing direction to departments that administer programs and services, developing and implementing strategic plans, coordinating economic development, intergovernmental relations, and public information efforts. The City Clerk is responsible for the preparation and distribution of City Council agendas, maintaining accurate records and legislative history, managing the planning commission and committee actions, handling liability claims, and the storage of City records.

Law Enforcement

Law enforcement services in the City of Menifee are provided by the Menifee Police Department. The Department provides general policing services to the City such as patrols, traffic accident

response, code enforcement, investigations, training, and community outreach. Up until July 1st, 2020 the Riverside County Sheriff Department provided policing and law enforcement services to the City. According to City staff, this was part of a coordinated effort over several years to switch from contracted work to in-house City staff.

According to City staff, the Menifee Police Department currently has 60 sworn personnel and 23 professional un-sworn civilian staff. Per City staff, a local Police Department allows the City to provide exceptional services and attract highly qualified and experienced personnel. According to City staff, the City's Police Department currently has at least 1,000 years of combined experience across all staff members.¹⁰⁶

Fire Protection

Fire Protection services are provided by Riverside County Fire Department/CalFire in Menifee. Since 1921, the Riverside County Fire Department has been in a contractual relationship with CalFire to provide wildland fire protection services. In 1946, the contract between CalFire and Riverside County Fire Department was expanded to include fire protection services. Services provided by Riverside County Fire Department/CalFire include fire protection and prevention, medical response, review of planning cases, review and inspections of construction and developments, fire and life safety inspections of state-regulated occupancies, information on ordinances and standards for construction, and information bulletins and standards for fire protection.

Fire Stations 7, 68, and 76 are located within Menifee. According to City staff, the City's Capital Improvement Plan includes funding for a new Fire Station, which is currently in the design phase. According to City staff, the new Fire Station will replace the existing Station #5 in Quail Valley.

The Riverside County Fire Department/CalFire provides fire protection services to 20 cities in Riverside County and the Rubidoux community services district. The Riverside County Fire

¹⁰⁶ Source: City of Menifee City staff. RSG was unable to substantiate with publicly available information.

Department/CalFire also responds to calls for service in seven (7) additional Riverside County cities and the Idyllwild Fire Protection District through mutual and automatic aid agreements.

Emergency Medical

Emergency medical services are provided by the Riverside County Fire Department/CalFire. Please refer to the previous section for more on the Department.

Building/Planning and Housing (Community Development)

Building, planning, and housing services are provided by the City's Community Development Department. The Department is responsible for monitoring and updating development code, ensuring development is consistent with the General Plan, reviewing planning applications, and advising the Planning Commission. According to City staff, the City has over 10,000 approved housing units yet to be built, with consistent annual increases in building permits. City staff added that the City is a CDBG Entitlement City.

Code Enforcement

Code enforcement services are provided by the Menifee Police Department Code Enforcement Division. The Department is responsible for enforcing City codes and health and safety regulations, providing neighborhood education programs, illegal dumping abatement, weed abatement, and vehicle abatement.

Animal Control

Animal control services are provided through a third-party contract with Animal Friends of the Valley ("AFV"). AFV is a nonprofit organization that runs animal shelter services for Menifee, in addition to other cities in southwestern Riverside County. AFV provides services such as animal care and control, humane education and euthanasia, animal licensing, lost animal services, spay/neuter services, microchipping, vaccinations, and wildlife services.

Parks and Recreation

Parks and recreation services are provided by two (2) entities, the City's Community Services Department and the Valley Wide Recreation and Park District ("VWRPD"). The Community Services Department is responsible for maintaining and developing parks and open spaces as well as improving the quality of life for residents through fun and safe recreational programs. The VWRPD was established in 1972 by a general election vote of the residents of Hemet and San Jacinto. In about 1987, VWRPD expanded its service area to include the Menifee Valley at the request of County of Riverside Supervisor Kay Cenicerros. VWRPD is an independent special district governed by five (5) elected board members with four-year terms, of which two (2) Director Divisions (#4 and #5) are elected by voters in the Menifee Valley portion of the City of Menifee, and represent the service area in the Menifee Valley. The District maintains several parks and landscapes throughout Hemet, Menifee, and San Jacinto, as well as unincorporated areas of Winchester, Murrieta, French Valley, Homeland, Romoland, Valle Vista, Sage, and Aguanga. The District also runs recreational programs like youth and adult basketball, baseball, softball, flag football, indoor soccer, and volleyball leagues in addition to providing landscape maintenance services.

According to staff, the City pursued detachment of the VWRPD, proposing to take over all parks and recreation services in the City. Upon review of the application for detachment, VWRPD proposed compensation in exchange for detachment. According to City staff, LAFCO approved a one-time \$500,000 payment in exchange for detachment. In December 2014, the Commission reviewed the SOI for VWRPD and recommended expanding the VWRPD SOI to encompass the remainder of the City in recognition of the contractual arrangement between the City and VWRPD in effect at the time. The City, which had started to evaluate other alternatives for future provision of parks and recreation services, opposed the SOI expansion. The Commission agreed with the City and declined to expand the VWRPD SOI. The Commission action also included a request that the District work with the City to develop a long-term plan for the orderly transition of park and recreation services. In response, the City of Menifee filed the proposal for detachment of all City territory from VWRPD in 2016.

According to staff, the City submitted an application to LAFCO for detachment from VWRPD in 2016, proposing to take over all parks and recreation services in the City, which would have left VWRPD with disconnected and noncontiguous services boundaries, and would have undermined the constitutional validity of the existing VWRPD LMD that would have been bifurcated by the City's proposal. According to City staff, following a series of public meetings in 2017, LAFCO approved the City's application for detachment subject to conditions. The City did not agree with the conditions. The City filed a law suit challenging the validity of several terms and conditions imposed by LAFCO in its approval of the detachment. Because the City lost its suit, and failed to meet the conditions of Riverside LAFCO's approval the detachment was never finalized.

City staff indicated that the City could mitigate this issue by expanding its parks and recreation district boundary to include the entire City of Menifee.

The 2014 MSR made the a determination about the City's inventory of parkland, which is summarized below:

- The City of Menifee required a minimum of five (5) acres of public open space per 1,000 residents. At the time of the 2014 MSR, Menifee had 1.68 acres of open space per 1,000 residents.

According to City staff, the city has made progress towards improving its inventory of parkland. The City notes that seven (7) new parks totaling about 37 acres have been constructed since the 2014 MSR, totaling 15 parks and 81 acres. The City currently has five (5) additional parks under construction that will add another 27 acres of parkland in 2022. City staff estimates that by the end of 2022, the City of Menifee will provide 2.34 acres of parkland per 1,000 residents. Additionally, VWRPD currently provides 4.27 acres of parkland per 1,000 residents within the Menifee Valley Service Area and is responsible for maintaining over 13.7 million square feet of landscaped sports fields, street landscaping, paseos, and other public areas, including 26 parks in addition to two (2) gymnasiums, and one (1) recreation headquarters/community center. VWRPD has three (3) additional parks under construction that will add another 23 acres of parkland totaling 177 acres within VWRPD's Menifee Valley service area.

Library

Library services are provided by the Riverside County Library System. The County Library provides reading materials, literacy programs, computers, and broadband access to residents. There are two (2) County operated libraries in Menifee, known as Sun City Library located at 26982 Cherry Hills, and Menifee Library located at 28798 La Piedra Road. The Sun City Library is a 14,000 square foot facility with 28,000 items and 21 computers. The Menifee Library is 20,000 square feet and includes 35,000 materials, 16 computers, furniture with plug-in technology for personal devices, and multiple study rooms.

Museum

The Menifee History Museum opened in 2016 and is located at 26301 Garbani Road in Menifee. The Museum is operated by the Menifee Valley Historical Association, a 501(c)(3) public charity.

Landscape Maintenance

Landscape maintenance services are provided by the City's Community Services Department and administered with funding from various Lighting and Landscape Maintenance Districts and Community Facilities Districts. The Department provides oversight of various landscaping projects funded by the districts.

According to City staff, Valley-Wide Recreation and Park District oversees maintenance of right-of-way landscaping on the east side of the City.

Streets/Road Maintenance

Streets and roads maintenance services are provided by the City's Public Works Department. The Department provides maintenance of City owned streets and roads, administers capital improvements, and assists with graffiti, weed, and illegal dumping abatement. City staff indicated that the City has adopted a Pavement Management Program, designed to extend the pavement lifecycle of City roadways.

Streetlights

Streetlight related services are provided by the City's Public Works Department. The Department is responsible for the regular maintenance of streetlights in the City, as well as retrofitting them with newer LED bulbs. According to City staff, Menifee took over control of the streetlights from the utilities.

Utilities (Gas, Electric)

Utility services are provided by Southern California Edison ("SCE") and Southern California Gas ("SoCal Gas"). SCE provides general electricity generation, and grid operations. SoCal Gas provides natural gas energy services to the City for various uses, such as heating and cooking.

Solid Waste

The City has a franchise agreement in place with Waste Management for solid waste collection services. Waste Management is a private solid waste disposal company provides solid waste disposal and recycling services to Menifee residences. Waste Management is one of the largest solid waste companies in North America with more than 45,000 employees serving over 20 million residential, industrial, municipal, and commercial customers.

Storm Drainage

Menifee's Public Works and Engineering Department provides storm drainage and stormwater management to the City. Public Works oversees the City's National Pollutant Discharge Elimination System ("NPDES") permit and helps provide maintenance of City storm drains. Engineering is responsible for overseeing the City's stormwater management program. According to City staff, the south side of the City has issues with underdeveloped drainage facilities and infrastructure, but this is partially by design as residents have pushed to keep the rural community feel of the area. City staff indicated that larger infrastructure, including pipes in excess of 38 inches, is managed and constructed by Riverside County Flood Control District.

Innovation and Technology

The Menifee Information Technology Department handles all matters relating to innovation and technology in the City government. The Department ensures organizational effectiveness between departments, manages computer hardware and software, and provides IT support. According to City staff, the City is preparing a Smart Cities Strategic Plan to implement a City-wide broadband plan.

Airport

There are no airport facilities in the City of Menifee.

Extraterritorial Services Provided

The City does not provide any services to areas outside of the City of Menifee. Government Code Section 56133 requires LAFCO approval for extension of services outside a sphere of influence in response to an existing or impending threat to public health or safety.

RECENT AND PLANNED MAJOR CAPITAL IMPROVEMENTS

The City of Menifee Capital Improvement Division administers the City's Five-Year Capital Improvement Plan. The Division prepares an updated CIP annually and utilizes GIS software to provide detailed geographic locations for future, design-stage, under construction, and completed capital improvement projects.

According to City staff, the City's list of capital improvements once grew to a budget of \$474 million and the City would like to accomplish twice as many projects as they have funding for. The City is actively seeking financing from State and Federal grants and Measure DD funds for infrastructure projects.

The City's Five-Year CIP includes projects to address bridge and overpass construction, street and road improvements, interchange construction, park development, and construction of City facilities including a new fire station and City Hall.

HOUSING NEEDS AND HOUSING ELEMENT REPORTING

The City submitted its 5th Cycle Housing Element to HCD on February 25, 2014 and HCD designated the Housing Element in compliance with Housing Element Law on March 5, 2014. The City submitted 5th Cycle Housing Element Annual Progress Reports every year between 2014 and 2019. According to City staff, the City's General Plan was adopted in December 2013 and the City was not required to submit an Annual Progress Report in 2013. The City's 5th Cycle housing needs and production are presented in Figure 75.

Figure 75: 5th Cycle Housing Element Summary - Menifee

Menifee 5th Cycle Housing Needs	Very Low Income	Low Income	Moderate Income	Above Moderate Income
RHNA Allocation	1,488	1,007	1,140	2,610
Permitted Units	11	17	1,263	2,671
Allocation Surplus/(Shortage)	(1,477)	(990)	123	61

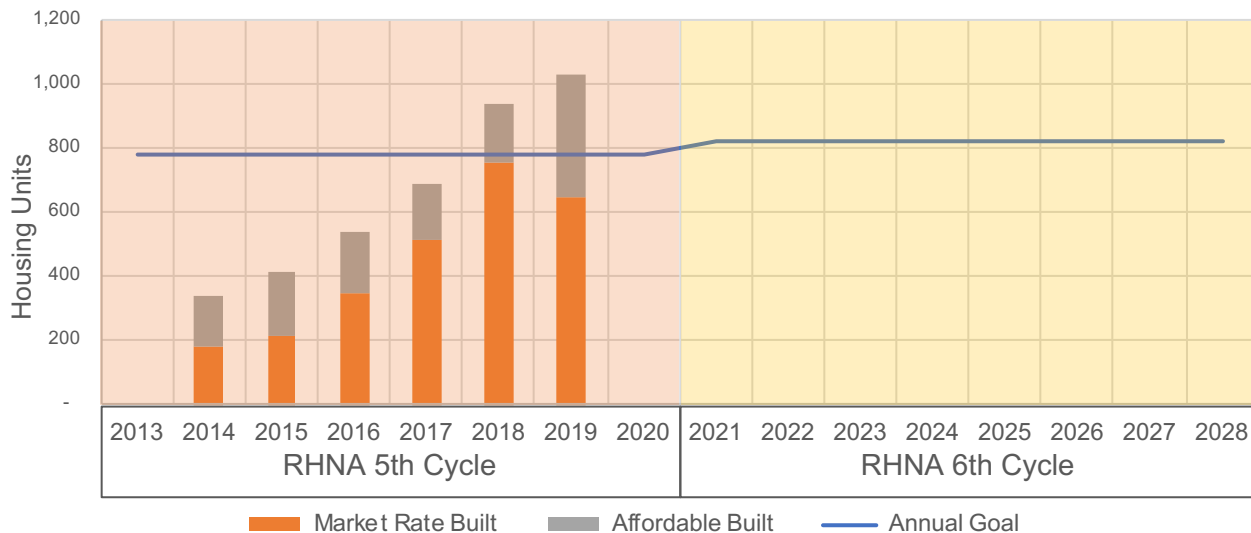
Source: HCD Annual Progress Report Permit Summary, October 6, 2020

The City's combined 5th Cycle RHNA allocation amounts to 6,245 housing units. The City permitted 3,962 housing units during the 5th Cycle and fell short of meeting its RHNA allocation in the very low- and low- income categories. The City permitted just 11 very low-income housing units and 17 low-income housing units, leaving deficits of 1,477 very low-income units and 990 low-income units. But, the City did manage to produce a surplus of 123 housing units designated for moderate income households and 61 market rate, or above-moderate income housing units. With the 5th Cycle concluding in 2020 and an outstanding shortage of 3,962 housing units, the City of Menifee is not expected to fulfill its RHNA allocation.

The City's 6th Cycle RHNA allocation increases by just 6 percent (349 additional units) to 6,594 housing units. City staff noted that the final RHNA allocation was 6,609 housing units. To accomplish this, the City would need to target production of 824 housing units annually over the eight (8) year cycle. The City's housing production trends over the 5th Cycle are notable, as the City increased total unit production year-over-year every year and in 2018 and 2019 exceeded the 5th Cycle annual goal of 781 units. Very few cities have managed to produce encouraging

housing production trends, and even fewer have exceeded annual production goals. The City of Menifee’s 5th and 6th cycle RHNA allocations and the 5th Cycle historical housing unit production is presented in Figure 76.

Figure 76: 5th and 6th Cycle RHNA Allocation and Production - Menifee



Menifee is one of 289 California jurisdictions that have not made sufficient progress toward either moderate-income RHNA unit production or failed to submit the latest (2019) Annual Progress Report. As a result, the City is subject to streamlined ministerial approval process for proposed housing developments with at least 10 percent affordable units. The streamlined ministerial approval process was introduced as part of Senate Bill 35 (Chapter 366, Statutes of 2017) in 2017.

FISCAL HEALTH

The City’s fiscal health evaluation, including audit findings, revenue sources, expenditure categories, long-term obligations, reserves, and California State Auditor assessment is presented in the sections that follow. Figure 77 presents the City’s net position as annual revenues less expenditures for fiscal years 2016-17 through 2018-19. While the City had a \$5.6 million deficit in 2016-17, the City had \$19.8 and \$24.0 million surpluses in 2017-18 and 2018-19, respectively.

Figure 77: Net Position - Menifee

Menifee	2016-17	2017-18	2018-19
Total General Tax Revenues	\$24,807,944	\$40,877,577	\$45,426,095
Other Tax Revenues	1,619,512	1,664,930	1,918,407
Other Revenues	23,300,979	32,865,139	41,387,874
Total Revenues	49,728,435	75,407,646	88,732,376
Total Operating Expenditures	35,013,008	47,701,743	58,281,673
Debt Service	1,311,721	1,302,588	1,305,488
Capital Outlay	19,015,330	6,554,000	5,143,341
Total Expenditures	55,340,059	55,558,331	64,730,502
Net Position	(\$5,611,624)	\$19,849,315	\$24,001,874

Operating Revenues

In 2018-19, the City's total revenues exceeded \$88.7 million. The City's revenue history, inclusive of tax revenues and non-tax revenues, for fiscal years 2016-17 through 2018-19 is presented in Figure 78.

Figure 78: Operating Revenue History - Menifee

Menifee	2016-17	2017-18	2018-19
General Revenues			
Property Tax	\$12,248,014	\$12,688,989	\$14,005,917
Sales Tax	8,661,218	18,005,117	20,384,878
Transient Occupancy Tax	225,956	232,117	238,464
Property Tax in-lieu of VLF	-	6,110,514	6,680,540
Franchise Tax	2,973,633	3,109,879	3,357,585
Business License Tax	116,186	115,628	134,910
Property Transfer Tax	582,937	615,333	623,801
Utility User Tax	-	-	-
Other Tax Revenues	-	-	-
Total General Tax Revenues	24,807,944	40,877,577	45,426,095
Transportation Tax	1,619,512	1,664,930	1,918,407
Parking Tax	-	-	-
Voter-Approved Taxes	-	-	-
Functional Tax Revenues	-	-	-
Total Tax Revenues	26,427,456	42,542,507	47,344,502
Charges for Services	5,024,450	8,134,151	9,419,895
Special Benefit Assessments	3,575,738	4,091,073	4,254,666
Use of Money	170,507	652,386	2,045,266
Fines and Forfeitures	584,362	623,798	881,643
Licenses and Permits	4,958,133	5,820,848	6,542,785
Intergovernmental	4,449,888	4,970,387	5,359,911
Other Taxes in-Lieu	-	-	-
Miscellaneous Revenues	4,537,901	8,572,496	12,883,708
Total Revenues	\$49,728,435	\$75,407,646	\$88,732,376

Source: California State Controller's Office

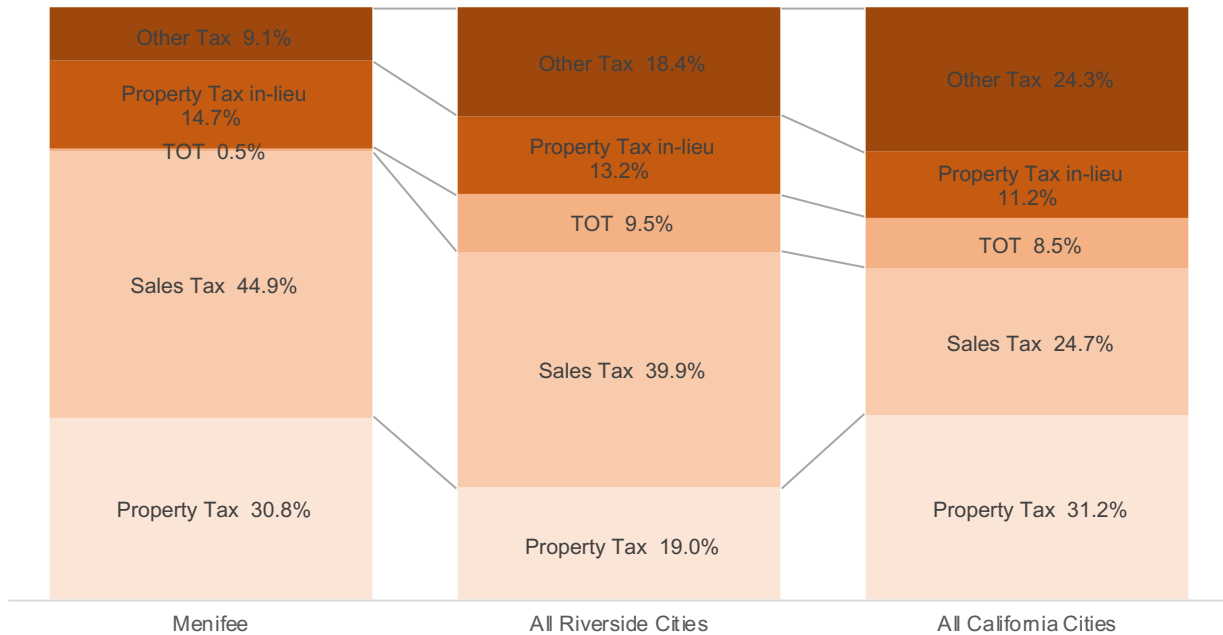
The City has developed a substantial tax revenue base, reaching \$45.4 million in 2018-19. The City's total general tax revenues represented just 51.2 percent of total revenues, with non-tax revenues accounting for the remaining portion. The City's largest tax revenue sources include sales tax (\$20.4 million in 2018-19), property tax (\$14 million), and property tax in-lieu of VLF (\$6.7 million). The City receives a variety of non-tax revenues, with the largest sources being miscellaneous revenues (\$12.9 million) and charges for services (\$9.4 million).

The City's tax revenue base grew from \$24.8 million in 2016-17 to more than \$45.4 million in 2018-19, a 79 percent increase). Much of this growth came in sales tax revenues, and as a result of the State of California's decision on property tax in-lieu of VLF revenues. Sales tax revenues

increased by 135 percent and now represent 44.9 percent of the City’s general tax revenues, mostly as a result of the voter-approved one percent Quality of Life Measure DD increase transactions and use tax. With the restoration of property tax in-lieu in 2017-18, the City added more than \$6 million to its annual revenues. While the City has very low proportions of revenues derived from transient occupancy tax, no single category of general tax revenue is outsized when compared to the average Riverside County and California cities.

The City’s general tax revenues are compared to the average for all Riverside County and California cities in Figure 79.

Figure 79: General Tax Revenues Comparison - Menifee



Sales Tax, Quality of Life Measure DD

Cities receive one percent of gross receipts from the sale of tangible personal property sold within their jurisdiction. Additionally, with the Menifee electorate voting in favor of Measure DD in 2016, the City doubled its sales tax rate to two (2) percent of gross sales. The City’s sales tax revenues increased from \$8.7 million in 2016-17, prior to the implementation of Measure DD, to \$20.4 million in 2018-19.

Measure DD was approved by more than 68 percent of Menifee voters in 2016. The City stated that the revenues generated by Measure DD would be utilized to reduce traffic congestion, improve and repair local interchanges, overpasses, streets, roads, bridges and potholes, maintain local police, fire, paramedic, and 911 emergency response times, prevent cuts to senior, disabled and youth programs, and provide other general services.

Anecdotally, City staff indicated that the COVID-19 pandemic did not result in a decrease in sales tax revenues.

Property Tax and Property Tax in-lieu of Motor Vehicle License Fees

The City's second- and third-largest general tax revenue sources are property tax and property tax in-lieu of VLF, accounting for 30.8 and 14.7 percent of general tax revenues in 2018-19. The City's property tax revenues grew by 6.9 percent annually between 2016-17 and 2018-19.

Property tax is assessed on land, improvements, and personal property, which combined for a total of \$9.6 billion in 2018-19. The City's assessed land value amounted to \$3.1 billion while the total improvement value was more than \$6.5 billion.¹⁰⁷ The City of Menifee's \$14 million property tax revenues represented 14.6 percent of property tax revenues collected in Menifee, which is an above average rate, and among the highest, compared to other cities in Riverside County.

The City of Menifee and the County of Riverside do not have a Master Property Tax Exchange Agreement in place.¹⁰⁸

The City's property tax in-lieu of VLF revenues amounted to almost \$6.7 million in 2018-19, or about 14.7 percent of all general tax revenues. The State of California restored property tax in-lieu of VLF to new cities in 2017-18, representing a windfall of more than \$6.1 million in 2017-18.

¹⁰⁷ Source: California City Finance, "Assessed Valuation of Property by City"

¹⁰⁸ Source: Riverside LAFCO

Prior to the decision, many of the new cities in California and Riverside County were facing uncertain fiscal futures.

Miscellaneous Revenues

The City's miscellaneous revenues account for \$12.9 million in 2018-19, representing about 14.5 percent of the City's total revenues. Most of the City's miscellaneous revenues can be attributed to development impact fees, which reached almost \$11.2 million in 2018-19. The City also received other miscellaneous noncategorized revenues (\$1.6 million) and contributions from nongovernmental sources (\$48,000) in 2018-19. City staff indicated that the City's development pace has exceeded expectations and some development impact fees may not reflect the needs of the City at this point.

Charges for Services

Charges for services represented 10.6 percent of the City of Menifee's total revenues in 2018-19, amounting to \$9.4 million. Charges for services in Menifee include engineering and inspection fees (\$5.5 million), other noncategorized charges for services (\$2.9 million), plan check fees (\$432,000), parks and recreation fees (\$326,000), zoning and subdivision fees (\$230,000), and first aid and ambulance charges (\$51,000). According to City staff, the City is preparing to perform a master fee study and cost allocation plan that will study all City fees and aim to recover costs.

Operating Expenditures

The City's total operating expenditures increased from \$55.3 million in 2016-17 to more than \$64.7 million in 2018-19. The City's operating expenditures between 2016-17 and 2018-19 are presented in Figure 80.

Figure 80: Operating Expenditures - Menifee

Menifee	2016-17	2017-18	2018-19
Operating Expenditures			
Salaries and Wages	\$4,396,610	\$5,661,060	\$7,479,631
Employee Benefits	1,955,109	2,428,519	3,594,658
Materials and Supplies	6,973,565	9,948,833	15,327,105
Contract Services	21,687,724	29,663,331	31,880,279
Other Operating Expenditures	-	-	-
Total Operating Expenditures	35,013,008	47,701,743	58,281,673
Debt Service	1,311,721	1,302,588	1,305,488
Capital Outlay	19,015,330	6,554,000	5,143,341
Total Expenditures	\$55,340,059	\$55,558,331	\$64,730,502

Source: California State Controller's Office

The increase in operating expenditures occurred despite a decrease in capital outlay expenditures, from \$19 million in 2016-17 to \$5.1 million in 2018-19. Expenditures in all other operating expenditure categories, including salaries and wages, employee benefits, materials and supplies, and contract services increased over the same time frame.

The City's contract services expenditures grew by 21.2 percent annually between 2016-17 and 2018-19. By 2018-19, the contract services represented about 49.3 percent of total expenditures, at almost \$31.9 million. As previously mentioned, the City took over law enforcement services in July 2020, which means that the historical contract service expenditures prior to fiscal year 2019-20 reflect the costs associated with contracting with the Riverside County Sheriff's Department for law enforcement services.

The City's largest current expenditure category in 2018-19 was public safety, which grew at a 14.7 percent annual growth rate between 2016-17 and 2018-19 to \$27.3 million. Meanwhile, all current expenditures grew by just 8.2 percent annually during the same time frame. The City's current expenditures by function between 2016-17 and 2018-19 are presented in Figure 81.

Figure 81: Current Expenditures - Menifee

Menifee	2016-17	2017-18	2018-19
General Government	\$4,241,238	\$5,427,879	\$7,115,488
Public Safety	20,757,522	25,259,132	27,295,472
Transportation	2,438,141	3,934,839	5,937,109
Community Development	6,893,311	12,499,463	17,345,430
Health	-	-	-
Culture and Leisure	682,796	580,430	588,174
Public Utilities	-	-	-
Debt Service	1,311,721	1,302,588	1,305,488
Capital Outlay	19,015,330	6,554,000	5,143,341
Total Current Expenditures	\$55,340,059	\$55,558,331	\$64,730,502

Source: California State Controller's Office

If debt service and capital outlay are removed from the total current expenditures, the City's public safety costs represent about 46.8 percent of all current expenditures, which is in line with the average of all cities in Riverside County (52.2 percent) and California (47.3 percent). It is understandable, however, with 14.7 percent annual growth rate associated with public safety, that the City would internalize public safety services.

It is also notable that the City has increased expenditures on community development from about \$6.9 million in 2016-17 to over \$17.3 million in 2018-19. Most of these expenditures can be attributed to construction and engineering regulation (\$7.7 million) and planning expenditures (\$2.2 million). This increase in community development expenditures is likely a response to the City's rapid development pace in recent years.

Reserve Fund Balance

The City aims to retain 25 percent of annual operating expenditures as reserves. The reserves include a 10 percent natural disaster and catastrophic event reserve, 10 percent economic slowdown due to recession or other economic crisis reserve, and 5 percent reserve to offset

timing of grant reimbursements and collections of property taxes. The City's reserves amounted to \$26.5 million in 2020-21 and met the City's reserve policy.¹⁰⁹

Pension and OPEB Obligations

The City of Menifee's pension and OPEB obligations are outlined in Figure 82.

Figure 82: Pension and OPEB Obligations - Menifee

Menifee	2017-18	2018-19	2019-20
Net Pension Liability/(Surplus)	\$551,431	\$499,769	\$23,598
Total OPEB Liability/(Surplus)	181,271	250,648	876,974
Total Benefit Liability/(Surplus)	\$732,702	\$750,417	\$900,572

Source: 2017-18, 2018-19 and 2019-20 ACFR

Qualifying employees are eligible to participate in the City's Miscellaneous or Safety Pension Plans. The City also offers an OPEB policy, which is a single-employer retiree healthcare plan.

In 2019-20, the City's combined benefit liability grew to almost \$901,000, which is relatively low in comparison to most other cities in Riverside County. According to staff, the City does not have "unfunded liabilities" and they are able to pay as they go.

The City's pension indicators are presented in Figure 83, including the City's employer contribution compared to the actuarially determined contribution, the City's total covered payroll, and the contribution rate as a percent of covered payroll. These indicators provide measures of the health of the City's pension plans.

Figure 83: Pension Indicators - Menifee

Menifee	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$524,088	\$1,360,520	\$1,089,277
Employer Contribution	524,088	1,360,520	1,089,277
Covered Payroll	\$5,130,794	\$6,773,265	\$10,202,569
Employer Contribution Rate	10.2%	20.1%	10.7%

Source: 2017-18, 2018-19 and 2019-20 ACFR

¹⁰⁹ Source: City of Menifee, 2019-20 Budget

As illustrated in Figure 83, the City has made employer contributions equivalent to the minimum actuarially determined contribution in each of the three (3) fiscal years between 2017-18 and 2019-20, even as the City's covered payroll doubled over this period. The City's employer contribution rate (10.2 to 20.1 percent) is below average when compared to all Riverside County cities, which ranged from 26 to 32 percent. This is indicative of a healthy pension plan.

Annual Audit Findings

RSG reviewed the City's Annual Audits from 2017-18 through 2019-20. The Annual Audits did not present any findings and the auditor stated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. Additionally, the City's Annual Audits between 2017-18 and 2019-20 were awarded Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

California State Auditor Fiscal Health Evaluation

The City of Menifee ranked 381 out of 471 jurisdictions and received an overall risk rating of low. The City is considered higher risk than 90 peer cities in California, or about 19 percent of cities. The City received low risk ratings on eight (8) indicators, including liquidity, debt burden, general fund reserves, pension obligations, pension funding, pension costs, future pension costs, and OPEB obligations. One indicator, revenue trends, was given a moderate risk rating. One indicator, OPEB funding, scored a high-risk rating.

MSR DETERMINATIONS

Requisite CKH determinations for Menifee are presented by topic below:

1. Population, Growth, and Housing

Menifee grew rapidly over the last decade, at an annualized growth rate of 2.28 percent, adding almost 20,000 to the City's population. Menifee is expected to continue growing, albeit

at a slower rate, over the next 15 to 25 years, roughly at the same rate as the County of Riverside. The City added 5,406 housing units between 2010 and 2020, and made significant progress towards meeting its RHNA allocation, exceeding the allocation in both moderate- and above-moderate income housing unit categories. However, the development community in Menifee did not produce sufficient very low- and low-income housing units, falling 2,467 units short in those categories, to meet the City's very low- and low-income housing RHNA allocations.

2. Disadvantaged Unincorporated Communities in SOI

Menifee's SOI is coterminous with its corporate City boundary and therefore does not contain any DUC.

3. Present and Planned Capacity of Facilities

Because Menifee is a rapidly growing and developing city, the present capacity of facilities may not be keeping up with demand. The City is requiring CFD approval for all new developments to ensure that service and infrastructure needs of new developments have a built-in funding mechanism.

4. Financial Ability to Provide Services

The City has improved its fiscal health in recent years with the addition of property tax in-lieu of VLF revenues and the approval of Measure DD one percent transactions and use tax. The City has built up reserves of at least 25 percent of operating expenditures. The City's pension and OPEB liabilities have been suppressed and the City is able to pay off any liabilities that accumulate.

5. Opportunities for Shared Facilities

No opportunities for shared facilities were identified.

6. Accountability for Community Service Needs

The City connects with residents through at least four (4) different social networks. The City recently hired a public information officer to provide regular updates to residents and coordinate communications. The City's Menifee Matters magazine is distributed to every household and business on a quarterly basis to provide updates to the residents of the City. The City put three (3) new software solutions in place recently that are intended to connect and provide greater access to the community.

7. Any Other Matter Related to Effective or Efficient Service Delivery as Required by Commission Policy.

The City did not identify any other matters related to effective or efficient service delivery as required by Commission Policy.

SOI RECOMMENDATIONS

RSG is recommending coordination with the City of Menifee on expansion of the Menifee SOI. Menifee's SOI is coterminous with its incorporated municipal boundary. As the City and Western Riverside County region continues to grow, much of the future development will begin to occur beyond Menifee's eastern boundaries in unincorporated areas. In an effort to manage sprawl, LAFCO may consider extending Menifee's SOI boundary eastward towards State Route 79. City staff indicated that there is interest in expanding the City's SOI and municipal boundary to the east. Per City staff, the City Council adopted a Strategic Plan that included an item aiming to expand the Menifee SOI eastward as far as State Route 79.

During the Public Review of this MSR, 112 signatures opposed to any annexation or SOI expansion in the Winchester-Homeland MAC were gathered at the Winchester-Homeland Municipal Advisory Council meeting, Valley-Wide Recreation and Park District Board Meeting, and the Highland Palm community.

1. Present and Planned Land Uses

Menifee's coterminous SOI includes proportionally higher concentrations of single-family housing and retail commercial uses, when compared to the Countywide distribution of land uses.

2. Present and Probable Need for Public Facility and Services

Because Menifee has grown rapidly in recent years and is projected to continue growing at an above-average rate through 2045, there may be shortfalls related to meeting demand for public facilities and services.

3. Present Capacity of Public Facilities

City staff did not identify any deficiencies with present capacity of public facilities located in the SOI.

4. Social or Economic Communities of Interest

The Winchester/Homeland Municipal Advisory Council area is located east of the City's corporate boundary.

5. Disadvantaged Unincorporated Community Present and Planned Need for Facilities and Services

Menifee's coterminous SOI does not contain any DUCs.