



CITY OF MENIFEE

SUBJECT: Local Agency Formation Commission's Municipal Services Review Update and Consideration of Menifee's Sphere of Influence

MEETING DATE: October 19, 2022

TO: Mayor and City Council

PREPARED BY: Doug Darnell, Senior Planner

REVIEWED BY: Cheryl Kitzerow, Community Development Director

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Review and discuss Local Agency Formation Commission's Municipal Services Review; and
2. Discuss considerations for Menifee's Sphere of Influence as it relates to the City's Strategic Plan regarding pursuing a Sphere of Influence amendment.

DISCUSSION

This report is an update to the City Council on the status of the County of Riverside Local Agency Formation Commission's (LAFCO) Municipal Services Review (MSR) and Sphere of Influence (SOI) update including LAFCO recommendations on the City's SOI.

LAFCO is the county-wide oversight agency that coordinates logical and timely changes to local government boundaries. A primary objective of the MSR is to provide LAFCO with a recommendation on SOI over unincorporated areas.

On July 28, 2022, the LAFCO Board approved MSR recommendations for 28 governmental agencies within Riverside County. The MSR determinations reflect those municipal services that are generally being provided in an adequate manner, and that anticipated revenues are adequate to support the current levels of municipal service provision and future needs. The MSR determinations identify any local governmental issues that should be addressed. The SOI determinations identify any opportunities for expansion, with specific attention to the delivery of services to Disadvantaged Unincorporated Communities (DUCs).

Background

Since the City's formation, the City has had an interest in potentially amending its SOI in the future. This is reflected in the City's General Plan and Strategic Plan for years 2018 through 2023 as noted on the following page.

General Plan Land Use Element, Page 3.

"Land use planning does not necessarily stop at a city's boundaries. A city's sphere of influence (SOI) addresses unincorporated lands adjacent to city boundaries that are defined by the Riverside County Local Agency Formation Commission (LAFCO) as areas likely to be serviced or annexed by the city sometime in the future. Cities do not have regulatory control over these lands, but they do have the authority to designate their preferences for land use planning in the county areas if the properties are annexed to the city sometime in the future. As was established upon incorporation, the City's SOI boundary is contiguous with the City boundary.

Over time, the City of Menifee may wish to consider annexation of adjacent unincorporated areas or engage in discussions with LAFCO that could lead to a future revision of the City's current SOI boundaries. It should be noted that no annexations of the unincorporated county areas adjacent to the City or amendments to the SOI boundaries are proposed as part of this General Plan. Applications to amend the City's existing SOI will require appropriate California Environmental Quality Act (CEQA) review and a General Plan Amendment to update the Land Use Plan."

City of Menifee Strategic Plan 2018-2023, Land Use Objective 2.1.

Sphere of Influence Analysis to Determine Future Ultimate City Limits.

Based on the General Plan and Strategic Plan Objective indicated above, the City Council conducted an SOI workshop on December 18, 2019, in which staff presented an analysis of various SOI amendment alternatives for Council discussion and input. The purpose of the workshop was to begin discussion of issues related to amending the City's SOI and obtain City Council direction on moving forward with a potential amendment to the City's SOI boundary. Three SOI alternatives were presented. Alternatives 1 and 2 depicted two different variations on the SOI extending to Leon Road and Alternative 3 depicted the City's SOI extending easterly to Highway 79. At the Workshop, the Council expressed a preference for SOI Alternative 3, and directed City staff to reach out to the County and community to begin the process of an SOI study and amendment.

Following the Council Workshop, City staff attended a January 2020 Winchester/Homeland Municipal Advisory Council (MAC) meeting, where City staff informed the MAC of the City's efforts to study alternatives for a potential SOI amendment easterly of the current City limits/Briggs Road. In response, the Winchester/Homeland MAC and the Winchester Town Association expressed opposition to any proposal by the City for an SOI amendment that would include unincorporated area easterly of the City.

Follow Up Meetings with the County and Community Representatives.

- **Meeting with County TLMA/Planning Staff.** In early 2020, City staff met with County staff to share the SOI alternatives and begin discussions with the County regarding the possibility of a mutually agreeable SOI amendment. City staff expressed concerns with

development occurring outside City limits and effects on the City (particularly traffic impacts) and the possibility of Memorandum of Understanding (MOU) between the City and County as provided by the County's General Plan. County staff provided an update and information on their pending draft Winchester Community Plan and was generally not receptive to or supportive of the possibility of an SOI amendment or MOU between the City and County.

- **Other Meetings.** The City reached out to other community representatives to share information and clarify the City intentions for a possible SOI amendment including:
 - Winchester/Homeland MAC Representatives
 - Supervisor Washington's staff
 - Winchester Town Association

These representatives have clearly stated they do not support amending the City's SOI to the east and expressed their opposition publicly at the Winchester/Homeland MAC meeting March 12, 2020. Beyond reaching out to these key entities that represent the unincorporated communities to the east of Menifee; more exhaustive and extensive outreach to all potentially affected property owners, business and residents would be required for any effort to amend the City's SOI.

At the Strategic Visioning Workshop held March 15, 2021, the City Council discussed the City's SOI. At that time, staff indicated that LAFCO was preparing a MSR update and that staff was participating in the effort and providing input to LAFCO. Per the discussion, staff would pause on any further efforts on an SOI amendment until the MSR update was completed by LAFCO, as the MSR would help inform how the City moves forward. This was discussed again by the City Council at another Strategic Visioning workshop held by the Council on February 16, 2022. LAFCO has now completed the MSR updates, further discussed below.

LAFCO MSR Update and SOI Recommendation for Menifee.

Over the last two years, LAFCO has been working on Municipal Services Reviews and SOI recommendations for all jurisdictions in Riverside County. Recently, City staff provided input to LAFCO on their Public Review Draft MSR released in March 2022, indicating the City's interest in potentially amending its SOI to the east towards Highway 79 as is contemplated in the General Plan and Strategic Plan Objective. This was not a formal request or application to amend the City's SOI. The intent was for LAFCO to be aware of the City's interest in amending its SOI to be reflected in their MSR/SOI recommendations. City staff has been aware that a formal SOI submittal would require, at the direction of City Council, further study to define a proposed SOI amendment boundary, a General Plan Amendment to establish land use for the proposed SOI boundary, environmental analysis in compliance with the California Environmental Quality Act (CEQA), meeting and working with the County toward a mutual agreement on planning and zoning standards and extensive community outreach.

MSR/SOI Recommendations for the City of Menifee.

On June 23, 2022, the LAFCO Board held a public hearing to consider MSR/SOI recommendations where they received extensive written and oral public testimony. Because there was a substantial amount of new information to consider, LAFCO continued the MSR/SOI item to their July 28, 2022, meeting.

At their meeting of July 28, 2022, the LAFCO Board adopted MSR and SOI determinations as amended since the June 23rd meeting. Specifically, the LAFCO Board, adopted the required MSR and SOI Statement of Determinations for each of the twenty-eight cities for the three subregions, and approved the Final MSR & SOI Report. The Report included the following MSR recommendations for the City of Menifee:

- *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.
- *Disadvantaged Communities:* Menifee's SOI is coterminous with its corporate City boundary and therefore does not contain any DUC.
- *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 Community Facility District (CFD) approval for all new developments to ensure that service and infrastructure needs of new developments have a built-in funding mechanism.
- *Financial Ability to Provide Services:* The City has improved its fiscal health in recent years with the addition of property tax in-lieu of Vehicle Licensing Fee (VLF) revenues and the approval of Measure DD one percent transactions and use tax. The City has built up reserves of at least 35 percent of operating expenditures. The City's pension and Other Post-Employment Benefits (OPEB) liabilities have been suppressed and the City is able to pay off any liabilities that accumulate.
- *Opportunities for Shared Facilities:* No opportunities for shared facilities were identified.
- *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.
- *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.

Regarding SOI recommendations, the City of Menifee along with other Western region jurisdictions were identified as cities interested in a potential future SOI amendment. LAFCO's July 28, 2022, staff report clarified that since no general planning work has been completed by

these cities, SOI amendments were not before the Commission and that LAFCO could not make a recommendation for changes to the existing SOIs.

The Final MSR & SOI Report, approved by LAFCO on July 28, 2022, included the following SOI recommendations for the City of Menifee:

“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.”*

Regarding Menifee’s SOI, the LAFCO Board adopted the following recommendation:

- “1. Confirm the current spheres of influence for the cities of Western Region: Canyon Lake, Corona, Eastvale, Hemet, Jurupa Valley, Lake Elsinore, Menifee, Moreno Valley, Murrieta, Norco, Perris, Riverside, Temecula, Wildomar, Pass/Mtn Region: Banning, Calimesa, Beaumont, San Jacinto, Blythe, Coachella/Valley /Eastern Region: Cathedral City, Desert Hot Springs, Indian Wells, La Quinta, Palm Springs and Rancho Mirage.”*

The July 28, 2022, LAFCO staff report, as revised since the June 23, 2022, report, also included the following Policy recommendations/determinations specific to the City of Menifee:

“Since 2012, the County of Riverside is undergoing community efforts on developing the Winchester Community Plan and Land Use Study. The City’s proposed SOI boundary to

the east will encroach upon the County's Winchester Community Plan. Prior to the City of Menifee submitting an application for a SOI amendment, the City of Menifee first hold discussions and coordinate with the County of Riverside, Valley-Wide Recreation & Park District and the Winchester /Homeland MAC, to reach an agreement or consensus if possible.

After further analysis of the Winchester Community Plan boundaries, within Commission Policy 2.1.5 "LAFCO shall support agency boundaries that include rather than split existing identifiable communities, commercial districts, or other areas having social or economic homogeneity which are located within the applicable sphere of influence" staff believes it is appropriate to strike out portions of the original policy text regarding "smoother transition for future annexations." Per Commission policy, staff believes it should not divide the Winchester Community and that the entirety of the WCP remains intact as one united community.

Staff recommends that the City of Menifee re-evaluate its SOI expansion plans to the east of State Route 79 after Riverside County takes final action and updates the General Plan for the Harvest Valley/Winchester Area Plan (two additional areas in red as depicted on Exhibit "SR4").

Staff had the intention of referencing Government Code Section §56425 (b) in the last report but opted out since this is a LAFCO initiated SOI review. However, staff recommends that if the City of Menifee anticipates filing an application for a SOI amendment, the city must be cognizant of Govt. Code, §56425 (b):

Sphere of Influence Government Code Section 56425 (b) City-County meeting and agreement.

Prior to a city submitting an application to the commission to update its sphere of influence, representatives from the city and representatives from the county shall meet to discuss the proposed new boundaries of the sphere and explore methods to reach agreement on development standards and planning and zoning requirements within the sphere to ensure that development within the sphere occurs in a manner that reflects the concerns of the affected city and is accomplished in a manner that promotes the logical and orderly development of areas within the sphere. If an agreement is reached between the city and county, the city shall forward the agreement in writing to the commission, along with the application to update the sphere of influence. The Commission shall consider and adopt a sphere of influence for the city consistent with the policies adopted by the commission pursuant to this section, and the commission shall give great weight to the agreement to the extent that it is consistent with commission policies in its final determination of the city sphere."

Social or Economic Communities of Interest

Staff has identified, to the east of the City of Menifee's city limits is the Winchester Municipal Advisory Council (MAC) as depicted on Exhibit "SR4." (See Attachment 1-Reference Maps, of this report which includes Exhibit "SR4.")

Related Item – Winchester Community Plan.

On July 5, 2022, the County released their Winchester Community Plan Draft Environmental Impact Report (DEIR) for public review and comment (public review and comment period to end on September 23, 2022). The Plan encompasses all unincorporated area east of the City, and involves a General Plan Amendment to:

- Expand the boundaries of the Winchester Policy Area (PA); and
- Amend the boundaries of the County General Plan's Harvest Valley/Winchester, Sun City/Menifee, and Southwest Area Plans so that the entire expanded Winchester PA will fall within the boundaries of the Harvest Valley/Winchester Area Plan only; and
- Amend General Plan land use designations within the Winchester PA; and
- Amend existing Highway 79 Policy language to remove the 9 percent reduction in density for residential projects; and
- Adopt design guidelines.

As proposed, the Winchester Community Plan would encompass all unincorporated area east of Menifee, such that each the potential Menifee SOI amendment areas that were studied and previously presented to the Council in 2019 would completely overlap with the Plan.

Attachment 1 – Reference Maps includes Exhibit 3-10 of the Winchester Community Plan DEIR, and depicts area plan amendments (i.e., proposed areas to be added to the Proposed Harvest/Winchester Area Plan). The proposed amendments include expanding the boundary of the current Harvest Valley/Winchester Area plan by approximately 1,900 acres, consisting of an area that is bounded by Old Newport Road to the north, Scott Road to the south, Briggs Road to the west and Leon Road to the east. This proposed change takes all this area east of the City of Menifee and currently within the Sun City/Menifee Valley Area Plan and places it into the Harvest Valley/Winchester Area Plan.

In conclusion, the above LAFCO recommendations places substantial emphasis on the County's pending Winchester Community Plan and County planning for the unincorporated area east of the City. The City would need to consider the implications of the LAFCO recommendations and the challenges this presents for the City if it wishes to pursue an SOI amendment in the future.

STRATEGIC PLAN OBJECTIVE

Livable and Economically Prosperous Community

FISCAL IMPACT

There is no additional fiscal impact resulting from this report since it is an informational item only.

ATTACHMENTS

1. Reference Maps and LAFCO Report & Winchester Community Plan DEIR
2. City SOI Alternative Study Maps 1-3
3. Final MSR & SOI Report
4. Notice of Results & Resolution for MSR Determinations
5. Notice of Results & Resolution for SOI Determinations