



De Luz

Community Services District

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October 8, 2021

Chair and Commissioners
Riverside County Local Agency
Formation Commission
6216 Brockton Avenue, Suite 111-B
Riverside, CA 92506

RE: De Luz CSD Municipal Service Review 2021

Chair and Commissioners:

We concur with the results of the Municipal Service Review conducted by Executive Officer Gary Thompson and staff. We agree with the findings and recommendations and request your approval of the MSR. We request the addition of one Determinations (found on pages 25-26 of the document). The additional Determination would be to recommend that the Riverside County Board of Supervisors amend the original 1980's Resolutions that transferred public roads to De Luz CSD. This will enable Riverside County to obtain Fuel Tax funding for these roads and negotiate an MOU to provide such funds to De Luz CSD for road maintenance purposes.

FUEL TAX LEGISLATION

Senator Melissa Melendez has sponsored SB 415 on our behalf to authorize certain Fuel Funds to be provided to the County of Riverside for allocation to Community Service Districts created by the County for the purpose of maintaining public roads. This would provide approximately \$1 million per year in funds dedicated to the repair and improvement of roads within the De Luz CSD. The Senator has been advised that this Legislation may be unnecessary because current law would allow for such transfer.

HISTORY

De Luz was developed in the 1970's by Kaiser Aluminum Land Company which subdivided the 33 square miles of rural hillside land between Temecula and Camp Pendleton. These subdivisions were processed and approved by the Riverside County Planning Commission and Board of Supervisors which included the requirement to build nearly 60 miles of dedicated public roadways. As these roads were being built, the question of maintenance became an issue in 1978 when Proposition 13 was passed which created severe financial burdens upon counties. At that time, fuel taxes did not provide full funding for road maintenance which necessitated significant contributions from the general fund. Application was made to LAFCO by the developer to create

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a taxing agency to provide funding for all road maintenance and additional law enforcement service in De Luz. LAFCO staff conducted the required studies and options. LAFCO determined that a Community Service District was the preferred vehicle to maintain these roads without any financial burden on Riverside County. The Board of Supervisors adopted the recommendation of LAFCO and created the De Luz Community Services District in 1979. It then adopted resolutions giving the District all authority to maintain public streets within its boundaries. From 1980 to 1984, all dedicated and accepted roadways were transferred to the District by the Board of Supervisors. Since that time, when the County Planning Commission require subdivisions in De Luz to build public roadways, these roads are transferred to the District by resolution of the Board of Supervisors. There are now (2021), 86 miles of public roadways within the boundaries of De Luz that are maintained by the CSD.

RECOVERY OF FUNDS

The De Luz CSD operates entirely on funding from benefit assessments levied district-wide and by zone. These assessments were frozen in 1998 by Proposition 218. They amount to \$2 million annually.

The California Streets and Highways Code provides funds to each County through the Highways Users Tax Account and Roadway Maintenance and Rehabilitation Account. These funds are collected from fuel purchasers at retail stations throughout the State ("Gas Tax"). Funds are allocated on the basis of 75% upon population and vehicle registrations and 25% on mileage of maintained roads. The County of Riverside receives approximately \$2.5 million per year from population and vehicle registrations in De Luz. Riverside County uses these funds to maintain Rancho California Road and De Luz Road and the additional funds are spent for road maintenance in other parts of the County.

Each year in May, Riverside County reports the total number of miles of county maintained roads to the California Controller and funds are distributed to the County beginning each July. The County does not report the 86 miles of roadway maintained by De Luz CSD. The Official Road Map of Riverside County does indicate these roads but references them as "Maintained by CSD". These roads do not receive funding from the Fuel Tax fund even though they were created by County required subdivision conditions, accepted on behalf of the public by the Board of Supervisors or their designee (the District). This procedure was brought about to circumvent Proposition 13 by shifting general funds to the property taxpayers which today would violate Proposition 218. The taxpayers of De Luz pay benefit assessments for their road maintenance but pay Fuel Taxes on the purchase of gasoline without receiving any benefit from the tax as other taxpayers receive for maintenance of their roads. This is an annual loss to Riverside County and the De Luz CSD of \$1 million per year.

De Luz CSD sought the review and assistance of Senator Melissa Melendez to obtain funding from the HUTA and RMRA sections of the Streets and Highways Code. This resulted in the introduction of SB 415. During the process of committee review it was brought to the Senator's attention that under current law, the County should be able to claim these roads since the roads were created

and accepted as public by the County and the CSD was created by the County to maintain such roads. It is suggested that the County clarify its interpretation of a "county road" to include those public roads that it has given to a CSD for road maintenance. In the early 1980's, the Board of Supervisors adopted resolutions accepting and making the roads public while declining to maintain the road within the county maintenance system. This would seem obvious since it had previously created a CSD to maintain these roads. It is our position that these roads are County Roads by definition but are maintained through another method rather than County maintenance forces, they are maintained by the CSD. Therefore, the County of Riverside has established one maintenance system comprised of two types of maintenance: County maintenance forces or CSD maintenance forces. The actual roads meet the definition of "county maintained roads" which are maintained either by County or CSD crews. In creating the De Luz CSD to defer maintenance costs away from the County General Fund, the County should have redefined their maintenance system to include both methods of maintenance.

SOLUTION

The De Luz Community Services District requests that the Board of Supervisors revise the original 1980's resolutions to clarify that the roads are within the County maintenance system but maintenance of said roads are maintained by the Community Services District. Thereafter, the current 86 miles of roads be added to the annual report to the State Controller. This will increase the monthly payment of HUTA and RMRA funds to the County of Riverside. The County and DLCSD will negotiate and adopt a Memorandum of Understanding whereby such additional funds shall be provided monthly to the CSD to provide road maintenance services within the requirements of the Streets and Highways Code.

REQUESTED DETERMINATION

The De Luz CSD hereby requests that this matter be made a part of the 2021 Municipal Service Review as an addition to Determination 4. as follows:

- **LAFCO recommends to the Riverside County Board of Supervisors that the original resolutions transferring roads to De Luz CSD be modified to qualify the miles of roads maintained by DLCSD for Fuel Tax HUTA and RMRA funds and negotiate an MOU to facilitate transfer of such funds to the CSD for road maintenance purposes pursuant to CA Streets and Highways Code.**

Sincerely,

DE LUZ COMMUNITY SERVICES DISTRICT



Mariann Byers
President

Hello. I am Mariann Byers, President of the De Luz Community Services District. We are pleased with the outcome of our first Municipal Services Review and recommend that the Commission adopt it. We appreciate the exceptional work done by Gary Thompson and his staff.

The District has submitted a formal comment as part of this Public Hearing and it is attached to the staff report. Essentially, our CSD is primarily a road maintenance agency, charged with maintaining public roads created by the County subdivision process and transferred to our District for maintenance. We maintain 86 miles of public roads by benefit assessments charged to our property owners each year on the property tax bill. This provides about 2 million dollars per year in revenue. This total has been frozen since the passage of Proposition 218 in 1998.

In reviewing this dilemma, we learned that all other maintenance of public roads in California are by Fuel Taxes collected at the pump and shared with Counties and Cities. No one envisioned that CSDs may have been formed to maintain public roads in order to raise funds by special assessments. De Luz was formed just months after Proposition 13 for this reason. Unfortunately, it took our roads off the Fuel Tax rolls which today would amount to \$ 1 million per year.

We ask that our MSR be amended to add one additional "Determination" to request that the Board of Supervisors work with the CSD to amend the original formation documents to clarify that public roads maintained by a CSD shall be re-designated in order that we could obtain Fuel Tax funds through the County.

Supervisor Jeffries has generously agreed to work with us to make this a reality. The appropriate motion is in the Staff Report.

Thank you.