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

January 21, 2026

TO: Interested Consultants

FROM: San Diego LAFCO

SUBJECT: Request for Proposals |
Comprehensive Fiscal Analysis for the Proposed Incorporation of La Jolla

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The San Diego County Local Agency Formation Commission (LAFCO) is pleased to invite qualified consultants to submit proposals to prepare a Comprehensive Fiscal Analysis (CFA) for the proposed incorporation of the Community of La Jolla as an independent city. This proposed special reorganization—submitted by registered voter petition—involves detaching approximately 14 square miles, including the Village, Shores, and Bird Rock neighborhoods (excluding the UCSD campus), from the City of San Diego. The proposed City of La Jolla would serve an estimated population of 38,000.

The CFA will serve as a key component in LAFCO's independent review and determination pursuant to California Government Code Section 56800 and associated local policy. The selected consultant will be responsible for developing a thorough and objective fiscal analysis of the proposed new city and its anticipated impacts on existing agencies. The scope of work will include ten-year revenue and expenditure projections, an evaluation of the proposed city's ability to deliver municipal services and maintain financial stability, and an analysis of revenue neutrality for affected agencies, most notably the City of San Diego.

The enclosed RFP outlines additional background, the proposal requirements, selection timeline, and evaluation criteria. Proposals must be submitted via email to priscilla.mumpower@sdcounty.ca.gov by Tuesday, March 10, 2026 at 5:00 PM (PST). San Diego LAFCO anticipates final selection and contract initiation by April 2026.

Sincerely,

Priscilla Mumpower
Assistant Executive Officer

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REQUEST FOR PROPOSALS ("RFP") FOR COMPREHENSIVE FISCAL ANALYSIS ("CFA") PREPARATION AND AS-NEEDED PROFESSIONAL SERVICES

Date of Release:
January 21, 2026

Submittals Due:
March 10, 2026 at 5:00 PM Pacific Standard Time (PST)

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

REQUEST FOR PROPOSALS

Comprehensive Fiscal Analysis on the
Proposed Special Reorganization of La Jolla

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SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
REQUEST FOR PROPOSALS

Comprehensive Fiscal Analysis on the
Proposed Special Reorganization of La Jolla

1.0 Introduction

The San Diego County Local Agency Formation Commission (LAFCO) invites qualified individuals or firms to submit a written proposal to prepare a Comprehensive Fiscal Analysis (CFA) for the proposed incorporation of the Community of La Jolla as an independent city.[1] The proposed special reorganization – initiated by registered voter petition – seeks to detach approximately 14 square miles from the City of San Diego comprising the Village, Shores, and Bird Rock neighborhoods. The University of California at San Diego (UCSD) is excluded. The proposed City of La Jolla would serve an estimated population of 38,000 residents.

The CFA is a key component to informing LAFCO's statutory review process and ultimate determination on the proposed special reorganization. LAFCO operates under the Cortese-Knox-Hertzberg Local Government Reorganization Act ("CKH") and is – among other things – tasked with evaluating jurisdictional changes to promote efficient service delivery, fiscal sustainability, and orderly growth based on local circumstances.[2] Specific to considering proposed incorporations, CFAs are mandated components of the LAFCO administrative review consistent with California Government Code Section 56800 and local policy, including but not limited to the following core topics:

- Revenue and Expenditure Forecasting:
  Forecast projected revenues and expenditures for the proposed City of La Jolla for the first 10 fiscal years following incorporation. State law requires CFA to project finances for the first three fiscal years post-incorporation; however, LAFCO staff is expanding the analysis to cover the first 10 fiscal years.

- Impact on Existing Agencies:
  Evaluate the fiscal impacts on the City of San Diego and any other substantively affected local agencies, with an emphasis on achieving revenue neutrality.

- Service Delivery and Reserves:
  Assess the proposed City of La Jolla's ability to assume and provide essential municipal services and maintain reasonable general fund reserves.

[1] Use of the term "firm" throughout this document shall mean individual proprietorship, partnership, limited liability company, corporation (whether for profit or not-for-profit), joint venture, or other public or private entity duly existing and operating under California law or authorized to do business in California.

[2] More Information about LAFCO is provided as Attachment One.

- Stakeholder Coordination:
  Collaborate with LAFCO staff, the proponents, and the City of San Diego to ensure transparency and accuracy throughout the process and to help achieve consensus in developing appropriate assumptions and benchmarks.

2.0 Earlier Analysis

As part of the application submitted by the chief proponent – the Association for the City of La Jolla – a Preliminary Fiscal Analysis (PFA) was completed in January 2024 by Berkson Associates. The PFA projected an initial General Fund surplus of $8.982 million in FY 2027, with $8.529 million allocated to revenue-neutrality payments to the City of San Diego, resulting in an adjusted surplus of approximately $0.5 million. A copy of the PFA is available online on the LAFCO website and provided as Attachment 3.

3.0 Timeline + Selection Process

The proposed timetable for this RFP is as follows:

DESCRIPTION	DATE
Release of Request for Proposals	Wednesday, January 21, 2026
… Virtual Meeting with Interested Consultants (RSVP Required)	Wednesday, February 11, 2026 at 1:30 PM (PST)
… Deadline for Written Questions	Tuesday, February 17, 2026 at 5:00 PM (PST)
… Responses to Questions	Tuesday, March 3, 2026
Proposal Submittal Deadline	Tuesday, March 10, 2026 at 5:00 PM (PST)
… Screening and Interviews	March 2026
… Selection + Contract Finalization	March - April 2026
Expected Commencement of Work	April 2026
Expected Draft CFA Release	April 2027

The above schedule is tentative and subject to change at San Diego LAFCO's sole discretion. Nothing herein obligates San Diego LAFCO to award a contract, and it reserves the right to cancel or modify any portion of this RFP at any time.

Additional details on the timeline and selection process follows:

a) Virtual Meeting with Interested Consultants (Optional)
   Interested parties may attend a virtual meeting on February 11, 2026 at 1:30 PM to discuss the project and ask clarifying questions. Attendance is optional but must be confirmed no less than 72 hours in advance.

b) Deadline for Written Questions on the RFP (Optional)
All questions on the RFP must be submitted by February 17, 2026 via email to:

Priscilla Mumpower
Assistant Executive Officer
San Diego LAFCO
priscilla.mumpower@sdcounty.ca.gov

When submitting questions, please specify which section of the RFP you are referencing. San Diego LAFCO reserves the right to group similar questions when providing answers. Staff responses will be posted online on March 3, 2026.

c) Proposal Submittal (March 10, 2026, at 5:00PM (PST))
Proposals must be submitted electronically via email to Priscilla Mumpower at priscilla.mumpower@sdcounty.ca.gov as a single consolidated PDF document. Proposals received after this date and time will not be accepted.

d) Screening and Interviews
Submissions will be evaluated by a designated selection committee as detailed in section four. Finalists may be invited to participate in interviews. The screening process is expected to conclude within 30 days of the submittal deadline.

e) Selection + Contract Finalization
San Diego LAFCO expects to finalize a contract between March and April 2026, with contract work beginning in April.

4.0 Proposal Submittal Requirements

Firms and/or individuals responding to this RFP must submit their complete proposal via email as detailed in the preceding section as a single, consolidated PDF by the deadline of March 10, 2026. The proposal must include all of the following required components.

a) Cover letter
A signed cover letter summarizing the proposal, including all associated costs. The letter must be signed by a person authorized to negotiate and enter into a contract for the proposed CFA services on behalf of the proposing entity.

b) Background + Qualifications
A detailed description of the firm and/or individuals' background, qualifications, and relevant experience in preparing CFAs or similar financial analyses. Proposers should highlight experience with incorporations, revenue neutrality analysis, property tax transfer calculations, and coordination with LAFCOs, counties, and affected agencies.

c) Proposed Project Approach
A description outlining the methodology and approach to completing the CFA, including anticipated challenges and opportunities, and strategies for delivering a high-quality final product.

d) Scope of Work & Schedule
A detailed scope of work demonstrating an understanding of the minimum required tasks for preparation of a CFA, including fiscal feasibility, service plan analysis, property tax transfer, revenue neutrality, and budget projections. The scope shall include a clear timeline and sequencing of major tasks, milestones, and deliverables. A sample scope of work is provided in Appendix A for reference; proposers may propose alternative approaches provided all minimum requirements are met.

e) Budget
A proposed budget presented in a clear and detailed format and aligned with the proposed scope and anticipated invoicing schedule, including:

- A staffing plan identifying anticipated personnel and any subconsultants;
- Hourly billing rates for all personnel; and
- Estimated hours allocated to each team member by task.

f) List of References
A list of at least three professional references familiar with the proposer's work on similar projects completed within the past ten years. Each reference shall include contact information (name, organization, address, phone number, email) and a brief description of the associated project.

5.0 Selection Committee and Evaluation Criteria

San Diego LAFCO will utilize a five-person selection committee for this RFP. The committee will include representatives from affected and interested parties, including the special reorganization proponents, the City of San Diego, and an at-large representative reflecting broader regional economic interests. The composition of the committee is intended to provide a range of perspectives to inform LAFCO staff's evaluation of proposals and the proposed special reorganization. The selection committee is anticipated to include the following representatives:

- (1) Representative of the Association for the City of La Jolla
- (1) Representative of the City of San Diego Mayor's Office and/or Independent Budget Analyst Office
- (1) Representative of the San Diego Regional Chamber of Commerce
- (1) Representative of the San Diego Municipal Employees Association
- (1) Representative of the San Diego LAFCO:
  - Assistant Executive Officer

Written proposals will be evaluated using the following criteria with a maximum vote potential of 100 points:

Written Proposal Evaluation Category	Points
Demonstrated understanding of the project objectives and scope	20
Quality, clarity, and completeness of proposed scope of work and approach	20
Reasonableness of proposed budget and project schedule	20
Experience with similar projects of comparable scope & complexity	20
Strength and relevance of references	10
Familiarity with municipal issues within: City of San Diego and County of San Diego	10
Maximum Total	100

Voting will be weighted to provide San Diego LAFCO with a 25 percent share, with the remaining four members– the Association for the City of La Jolla, the City of San Diego, the San Diego Regional Chamber, and the San Diego Municipal Employees Association – each assigned an 18.75 percent share.

The highest-ranked proposers will be invited to participate in a panel interview with the selection committee. Interview performance will be evaluated using the following criteria with a maximum vote potential of 25 points:

Interview Performance Evaluation Category	Points
Presentation of Proposed Approach *… overall presentation and ability to clearly articulate the proposed approach, methodology, and work plan.*	10
Team Expertise, Communication, and Engagement *…demonstrated qualifications and effectiveness of communication and engagement with the selection committee.*	10
Responsiveness and Problem-Solving *…quality of responses and demonstrated critical thinking.*	5
Maximum Total	25

At the conclusion of the interviews, the selection committee will compute final scores using the weighted voting formula as described for a maximum of 125 points.

Contract Negotiations

Contract negotiations will be initiated by LAFCO staff with the highest-scoring proposer. If contract negotiations are unsuccessful, LAFCO staff will proceed to negotiate with the next highest-ranked proposer.

For additional information regarding this project and San Diego LAFCO, please refer to the attachments accompanying this RFP and visit the following webpage: https://www.sdlafco.org/resources/major-projects/la-jolla-incorporation-lafco-special-reorganization

Attachments:

1) About San Diego LAFCO Brochure
2) San Diego LAFCO Commissioners
3) Berkson and Associates Preliminary Fiscal Analysis: Executive Summary

Appendix:

A. Sample Scope of Work

Appendix A
Sample Scope of Work

This sample scope of work is intended to provide proposers with an overview of the anticipated tasks and deliverables required to prepare a Comprehensive Fiscal Analysis (CFA). It is not intended to be all-inclusive, and the selected consultant may be required to perform additional tasks or analyses necessary to complete the CFA in accordance with applicable law and LAFCO requirements.

Preparation of a Comprehensive Fiscal Analysis (CFA)

The selected consultant shall prepare a Comprehensive Fiscal Analysis (CFA) in accordance with Government Code §§56800–56815. The CFA will support the Executive Officer's report and LAFCO's consideration of a proposed incorporation and shall address fiscal feasibility, revenue neutrality, and service delivery impacts.

Task 1: Project Initiation and Boundary Scenarios

- Coordinate with LAFCO staff to confirm project assumptions, schedule, and deliverables.
- Identify and evaluate alternative boundary scenarios early in the process to assess fiscal, service, and revenue-neutrality impacts.
- Incorporate approved boundary scenarios into all subsequent fiscal analyses, including property tax transfer and revenue neutrality.

Task 2: Data Collection and Verification

- Prepare an inventory of existing agencies and public service providers in the proposed incorporation area.
- Coordinate the collection of financial and service-level data from affected public agencies (i.e., City of San Diego), special districts, franchise agencies, school districts, and the County.
- Review and validate data for consistency, accuracy, and statutory compliance.
- Document assumptions and methodologies where data must be estimated or adjusted due to limitations.
- Establish base-year financial data using the most recent fiscal year available.

Task 3: Service Plan Analysis

- Analyze existing and proposed municipal service responsibilities, including whether services would be provided directly by the new city or via contractual arrangements.
- Evaluate required and optional municipal services, including but not limited to public safety, public works, land use planning, community services, utilities, and other municipal functions.
- Identify agencies affected by service transfers and associated fiscal impacts.

- Assess alternative municipal operating and service delivery models (including staffing, contracting, and governance structures) and evaluate fiscal, operational, and feasibility implications.

Task 4: Base Year Costs and Revenues

- Develop estimates of base-year municipal service costs based on service assumptions established in Task 3, including direct and indirect costs.
- Identify administrative cost reductions to affected agencies resulting from service transfers.
- Establish base-year revenues consistent with statutory requirements, excluding project-specific or non-recurring revenues.
- Benchmark cost assumptions against comparable cities, as appropriate.

Task 5: Property Tax Transfer Calculation

- Calculate the estimated property tax transfer from the City of San Diego, County, and/or affected special districts to the proposed city pursuant to Government Code §56810.
- Apply the Auditor-Controller's ratio and document assumptions, methodologies, and data sources.

Task 6: Revenue Neutrality Analysis and Mitigation

- Evaluate fiscal impacts to affected agencies to determine whether the incorporation would result in negative financial effects.
- Identify and quantify revenue neutrality impacts.
- Develop mitigation measures and payment scenarios to achieve revenue neutrality, including adjustments for alternative boundary configurations.

Task 7: Budget Projections

- Prepare ten-year budget projections for the proposed city, including revenues, expenditures, and impacts to affected agencies, as required by statute.
- Present projections on a cash basis and clearly state all assumptions, inflation factors, and growth rates.

Task 8: Appropriations Limit Analysis

- Estimate the proposed city's appropriations limit pursuant to Government Code §56812.
- Document assumptions related to population growth, inflation, and proceeds of taxes.
- Provide sufficient information to support future voter consideration of a permanent appropriations limit.

Task 9: Transition Period and Effective Date Analysis

- Analyze fiscal implications associated with the anticipated effective date of incorporation and the transition period between incorporation and the assumption of full municipal service responsibility.
- Estimate potential reimbursement to the City of San Diego and other services providers, if applicable, for the net cost of services during the transition period, if applicable.
- Identify cash flow considerations and startup funding needs.

Task 10: Financial Feasibility Determination

- Evaluate whether the proposed city is expected to receive sufficient revenues to provide services and maintain reasonable reserves during the first ten fiscal years following incorporation.
- Assess fiscal feasibility considering economic, legal, social, and operational factors.
- Clearly summarize findings to support LAFCO's required determinations.

Task 11: Reporting and Deliverables

- Prepare a clear, well-documented CFA suitable for inclusion in LAFCO's Executive Officer's report.
- Provide tables, figures, and appendices that transparently present assumptions, calculations, and results.
- Participate in meetings with LAFCO staff and attend public hearings, meetings, or workshops as requested.

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ABOUT SAN DIEGO LAFCO

What is LAFCO?

Local Agency Formation Commissions – or LAFCOs – are boundary makers that oversee the creation and expansion of cities and special districts in all 58 counties of California. LAFCOs exercise regulatory and planning powers to coordinate publicly provided services, such as water or fire protection, and match them with community needs. The goal of every LAFCO is to facilitate smart growth while avoiding urban sprawl.

Why were LAFCOs formed?

LAFCOs were established in 1963 by the California Legislature. Initial tasks included approving or disapproving proposals for the incorporation of new cities and creation of new special districts in 57 of the 58 counties in California. (San Francisco City/County did not have a LAFCO until 2001.)

The motivation leading to the establishment of LAFCOs began several years earlier when the newly elected Governor Edmund (Pat) Brown created the Commission on Metropolitan Area Problems and directed this blue-ribbon group to make recommendations to coordinate the management of statewide growth and development.

At the time, county governments in California were largely empowered to form and expand cities and special districts without any real oversight. The prior decade highlighted the need for coordinated management as California's population increased between 1950 and 1960 by 50 percent – from 10.6 million to 15.9 million – and more than 100 cities and special districts were formed, often with irrational and overlapping boundaries.

The Commission on Metropolitan Area Problems and its findings led to a unique comprise between the State and local government with respect to assigning regional growth management responsibilities in California. This compromise remains largely intact today. It involves the Legislature setting policies and procedures with regard to the formation and post-formation development of local agencies while delegating implementation and decision-making to a consortium of locally elected officials through LAFCOs.

The authority and power of LAFCOs have increasingly expanded since 1963 through additional legislation and in respect to the state's ongoing interest to ensure effective local governance relative to local needs. The primary result of the additional legislation over the past six decades is the delineation of two distinct LAFCO duties:

1. Regulation: Regulating the physical development of cities and special districts and their respective service areas
2. Planning: Informing such decisions through various planning activities

What does LAFCO do?

San Diego LAFCO is a subdivision of the State of California and is responsible for administering a section of State law currently known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

The statute delegates the authority to regulate and plan the location of cities and most special districts and their municipal service areas to LAFCOs in all 58 counties in California.

This includes establishing, expanding, and reorganizing cities and special districts in meeting LAFCOs' underlying directive from the State to facilitate smart and sustainable growth and development.

Decisions are made with consideration to legislative objectives as well as local conditions and circumstances and include all of the following duties:

- Incorporate cities and form special districts
- Annex and detach lands to cities and special districts
- Activate or deactivate special districts' service powers
- Consolidate two or more cities or special districts into one
- Merge special districts into cities
- Disincorporate cities and dissolve special districts
- Establish spheres of influence for all cities and special districts thereby delineating areas eligible for annexation
- Regularly prepare studies to independently assess the availability, demand and performance of local government services
- Authorize cities and districts to provide new or extended services outside their boundaries by contracts

Who does LAFCO oversee?

San Diego LAFCO has direct jurisdiction over 101 local government agencies located throughout San Diego County. These local agencies are currently divided between 18 cities as well as 83 special districts that provide various services in support of existing development, such as water, wastewater, police and fire protection, cemeteries, healthcare and resource conservation.

Most special districts subject to LAFCO are independent with their own directly elected board of directors. The remaining local special districts are dependent with appointed board of directors made by other government agencies.

Cities

- Eighteen incorporated communities in San Diego County
- The first incorporation was the City of San Diego in 1850, and the last incorporation was the City of Encinitas in 1988
- The last disapproved incorporation attempt was the community of Rancho Santa Fe in 1987
- City boundaries and service areas are determined by LAFCO
- City services are determined by the agencies
- Primary functions are land use control and police protection

Special Districts

- Eighty-three special districts in San Diego County subject to LAFCO.
- The first formation was Helix Water District (formerly La Mesa, Lemon Grove, and Spring Valley Irrigation District) formed in 1897
- Special district boundaries and service areas are determined by LAFCO
- Service functions and classes are also determined by LAFCO
- Primary functions are providing urban services in support of development approved by the county and/or one of the 18 cities

San Diego LAFCO also has indirect oversight of joint-power authorities (JPAs). JPAs are legally created entities that allow two or more public agencies to provide contracted municipal services such as wastewater treatment, emergency dispatch or clean energy, often with the intent to deliver services more efficiently or cost-effectively. All JPAs providing a local municipal service as defined by LAFCO must file their agreements and any amendments with LAFCO. LAFCOs are similarly encouraged to include JPAs in preparing municipal service reviews.

*School and college districts are currently not subject to LAFCO oversight.

Who are the Commissioners?

Decisions at San Diego LAFCO are made by a 13-member "Commission" primarily consisting of appointed local elected officials that include county supervisors, city council members and special district board members. These officials also appoint two general members of the public. The Commission meets monthly and are tasked with implementing LAFCO law with broad discretion to reflect local conditions. The Commission is overseen by the California Assembly Committee on Local Government.

All members of the Commission serve four-year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the general public. They are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities, and decisions therein are not subject to an outside appeal process.

Administration and Funding

San Diego LAFCO is administered by an appointed Executive Officer and they are responsible for overseeing day-to-day activities. This includes supervising a professional staff of eight to ten employees and implementation of an annual workplan that outlines specific project goals for the fiscal year as determined by the Commission.

Funding for San Diego LAFCO is prescribed under State law based on membership categories on the Commission with the largest apportionment of 28.6% assigned to the County of San Diego. The independent special districts and cities less the City of San Diego are also apportioned 28.6% with individual amounts divided thereafter based on total revenue shares in the past fiscal year. The City of San Diego – and based on special legislation that ensures the City is always represented on the Commission – is responsible for the remaining 14.3% of annual operating costs.

At a Glance

- Subdivision of the State of California
- Facilitates smart and responsive growth and development
- Promotes public accountability and transparency of local government
- An appointed Executive Officer manages day-to-day activities and makes recommendations to the Commission
- Regulates and plans local government boundaries and associated service areas throughout San Diego County
- Comprises locally elected officials – including County Supervisors and City Mayors/ Councilmembers

Know and Go

Interested in attending a San Diego LAFCO monthly meeting? Join us, or watch our video recordings online at **sdlafco.org**. Our website also includes past and current agendas, policies and procedures, application materials, and more. All regular meetings include an opportunity for public comment and the ability to directly speak to decision-makers.

San Diego LAFCO Regular Meetings

Monthly, First Mondays at 8:15 a.m.

1600 Pacific Highway County

Administration Center, Room 302

San Diego, California 92101

Visit our website for the most up-to-date meeting information including agenda postings, updated meeting times, and cancellations.

Contact Us

San Diego LAFCO Administrative Office

2550 Fifth Avenue, Suite 725

San Diego, CA 92103

Hours: **M-F, 8:00 a.m. – 4:30 p.m.**

Phone: **619.321.3380**

Web: **sdlafco.org**

E-Mail: **lafco@sdcounty.ca.gov**

Twitter: **@sdlafco**

Appointments are Encouraged

LAFCO COMMISSION

San Diego LAFCO is governed by a Commission consisting of county, city, special district, and public members. Commissioners are appointed elected officials with the exception of the two public members. Commissioners serve four-year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. Commissioners are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities and its decisions therein are not subject to an outside appeal process.



Stephen Whitburn
Chair
City of San Diego



Barry Willis
Vice Chair
Alpine Fire District



Kristi Becker
Commissioner
City of Solana Beach



Joel Anderson
Commissioner
County of San Diego



Paloma Aguirre
Commissioner
County of San Diego



Jo Mackenzie
Commissioner
Vista Irrigation



Dane White
Commissioner
City of Escondido



Bridgette Browning
Commissioner
Public Member



Eileen Delaney
Alternate
Public Member



David Drake
Alternate
Rincon Del Diablo



John McCann
Alternate
City of Chula Vista



Monica Montgomery Steppe
Alternate
County of San Diego



Marni Von Wilpert
Alternate
City of San Diego

Learn more about the Commission at https://www.sdlafco.org/about/commission.



Berkson Associates

Urban Economics
Policy Forensics & Forecasting
Planning & Policy Analysis

REPORT

PRELIMINARY COMPREHENSIVE FISCAL ANALYSIS (PCFA)

THE CITY OF LA JOLLA

Prepared by BERKSON ASSOCIATES
for The Association for the City of La Jolla

January 17, 2024 (rev'd 1/24/2025)

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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.

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%

Figure 1 Proposed Boundary of City of La Jolla



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 the 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	3,885,000	3,902,000	3,919,000
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)	781,000	781,000	781,000
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	**($8,529,000)**	*tbd*	*tbd*
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	$11,421,000	$11,798,000	$12,185,000
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	$5,169,000	$5,315,000	$5,488,000
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	**($9,320,000)**	*tbd*	*tbd*
NET	**$495,000**		
Includes inflation/year at	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 (Transporation/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 property[2] 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.

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[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

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[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 be 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.

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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.