

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**  
**1112 I Street #100**  
**Sacramento, California 95814**  
**(916) 874-6458**

November 7, 2007

TO: Sacramento Local Agency Formation Commission  
FROM: Peter Brundage, Executive Officer  
RE: Proposed Fee Increase for LAFCo Project Applications

**RECOMMENDATION**

1. Approve the attached rate increases to LAFCo hourly rates for project applications.
2. Approve the rate increase effective December 1, 2007.

**DISCUSSION**

LAFCo's current fee policy is to charge applicants based on a time and materials basis. The hourly rates for staff time and indirect fixed costs have not been adjusted since 2003. Therefore, the rates do not reflect the current costs that are incurred. The proposed rate increase is based on the FY 2007-08 Adopted Budget.

The Auditor-Controller's Office has reviewed and approved the methodology shown on the attached worksheet.

Hourly rates for staff time are based on 1,800 hours per person per year and include both salary and benefits. Indirect costs include rent, equipment leases, phone, postage, computer support costs and other general operating expenses.

In addition, applicants are billed for legal fees, environmental consultant costs and advertising/publication costs, and any other direct project costs.

The following table summarizes the proposed changes to base hourly rates for staff and indirect costs:

<u>Summary of Hourly Rates:</u>	<u>Current Rates</u>	<u>Proposed Rates</u>
Executive Officer	\$60.00	\$98.00
Assistant Executive Officer	\$56.00	\$78.00
Commission Clerk	\$40.00	\$53.00
Indirect Overhead Costs per employee	\$20.00	\$36.00

The following table summarizes the proposed hourly rates for FY 2007-08:

<u>Position</u>	<u>Base Hourly Rate</u>	<u>Indirect Costs</u>	<u>Total Hourly Rate</u>
Executive Officer	\$98.00	\$36.00	\$134.00
Assistant Executive Officer	\$78.00	\$36.00	\$114.00
Commission Clerk	\$53.00	\$36.00	\$89.00
Part Time Secretary	\$20.00	0	\$20.00
Student Intern	\$12.00	0	\$12.00

**Comparison of Current Rates to New Rates Including Indirect Costs**

<u>Position</u>	<u>Current Rates</u>	<u>Proposed Rates</u>
Executive Officer	\$80.00	\$134.00
Assistant Executive Officer	\$76.00	\$114.00
Commission Clerk	\$60.00	\$ 89.00

The rate increase is proposed to be effective December 1, 2007.

The proposed increase should help minimize or avoid increases in the annual assessments paid by the county, cities, and special districts. The annual revenue can fluctuate greatly each year depending on the number and complexity of projects. Attachment "A" summarizes fee increases and policies adopted by several local jurisdictions.

I will update fees annually in connection with adoption of the Final Budget in order to maintain rates that reflect current operating costs.

***SACRAMENTO LOCAL AGENCY FORMATION COMMISSION***

Respectfully,

  
Peter Brundage  
Executive Officer

PB  
(Lafco 07 fee increase)

# **Proposed Rate Schedule for Sacramento LAFCo**

Effective December 1, 2007

## **Staff Hourly Rates**

Executive Officer	\$134.00 per hour
Assistant Executive Officer	\$114.00 per hour
Commission Clerk	\$89.00 per hour
Part Time Secretary	\$20.00 per hour
Student Intern	\$12.00 per hour

## **Direct Charges**

Legal/Commission Counsel	Actual
Environmental	Actual
Advertising	Actual
Other Direct Charges	Actual

**COUNTY OF SACRAMENTO  
INTERNAL SERVICES AGENCY  
DEPARTMENT OF FINANCE  
AUDITOR-CONTROLLER**

*Inter-Departmental Correspondence*

October 31, 2007

To: Peter Brundage, Executive Officer  
Sacramento Local Agency Formation Commission

From: Dave Irish  
Director of Finance

Subject: **REVIEW OF PROPOSED HOURLY RATES FOR 2007/08**

Per your request, we have reviewed the proposed hourly rates included on the attached schedule.

Our review was limited to reviewing the methodology used in calculating the proposed hourly rates. Based on our review, we concur with the methodology used in calculating the proposed hourly rates.

If you have any questions regarding this matter, please call Pat Marion at 874-7573.

Attachment

cc: Pat Marion, Department of Finance

**Calculation of LAFCo Hourly Rates for Project Billing**

**Summary of Salary & Benefits and Overhead Charges**

Total Hourly Rate	Salary	Indirect/Overhead	Total
Executive Officer	97	36	\$134
Asst Executive Officer	78	36	\$114
Commission Clerk	53	36	\$89
P/T Secretary	20	0	\$20
Student Intern	12	0	\$12

**LAFCo Hourly Charges**

Annual Billable Hours per Person 1800

Labor	Hours	Salary and Benefits	Hourly Rate
Executive Officer	1,800	175,000	97
Asst Executive Officer	1,800	140,000	78
Commission Clerk	1,800	95,000	53
P/T Clerical	1,000	20,000	20
Student Intern	varies		12
Overhead and Support Costs	5,400	196,343	36

**Overhead and Administrative Costs Analysis**

	<b>Indirect</b>	<b>Excluded</b>	<b>Total</b>
Commission Stipends	9,000		9,000
Advertising		7,500	7,500
Books/Periodicals	1,300		1,300
Business/Conference	10,000		10,000
Education	2,200		2,200
Training	200		200
Insurance	12,000		12,000
Calafco Dues	5,500		5,500
Office Supplies	8,000		8,000
Postage	3,746		3,746
Equipment Leases	14,000	7,000	21,000
Annual Audit	10,000		10,000
Legal Costs-Project		60,000	60,000
Legal Costs-General		60,000	60,000
Other Professional Ser		68,000	68,000
Incorporation Study		290,000	290,000
MSR's		46,000	46,000
OCIT Support	28,500		28,500
Security	3,400		3,400
Printing	3,000		3,000
Messenger	2,400		2,400
GS Stores	800		800
P/W charges		8,000	8,000
Lease (facility)	62,500		62,500
Phone	13,500		13,500
GS Other Dept Service	617		617
A-87 Countywide Costs	5,680		5,680
<b>Total</b>	<b>196,343</b>	<b>546,500</b>	<b>742,843</b>

**Total Hours**

5,400

**Overhead Hourly Rate**

**\$36**

Legal

Actual

Environmental

Actual

Direct Project Costs

Actual

## **ATTACHMENT A**

CONTACT: Tobias Joel, LAFCo Senior Student Intern  
1112 I Street, Suite 100  
Sacramento, CA 95814  
(916)874.2934

### **Background**

The attached Table 1 shows fee revision information for Sacramento County, Cities in the County, Special Districts, and neighboring LAFCos. The table shows that most have revised their fees recently. A common characteristic seems to be the longer the duration between revisions, the more problematic the process became.

The City of Folsom, for instance, whose 2006 revision came 14 years after its previous adjustment, chose to implement its new User Fee schedule in two batches timed nine months apart (City of Folsom Resolution No. 7815, May 23, 2006). Thereafter the fees are adjusted annually in relation to inflation and cost of living as reported by the San Francisco CMSA (Consolidated Metropolitan Statistical Area).

In other instances of fee adjustments, the City of Citrus Heights' 2007 revision (previous revision 1997) took into account how fee increases might create negative price incentives for city development. Thus while some fee increases were made according to the recommendations of a consultant report, many fees were kept below cost to encourage community investment.

The disadvantages of not addressing significant cost increases are clear in the case of both the County of Sacramento and the Yolo County LAFCo. The County of Sacramento did not adjust fees for four years and with their 2007 revision found themselves having to impose fees with up to 30% increases. The Yolo County LAFCo's 2005 revision was similar, involving up to 10% increases in many fees.

The case is different in many Special Districts especially in those whose revenues are based solely on property tax revenue. In cases like the Sacramento Metro Fire District funding adjustments are made instead through labor contracts as well as ambulance and fire prevention fees. The Rio Linda & Elverta Recreation and Park District has also never amended fees simply because they receive revenue from the property tax base rather than user fees. Nonetheless fee revisions seem to be a common and important task of most Special Districts, including the Citrus Heights Water District and Fair Oaks Water District, who both adjusted in 2007.

Elk Grove and Rancho Cordova adhere to the Sacramento County fee structure adopted at the time of incorporation. Related impact fees, however, are reviewed and adjusted annually within these cities.

## **SUMMARY**

Reviewing fees regularly is an important part of maintaining stable development markets. Establishing a regular fee review process may avoid drastic fee changes, which could allow LAFCo applicants to anticipate fee adjustments. The practice could lend the LAFCo greater transparency, and provide for certainty of outcome.

As far as researching and implementing significantly higher fees, Folsom's example is critical. Indexing fee increases to the San Francisco CMSA grounds adjustments in the local CPI and phasing fee increases helps to ameliorate negative market effects. Citrus Heights' awareness of price incentives is also an effect that the Commission might consider.



TABLE 1

LOCAL FEE REVISION HISTORY

Entities	Date Fees Last Updated	Date of Previous Update	Method of Amendment
<i>Cities</i>			
Citrus Heights	2007	1997	Consultant report; Fee increases range from 5% to 25%, and consider price incentives along with time and staff costs
Folsom	2006	1992	Increases implemented in two batches; Established annual fee adjustments to the San Fran. CMSA
Galt	2007	1991	Impact fees revised annually on the budget cycle
Isleton	2006	-	Nexus study; Time and staff costs
Elk Grove	County fee structure upon incorporation		
Rancho Cordova	County fee structure upon incorporation		
Sacramento	Ongoing revision		
<i>Special Districts</i>			
Citrus Heights Water District	2008	2007	Bimonthly service charge increased 8%; Unit charge for water increased 19%
Arden Park Rec. and Park District	2007	before 2005	Fees increased 15% to keep up with rising minimum wages, supply and utility costs
Cosumnes CSD Fire	2007	-	-
Fair Oaks Water District	2007	2006	Fees reviewed annually
Sac. Metro Fire	Revenues tied to property value/tax base; funding is handled through labor contracts, EMS Charts and Fire Prev. Services		
Rio Linda & Elverta Rec. and Park District	Revenue tied to property value/tax base, which has not changed since the District formed		

TABLE 1

Counties	2007	2003	In light of the time since last adjustment, some of the increases have created significant "sticker-shock"
Sacramento			
<b>LAFCo's</b>			
Nevada Co.	2005	-	Increases had not been conducted in a few years,
El Dorado Co.	2006	-	Increases reflect time and material; revision also established annual fee increases at the start of the fiscal year
Yolo Co.	2005	-	Increases reflect staff costs, but were relatively steep (10%) on account of duration b/w previous revision