

**Municipal Service Review
City of Commerce
January 11, 2017**

Chapter One: LAFCO Background

Municipal Boundaries

The State of California possesses the exclusive power to regulate boundary changes. Cities and special districts do not have the right to change their own boundaries without State approval.

The California Constitution (Article XI, Section 2.a) requires the Legislature to “prescribe [a] uniform procedure for city formation and provide for city powers.” The Legislature also has the authority to create, dissolve, or change the governing jurisdiction of special districts because they receive their powers only through State statutes.

The Legislature has created a “uniform process” for boundary changes for cities and special districts in the Cortese Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 *et seq*, or “Act”). The Act delegates the Legislature’s boundary powers over cities and special districts to Local Agency Formation Commissions (LAFCOs) established in each county in the State. The Act is the primary law that governs LAFCOs and sets forth the powers and duties of LAFCOs.

In addition to the Act, LAFCOs must comply with the following State laws:

- California Revenue and Taxation Code Sections 93 and 99. LAFCO considers the revenue and taxation implications of proposals and initiates the property tax negotiation process amongst agencies affected by the proposal.
- California Environmental Quality Act (CEQA) (California Public Resources Code Section 21000 *et seq*) and the related CEQA Guidelines (Title 14, California Code of Regulations Section 15000 *et seq*). Applications before LAFCO are considered to be “projects” under CEQA, which requires that potential environmental impacts be analyzed prior to Commission action.
- Ralph M. Brown Act (California Government Code Section 54950 *et seq*). Commonly known as the State’s “open meeting law,” the Brown Act insures that the public has adequate opportunity to participate in the LAFCO process.
- Political Reform Act (California Government Code Section 81000 *et seq*). Commissioners, some LAFCO staff, and legal counsel are subject to the Political Reform Act, which requires the filing of annual reports of economic interests.

What are LAFCO’s?

LAFCOs are public agencies with county-wide jurisdiction for the county in which they are located. LAFCOs oversee changes to local government boundaries involving the formation and expansion of cities and special districts.

In creating LAFCOs, the Legislature established four priorities: encourage orderly growth and development, promote the logical formation and determination of local agency boundaries, discourage urban sprawl, and preserve open space and prime agricultural lands.

Created by the State but with local (not State) appointees, each of the 58 counties in the State of California has a LAFCO. Each LAFCO operates independently of other LAFCOs, and each LAFCO has authority only within its corresponding county.

While a LAFCO may purchase services from a county (i.e., legal counsel, employee benefits, payroll processing), LAFCO's are not County agencies.

Local Agency Formation Commission for the County of Los Angeles ("LA LAFCO")

LA LAFCO regulates the boundaries of all 88 incorporated cities within the County of Los Angeles. LAFCO regulates most special district boundaries, including, but not limited to:

- California water districts
- Cemetery districts
- Community service districts ("CSDs")
- County service areas ("CSAs")
- County waterworks districts
- Fire protection districts
- Hospital and health care districts
- Irrigation districts
- Library districts
- Municipal utility districts
- Municipal water districts
- Reclamation districts
- Recreation and parks districts
- Resource conservation districts
- Sanitation districts
- Water replenishment districts

LAFCO does not regulate boundaries for the following public agencies:

- Air pollution control districts
- Bridge, highway, and thoroughfare districts
- Community college districts
- Community facility districts (aka "Mello-Roos" districts)
- Improvement districts
- Mutual water companies
- Private water companies
- Redevelopment agencies
- School districts
- Special assessment districts
- Transit and transportation districts

LAFCO does not regulate the boundaries of counties. County boundary adjustments are within the purview of the boards of supervisors for the involved counties.

State law specifically prohibits LAFCOs from imposing terms and conditions which “directly regulate land use, property development, or subdivision requirements.” In considering applications, however, State law requires that LAFCO take into account existing and proposed land uses, as well as General Plan and zoning designations, when rendering its decisions.

The Local Agency Formation Commission for the County of Los Angeles (LA LAFCO, the Commission, or LAFCO) is composed of nine voting members:

- Two members of the Los Angeles County Board of Supervisors (appointed by the Los Angeles County Board of Supervisors);
- One member of the Los Angeles City Council (appointed by the Los Angeles City Council President);
- Two members of city councils who represent the other 87 cities in the county other than the City of Los Angeles (elected by the City Selection Committee);
- Two members who represent independent special districts (elected by the Independent Special Districts Selection Committee);
- One member who represents the San Fernando Valley (appointed by the Los Angeles County Board of Supervisors); and
- One member who represents the general public (elected by the other 8 members).

LAFCO also has six alternate members, one for each of the six categories above.

The Commission holds its “regular meetings” at 9:00 a.m. on the second Wednesday of each month. The Commission periodically schedules “special meetings” on a date other than the second Wednesday of the month. Commission meetings are held in Room 381B of the Kenneth Hahn Hall of Administration, located at 500 West Temple Street in downtown Los Angeles. Public notice, including the Commission agenda, is posted at the Commission meeting room and on LAFCO’s web-site (www.lalafco.org).

The Commission appoints an Executive Officer and Deputy Executive Officer. A small staff reports to the Executive Officer and Deputy Executive Officer.

LAFCO’s office is located at 80 South Lake (Suite 870) in the City of Pasadena. The office is open Monday through Thursday from 7:00 a.m. to 5:00 p.m. The office is closed on Fridays.

What are LAFCO’s responsibilities?

LAFCO oversees changes to local government boundaries involving the formation and expansion of cities and special districts. This includes annexations and detachments of territory to and/or from cities and special districts; incorporations of new cities; formations of new special

districts; consolidations of cities or special districts; mergers of special districts with cities; and dissolutions of existing special districts. LAFCO also approves or disapproves proposals from cities and special districts to provide municipal services outside their jurisdictional boundaries (these public agencies can provide services outside of their boundaries under very limited circumstances).

An important tool used in implementing the Act is the adoption of a Sphere of Influence (SOI) for a jurisdiction. An SOI is defined by Government Code Section 56425 as "...a plan for the probable physical boundary and service area of a local agency." An SOI represents an area adjacent to a city or special district where a jurisdiction might be reasonably expected to provide services over the next 20 years. The SOI is generally the territory within which a city or special district is expected to annex.

LAFCO determines an initial SOI for each city and special district in the County. The Commission is also empowered to amend and update SOIs.

All jurisdictional changes, such as incorporations, annexations, and detachments, must be consistent with the affected agency's Sphere of Influence, with limited exceptions.

Municipal Service Reviews

State law also mandates that LAFCO prepares Municipal Service Reviews (MSRs). An MSR is a comprehensive analysis of the municipal services, including an evaluation of existing and future service conditions, provided in a particular region, city, or special district. Related to the preparation of MSRs, and pursuant to State Law, LAFCOs must review and update SOIs "every five years, as necessary." The Commission adopted MSRs for all cities and special districts in the County prior to the January 1, 2008 deadline (Round One).

Some LAFCOs prepare MSRs for each city and special district in their region every five years. Other LAFCOs do not prepare MSRs proactively; rather, when a city, special district, or petitioner wants to expand the boundaries of an SOI, the LAFCO requires that the applicant pay for the preparation of an MSR in advance of the SOI determination. Most LAFCOs take an intermediate approach, above, preparing MSRs for a select group of cities and special districts every five years. This is the approach taken by the Commission (LA LAFCO) at its meeting of March 9, 2011. Staff is currently preparing MSR's for 9 cities and 14 special districts (Round Two). Staff has completed MSRs for four cities (Compton, Cudahy, Gardena, and Santa Clarita) and three special districts (Huntington Municipal Water District, Palmdale Water District, and Sativa County Water District), all of which have been adopted by the Commission.

In preparing MSRs, LAFCOs are required to make seven determinations:

- Growth and population projections for the affected area;
- The location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to a city or district's SOI;
- Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs of deficiencies;

- Financial ability of agencies to provide services;
- Status of, and opportunities for, shared facilities;
- Accountability for community service needs, including governmental structure and operational efficiencies; and
- Any other matter related to effective or efficient service delivery.

Although State law requires the preparation of MSRs, the State does not provide funding to LAFCOs to perform this work. Some MSRs are prepared utilizing existing LAFCO staff; in other instances, LAFCO retains a consultant. When consultants are required, LAFCOs utilize a portion of its existing annual budget; additionally, LAFCO may request voluntary contributions from the involved city or special district.

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Chapter Two: City Background

City of Commerce

The City of Commerce (“City” or “Commerce”) was incorporated as a general law city on January 28, 1960.¹ According to the City’s website, city formation was initiated by a “hardy band of residents and business leaders” who were “[d]etermined to avoid the higher property taxes annexation to any neighboring city might bring.”² As its name implies, Commerce is a city predominantly devoted to manufacturing and commercial activity.

The city’s population in 2013 is estimated at 12,993.³ The City is 6.55 acres in size. The population density is slightly under 1,984 persons per square mile.

In 2012, the City had 3,382 housing units, the median housing price was \$227,000, and the median household income was \$45,789.⁴

Both the Santa Ana (Interstate 5) Freeway and Long Beach (Interstate 710) Freeway traverse the City of Commerce, as do the major thoroughfares of Atlantic Boulevard, Eastern Avenue, Garfield Avenue, Slauson Avenue, and Washington Boulevard. Commerce is home to a number of major rail lines (BNSF, Union Pacific, and Metrolink) as well as the UP Railroad Yard in the city’s northwestern corner.

The city operates four community parks, seven community centers, and four public libraries in the city. The city also owns and operates a camp in Lake Arrowhead for city residents.⁵

The city is surrounded by the cities of Bell, Bell Gardens, Downey, Los Angeles, Montebello, Pico Rivera, and Vernon; to the north of the city is the unincorporated community of East Los Angeles. The Los Angeles River is located near the city’s southwestern border, and the Rio Hondo River abuts the city’s southeastern border. Most of the city is developed with industrial manufacturing, and distribution uses (61%); a substantial portion is taken up by freeways, highways, and railyards (17%); residential uses comprise a small portion of the city (just under 8%); and the remainder includes a small amount of commercial/entertainment and public facilities.⁶

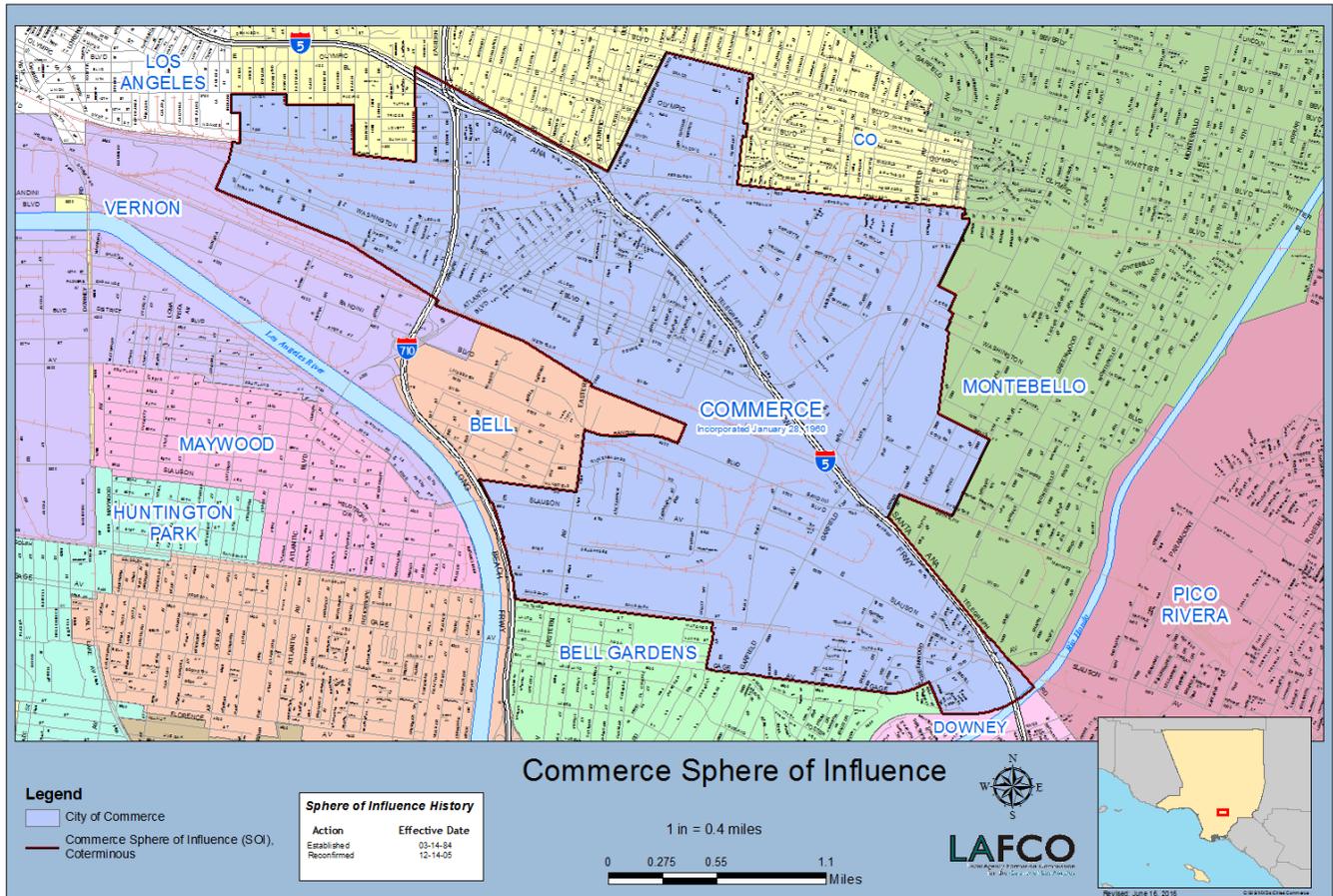
The topography of Commerce is relatively flat.

There are two facilities (the former Uniroyal Tire Plant and the Pillsbury Mill) which are listed on the State Register of Historical Places.⁷ The former Uniroyal Tire Plant was redeveloped into the Citadel mixed-use office and retail complex.

In 1984, the Commission assigned Commerce a Coterminous Sphere of Influence, (see Existing City of Commerce Sphere of Influence, Exhibit 1). The Commission reconfirmed the Coterminous SOI in 2005.

Commerce is governed by a 5-member city council, elected at-large to serve four-year terms. The Commerce City Council selects a mayor and vice mayor from its membership on an annual basis.

Exhibit 1 Existing City of Commerce Sphere of Influence



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Chapter Three: Discussion and Determinations

Government Code Section 56430 requires LAFCO to “conduct a service review of the municipal services” and to “prepare a written statement of its determinations” relative to several factors. This chapter addresses these factors and includes the recommended determinations.

Growth and Population

According to the United States Census Bureau, the 2010 population of the City of Commerce was 12,827; and the estimated population in 2013 is 12,993.⁸ This is an overall increase of 166 persons over a three-year period, or approximately 55 persons per year.

SCAG’s 2012 Regional Transportation Plan (RTP) estimates the 2008 population of Commerce to be 12,800 residents, which is reasonably consistent with the 2010 Census Bureau count of 12,827 residents.⁹ The RTP forecast projects nominal growth rate of .005% (one-half of 1%) per year in Commerce, as shown in Exhibit 2, below:

Exhibit 2				
City of Commerce Population Projections (SCAG 2012 RTP)				
<u>Year</u>	<u>Population</u>	<u>Annual Increase</u>	<u>Annual Growth Rate</u>	<u>Overall Increase</u>
2008	12,800	N/A	N/A	N/A
2020	12,900	8	.005%	100
2035	13,000	7	.005%	200

In conclusion, the population of Commerce is unlikely to grow significantly over the next twenty years.

Determinations:

- **The population of the City of Commerce is stable.**
- **Commerce is projected to add roughly 200 persons per year over the next two**

decades, which represents a modest growth increase of less than one-percent (1%) per year.

- **Given a relatively stable population, the residential demand for services is unlikely to increase in any significant fashion. Nevertheless, and because economic growth is planned in the predominantly commercial and industrial areas of the City, service demands in those areas will increase over time.**

Disadvantaged Unincorporated Communities

Pursuant to the State's passage of Senate Bill 244, as of January 1, 2012, LAFCOs are required to make determinations regarding Disadvantaged Unincorporated Communities (DUCs) for an Update of a Sphere of Influence. The law defines a DUC as a community with an annual median household income that is less than 80% (eighty percent) of the statewide annual median household income. The law also requires that LAFCOs consider "the location and characteristics of any disadvantaged communities within or contiguous to the sphere of influence" when preparing an MSR.

The entire northern boundary of the City of Commerce abuts unincorporated East Los Angeles, and that portion of East Los Angeles which abuts the City is a DUC. Given that this is the only unincorporated area adjacent to the City of Commerce—and barring any future changes in the boundaries of DUCs—any proposal to annex territory into the City of Commerce would, by definition, include all or a portion of a DUC.

East Los Angeles is best described as follows:

East Los Angeles is a highly urbanized community just east of downtown Los Angeles. It is developed with a mix of residential, commercial, industrial, and institutional uses built primarily during the mid-20th century. Medium-density residential developments and public and institutional uses occupy the majority of the land, with commercial developments along major roadways and industrial uses concentrated in the northwestern and southwestern sections. Several cemeteries, County facilities, schools, and parks are present at scattered locations in the community.¹⁰

Contrary to this description, it deserves mention that most of the existing "medium-density residential developments" in East Los Angeles are predominantly single-family dwellings.

On several occasions, residents and landowners in East Los Angeles have attempted to incorporate as a new city. The most recent cityhood effort was denied by LAFCO in 2012. Amongst its proponents, a primary factor in support of cityhood is preventing annexation of portions of East Los Angeles by adjoining cities. The last annexation into the City of Commerce was in 1970, and there have been no recent proposals to annex territory into Commerce.

Given these factors, it appears unlikely that Commerce will annex any portion of unincorporated East Los Angeles in the foreseeable future. To the extent an annexation proposal is filed with LAFCO, it would necessarily include all or a portion of a DUC.

Determinations:

- **Because the City has a Coterminous SOI—which has no unincorporated territory—there are no DUCs within the City’s SOI. The entire northern boundary of the City of Commerce abuts unincorporated East Los Angeles, and that portion of East Los Angeles which abuts the City is a DUC.**
- **To the extent an annexation proposal (and concurrent SOI amendment) is filed with LAFCO, it would necessarily include all or a portion of a DUC.**

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Present and Planned Capacity of Public Facilities

Providers of municipal services in the City of Commerce are identified in Exhibit 3, below.

Exhibit 3	
City of Commerce Municipal Services	
Police	Los Angeles County Sheriff Department
Fire & Paramedic	Los Angeles County Fire Department
Water Retailer(s)	California Water Service Company (Cal Water)
Electricity	Southern California Edison
Natural Gas	Southern California Gas Company
Sanitation	County Sanitation District No. 2 County of Los Angeles Consolidated Sewer Maintenance District
Sewer Maintenance	CalMet Services (City contractor)
Solid Waste	
Flood Control	Los Angeles County Flood Control District (LACFCD)
Stormwater Maintenance	Los Angeles County Department of Public Works
Street Maintenance	Direct
Animal Control	Los Angeles County Department of Animal Control
Parks & Recreation	Direct
Library	Direct
Transit	Metro, Direct
Land Use	Direct
Building	Direct

Basic City Services: The City provides basic city services directly, utilizing several departments: city administrator, city attorney, city clerk, finance, human resources, library, parks & recreation, public safety & community services, public works & development services, and transportation. Other services are secured on a contract basis, as noted herein.

Law Enforcement/Police: Law enforcement services in the City of Commerce are provided under contract by the Los Angeles Sheriff's Department (LASD).

LASD personnel is based at the East Los Angeles Station, located at 5019 Third Street in the unincorporated community of East Los Angeles. In addition to the City of Commerce, LASD from the East LA Station services the cities of Cudahy and Maywood and the unincorporated communities of Belvedere Gardens, City Terrace, Eastmont, East Los Angeles, and Saybrook Park.¹¹ According to LASD, 31 sworn personnel and 6 non-sworn staff are assigned to provide coverage to the City of Commerce.¹²

As measured by LASD, the number of reported incidents in 2016 increased from 841 in Calendar Year 2015 to 901 in Calendar Year 2016 (through August), an increase of 6.4%.¹⁰ This is consistent with the LASD's increase in crime, year-to-year, for all communities served by the East Los Angeles Sheriff's Station (6.52%).¹³

LASD is one of the largest municipal law enforcement agencies in the entire country. In addition to patrolling all unincorporated areas, LASD has a large contract services division whereby it provides law enforcement services to 40 cities throughout the county. There are no apparent capacity issues associated with LASD's continuing to provide contract law enforcement services to the City of Commerce.

Fire: Structural fire protection services are provided by the Consolidated Fire Protection District of the County of Los Angeles (CFPD). The CFPD covers all unincorporated areas of the County, as well as 58 cities. Commerce is not within the boundaries of the CFPD, the city is a "fee-for-service" city, under which the City receives CFPD services under contract.

There are three local fire stations which serve the City of Commerce:

- Station #22 at 928 South Gerhart Street in the City of Commerce;
- Station #27 at 6031 Rickenbacker Road in the City of Commerce; and
- Station #50 at 2327 South Saybrook Avenue in the City of Commerce.

The CFPD's average response time (emergency and non-emergency incident) is 4:58 minutes in the City of Commerce. This is reasonably consistent with the standard adopted by the National Fire Protection Association (NFPA) of five minutes for fires and basic life support responses and 8 minutes for advance life support (paramedic) responses in urban areas.¹⁴

The CFPD is one of the largest fire protection agencies in the State of California, serving all unincorporated areas and more than 40 cities throughout the county. There are no apparent capacity issues associated with CFPD's continuing to provide contract structural fire protection services to the City of Commerce.

Water Retailers: Retail water service is provided by the California Water Service ("Cal Water"), a private water company which is "the largest investor-owned water utility west of the Mississippi River and the third largest in the country."¹⁵

Cal Water currently serves 1,200 customer accounts within the City of Commerce, which it has served since 1985, through Cal Water's East Los Angeles District.¹⁶ The sources of its water are three local active wells and purchased water from the Metropolitan Water District of Southern California (MWD).¹⁷

There are no apparent service capacity issues associated with Cal Water above and beyond the on-going constraints affecting all water providers in Southern California. As a very large water retailer, Cal Water brings additional resources to bear in comparison to smaller providers. The existence of three local active wells to supplement imported water is also of substantial benefit.

Wastewater Treatment: The Sanitation Districts of Los Angeles County treat the wastewater generated in the City of Commerce, which is located within the boundaries of County Sanitation District No. 2. Mayor Ivan Altamirano serves as the City's representative on the board of directors for Sanitation District No. 2.

Wastewater generated in Commerce is treated at the Joint Water Pollution Control Plant (JWPCP) in nearby Carson. The JWPCP is one of the largest wastewater treatment plants in the world and is the largest plant operated by the Sanitation Districts, with the capacity to treat 280 million gallons of wastewater per day.¹⁸ The JWPCP is currently providing adequate service to the City of Commerce. Given that that only modest growth is expected in the City between now and 2035; combined with the history, size, and operational abilities of the Sanitation Districts; there are no apparent service nor capacity issues for wastewater treatment.

Sewer Maintenance: The City's sewers are maintained by the County of Los Angeles Consolidated Sewer Maintenance District (CSMD), which is managed by the Los Angeles County Department of Public Works. The CSMD maintains sewers in unincorporated areas and 40 cities throughout the County, serving a population of more than 2.3 million people. The District's annual budget is approximately \$60 million.¹⁹ Given that only modest growth is expected in the City over the next twenty years; combined with the CSMD's size, track record, and operational abilities; there are no apparent service nor capacity issues for sewer maintenance.

Solid Waste: Residential waste is collected by CalMet Services, Inc., a contractor to the City of Commerce. According to the City's website, there is no charge to residents of the City for residential trash collection service.²⁰ Collection of residential waste by a contractor is the most common form of trash collection in Los Angeles County; there are no apparent service nor capacity issues for solid waste.

Parks: The City's Department of Parks & Recreation operates four community parks and seven community centers in the City. The City of Commerce also owns and operates a camp in Lake Arrowhead for city residents.²¹ As noted on the City's website, "[t]he department is unique, since it offers all of its recreational programs and activities at little to no cost to the residents of Commerce."²² City representatives note that "[o]n average, Commerce residents have lower incomes than the median County household while having larger households, significant immigration status, and educational attainment levels that are lower than the County on average. Commerce will continue to provide quality of life services to its population in order to offset the environmental distress suffered by its residents due to its geographic location. The Commerce community is defined by the intersection of obsolescent freeways operating at levels of traffic congestion which have long surpassed their design capacities. Further, the City is home to massive intermodal rail yards and intermodal activity which render Commerce the fourth largest intermodal terminal in the United States. Commerce has been determined a

'disadvantaged community' by Cal-EPA and is ranked within the top five percent of communities statewide experience the worst environmental distress and degradation."²³

Library Services: The City's Library Department operates four libraries in the City of Commerce:

Bandini Library at 2269 South Atlantic Boulevard;
Bristow Library at 1466 South McDonnell Avenue;
Rosewood Library at 5655 Jillson Street; and
Veterans Library at 6134 Greenwood Avenue.

The four libraries are open for extensive hours on weekdays, limited hours on Saturday, and closed on Sunday.²⁴ As noted on the City's website, "[i]n order to serve the entire community the library provides service in both English and Spanish."²⁵

Other Services: Animal regulation is provided on a contract basis by the County of Los Angeles Animal Care and Control Department, which provides service in all County unincorporated areas and to multiple cities throughout the County. In addition to regional public transit services provided by Metro, the City's Transportation Department operates several local bus and commuter bus routes.

Determinations:

- **The City of Commerce provides municipal services through a combination of in-house city departments and regional providers such as the Los Angeles County Sheriff's Department, the Consolidated Fire Protection District of the County of Los Angeles, the Sanitation Districts of Los Angeles County, and the County of Los Angeles Sewer Maintenance District. These regional providers provide adequate service to City residents and business-owners, and the City of Commerce should continue to maintain positive working relationships with these agencies.**
- **There are no known significant capacity issues for most municipal services in the City of Commerce. With respect to retail water delivery, there are no apparent service capacity issues associated with Cal Water (the retail water provider in Commerce) above and beyond the on-going constraints affecting all water providers in Southern California.**

Financial Ability of Agencies to Provide Services

The City's 2016-2017 budget was adopted by the City Council on June 21, 2016. As noted in the agenda report, "[a]fter years of structuring ways of addressing budget deficits, the City was looking at another year of a projected surplus—\$6,340,475 for FY 2016-2017."²⁶

City representatives note that "[o]n August 6 2012, the City Council approved and adopted Resolution No. 12-84, declaring a state of fiscal emergency for the placement of a general tax measure before the voters of Commerce. The Council further approved the wording of the proposed Ordinance entitled "An Ordinance of the People of the City of Commerce, State of

California, enacting a One-half of One Percent (1/2%) Transactions and Use (Sales) Tax to Fund General Municipal Services. The purpose of the hearing was to adopt Measure AA which was intended to offset the budget crisis as a result of the State Legislature's adoption of AB1X 26 ('AB 26'), which was approved by the State of California on June 8, 2011."²⁷

As further noted by City representatives, "[a]pproval of Measure AA was necessary as a result of the adoption of AB 26 on February 1, 2012. Measure AA provides the City with funding for infrastructure investments as well as enhances public safety services. The City was initially in the category of 'no or low' property tax city. As a result of Proposition 13, the City receives a property tax revenue income of seven cents for every property tax dollar. This property tax revenue base is insufficient to properly maintain the infrastructure of an industrial community."²⁸

The adoption of Measure AA (by the City Council) and voter approval of Measure AA (by the registered voters of the City of Commerce) generated substantial additional revenues—in Fiscal Year 2014-15, Measure AA funds were \$8.27 million.²⁹ The influx of Measure AA revenues has stabilized the City's overall budget picture, and enabled the budget surplus found in the current year's budget. The final budget number for the prior year (FY 2014-2015) showed an excess of \$4.1 million in revenues over expenditures (before transfers).³⁰ The budget includes gaming revenue from a casino (Commerce Casino) located within the City of Commerce (in Calendar Year 2015, the casino generated \$22.25 million in revenue to the City).³¹

Like most cities in California, the City of Commerce faces on-going challenges relative to pensions and Other Post-Employment Benefits (OPEB) obligations. A supplement to the City's FY 2014-2015 Budget shows a pension liability of \$15.7 million as well as ongoing OPEB liabilities.³²

Taken in their entirety, the City's financial documents (budget, audit, and annual financial report) reflect a city financial picture that has stabilized several years after the declaration of a fiscal emergency in 2012. While the on-going pension and OPEB obligations, are challenges which are shared by many public agencies in California, the City should continue to address these issues diligently in future City budgets.

Determinations:

- **On-going deficits lead the City of Commerce to declare a financial emergency in 2012.**
- **The City of Commerce is in a substantially stronger position, today, than it was at the time of the declaration of financial emergency.**
- **The passage of Measure AA, accompanied by annual budgetary decision-making geared toward balancing expenditures with revenues, have stabilized the budgetary picture for the City of Commerce.**
- **Commerce faces on-going and long term challenges associated with funding pension and OPEB obligations, and should continue its efforts to address these issues in its annual budgeting process.**

Status of, and Opportunities for, Shared Facilities

The City has several shared programs and facilities, including:

- Law enforcement services are provided under a contract with the Los Angeles Sheriff's Department (LASD).
- Structural fire protection services are provided by the Consolidated Fire Protection District of the County of Los Angeles (CFPD).
- Sewage disposal is operated and maintained by the County Sanitation Districts.
- Sewer lines are maintained by the Consolidated Sewer Maintenance District and managed by the Los Angeles County Department of Public Works.
- Los Angeles County Animal Care & Control provides animal regulation services within the City.

There are no apparent opportunities for additional shared facilities.

Determinations:

- **The City of Commerce provides municipal services through a combination of in-house city departments and regional providers such as the Los Angeles County Sheriff's Department, the Consolidated Fire Protection District of the County of Los Angeles, the Sanitation Districts of Los Angeles County, and the County of Los Angeles Sewer Maintenance District. These regional providers provide adequate service to City residents and business-owners, and the City of Commerce should continue to maintain positive working relationships with these agencies.**
- **There are no apparent opportunities for additional shared facilities.**

Accountability for Community Service Needs

Commerce is governed by a 5-member city council, elected at-large to serve four-year terms. The City Council selects a mayor and vice mayor from its membership on an annual basis

Regular City Council meetings are scheduled twice a month, with periodic special meetings. City Council agendas and minutes are readily available on the City's website. The City has several appointed commissions (Community Services, Education, Library, Parks & Recreation, Planning, and Traffic)

The City's website is well-designed, user-friendly, and laden with volumes of information about the City of Commerce. The website includes agendas and minutes for meetings of the City Council and several city commissions, as well as video of City Council meetings. The site includes significant information about City departments and programs, as well as copies of the most recent audit, budget, and Comprehensive Annual Financial Report (FY 2014-2015). The

website includes a copy of a recent city-issued Request For Proposal (RFP) for preparation of the city's next audit.

The website contains readily-available copies of other City documents (Municipal Code, General Plan, forms and applications, etc.). The website archive of recent City Council meetings includes easy-to-use links to critical documents like staff reports and resolutions.

Determinations:

- **The City's website is well-designed and user-friendly.**
- **The website includes agendas and minutes for city meetings, significant information about City departments and programs, and copies of the most recent audit, budget, and Comprehensive Annual Financial Report (FY 2014-2015).**

Other Matters

According to the State Department of Housing and Community Development, in its most recent letter to the City of Commerce (November 27, 2013), the City of Commerce Housing Element is in full compliance with State housing element law."³³

Determinations:

(None)

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Chapter Four – Compilation of all MSR Determinations

Population:

- The population of the City of Commerce is stable.
- Commerce is projected to add roughly 200 persons per year over the next two decades, which represents a modest growth increase of less than one-percent (1%) per year.
- Given a relatively stable population, the residential demand for services is unlikely to increase in any significant fashion. Nevertheless, and because economic growth is planned in the predominantly commercial and industrial areas of the City, service demands in those areas will increase over time.

Disadvantaged Unincorporated Communities:

- Because the City has a Coterminous SOI—which has no unincorporated territory—there are no DUCs within the City’s SOI. The entire northern boundary of the City of Commerce abuts unincorporated East Los Angeles, and that portion of East Los Angeles which abuts the City is a DUC.
- To the extent an annexation proposal (and concurrent SOI amendment) is filed with LAFCO, it would necessarily include all or a portion of a DUC.

Present and Planned Capacity of Public Facilities:

- The City of Commerce provides municipal services through a combination of in-house city departments and regional providers such as the Los Angeles County Sheriff’s Department, the Consolidated Fire Protection District of the County of Los Angeles, the Sanitation Districts of Los Angeles County, and the County of Los Angeles Sewer Maintenance District. These regional providers provide adequate service to City residents and business-owners, and the City of Commerce should continue to maintain positive working relationships with these agencies.
- There are no known significant capacity issues for most municipal services in the City of Commerce. With respect to retail water delivery, there are no apparent service capacity issues associated with Cal Water (the retail water provider in Commerce) above and beyond the on-going constraints affecting all water providers in Southern California.

Financial Ability of Agencies to Provide Services:

- On-going deficits lead the City of Commerce to declare a financial emergency in 2012.

- **The City of Commerce is in a substantially stronger position, today, than it was at the time of the declaration of financial emergency.**
- **The passage of Measure AA, accompanied by annual budgetary decision-making geared toward balancing expenditures with revenues, have stabilized the budgetary picture for the City of Commerce.**
- **Commerce faces on-going and long term challenges associated with funding pension and OPEB obligations, and should continue its efforts to address these issues in its annual budgeting process.**

Status of, and Opportunities for, Shared Facilities:

- **The City of Commerce provides municipal services through a combination of in-house city departments and regional providers such as the Los Angeles County Sheriff's Department, the Consolidated Fire Protection District of the County of Los Angeles, the Sanitation Districts of Los Angeles County, and the County of Los Angeles Sewer Maintenance District. These regional providers provide adequate service to City residents and business-owners, and the City of Commerce should continue to maintain positive working relationships with these agencies.**
- **There are no apparent opportunities for additional shared facilities.**

Accountability for Community Service Needs:

- **The City's website is well-designed and user-friendly.**
- **The website includes agendas and minutes for city meetings, significant information about City departments and programs, and copies of the most recent audit, budget, and Comprehensive Annual Financial Report (FY 2014-2015).**

Other Matters

(None)

(Report continues on Page 20)

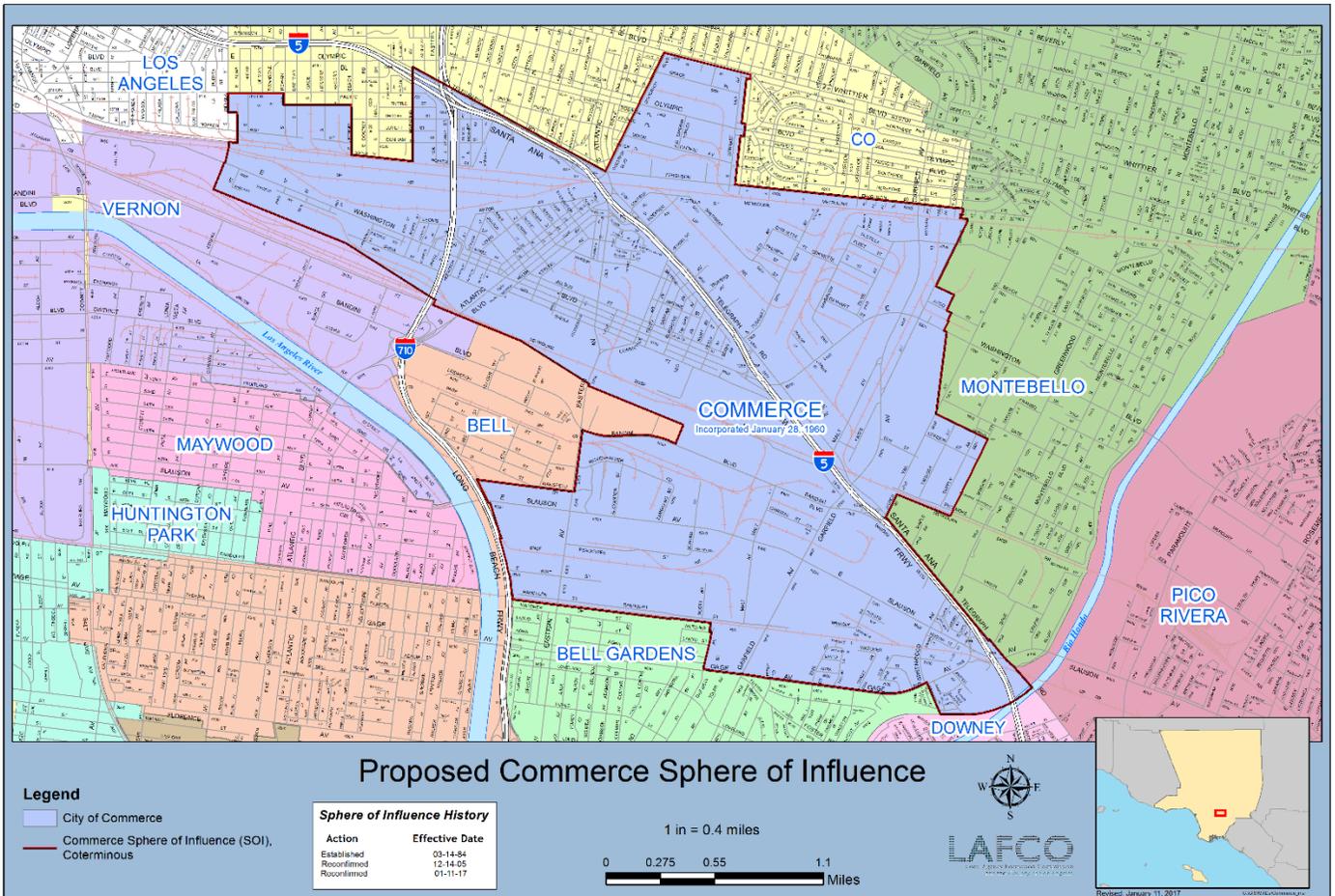
Chapter Five – SOI Recommendations

City of Commerce Sphere of Influence SOI Recommendation:

1. **Retain the Existing Coterminous Sphere of Influence for the City of Commerce.** The City of Commerce SOI was established on March 14, 1984. On December 14, 2005, the Commission reconfirmed the Coterminous SOI (see Existing City of Commerce Sphere of Influence, Exhibit 1, on Page 7). Given that Commerce is surrounded by other incorporated cities to the south, west, and east; and because there are significant challenges to annexing all or portions of unincorporated East Los Angeles; future changes to the city's boundary are unlikely. Therefore, the existing Coterminous SOI for the City of Commerce should be retained (see Proposed City of Commerce Sphere of Influence, Exhibit 4, on Page 21).

(Report continues on Page 21)

Exhibit 4 Proposed City of Commerce Sphere of Influence



**City of Commerce
Municipal Service Review**

Footnotes

1. Cities within the County of Los Angeles, County of Los Angeles Chief Executive Officer Website; June 8, 2015.
2. Visitors, History, City of Commerce Website; June 8, 2015.
3. American FactFinder, United States Department of Commerce, Census Bureau Website; April 22, 2015.
4. Profile of the City of Commerce, Southern California Association of Governments, May 2013.
5. City Hall, City of Commerce Website; June 8, 2015.
6. City of Commerce 2020 General Plan, Table 3.1, Page 43.
7. City of Commerce 2020 General Plan, Table 3.1, Page 147.
8. American FactFinder, United States Department of Commerce, Census Bureau Website; April 22, 2015.
9. Adopted RTP Growth Forecast, Southern California Association of Governments Regional Transportation Plan; May 2013.
10. Initial Study/Negative Declaration for the Proposed Incorporation of East Los Angeles, BonTerra Consulting, July, 2011; Page 2-1.
11. LASD Patrol Station Areas, Los Angeles Sheriff's Department 2012 Annual Report, Page 60.
12. Los Angeles County Sheriff's Department, Patrol Station Part I Crime Summary – Preliminary Data, Page 3.
13. Ibid.
14. E-mail from Lorraine Buck, Planning Division, Los Angeles County Fire Department, to Paul Novak; May 26, 2015.
15. California Water Service website, "About Us," September 26, 2016.
16. Ibid.
17. Ibid.

Footnotes (continued)

18. Joint Water Pollution Control Plant (JWPCP), Sanitation Districts of Los Angeles County Website; May 20, 2015.
19. Sewer Maintenance Districts' Maintenance and Operations Manual, County of Los Angeles Department of Public Works, Page 1; January 25, 2012.
20. Utilities/Service Providers, City of Commerce Website; September 26, 2016.
21. Parks & Recreation, City of Commerce Website; September 26, 2016.
22. Ibid.
23. Letter from Matt Marquez, City of Commerce Deputy Director of Development Services, to Paul Novak, LAFCO, dated December 14, 2016; Pages 1-2.
24. Library, City of Commerce Website; September 26, 2016.
25. Ibid.
26. City of Commerce Agenda Report; City Administrator Jorge Rifa; June 21, 2016, Page 1.
27. Letter from Matt Marquez, City of Commerce Deputy Director of Development Services, to Paul Novak, LAFCO, dated December 14, 2016; Page 2.
28. Ibid.
29. Memorandum to the City Council presenting Comprehensive Annual Financial Report for 2014-2015; City Administrator Jorge Rifá and Director of Finance Vilko Domic; December 31, 2015, Page iv.
30. City of Commerce Comprehensive Annual Financial Report for 2014-2015, Page 76.
31. Ibid, Page 122.
32. Ibid, Page 65.
33. Letter from Glen A. Campora (Assistant Deputy Director, Department of Housing & Community Development, State of California) to Jorge Rifá (City Manager); of November 27, 2013.