

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

April 4, 2007

TO: Sacramento Local Agency Formation Commission  
FROM: Peter Brundage, Executive Officer  
RE: Incorporation Fee Policy

**RECOMMENDATION**

Amend Sacramento LAFCo Fee Policy to require that incorporation proponents pay the full cost of an incorporation proposal prior to issuance of the Executive Officer's Report and public hearings. Note: Incorporation fees would need to be submitted prior to commencement of work by LAFCo or its consultants or based on a payment schedule whereby funds are submitted to LAFCo prior to submittal of consultant invoices. This policy change would be effective **April 5, 2007**. The current Arden-Arcade incorporation proposal would be processed based on the November 5, 2003 fee policy.

**DISCUSSION**

On November 5, 2003, the Commission adopted the current fee policy for incorporations. The current fee policy provides that incorporation proponents only reimburse LAFCo for preparation of the environmental document and petition verification process prior to public hearings. (Note: LAFCo would be reimbursed the full cost if the incorporation effort is successful).

The cost of incorporations is estimated as follows:

	<b><u>Estimated Cost Range</u></b>	
Registrar of Voters	\$ 10,000	\$ 15,000
Environmental Document	\$100,000	\$150,000
Comprehensive Fiscal Analysis	\$ 80,000	\$120,000
Legal	\$ 20,000	\$ 40,000
Staff	<u>\$ 25,000</u>	<u>\$ 50,000</u>
Total	\$235,000	\$375,000

Historically, the proponents have funded approximately 50 percent of the cost and LAFCo has funded 50 percent share of cost. Currently, most other LAFCo's impose a full cost recovery methodology. However, many of these LAFCo's do not prepare an Environmental Impact Report instead they prepare a Negative Declaration or Mitigated Negative Declaration. The time and cost to prepare Negative Declarations is typically significantly less. Thus, the total cost to proponents while significant appears to be in a more affordable range.

### **POLICY CONSIDERATIONS**

Incorporations are usually a very difficult and complex process. Grass roots organizations are often not sophisticated and rely on voluntary efforts of their community. However, they believe that they should have the right and opportunity to have a fair and equitable process to choose whether or not to incorporate. Many times they feel that the process is unfair and that they encounter unfair obstacles in their efforts. Incorporation efforts take a great deal of perseverance.

On the other hand, opponents argue that incorporation efforts need both the financial and political support of the community. In addition, opponents believe affected agencies should not fund these efforts with public funds that are needed to fund critical services.

Each side has legitimate arguments. However, Proposition 13 has created a situation that has forced local governments to rely on user fees and other charges to cover the cost of programs that do not benefit the general well being of the public. ***Thus, it may be argued that there are established funding precedents among local governments to charge proponents for the full cost of "special" services and programs including incorporation proposals as well as any reorganization change.***

Respectfully,

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**



Peter Brundage  
Executive Officer

PB  
(Amend Fee Policy)