



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

7b

AGENDA REPORT
 Business | Information

May 5, 2025

TO: Chair Whitburn and Commissioners

FROM: Keene Simonds, Executive Officer
 Michaela Peters, Analyst II

SUBJECT: **La Jolla Incorporation Proposal**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive an update on the proposed “City of La Jolla Special Reorganization” and the concurrent requested actions to detach the community from the City of San Diego and incorporate as the City of La Jolla. LAFCO staff has confirmed the proponents have collected enough valid petitions equal to no less than 25% of all registered voters within the proposed municipal boundary, which covers the entirety of the 92037 zip code with an estimated population of 47,000. LAFCO staff will now proceed in initiating the administrative review on the proposal and headlined by selecting an outside consultant to prepare a comprehensive fiscal analysis evaluating the ability of La Jolla to fund a sufficient level of municipal services while assessing monetary impacts to the City of San Diego. This item is for information only.

BACKGROUND

Applicant

The Association for the City of La Jolla is a 501(c)(6) nonprofit and serves as the applicant for the proposed special reorganization. A five-member Board of Directors governs the Association with Trace Wilson and Diane Kane serving as President and Vice President, respectively. The other Board members are Mary Munk, Sharon Wampler, and Ed Witt. Legal services are provided by Paula de Sousa with Best Best and Kreiger.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcounty.ca.gov www.sdlafco.org</p>	<p>Joel Anderson County of San Diego</p> <p>Jim Desmond County of San Diego</p> <p>Vacant, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann Alt. City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David Drake, Alt. Rincon del Diablo</p>	<p>Vacant General Public</p> <p>Brigitte Browning, Alt. General Public</p>
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Preliminary Fiscal Analysis

Consistent with LAFCO policy, the applicant previously contracted with Berkson Associates to prepare a preliminary fiscal analysis for the proposed special reorganization. The preliminary analysis was completed in January 2024 and – among other things – projects a net revenue surplus for general government services (excludes enterprise and other business type funds) without any new taxes at \$8.982 million starting in Year One (FY2027). The preliminary analysis also projects revenue neutrality payments to the City of San Diego – i.e., making San Diego financially whole – at \$8.529 million, leaving La Jolla with an adjusted net surplus of \$0.500 million. A copy of the Executive Summary is attached.

Application + Petition Process

Applicants filed a notice of intent to circulate a registered voter petition with the LAFCO Executive Officer in May 2024 to proceed with a special reorganization to concurrently detach the approximate 14 square mile area from City of San Diego and incorporate as City of La Jolla. Proposed boundary covers three distinct neighborhoods – Village, Shores, and Bird Rock – with an estimated resident population of 47,000. Also included in the proposed boundary is Scripps Memorial Hospital and Torrey Pines State Park. UCSD campus is not included. A map of the proposed boundary is attached.

The Petition process was formally initiated on Memorial Day Weekend with first and last signatures collected during a six-month period ending in December 2024. Applicants proceeded to file their petition with a completed application packet – including the above referenced preliminary fiscal analysis and deposit for \$66,000 – with LAFCO in January 2025. Initial validation of the petition showed the applicants falling (3%) short of the 25% threshold with the applicants immediately proceeding to file a supplemental petition over a 15-day window as allowed under statute. Validation of the supplemental petition also showed the applicants initially falling (1%) short before successfully contesting more than 200 discounted petition signatures to meet the 25% threshold.¹

DISCUSSION

Next Steps + Comprehensive Fiscal Analysis

This agenda item is for San Diego LAFCO to receive an update on the La Jolla incorporation proposal now that the petition process has been successfully completed by the applicant. Most immediate next steps involve LAFCO staff selecting an outside consultant to perform a comprehensive fiscal analysis (CFA) – draft and final – as required under statute and doing so with input from the applicant and City of San Diego. The CFA’s underlying function is to inform LAFCOs’ decision-making and whether a proposed new city will receive sufficient revenues to provide public services and ensure reasonable reserves during the first three

¹ Consistent with LAFCO statute, the Executive Officer performed the review of the applicant’s contesting of discounted petition signatures by the ROV under Government Code Section 56704. This statute directs LAFCO to accept petitions so long as each person signs and dates along with affixing sufficient information to “readily ascertain” place of residence.

fiscal years while avoiding fiscal impacts to other agencies. LAFCO cannot approve an incorporation unless making a “revenue neutral” finding with or without the assistance of applying mitigation measures. It is expected a draft CFA will take up to one year to complete.

A timeline showing all pertinent proposal processing milestones is attached.

ANALYSIS

None

RECOMMENDATION

This item is presented to San Diego LAFCO for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on San Diego LAFCO’s agenda for information as part of the business calendar. The following procedures are suggested.

- 1) Receive verbal presentation from staff unless waived.
- 2) Discuss item and provide feedback as appropriate.

On behalf of the Executive Officer,



Michaela Peters
Analyst II

Attachments:

- 1) Preliminary Fiscal Analysis, Executive Summary
- 2) Map of the Proposed Incorporation Boundary
- 3) Timeline

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1. THE PROPOSED CITY OF LA JOLLA

OVERVIEW OF LA JOLLA

This Preliminary Comprehensive Fiscal Analysis (PCFA) provides an evaluation of the financial feasibility of the proposed City of La Jolla’s services and revenues compared to expenditures. This financial evaluation is required by the Local Agency Formation Commission (LAFCO) as part of an application to LAFCO to initiate the incorporation process.

Figure 1 shows the proposed City of La Jolla boundary spanning about 14 square miles and home to nearly 40,000 residents.

The boundary borders UC San Diego and the City of San Diego, and the City of Del Mar along La Jolla’s northern boundary. The City falls largely in the 92037 zip code.

Figure 1 Proposed Boundary of City of La Jolla



Item	La Jolla	City of San Diego	La Jolla as a % of San Diego
Population	38,277	1,368,395	2.8%
Registered Voters	23,050	794,643	2.9%
Employment (Jobs)	18,700	822,407	2.3%
Land Area (sq.mi.)	14.3	325	4.4%
Assessed Value (bill.)	\$25.4	\$350.0	7.3%
Roads (centerline mi.)	151	3,045	5.0%

As shown in **Figure 1**, the proposed City of La Jolla boundary follows the natural topography of La Jolla and major arterials including the I-5 freeway bounding La Jolla, preserving the integrity of existing La Jolla neighborhoods. The main campus of UC San Diego is excluded. **Appendix 1** includes additional information about the boundary and estimated population. LAFCO will review the proposed boundary upon receipt of an incorporation application and may evaluate boundary and service alternatives.

OBJECTIVES OF INCORPORATION

A new City of La Jolla would benefit the City of San Diego in a number of ways:

- Reduce the scope and scale of City of San Diego responsibilities and costs, and increase focus on the balance of the City
- Increase regional economic benefits by maintaining and improving La Jolla's attractiveness as a visitor destination
- Eliminate La Jolla liabilities from the City of San Diego's financial statements including deferred maintenance, infrastructure maintenance and replacement, and a portion of unfunded pension and other liabilities
- Relieve San Diego residents of paying for certain services and infrastructure (e.g., sewer and water) in La Jolla that may be more costly, and which effectively would reduce rates for other San Diego residents

Incorporation of a new city provides a number of benefits to the residents of La Jolla:

- Local control of land use planning and approval
- La Jolla elected council members will determine the use of locally generated revenues for La Jolla service and infrastructure needs and priorities
- Management and coordination of public services to improve maintenance of beaches, natural resources, and infrastructure serving La Jolla and San Diego
- Increase access to local officials and improve accountability for local services and infrastructure. La Jolla residents will be represented by five elected council members; currently one San Diego councilmember represents La Jolla and other parts of San Diego with a total population nearly four times La Jolla

The benefits of incorporation require a financially sustainable City of La Jolla, strong and engaged local leadership, and a positive collaborative relationship between the City of La Jolla and the City of San Diego. The City of La Jolla will inherit a share of the City of San Diego's obligations, debts, and liabilities including deferred maintenance costs for infrastructure and facilities and will be responsible for payments to the City of San Diego to assure the incorporation causes no adverse impacts.

CITY OF LA JOLLA FINANCIAL FEASIBILITY

As shown in **Table 1a** and further detailed in **Appendix 3**, annual revenues exceed expenditures and provide a contingency before revenue neutrality payments to the City of San Diego. The analysis is based on La Jolla's formation as a "General Law" city and follows statutes in State law that determine various aspects of city governance, revenues and expenditures. No new city in California formed in the past forty years or more have been formed as a charter city due to the additional cost, complexity and generally reduced flexibility; a city charter prescribes and tailors city governance in ways that may differ from State statutes (for example, transfer taxes can be increased by a charter, but are fixed for General Law cities) however changing the charter requires voter approval.

LAFCO will prepare a more Comprehensive Fiscal Analysis (CFA) after it receives an application for incorporation. LAFCO must find that the proposed city "is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation."¹ The CFA will refine the estimates contained in this PCFA and results may change from those shown. Future budget conditions and other factors also will influence actual results.

Results are in constant 2023 dollars to illustrate real changes over time. **Table 1b** converts the projections into future nominal dollars by overlaying inflation; inflation increases revenues, expenditures, and the net difference, but does not change the finding of feasibility.

Chapter 4 describes the preliminary revenue neutrality estimate in greater detail.

¹ Gov. Code Sec. 56720(e)

Table 1a Summary of City of La Jolla Budget Forecast (constant 2023 dollars)

Item	Transition Yr		
	FY2026-27	FY2027-28	FY2028-29
REVENUES			
Property Tax	\$43,992,000	\$44,330,000	\$44,671,000
Sales Tax	4,384,000	4,384,000	4,384,000
Transient Occupancy Tax	24,971,000	25,695,000	26,440,000
Revenue: Money & Property	0	0	0
Charges for Current Services	3,877,000	3,885,000	3,892,000
Franchise Fees	2,690,000	2,695,000	2,700,000
Other Revenues	<u>3,885,000</u>	<u>3,902,000</u>	<u>3,919,000</u>
Total Revenues	\$83,799,000	\$84,891,000	\$86,006,000
EXPENDITURES			
Management & Admin.	\$8,465,000	\$8,278,000	\$8,491,000
Police	18,126,000	18,126,000	18,126,000
Animal Control	380,000	380,000	380,000
Fire	15,983,000	15,983,000	15,983,000
Lifeguard	12,229,000	12,229,000	12,229,000
Community Development	2,543,000	2,543,000	2,543,000
Public Works	7,556,000	7,556,000	7,556,000
Library	1,019,000	1,019,000	1,019,000
Parks and Recreation	3,785,000	3,785,000	3,785,000
Economic Development	479,000	480,000	481,000
General Services	281,000	281,000	281,000
Other OH/Admin.	3,190,000	3,181,000	3,191,000
Other (cultural grants)	<u>781,000</u>	<u>781,000</u>	<u>781,000</u>
Total Expenditures	\$74,817,000	\$74,622,000	\$74,846,000
ANNUAL NET	\$8,982,000	\$10,269,000	\$11,160,000
(less) Revenue Neutrality	<u>(\$8,529,000)</u>	<i>tbd</i>	<i>tbd</i>
NET	\$453,000		

Note: totals may not match Table B-4a due to rounding.

1/29/24

The La Jolla budget strives to “right size” local services to fit the needs, interests and issues of La Jolla residents and businesses, while maintaining and improving current service levels. The City of La Jolla can take advantage of certain “efficiencies of scale” through contracts with other service providers and be in a position to focus its resources on issues of direct concern to La Jolla. Over time the City of La Jolla may choose to transition to other providers or create City departments if they demonstrate cost efficiencies and improved service effectiveness.

Table 1b Summary of City of La Jolla Budget Forecast (nominal dollars)

Item	Transition Yr		
	FY2026-27	FY2027-28	FY2028-29
REVENUES			
Property Tax	\$48,071,000	\$49,894,000	\$51,786,000
Sales Tax	\$4,791,000	\$4,934,000	\$5,082,000
Transient Occupancy Tax	\$27,286,000	\$28,920,000	\$30,651,000
Other Revenues	<u>\$11,421,000</u>	<u>\$11,798,000</u>	<u>\$12,185,000</u>
Total Revenues	\$91,569,000	\$95,546,000	\$99,704,000
EXPENDITURES			
Management & Admin.	\$9,250,000	\$9,317,000	\$9,843,000
Police	\$19,807,000	\$20,401,000	\$21,013,000
Animal Control	\$415,000	\$428,000	\$441,000
Fire	\$17,465,000	\$17,989,000	\$18,529,000
Lifeguard	\$13,363,000	\$13,764,000	\$14,177,000
Community Development	\$2,779,000	\$2,862,000	\$2,948,000
Public Works	\$8,257,000	\$8,504,000	\$8,759,000
Library	\$1,113,000	\$1,147,000	\$1,181,000
Parks and Recreation	\$4,136,000	\$4,260,000	\$4,388,000
Other Expenditures	<u>\$5,169,000</u>	<u>\$5,315,000</u>	<u>\$5,488,000</u>
Total Expenditures	\$81,754,000	\$83,987,000	\$86,767,000
ANNUAL NET	\$9,815,000	\$11,559,000	\$12,937,000
(less) Revenue Neutrality	<u>(\$9,320,000)</u>	<i>tbd</i>	<i>tbd</i>
NET	\$495,000		
<i>Includes inflation/year at</i>	3.0%		1/29/24

The budget forecast is based on information provided by the City of San Diego, input from La Jolla community members, and a review of revenues, services and budgets of other cities. The PCFA focuses on operating revenues and expenditures; capital costs for the maintenance, repair upgrade and expansion of infrastructure and facilities are not included in this PCFA except as noted in the report.

Other upfront and startup costs including hiring, office space improvements, software, equipment and facilities for the new City, and costs for the transition from San Diego and creation of service contracts are not estimated. These costs could be funded through a combination of City of La Jolla reserves accumulated during the Transition Year, interim San Diego loans to be repaid over time, and possible phasing of costs over multiple years. Impacts on San Diego will be refined during LAFCO's CFA process.

Budget forecasts are preliminary and will change as economic conditions change; outcomes depend on decisions by LAFCO, the City of San Diego, and the future La Jolla City Council. After receiving an application for incorporation, LAFCO will prepare a more detailed Comprehensive Fiscal Analysis (CFA) that will inform and refine the budget forecasts. The outcome of negotiations between the City of San Diego and La Jolla community representatives during the CFA process are likely to change the revenue neutrality amount and timing shown in Table 1a and Table 1b and will establish terms of any payments or other conditions that may be required.

SUMMARY OF CITY OF LA JOLLA REVENUE ASSUMPTIONS

The PCFA estimates potential annual revenues to the new City of La Jolla. **Table 1c** summarizes key assumptions which are explained in **Chapter 3** and further documented in **Appendix 3**. Certain assumptions are based on current City of San Diego revenues generated by La Jolla; other revenues are estimated based on City of San Diego averages per resident, or by formula applicable to particular revenues, for example property tax. Some revenue items, for example lease revenues from San Diego-owned property, will be subject to negotiation and LAFCO determinations.

SUMMARY OF CITY OF LA JOLLA EXPENDITURE ASSUMPTIONS

The PCFA estimates potential annual expenditures by the new City of La Jolla. **Table 1c** summarizes key assumptions which are explained in **Chapter 2** and further documented in **Appendix 3**. Certain assumptions are based on current City of San Diego expenditures required for services to La Jolla as reported by the City of San Diego, for example police, fire and lifeguards.

Other expenditures are estimated based on City of San Diego averages per resident, or by reference to other cities. "Per capita" costs and other expenditures by budget item were reviewed and based on multiple reference cities' budgets, in addition to consideration of current costs and revenues in the City of San Diego budget.

The CFA to be prepared by LAFCO will evaluate budget items in greater detail and may modify the assumptions in the PCFA. Future economic and fiscal conditions, LAFCO determinations, City of San Diego budget and contracting decisions, and other factors will influence the forecasts. The actual City of La Jolla budget will differ from the estimates provided in this PCFA and in the future, updated CFA.

Table 1c Summary of City of La Jolla Budget Revenue Assumptions

City of La Jolla Revenue Item

Property Tax

Share and amount of property taxes from La Jolla that would otherwise go to City of San Diego.

Share is 17.1% of basic property tax (1% of assessed value).

Sales Tax

Share and amount of sales taxes from La Jolla that would otherwise go to City of San Diego.

Share is 1% of taxable sales (including internet sales).

Transient Occupancy Tax (TOT, or Hotel Taxes)

Share and amount of hotel taxes from La Jolla that would otherwise go to City of San Diego.

Existing combined rate of 10.5% to La Jolla General Fund; additional Tourism Marketing District 2% rate to continue dedicated to same purposes.

**Licenses & Permits,
Fines, Forfeitures, & Penalties**

Based on San Diego average per resident times La Jolla population.

Revenue from Money & Property

No net revenue to City of La Jolla from Torrey Pines Golf Course or City of San Diego-owned properties (to be negotiated).

Revenue from Federal & Other Agencies

No ongoing operating revenue assumed. La Jolla may apply for and receive one-time grants.

Charges for Current Services

Based on San Diego average per resident times La Jolla population. Excludes airport and Port services, Hazmat, and TOT reimbursements.

Transfers In

Not estimated - includes one-time revenues and TOT already included in other categories.

Other Revenue

Based on San Diego average per resident times La Jolla population.

Franchise Fees

Based on San Diego average per resident times La Jolla population.

Real Property Transfer Tax

Transfer Tax paid upon sale of property estimated as % of property tax comparable to current City of San Diego average.

Interest and Dividends

Investment earning estimated as % of revenue comparable to current City of San Diego average.

Road-Related Revenues

Based on San Diego average per resident times La Jolla population.

Table 1d Summary of City of La Jolla Budget Expenditure Assumptions

City of La Jolla Revenue Item

City Council

Based on San Diego average per resident times La Jolla population; comparable to reference cities (e.g., Encinitas, Coronado \$520k-\$590k).

City Manager & Administration

Based on Encinitas avg. per resident times La Jolla population; approximately 5 positions & \$200,000 budget for services.

City Attorney

Contract based on Coronado average per resident times La Jolla population; also comparable to Encinitas \$1 million.

City Clerk

Based on Encinitas average per resident times La Jolla population; also comparable to Coronado \$415,000.

City Finance

Based on Encinitas average per resident times La Jolla population; also comparable to Coronado \$1.9 mill. approximately 11 positions plus \$300,000 budget for contracts and services.

Administration (Human Resource, IT, Risk Management)

Based on Encinitas avg. per resident times La Jolla population; comparable to Coronado \$2.8 mill. Approx. 6 positions.

Police

La Jolla contract with San Diego based on City of San Diego's estimated current costs of service to La Jolla.

Animal Control

Cost based on City of San Diego's estimated current costs of service to La Jolla.

Fire and Lifeguard

La Jolla contract with San Diego based on City of San Diego's estimated current costs of service to La Jolla.

Community Development (Planning, Dev. Services, Code Enforcement)

La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla. Approximately 7 planning positions, 6 code enforcement; development services 100% fee funded.

Public Works (Transportation/Roads, Environmental Services, Stormwater)

La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla. Approximately 19 positions.

Library

La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla.

Parks and Recreation

La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla.

Economic Development

Based on San Diego average per resident times La Jolla population; approximately 1-2 positions.

General Services (facility maintenance)

La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla.

Other Costs (Non-dept'l)

Insurance based on 3.5% of expenditures (Encinitas); rent of 16,100 sq.ft. office space (107 positions, 150 sq.ft. each) \$4/sq.ft./month.

Other Programs

Cultural Affairs cost based on City of San Diego's estimated current costs of service to La Jolla (funded by TOT).

INFRASTRUCTURE, PUBLIC FACILITIES AND PROPERTY

The City of La Jolla will inherit infrastructure, public facilities and property² from the City of San Diego and will be responsible for operations, maintenance and asset replacement. The focus of this PCFA is annual operating revenues and expenditures, although asset and liability issues are noted.

As indicated in this report, certain City of San Diego public safety buildings (police, fire, communications) are located within the proposed City of La Jolla boundaries and will be transferred to the City of La Jolla but will continue to serve San Diego through mutual aid or other cooperative agreements. No capital costs are included in the PCFA budget for the City of La Jolla for the transfer of public facilities and infrastructure from the City of San Diego. The new city will assume responsibility for any debt or other liabilities directly attributable to transferred facilities.

Other recreation and community facilities primarily serving La Jolla residents and located within its proposed boundaries will be transferred to and become the responsibility of the City of La Jolla. The transfer and disposition of Torrey Pines golf course and other public facilities and property will be determined during the LAFCO review process and negotiations with the City of San Diego; the PCFA budget does not include Torrey Pines Golf Course revenues in the La Jolla budget. Fees currently paid by La Jolla and San Diego residents and tee-times scheduling policies for public golf courses are not projected to change as a result of incorporation.

Other revenue-generating properties owned by the City of San Diego which are not necessary for the provision of public services would be subject to negotiation, particularly if transfer of those properties and related revenues causes an adverse financial impact on the City of San Diego and its residents.³

Sewer and water infrastructure represents a substantial investment, requires significant operation and maintenance costs, and will be very difficult to divide between the two cities; ongoing contractual operation by the City of San Diego provides a viable option but could incur management costs and increased rates to La Jolla residents if costs of serving La Jolla are more costly than San Diego and if contract operation requires a separate rate structure.

La Jolla's beaches contribute to San Diego's visitor draw and to its economic vitality but require significant operating costs for lifeguard and related marine services in addition to beach and facility maintenance and improvement. Collaboration with the City of San Diego through service contracts for continuing San Diego services would continue current efficiencies of scale while providing local management and policy direction.

² See Attachments 1 and 19 to City of San Diego Response to Data Request, 2023-06-30.

³ See Attachment 19 to City of San Diego Response to Data Request, 2023-06-30 for a list of City of San Diego properties generating lease revenue. The CFA will review and revise this list based on boundaries, future leases and revenues, and any changes to the list of properties and other leases.

IMPACTS ON OTHER AGENCIES

This PCFA provides a preliminary evaluation of potential adverse fiscal impacts on the City of San Diego. LAFCO's review of the incorporation application will determine the magnitude of impacts and required mitigation. LAFCO will facilitate negotiations between proponents for the City of La Jolla and representatives for the City of San Diego to determine revenue neutrality terms.

California State codes require that an incorporation "should result in a similar exchange of both revenue and responsibility for service delivery among the county, the proposed city, and other subject agencies"⁴ in this case primarily the City of San Diego. Adverse fiscal impacts on an agency typically are mitigated by a "revenue neutrality agreement" that could require the City of La Jolla to make payments to the City of San Diego to mitigate financial impacts. Terms may take various forms and could include sharing of certain revenues and responsibilities.

The PCFA does not address one-time startup costs of services and infrastructure transition which may incur an impact on the City of La Jolla and the City of San Diego. As previously noted, these costs could be funded through a combination of City of La Jolla reserves accumulated during the Transition Year, interim San Diego loans to be repaid over time, and possible phasing of costs over multiple years. Impacts on San Diego will be refined during LAFCO's CFA process and negotiations between La Jolla proponents and the City of San Diego as facilitated by LAFCO.

NEXT STEPS

Following completion of the PCFA, public outreach and fundraising, incorporation proponents will prepare and submit an application to LAFCO. LAFCO will review the application and prepare a CFA.⁵ The CFA will be a more detailed version of this PCFA and will consider a number of topics in greater detail, including but not limited to:

- Owned/leased properties and related costs and revenues
- Responsibility for unfunded pension liabilities and other debt
- Contracting of services
- Impacts on public utilities
- Revenue neutrality and impacts on City of San Diego

Following public hearings and LAFCO determinations, LAFCO will pass a resolution requiring the County to call for an election if LAFCO determines that the incorporation proposal meets legal requirements for financial feasibility and revenue neutrality. Terms and Conditions approved by LAFCO would specify

⁴ Gov. Code Sec. 56815.

⁵ Gov. Code Sec. 56800.

additional requirements applicable to the city incorporation. The detachment and incorporation must be approved by a majority of voters in the proposed city boundary and by a majority of voters in the City of San Diego unless this requirement is changed by State legislation.⁶ “Next Steps” are further discussed in **Chapter 5** and a preliminary working schedule is shown in **Appendix 2**.

Legislation to Address State Funding to New Cities

In 2011 the State legislature eliminated, as part of a State budget re-structuring, Property Tax In Lieu of Vehicle License Fees (PTVLF) to new cities.⁷ This revenue, in the form of property tax which grows as assessed value grows, continues to be allocated to existing cities as compensation for the loss of Vehicle License Fee revenue previously distributed by the State.

Subsequent legislation fixed the adverse impacts of this change on then-recently formed new cities in Riverside County, but future new cities continue to face reduced revenues that largely eliminate prospects for financial feasibility absent significant new revenues.

No new cities have been formed in California over the past two decades other than new cities in Riverside County that received a legislative fix and were granted PTVLF. Receipt of PTVLF would considerably improve the financial prospects of the City of La Jolla and increase funding available to help repair aging infrastructure and to address issues of affordable housing and homelessness, and potential one-time costs and other impacts on the City of San Diego.

The City of San Diego will not experience a loss of PTVLF because State law excludes from the PTVLF allocation formula the assessed value change in the first year following a boundary change.⁸ In subsequent years the increase in PTVLF to the City of San Diego also should not be significantly affected; the lower San Diego assessed value will grow less, however the smaller growth compared to a lower total base assessed value should result in a similar percent growth rate.

As recently as 2019, bills have been introduced to remedy the loss of revenues to new cities, but none have passed to-date.⁹ The League of California cities may consider advocating for legislation in future legislative sessions;¹⁰ political support from communities considering incorporation will improve chances of bill passage. Incorporation proponents should engage with other communities pursuing cityhood to push for legislation to remedy funding discrepancies adversely affecting future new cities.

⁶ Gov. Code Sec. 57119.

⁷ SB 89 (2011) excluded new cities from the statutory formula that allocates revenues based on the 2004 VLF-property tax swap.

⁸ Revenue and Tax Code Sec. 97.70(c)(1)(C)(ii)(II)

⁹ AB 818 (Cooley) 2019-20 failed to emerge from committee.

¹⁰ R. Berkson correspondence.

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THE CITY OF LA JOLLA BOUNDARY MAP



CARMEL VALLEY

CARMEL COUNTRY HIGHLANDS

Torrey Pines
State Natural
Reserve

TORREY PRESERVE

TORREY HILLS

TORREY PINES

LA JOLLA FARMS

LA JOLLA SHORES

UNIVERSITY CITY

VILLAGE OF LA JOLLA

LA JOLLA MUIRLANDS

BAY HO

BIRD ROCK

PACIFIC BEACH

South La Jolla
State Marine
Reserve

805

52

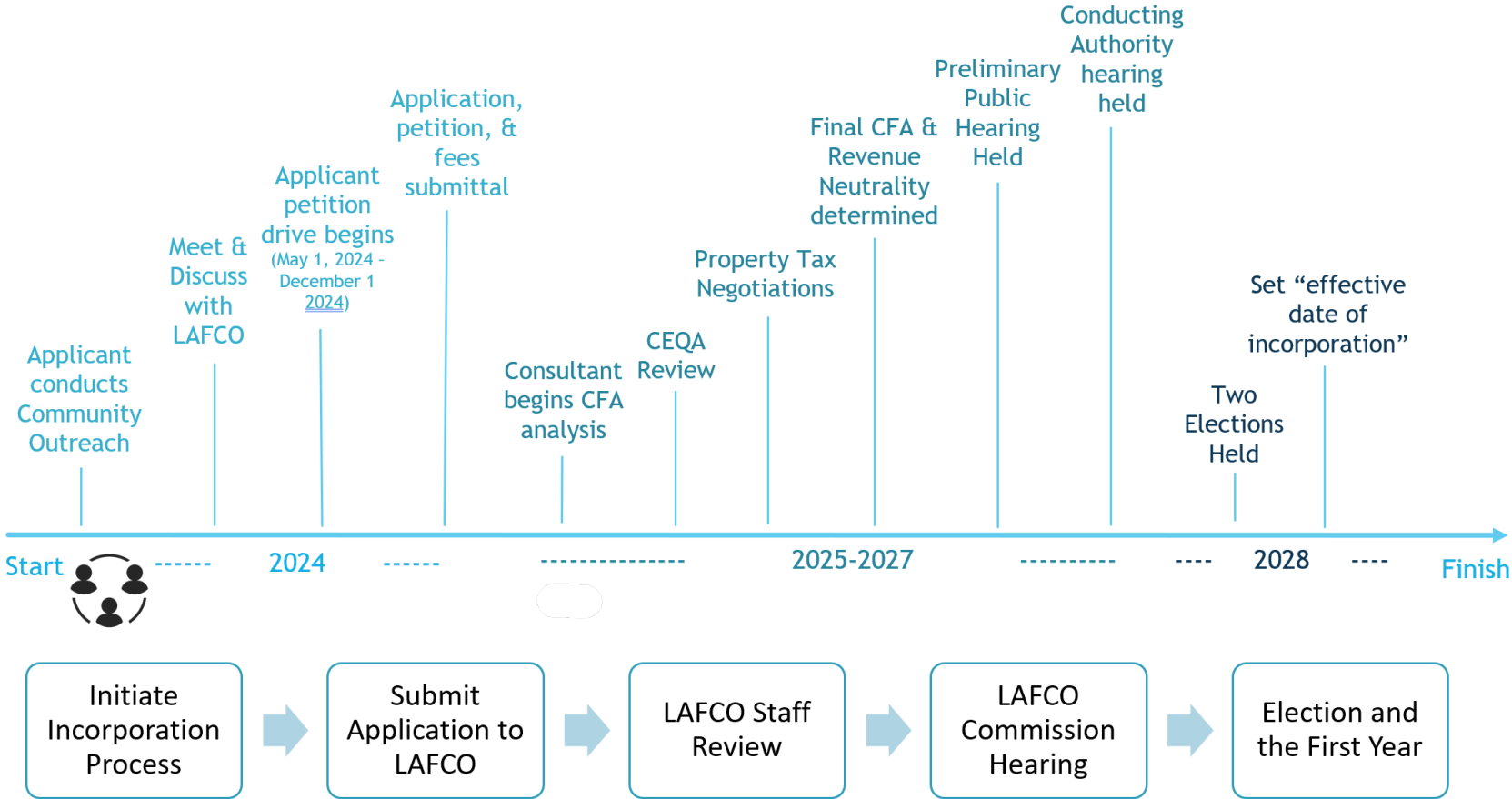


THE CITY OF LA JOLLA BOUNDARY MAP
01/17/2025

Proposed City of La Jolla Timeline of Incorporation

Timeline of Incorporation

Timeline subject to change



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