

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: Proposed Amended Fee Schedule FY 2003-04
Proposed Effective July 1, 2003

RECOMMENDATION

The proposed fee increases and changes are recommended based on a reduced budget from FY 2002-03. The proposed budget for FY 2003-04 does not include funding for special studies, excessive legal fees or environmental costs related to controversial projects or incorporation proposals. I recommend your Commission adopt the Amended Fee Schedule, effective July 1, 2003, based on adoption of the FY 2003-04 Budget.

PROPOSED FEE CHANGES/ AMENDED LAFCo FEE SCHEDULE

Sacramento LAFCo currently charges proponents actual costs (time and materials including legal and environmental fees) for annexations, district formations, reorganizations and consolidations. Staff has sought to keep these costs from becoming prohibitive in its desire to encourage governmental changes of organization which result in improved service. In these cases, the fee schedule has not changed, however, staff will be more diligent in tracking all hours and costs related to process applications. I recommend the Commission adopt the Amended Fee Schedule, to be effective July 1, 2003.

Note: Many times LAFCo staff conducts meetings and performs research on specific projects for many months prior to receiving an official application. Payment is only received from a proponent if an application for a project is received. Also, projects can be delayed or dropped for any number of legitimate reasons, making staff time impossible to invoice.

Incorporations - Full Cost Recovery

Incorporations typically are very expensive because they require significant legal, fiscal, and environmental analysis which consume a great deal of staff time. In the past, the cost of most incorporation data collection and analysis has not been recovered from the applicant. Primarily, the applicant has been responsible for the costs of the petition signature check and the environmental analysis, exclusive of all other costs. **Staff proposes that the applicant now be required to reimburse LAFCo for all proposal expenses, including staff time.**

In Sacramento County, an incorporation proposal tends to be inherently controversial, and with that, the potential for legal challenge becomes a possibility. It has also been difficult to obtain data and information which is required to process applications in a timely manner. LAFCo does not have control over timely data collection. i.e., Comprehensive Fiscal Analysis must be based on financial data that is only one year old. These factors translate into additional staff time and

consultant costs required to process the proposal. Delays in the collection of data can also add significant costs (see attached article) to the cost of processing an application.

**Summary of Estimated Staff Costs
For Processing an Incorporation Proposal**

Environmental Analysis \$100,000 - \$120,000
Fiscal Analysis \$ 50,000 - \$100,000
Legal \$ 20,000 - \$ 40,000
Registrar of Voters/ Petition Check \$ 12,000 - \$ 15,000
LAFCo Staff Time \$ 25,000 - \$ 40,000
Total Estimate \$207,000 - \$315,000

Should your Commission adopt a policy of full recovery for Commission staff costs for incorporation proposals, it would be a significant policy change. Because incorporation efforts are typically grass-roots based, any change in policy may prohibit future applications. Many other LAFCo's have full cost recovery policies, however, many times these policies are criticized, challenged and waivers are requested. Nonetheless, State law mandates that LAFCo perform only Municipal Service Reviews and Sphere of Influence updates. LAFCo may charge fees for all other services.

OTHER AREAS OF CONCERN

Staff proposes to process the required Municipal Service Reviews and Sphere of Influence Updates within its existing resources with the caveat that these studies, for the most part, are relatively non-controversial and do not require extensive legal, environmental or fiscal analysis. For projects that are controversial, or become complex, I propose the following cost-recovery policy:

1. No charge for LAFCo staff time.
2. Reimbursement for Sphere of Influence Updates that require EIRs.
3. Reimbursement for special consultants, e.g., fiscal, engineering reports.
4. Reimbursement for LAFCo Commission Counsel costs in excess of \$500.

**PROPOSED AMENDED FEE SCHEDULE
Effective July 1, 2003**

Sphere of Influence Initiated by Applicant Actual Cost
Annexation Actual Cost
Reorganization Actual Cost
District Formation Actual Cost
Consolidation Actual Cost
Dissolution Actual Cost
Detachment Actual Cost
Incorporation Actual Cost

Reconsideration Request Actual Cost
Out of Agency Contracts Actual Cost

Actual Costs Include:

LAFCO Staff Time
Petition Verification
Legal Counsel
Environmental Consultant
Fiscal Analysis
Special Studies
Survey/ Cartography
Filing Fees/ Recordation Fees
Other Fees, as required:
Office of the Clerk Recorder
State Board of Equalization
Fish and Game Fees

Payment Method for All Applications [EXCEPT INCORPORATION]

Deposit \$3,000
Payment in Full Prior to Hearing
Monthly Payment Schedule (Recover costs from previous month).
Deposit will be refunded if unused.
Deposit for Reconsideration Request \$500

Payment Method for Incorporation

Payment in full or monthly pay as you go (no credit).
Monthly payment to cover expenses incurred from previous month.
Payment in full prior to Public Hearing
Minimum Advance Deposit: \$25,000
Sign an Agreement prior to staff's acceptance of petition agreeing to
Reimburse LAFCo for all costs.

Sphere of Influence/ Sphere of Influence Amendment

Costs to be Recovered:
Legal Counsel fees greater than \$500
Environmental Analysis that require Preparation of an EIR
Fiscal Analysis
Required Special Studies or Special Consultant
No charge for LAFCo staff time.
(Note: Full cost recovery for projects initiated by proponent/ applicant.)

Municipal Service Review

Costs to be Recovered:

Legal Counsel fees greater than \$500
Environmental Analysis that require Environmental Impact Report
Special Studies or Special Consultant
Charges by Other Entities.
No charge for LAFCo staff time.

Miscellaneous Fees/ Charges

Agenda \$30/ year
Copy of Meeting Tape \$10/ each + Time
Photo Copy .15/ copy + Time
Directory of Municipal Service Providers \$15.00

Hourly Rates:

LAFCo Staff: Executive Officer \$ 60.00 per hour
Assistant Executive Officer \$ 53.00 per hour
Clerk \$ 40.00 per hour
LAFCo Staff Overhead Rate \$ 40.00 per hour
per FTE
Legal Counsel \$180.00 per hour
Environmental Consultant \$ 95.00 per hour

PB:Maf
(Amendment to Fee Schedule)