

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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May 7, 2008

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer
RE: Arden Arcade Incorporation Transition Plan

RECOMMENDATIONS

1. Approve the revised project budget in the amount of \$193,833 to complete the draft baseline studies as follows:

Draft EIR*	\$56,285
Draft CFA	90,000
Estimated Legal Costs	17,836
Estimated Contingencies*	<u>29,762</u>
Total Estimated Remaining Costs	\$193,883

* The EIR consultant has requested a \$14,400 contingency in the event that the project is delayed due to inadequate funding. Staff also recommends that the remaining savings (\$15,762) be budgeted for potential contingencies, including, but not limited to supplemental work that may be required on the CFA, EIR, as well as supplemental work outlined in this report.

2. Approve the attached Proposal and Scope of Work submitted by MuniFinancial to complete the proposed Arden Arcade Incorporation Comprehensive Fiscal Analysis and related annexation and special district studies.
3. Authorize the Executive Officer to enter into the attached contract with MuniFinancial for an amount not to exceed \$90,000. This amount represents a \$29,762 savings from the prior contract with Burr Consulting. As depicted above, staff recommends that this savings be used to restore the contingency fund, without increasing the funding burden on the proponents. Note: This MuniFinancial Proposal does not include funds to

provide assistance to negotiate a revenue neutrality payment with the County of Sacramento.

4. Direct staff to amend the Funding Agreement to require the proponents to pay their estimated share of cost in the amount of \$141,811 prior to commencing any further work. Payment in full is due no later than August 1, 2008.

Total Estimated Remaining Costs	\$193,883
Funds and LAFCO Match	(15,261)
Remaining LAFCo Match	<u>(36,811)</u>
Total Balance Due from Proponents	\$141,811

Note: This amount is currently due and payable under the signed Funding Agreement. The proponents' share of cost has not increased over the original budget approved August 15, 2007.

5. Direct the Executive Officer to resume work on the Arden Arcade Incorporation Application only if funds in the amount of \$141,811 are deposited with LAFCo by August 1, 2008, and
6. In the event funds are not deposited by August 1, 2008, direct staff to report back to the Commission for further direction and possible action to render the Arden Arcade Incorporation application as incomplete and terminate processing the application. In the event that the Commission chooses to terminate the incorporation proceedings, LAFCo will terminate the contracts with MuniFinacial and Michael Brandman Associates and refund any unspent funds to the incorporation proponents excluding LAFCo match.

BACKGROUND AND DISCUSSION

This report sets forth a proposed transition plan to complete the Draft Environmental Impact Report and Draft Comprehensive Fiscal Analysis (baseline studies) for the Arden Arcade Incorporation proposal.

The revised project budget has not increased over the original project budget approved by the Commission on August 15, 2007. Therefore, there is no anticipated increase in the proponents' share of cost to complete the Draft EIR and Draft CFA at this time. The revised project budget includes \$29,762 that will likely be required to cover potential contingencies.

As before, the revised schedule is dependent on the incorporation proponents' ability to raise the necessary funds to cover their estimated share of cost as outlined in the Payment Schedule section of this report.

CFA CONSULTING CONTRACT

Burr Consulting Contract

On April 10, 2008, Burr Consulting submitted their resignation. On April 15, 2007, after discussion with Commission Counsel, I accepted the resignation from Burr Consulting pursuant to the terms and conditions of our contract. Burr Consulting was paid \$10,328 and will provide all materials and work that they have completed with such sums. In addition, Burr Consulting will provide LAFCo assistance during this transition period at no cost. Also, the proponents will not be charged for transition costs associated with the termination of Burr's contract or securing a contract with a new CFA consultant. This is an estimated savings of \$3,000 for legal services.

The Commission may now contract with a new CFA consultant. In addition, the Commission may choose to direct staff to reissue a Request for Proposal for the CFA. However, for reasons set forth below, staff recommends entering into an agreement with MuniFinancial, which was the second bidder on the original RFP.

MuniFinancial CFA Proposal, Scope of Work, and Cost Estimate

Staff has met with MuniFinancial who had previously submitted a proposal. On April 18, 2008, based on discussions with staff, they submitted an amended proposal based on the Scope of Work approved by the Commission on August 15, 2007.

MuniFinancial has submitted a proposal to complete the required CFA and related studies for \$90,000. This proposal results in a savings over the original CFA contract in the amount of \$29,762. As discussed in more detail below, staff recommends that the savings be used to cover potential contingencies.

The Amended Scope of Work is substantially similar to the Scope of Works approved by the Commission on August 15, 2007. However, this proposal does not include funds to provide assistance with negotiating terms and conditions of a Revenue Neutrality Payment with the County of Sacramento. This would be Task No. 6. The cost of this task would be based on time and materials. The estimated cost could range from \$10,000 to \$20,000.

MuniFinancial has been able to break the CFA into the following tasks and payment schedule to accommodate proponents' fund raising efforts. The following table outlines the task and its related cost.

**MuniFinancial
Budget by Task / Subtask and Cumulative Budget**

Task/Sub Task	Budget	Cumulative Budget
1. Project & Policy Management Kickoff meetings	\$5,000	\$5,000
2. Incorporation analysis		
a. Data request to County	5,000	\$10,000
b. Preliminary results meeting	20,000	\$30,000
3. Special districts analysis		
Draft tables	15,000	\$45,000
4. Annexation analysis		
Draft tables	15,000	\$60,000
5. Draft CFA Report		
a. Administrative draft report	10,000	\$70,000
b. Final report	10,000	\$80,000
c. Final presentations	10,000	\$90,000

Note: In the future, it may be necessary to contract with MuniFinancial to provide assistance in negotiating a Revenue Neutrality Agreement with the County of Sacramento. This task is not included in the above proposal. MuniFinancial would charge on a time and material basis. The estimated cost is unknown; however, the estimate cost could range from \$10,000 to \$20,000.

The attached proposal and scope of work sets forth additional details of each task outlined above.

Legal Costs

The proponents will not be charged for legal costs during this transition period. The transition period will end as soon as new and/or amended contracts have been signed by LAFCo and its consultants and an Amended Funding Agreement with the proponents is signed.

REVISED ESTIMATED TOTAL PROJECT COST

The overall project cost is not anticipated to increase over the project budget approved by the Commission during the August 15, 2007 Commission meeting, however, there may be unexpected issues that arise during the proceedings. As explained above, if MuniFinancial is selected as the new CFA consultant, the cost savings would be used to cover potential contingencies. The following table summarizes the Estimated Revised Total Project Budget:

Revised Estimated Total Project Budget as of May, 2008

EIR	\$145,000
CFA-Muni	90,000
CFA-Burr	10,328
Legal	30,000
Contingency Estimate	<u>29,762</u>
Total	\$305,000

At this juncture, I believe that it is prudent to budget for contingencies. The EIR Consultant has requested that LAFCo budget a contingency in the amount of \$14,400 (10 percent) of the original contract amount, in light of uncertainty of funding for the project. Additional contingency funds would be used for, but not limited to, supplemental work that may be required on the Draft CFA and Draft EIR due to public and agency comments, revenue negotiations, legal fees, preparation of a metes and bounds legal description and filing fees for the Board of Equalization.

The estimated incorporation budget originally approved on June 6, 2007 included a contingency for unexpected costs. That contingency was removed in August 2007 when the Commission amended the CFA scope of work to include additional analysis for annexation and special district options. LAFCo removed the contingency at that time to offset the increased cost of the CFA, limiting the funding burden on the proponents in order to complete the baseline studies. The cost savings from the MuniFinancial CFA proposal allows the parties to restore the contingency fund without increasing the funding burden on the proponents.

The summary shown above is an estimate only and is subject to change. The proponents will be required to pay the actual expenses if the costs exceed the estimated amounts set forth above. Furthermore, the Funding Agreement between LAFCo and the proponents will be amended to reflect the reinstatement of the contingency, as well as the required time for payment of the proponents' share of costs.

Summary of the Arden Arcade Incorporation Proponents Amount Due

The following table identifies the amount currently due from the incorporation proponents based on the original Funding Agreement:

Project Costs Approved by the Commission on August 15, 2007

Total Estimated Costs	\$305,000
LAFCo Matching Share	<u>100,000</u>
Proponent Share	205,000
Amount Paid	<u>63,189</u>
Current Amount Due and Payable	\$141,811

The following table summarizes the unexpended contract amounts, funds and match on deposit and LAFCo's remaining match related to the revised Project Budget:

Estimated Project Costs Based on Revised Project Budget as of May, 2008

Total Unexpended Contract Amounts	
EIR	\$56,285
CFA	90,000
Legal	17,836
Contingencies	29,762
Deposit including LAFCo Match	(15,261)
Remaining LAFCo Match	<u>(36,811)</u>
Current Amount Due and Payable	\$141,811

The overall estimated share of cost to the proponents in the revised budget is the same as the project budget approved by the Commission in August, 2007.

The attached Appendix "I" discusses the history and detail of the proposed project budget and funding requirements.

TIMING OF PROPOSED PAYMENT

Proposed Payment Options

Payment Option No. 1 *Payment-in-Full Prior to Restart of Work*

RECOMMENDED

I recommend that the proponents pay in full **and** in advance their estimated share of costs to complete the Draft EIR, Draft CFA, estimated legal expenses, and an estimate for contingencies in the amount of \$29,762 for a total proponent funding requirement in the amount of \$141,811. LAFCo will maintain timely accounting of expenditures and work completed by the consultants to ensure that contractors perform in an efficient and accountable manner. This would allow the consultants to gear up and complete their respective studies in the most responsive and cost-effective manner.

I recommend that this amount is due and payable no later than August 1, 2008 to provide adequate time to complete the required baseline studies in order to hold and complete public hearings on the Arden Arcade Incorporation Proposal prior to June, 2009.

Note: *The proponents should have already raised their entire share of cost under the original Funding Agreement. Consequently, this should not place any new or additional financial burden on the applicants.*

Alternative Payment Option No. 2 *Payment Based on Tasks to be Completed*

NOT RECOMMENDED

I am not recommending Payment Option No. 2 because of numerous difficulties associated with this method. However, in the event the proponents do not have sufficient funds to deposit in advance to complete the required studies, the Commission could authorize a payment plan based on the completion of specific tasks and related costs.

The drawback to this approach is possible uneven commitment of consultant resources, such as we recently experienced. This is the primary concern driving staff not to recommend this approach.

Recommended Terms and Conditions for Payment Option No. 2:

- LAFCo and its consultants will finalize a work schedule that breaks down the project into specific tasks and costs to be performed by the consultants.
- The proponents will be required to pay LAFCo in advance for each task before work is commenced by LAFCo's consultants.
- Proponents would also provide LAFCo sufficient funds in advance to start the next task prior to the completion of the previous task to ensure that work will continue without delays or stoppage. This is a key issue to minimize cost increases and to maintain the project schedule.
- LAFCo will not pay the consultants until each task is complete. The Consultant will provide a work product or other evidence that satisfactorily demonstrates that the task has been completed.
- LAFCo will monitor contractor performance for each task.
- Delays in payments by the proponents may impact the project timeline and cost which are beyond the control of LAFCo or its consultants.

RECOMMENDED TIME LINE

I am recommending that work commence on August 1, 2008 when actual financial information for FY 2007-08 will be available. This should allow the proponents additional time to raise their remaining share of cost as outlined in this report.

This transition plan assumes that all funding will be deposited with LAFCo on or before August 1, 2008. Ideally, the funds should be available by July 1, 2008 to allow the consultants time to plan and transition their staff and resources for an August 1st start date.

The August 1, 2008 start date is critical in order to complete the Draft CFA and Draft EIR by the end of FY 2008-09 as required by statutory requirements. The Draft CFA and Draft EIR will take approximately 6 to 7 months to complete. In addition, there will likely be a number of issues that are raised as a result of comments regarding the draft fiscal and draft environmental analysis. **Sufficient time and funds need to be factored in the process to address these issues. Also, I anticipate that the incorporation process will require several public hearings before the Commission renders a decision.**

While this timeline provides approximately nine months to complete the studies and hold public hearings necessary for the Commission to render a decision by June, 2009, there is no room to accommodate delays from either the consultants or the proponents, as we have learned.

Therefore, if funds are not deposited by August 1, 2008, staff will not resume any work. Instead, staff will report back to the Commission for possible action to terminate the incorporation proceedings. If the Commission renders the application incomplete, consultant contracts would be terminated. Staff would recommend that the Commission should not extend the timeline or compromise the proceedings in the event funds are not provided by August 1, 2008.

OTHER INCORPORATION ISSUES

EIR Status

Michael Brandman Associates (MBA-EIR Consultant) has agreed to continue working on the EIR; however, they are demanding payment in advance prior to restarting work. The unexpended contract amount is \$56,285. They have also requested that LAFCo budget a contingency in the amount of \$14,400 or 10 percent of the original contract amount related to the uncertainty of funding the project. This amount is included in the contingency budget as discussed in this report.

Status of Senate Bill 301 (SB 301) Supplemental Vehicle License Fee Revenue

As of May 1, 2008, Senate Bill 301 was amended to eliminate the VLF sunset entirely. This Bill currently proposes that additional Vehicle License Fee Revenue for communities that incorporate would continue indefinitely. Currently, the supplemental VLF funds will sunset on July 1, 2009. On January 16, 2008, the Senate Local Government Committee approved this Bill with a 5-0 vote and forwarded the proposed Bill to the Assembly Local Government Committee which forwarded this Bill to the Rules Committee for assignment. SB 301 is fully discussed in the Legislative Update.

Contingency Fund and Cost Estimates

The contingency budget is only an estimate. The project proponents will be required to pay the actual costs of all supplemental work related to processing the Arden Arcade Incorporation proposal. LAFCo's contribution is capped at \$100,000.

CONCLUSION

The proposed transition plan will allow the draft incorporation studies to be completed at the originally approved costs to the proponents. LAFCo and its consultants can commence work as soon as funding is provided by the proponents. However, I am recommending that work be delayed until August 1, 2008 at which time FY 2007-08 actual financial data will be available.

Based on recent discussions with the proponents, it appears that they still have not been able to raise their share of cost as required under the original Funding Agreement (August 15, 2007). Therefore, it appears that it would be best to delay the implementation of this transition plan until August 1, 2008, when current financial data will be available for the CFA consultant. In addition, this delay will provide several more months for the proponents to raise the necessary funds in the amount of \$141,811 which are currently due and payable.

Finally, I would like to reiterate that LAFCo and its consultants made our best efforts to meet an aggressive schedule under the previous pay-as-you-go method funding plan. There was no margin for error from either the consultants or the proponents in meeting their respective obligations. Even though there were initial delays in payments from the proponents, the consultants attempted to meet the aggressive timeline. LAFCo and its consultants made extraordinary efforts and adjustments to accommodate payment delays in an attempt to keep the process moving forward and on schedule. I believe we were more than fair and reasonable in attempting to accommodate the proponents.

In retrospect, however, I believe that the delay in initial payments as well as uncertainty related to the on-going funding requirements from the proponents ultimately had enormous adverse impacts on the ability of LAFCo and its consultants to perform in a timely and efficient manner.

Therefore, I am recommending that the proponents' entire share of cost (\$141,811) be deposited with LAFCo prior to commencing any further work. Furthermore, if the proponents' share of cost is not deposited by August 1, 2008, staff will not resume any work on the incorporation application and report back to the Commission for further direction and determination whether or not to render the application incomplete.

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Respectfully,

A handwritten signature in black ink that reads "Peter Brundage". The signature is written in a cursive style with a large, prominent initial "P".

**Peter Brundage
Executive Office**

Attachments

APPENDIX I

LAFCo Roles and Responsibilities Related to Incorporation Proposals

Legal Requirements for Analysis of the Proposed Arden Arcade Incorporation

56301: Among the purposes of a commission are discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances. One of the objects of the Commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities. **When the formation of a new government entity is proposed, a Commission shall make a determination as to whether existing agencies can feasibly provide the needed service or services in a more efficient and accountable manner.** If a new single purpose agency is deemed necessary, the Commission shall consider reorganization with other single-purpose agencies that provide related services.

56886.5 (a) If a proposal includes . . . the incorporation of a city, the Commission shall determine whether or not existing agencies can feasibly provide the needed services in a more efficient and accountable manner. If a single-purpose agency is deemed necessary, the Commission shall consider reorganization with other single purpose local agencies that provide related services.

History of Estimated Incorporation Costs

The following section summarizes the history of the estimated project budget for the Arden Arcade Incorporation.

June 6, 2007 Commission Meeting

The June 6, 2007 staff report sets forth the following project budget for the Arden Arcade Incorporation proposal. The project budget was approved by the Commission subject to amending the budget for analysis of annexation and special district options. The Commission agreed to fund up to \$100,000 matching funds to offset the proponents' share of cost.

June, 2007 Estimated Incorporation Budget

EIR	\$145,000
CFA	90,000
Legal	30,000
Contingency	<u>25,000</u>
Total	\$290,000

LAFCo Match	<u>100,000</u>
Proponent Share	\$190,000

Neither the CFA nor EIR had contingencies in the scope of work. The CFA had two components the \$75,000 for the incorporation CFA and \$15,000 for providing assistance in negotiating a Revenue Neutrality Payment with the County for a total budget amount of \$90,000. In addition, the consultant had proposed that it would cost an additional \$20,000 as outlined in the attachment if additional work was required.

August 15, 2007 Commission Meeting

On August 15, 2007, the Commission modified the Comprehensive Fiscal Analysis Scope of Work to include additional fiscal analysis for annexation and special district options. Proponents were required to pay \$40,000 for the required additional studies, and LAFCo would contribute additional funds if necessary related to the annexation and special district studies set forth in the LAFCo staff report and contained in the Burr supplemental proposal. During the hearing, I agreed to reduce the contingencies to zero and redistribute those funds to offset the increased costs for the proponents so they would only have to come up with an additional \$15,000 and not \$40,000. This did not eliminate the possible need for contingencies or the proponents' responsibility for covering the actual costs.

Since it was not possible to identify whether or not there would be a need for contingencies, the estimated project budget assumed that contingencies would not be immediately required or budgeted for.

Amended Incorporation Budget and Share of Costs based on August 15, 2007 Commission meeting:

August 2007 Amended Project Budget

EIR	\$145,000
CFA	130,000*
Legal	30,000
Contingency	<u>0</u>
Total	\$305,000
LAFCo Match	<u>100,000</u>
Proponent Share	\$205,000

*CFA Amount includes \$90,000 for CFA and an additional \$40,000 for Alternative Governance Studies (annexation and special district studies) for a total of \$130,000.

In order to minimize the initial cost impacts to the proponents related to the amended Scope of Work, the contingencies budget was redistributed to the CFA line item. Otherwise the original amended budget would have been \$330,000 and not \$305,000. The proponents' share of cost would have gone up \$40,000 and not \$15,000.

Revised Budget with Contingencies	\$330,000
Revised Budget without Contingencies	<u>305,000</u>
Net Difference	\$ 25,000

August 2007 Amended Incorporation Budget Compared to Actual Costs

The following tables set forth estimated contract amounts compared to actual expenditures to date.

Estimated Contract Amounts Compared to Actual Contract Expenditures Based on Current Funding Agreement and Estimated Costs of \$305,000

	Estimated Costs/ Contract Amounts	Amount Expended	Unexpended Amounts
EIR	\$145,000	\$88,715	\$56,285
CFA	130,000	10,238	119,762
Legal/Env	<u>30,000</u>	<u>12,164</u>	<u>17,836</u>
Total	\$305,000	\$111,117	\$193,883

Note: The proposed incorporation project budget is only an estimate of anticipated costs. The consultants' contracts cover the completion of the required studies based on their respective Scopes of Work; however, the contracts do not include funds for additional work that may be required based on comments from the public or agencies that may raise issues that require further analysis.

Summary of Estimated Proponent Funding Requirement per Current Funding Agreement – Estimated Costs \$305,000

Total Unexpended Contract Amounts	\$193,883
Proponent Funds on Deposit	(7,631)
LAFCo Match on Deposit	(7,631)
Remaining LAFCo Match	<u>(36,811)</u>
Proponents Balance Owed	\$141,811

Total Estimated Cost (August 15, 2007)	\$305,000
Total Proponents Payments to date	(63,189)
Total LAFCo Match Paid	(63,189)
Total LAFCo Remaining Match	<u>(36,811)</u>
Proponents Balance Owed	\$141,811

April, 2008 Cost Estimate and Remaining Funding Analysis

Potential Cost Savings Resulting from MuniFinancial Proposal (April, 2008)

Burr CFA Contract Balance	\$119,762
Muni Revised CFA Estimate	<u>90,000</u>
Potential CFA Contract Savings	\$29,762

Revised Estimated Budget to Complete Studies (April, 2008):

EIR Unexpended Contract Amount	\$56,285
Legal Fees Unexpended Amount	17,836
Muni CFA Estimate	90,000
Contingency	<u>29,762</u>
Total	\$193,883
Less:	
LAFCo Match Remaining	(36,811)
Proponent Funds on Deposit	(7,631)
LAFCo Match on Deposit	<u>(7,631)</u>
Estimated Amount Due From Proponents	\$141,811

Note: The total estimated contingencies are \$29,762 which is equal to the projected savings. This is only an estimate and dependent on a number of factors. Actual contingency costs could either be higher or lower than the above estimate. The revised estimated budget includes \$14,400 (10%) for the EIR contingencies per MBA/Steve Jenkins. The balance of the estimated savings in the amount of \$15,362 has been budgeted for other contingencies.



April 18, 2008

Mr. Peter Brundage
Executive Officer
Sacramento Local Agency Formation Commission
1112 I Street #100
Sacramento, California 95814

Re: Proposal to Prepare a Comprehensive Fiscal Analysis for the Proposed Arden-Arcade Incorporation

Dear Mr. Brundage:

MuniFinancial is pleased to present the following proposal in response to the Sacramento Local Agency Formation Commission's (LAFCo) request to prepare a comprehensive fiscal analysis for the proposed Arden-Arcade incorporation. I am certain you will find MuniFinancial's unique qualifications to be of value to LAFCo. Of particular note are our:

- * **Experienced Project Team:** The project team we propose for this engagement includes Mr. **Eric Nickell** as principal-in-charge, Ms. **Sarah Graham** as project manager, and Mr. **Carlos Villarreal** providing analytical support. I will provide project management support and technical advice to the team. Our team approach ensures that your project has the necessary depth of experience and high priority from start to finish.
- * **Depth of Experience:** MuniFinancial's Financial Consulting Services Group has consistently been at the forefront of innovative approaches to fiscal impact analyses. The Group's Development Infrastructure Financing division has helped clients address a range of policy issues including preparation of a feasibility study and evaluation of the fiscal impact of alternative governance scenarios for proposed incorporations. This division has prior experience preparing an assessment of the fiscal impact of an area proposed to be annexation to a city.
- * **Firm Stability and Support:** MuniFinancial is one of the largest public sector financial consulting firms in the United States. In our 19-year history, we have helped hundreds of public agencies and nonprofit organizations successfully address a broad range of financial challenges. With a staff of over 70 employees, we have the firm resources to ensure that your project will be adequately staffed, regardless of circumstances that may impact your project plans in the future. MuniFinancial is responsive to our clients' needs.

We are excited about this opportunity to serve the Sacramento LAFCo and look forward to hearing from you. If you have any questions regarding our qualifications, please feel free to contact me directly at (510) 832-0899 or via email to bobs@muni.com.

Sincerely,

MUNIFINANCIAL

A handwritten signature in black ink that reads "Robert D. Spencer".

Robert D. Spencer, Principal Consultant
Financial Consulting Services Group

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INTRODUCTION AND APPROACH

INTRODUCTION

This proposal is in response to a request for proposal from the Sacramento Local Agency Formation Commission (LAFCo) to prepare a Comprehensive Fiscal Analysis (CFA) for the proposed incorporation of Arden Arcade. In this section we describe key assumptions and methodologies specific to the Arden Arcade incorporation study that affect the scope of services and level of effort required to successfully complete the study. We also present key strategies that anticipate the high degree of scrutiny these projects typically receive from the public and elected officials.

APPROACH

KEY ASSUMPTIONS AND METHODOLOGIES

We will complete the comprehensive fiscal analysis based on the guidelines provided by LAFCo, the California Office of Planning and Research, and *California Government Code* sections 56800 through 56815. Key assumptions and methodologies specific to the study of the Arden Arcade incorporation proposal are listed below:

- ♦ **Base year:** Pursuant to discussions with LAFCo staff the base year for the analysis will be FY 2007-08. State statute requires the use of the most recently available financial statements for agencies affected by the incorporation. Because there is not enough time to complete the study before the current year's financial statements become available, that portion of the study will wait until the fiscal year is over.
- ♦ **Planning horizon:** City revenues and costs will be projected for the transition year and eight additional years following incorporation.
- ♦ **Development scenario:** The fiscal analysis will include the impact of projected new development within the incorporated area through the planning horizon (unlikely to be significant given nearly built out status of Arden Arcade).
- ♦ **Plan for services:** Prepare an inventory of existing agencies and public service providers in the proposed incorporation area.
- ♦ **Affected agencies:** The Arden Arcade area is served by the County of Sacramento, multiple independent special districts, including five parks districts and three public water districts, and multiple private service providers. The County will transfer certain services to the proposed City, which will then contract back for certain services. The analysis will also consider the reorganization of independent service providers in Arden Arcade.
- ♦ **Revenue neutrality:** For the public draft CFA we will estimate the fiscal impact of the incorporation on the County pursuant to *California Government Code* section 56815 but not estimate mitigation costs to the proposed City. Based on direction from LAFCo staff we will incorporate any mitigation costs into the final draft CFA.

SCOPE OF SERVICES

The scope of services for the CFA is described in detail by task below. Each task includes a description of the work to be completed plus identification of meetings and deliverables.

TASK 1: PROJECT AND POLICY MANAGEMENT

Objectives: Maintain effective communication with LAFCo staff throughout the project.

Description: Meet with LAFCo staff to confirm project scope, schedule, and deliverables. Determine preferred method for communicating with staff. Discuss key assumptions and methodologies including:

- ♦ Base year
- ♦ Potential development
- ♦ Planning horizon
- ♦ Plan for services
- ♦ Incorporation boundaries
- ♦ Incorporation date
- ♦ Similar cities for cost comparison
- ♦ Revenue neutrality analysis

Identify key contacts in County departments and other affected agencies to facilitate data gathering. Based on conversations with LAFCo staff, scope of work includes analysis for two boundary scenarios.

Meetings: Two (2) meetings: one (1) project kick-off meeting with LAFCo and one (1) meeting with incorporation proponents.

Deliverables: None.

TASK 2: INCORPORATION ANALYSIS

Subtask 2.1 Determine Development Scenario

Objectives: Estimate existing and new development within the planning horizon.

Description: For each of two boundary alternatives, determine base year population, dwelling unit, and employment estimates for proposed incorporated area using Census data, historical building permit data provided by County staff, and identification of employment centers. Develop per dwelling unit resident and per square foot employment density factors based on base year data and comparable studies. Identify approved, proposed, and potential development projects, plus projects under construction based on data provided by County staff (unlikely to be significant given nearly built out status of Arden Arcade). Conduct local real estate market research to identify key factors and trends affecting development, and to provide property value assumptions for property tax estimates. Prepare market-based development scenario based on available data and reasonable assumptions.

Meetings: None.

Deliverables: None.

Subtask 2.2: Develop Cost Assumptions

Objectives: Develop reasonable estimates of all City costs through planning horizon for each of two boundary alternatives.

Description: Submit information request to affected agencies (County departments, the City, and various special districts) for data on current service levels, cost recovery rates, net costs of service, and contract costs. Analyze responses and follow up with supplemental information requests to develop reasonable and consistent cost assumptions.

Estimate ongoing staffing and related costs based on proposed levels of service and necessary administrative, executive, and legislative functions. Analyze staffing and costs for similar cities. Develop staffing plan based on number of positions by function and department by year. Determine cost inputs including salaries and benefits by position, supplies and services, non-departmental such as insurance and office occupancy, and contract service costs. Use average per capita or case study approaches as appropriate.

Estimates of City costs for the CFA will be based on the service provider assumptions shown in the following table:

Service Provider Assumptions for CFA

Service	Current Provider	Future Provider
Animal Control	Sacramento County	City (contract with County)
Cemetery	Sacramento County	No effect on CFA
Electric and Gas	Private utility companies	No effect on CFA
Fire and EMS	Sacramento Metropolitan Fire District	City (contract with Metro)
Flood Control	American River Flood Control District	No effect on CFA
General Government	County General Fund	City
Library	Sacramento Public Library, Authority	No effect on CFA
Parks and Recreation	Arcade Creek Recreation and Park District; Arden Manor Recreation and Park District; Arden Park Recreation and Park District; Fulton- El Camino Recreation and Park District; Mission Oaks Recreation and Park District	City
Planning	Sacramento County	City
Public Protection	Sacramento County; Community Services Area No. 11; (Hwy. Patrol for Traffic)	City (contract with County)
Public Works	County General and Road Funds	City (contract with County)
Solid Waste Collection	Sacramento County	No effect on CFA
Solid Waste Disposal	Sacramento County	No effect on CFA
Telecommunications	Private utility companies	No effect on CFA
Water and Wastewater	Cal American Water Company; Carmichael Water District; City of Sacramento; Del Paso Manor Water District; Sacramento County Water Agency; Sacramento Suburban Water District; Southern California Water Company	No effect on CFA

Sources: MuniFinancial.

The analysis will also include estimates for transition year costs for services provided by County and repayment of costs by City and for one time City startup costs such as election, general plan, and furnishings and equipment.

Meetings: One (1) meeting with County staff to review information needs.

Deliverables: None.

Subtask 2.3: Develop Revenue Assumptions

Objectives: Develop reasonable estimates of all City revenues through planning horizon for each of two boundary alternatives.

Description: **Property tax revenues:** Submit information request to County Auditor-Controller for property tax data, such as existing assessed value and tax allocation factors by tax rate area within incorporation area, "Auditor's ratio" (property taxes as a percent of general fund undesignated revenues). Calculate property tax transfer amount based on *California Government Code* sections 56810 using County net cost of services, Auditor's ratio, and estimated tax increment to first year of incorporation.

Sales tax revenues: Submit information request to State Board of Equalization for revenue generated within incorporation area, or use audit data available to County. Develop alternative reasonable method for estimating revenue if these sources are not available.

Vehicle license fees: Estimate revenue based on AB 1602 (2005-06 legislative session) assuming an incorporation date prior to June 30, 2009.

Other revenues: Develop assumptions primarily using per capita factors based on analysis of County fiscal data or statewide data for revenue subventions, and input from County staff. Estimate charges for services based on current County cost recovery rates.

Meetings: None.

Deliverables: None.

Subtask 2.4: Analyze Fiscal Feasibility

Objectives: Determine fiscal feasibility of proposed incorporation for each of two boundary alternatives.

Description: Construct model based on assumptions developed in prior tasks. Analyze fiscal feasibility of incorporation by fund based on general and restricted revenue sources. Funds likely to include (1) general fund, (2) community services district fund (to account for transfer of existing City assessments and charges), and (3) road fund (to account for gas tax revenues). Exclude impact of potential revenue neutrality mitigation (see subsequent tasks).

Provide a set of tables summarizing the preliminary results of the quantitative analysis for review and comment by LAFCo staff. Discuss analysis and preliminary findings via conference call.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis for CFA.

Subtask 2.5: Conduct Additional Fiscal Analysis

Objectives: Provide additional fiscal information related to the proposed incorporation for each of two boundary alternatives.

Description: **Revenue neutrality:** Analyze net impact of revenue and cost reductions caused by incorporation on County in base year pursuant to *California Government Code* section 56815. Conduct analysis by fund.

Assessment districts: Conduct qualitative analysis of impacts on existing assessment districts.

Assets: Submit information request to County and City for inventory of assets to be transferred to City. If GASB 34 valuation is not available, estimate value based on quantities, unit replacement cost factors, and current condition.

Appropriations limit: Determine provisional appropriations limit pursuant to *California Government Code* section 56812.

Meetings: One (1) meeting with County staff.

Deliverables: Include revenue neutrality analysis in prior task deliverable.

TASK 3: SPECIAL DISTRICT ANALYSIS

Objectives: Evaluate service levels, costs, and revenues of five parks districts and three public water districts.

Description: The analysis will include a review of Comprehensive Annual Financial Reports for affected districts. The evaluation of service levels and costs for services will compare the following metrics for the special districts:

Special District Metrics

Metric	Water Districts	Park Districts
Acreage		X
Boundaries	X	X
Debt issued/capacity	X	X
Fees for services	X	X
Number of accounts	X	
O & M costs	X	X
Rates	X	
Share of customer base	X	X
Taxes	X	X

Sources: MuniFinancial.

The analysis will determine where further study is warranted for reorganization of special districts and will make a finding as to whether engineering analysis is necessary.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis of special districts.

TASK 4: ANNEXATION ANALYSIS

Objectives: Evaluate service levels, costs, and revenues under alternative governance scenario of annexation to the City of Sacramento.

Description: Refine model to analyze and compare service levels and costs under annexation to the City of Sacramento to those under incorporation as a new City. This task will use the same development scenario developed in Subtask 2.1.

Evaluate taxes and fees paid by property owners, citizens, and businesses under the annexation scenario. Each revenue and cost input will be developed using either a per capita or case study approach as shown in the following table:

Annexation Service Area Approach

Service	Per Capita Approach	Case Study Approach
Animal Control	X	
Fire and EMS ¹		X
General Government	X	
Parks and Recreation ²	X	
Planning	X	
Public Protection	X	
Public Works	X	

1 Analysis will not consider impacts on Sacramento Metropolitan Fire District or impacts of City assuming personnel costs.

2 Per acre.

Sources: MuniFinancial.

We will calculate per capita factors by dividing total annual revenues or costs by the appropriate service population. Service population will include the current residential and employment population. Employment will be weighted appropriately to reflect impacts relative to residents for each revenue or cost line item. The analysis will estimate ongoing staffing and related costs based on current levels of service in the City of Sacramento.

Analysis assumes the City of Sacramento would be the sole provider of municipal services in Arden Arcade as in its current territory. The analysis assumes detachment from current service providers.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis for annexation scenario.

TASK 5: DRAFT COMPREHENSIVE FISCAL ANALYSIS REPORT

Objectives: Elicit public comment on incorporation fiscal feasibility; support LAFCo policy decisions and actions.

Description: Prepare the administrative draft CFA. Include findings regarding fiscal feasibility. Clearly describe all data sources, assumptions, and methodologies. Meet with LAFCo staff to discuss and receive comments. Based on one round of comments prepare the public draft CFA for public review and revenue neutrality negotiations. Prepare final draft CFA based on one round of comments or prepare a separate response to comments as appropriate. Integrate results of revenue neutrality negotiations as directed by LAFCo staff. Present final draft CFA to the public and Commission using slide presentation.

Meetings: Four (4) meetings: one (1) meeting to review administrative draft CFA with incorporation proponents; one (1) meeting to present final draft CFA at public workshop; and up to two (2) meetings to present final draft CFA to Commission.

Deliverables: Administrative draft CFA (10 hard copies plus digital format), public draft CFA (50 hard copies plus digital format), and final draft CFA (50 hard copies plus digital format).

OPTIONAL TASK 6: REVENUE NEUTRALITY NEGOTIATIONS

Objectives: Provide additional fiscal information related to the proposed incorporation for the revenue neutrality negotiation process.

Description: On an as needed basis, provide analytical support for the revenue neutrality negotiation process. Services under this task to be provided at time and expense.

Meetings: As needed.

Deliverables: As needed.

PROJECT BUDGET AND SCHEDULE

SCHEDULE

We estimate that we can complete a comprehensive fiscal analysis for the proposed Arden-Arcade incorporation within five (5) months of receipt of the fiscal year 2007-08 financial statements for the County of Sacramento. This schedule can only be met with the cooperation of LAFCo staff. Delays in responding to our requests for data and review will result in corresponding delays to the project schedule.

To complete our tasks on schedule, we suggest that LAFCo assign a key individual as project manager for the agency. We will expect LAFCo's project manager to (1) provide direction on policy issues, (2) coordinate responses to requests for information, and (3) coordinate review of work products. We anticipate responses to our requests for data or review within five (5) business days. Delays in responding to our requests may result in corresponding delays to project schedule.

The following exhibit shows the proposed project schedule. This schedule assumes that MuniFinancial receives authorization to proceed in May and also receives the County's budget actuals for FY 2007-08 in August of this year. Changing either of these critical dates could impact the project schedule.

Arden Arcade CFA Proposed Project Schedule

Task / Subtask	2008								2009	
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
1. Project & Policy Management										
<i>Notice to proceed</i>	○									
<i>Kickoff meeting with LAFCo staff</i>	◆									
<i>Kickoff meeting with citizens committee</i>		◆								
2. Incorporation Analysis										
<i>Data request to County</i>		⌘								
<i>County actuals available</i>				○						
<i>Draft tables</i>						⌘				
<i>Preliminary results meeting</i>							◆			
3. Special Districts Analysis										
<i>Draft tables</i>						⌘				
4. Annexation Analysis										
<i>Draft tables</i>						⌘				
5. Draft CFA Report										
<i>Administrative draft report</i>								⌘ ◆		
<i>Final report</i>									⌘	
<i>Public workshop</i>										◆
<i>Final presentation</i>										◆

Key:
 ◆ = Meetings ⌘ = Deliverable ○ = Critical date

FEE FOR SERVICES

We propose a fee of **\$90,000** including direct expenses, related to this fiscal analysis project. Additional services may be authorized. If awarded the project, we will invoice LAFCo monthly for our services.

LAFCo will collect funds for tasks prior to authorizing work. MuniFinancial will not proceed with work on tasks until LAFCo confirms that task funds are collected and available for payment. The following table shows the proposed budget by task and/or subtask and shows the cumulative funds needed to proceed to each task.

Budget by Task / Subtask and Cumulative Budget

Task / Subtask	Task Budget	Cumulative Budget
1. Project & Policy Management		
Kickoff meetings	\$5,000	\$5,000
2. Incorporation analysis		
Data request to County	5,000	\$10,000
Preliminary results meeting	20,000	\$30,000
3. Special districts analysis		
Draft tables	15,000	\$45,000
4. Annexation analysis		
Draft tables	15,000	\$60,000
5. Draft CFA Report		
Administrative draft report	10,000	\$70,000
Final report	10,000	\$80,000
Final presentations	10,000	\$90,000

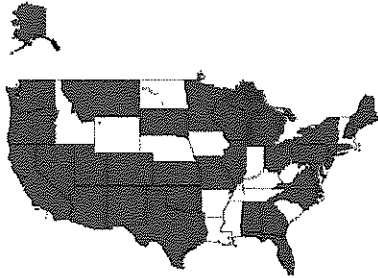
ADDITIONAL SERVICES

Additional services under the optional Task 6 and any additional meetings may be authorized by the LAFCo and will be billed at our then-current hourly consulting rates. Our current hourly rates are:

MUNIFINANCIAL HOURLY RATE SCHEDULE	
TITLE	HOURLY RATE
Division Manager	\$200
Principal Consultant	190
Senior Project Manager	155
Project Manager	135
Senior Project Analyst	120
Senior Analyst	110
Analyst	90
Analyst Assistant	75
Property Owner Services Representative	50
Support Staff	45

QUALIFICATIONS & EXPERIENCE

COMPANY PROFILE



MuniFinancial, Willdan, Arroyo Geotechnical, American Homeland Solutions, and Willdan Resource Solutions are the five (5)-company public service team that has grown from the 1964 establishment of Willdan Engineering, known today as *WILLDAN Group, Inc.* This group of companies provides financial and economic consulting; civil and structural engineering; planning, geology, and geotechnical engineering; environmental health and safety (EH&S) engineering and construction; plus security consulting services for public sector clients throughout California and across the nation.



MuniFinancial provides financial and economic consulting for growth planning, revenue generation, debt administration and municipal services, with specialties such as ongoing Municipal Disclosure and Arbitrage Rebate compliance. Established in 1988, MuniFinancial has worked with more than 800 public agencies throughout the United States.



Willdan is a full-service, multi-disciplinary California corporation that specializes in consulting, engineering and planning services for governmental agencies. Willdan has expanded in size, locations, and service capabilities; thus becoming an industry leader in public works design, planning, and financing. Its staff of over 500 professional and technical experts includes specialists in highways and roadways, drainage and flood control, bridges, traffic and transportation, municipal landscape architecture, environmental planning; construction management, building and safety services, urban and regional planning; water resources, structural engineering, computer-aided analysis and design; and other technical fields.



Arroyo Geotechnical offers a full complement of geology/geotechnical engineering capabilities, including soils engineering, earthquake and seismic hazard studies, geology and hydrogeology engineering. Arroyo Geotechnical also maintains a full-service geotechnical laboratory.



American Homeland Solutions (AHS) is dedicated to helping clients enhance their preparedness and responsiveness to domestic security. Some of the areas of opportunity include homeland security needs assessments, school security planning, public education outreach, and emergency response training.



Willdan Resource Solutions (WRS) provides high-quality and competitively priced environmental, construction, environmental health and safety (EH&S), and engineering services. From training and consulting, to multi-phased environmental site assessments and cleanup, WRS delivers the widest spectrum of services based on established engineering, scientific, and economic principals.

INTRODUCTION TO MUNIFINANCIAL

MuniFinancial is a customer-oriented firm that delivers high-quality financial and economic services to public agencies and, ultimately, to the public.

MuniFinancial is one of the largest public sector financial consulting firms in the United States, with corporate headquarters in Temecula and regional offices in the cities of Oakland, Lancaster, and Sacramento and in the states of Florida, Tennessee and Washington. Since 1988 we have helped over 800 public agencies successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services.

MuniFinancial assists local public agencies with long-term financial plans and cash flow modeling, cost allocations, development impact fees, utility rate studies, and property tax audits. In addition, we assist local public agencies with arbitrage rebate, investment consulting, municipal disclosure, and special district administration.

MuniFinancial has the largest special district formation and administration practice in the nation. We are known as the preeminent municipal disclosure firm as well as a major provider of arbitrage rebate services.

The firm currently has a staff of over 70 dedicated professionals with the range of expertise necessary to provide high-quality service to our clients. Given the breadth and depth of expertise among our staff, MuniFinancial is able to offer clients a full range of financial services:

- ✦ **Capital improvement planning and financing**, including infrastructure financing plans and impact or connection fee studies;
- ✦ **Financial planning and revenue enhancement**, including financial projections and policy analysis, plus utility rate, user fee, and cost allocation studies;
- ✦ **Economic and fiscal policy analysis** of proposed projects and plans, including government reorganizations studies;
- ✦ **Special district implementation and administration**, including district formation and voter campaigns, plus administrative services such as levies and delinquency management; and
- ✦ **Federal compliance services** for bond issues such as continuing disclosure and arbitrage rebate analysis.

Many of our projects have an engineering component as well, highlighting the benefits of MuniFinancial as part of *Willdan Group, Inc.* Our affiliate firm, Willdan, is a leading engineering consulting firm consisting of over 500 personnel in the Western United States. Willdan provides contract staff for building, planning and engineering departments plus a range of civil engineering services.

With the combined expertise of our firms we can provide a comprehensive approach to our clients' financial, economic and public facility engineering challenges.

FINANCIAL CONSULTING SERVICES DIVISION

MuniFinancial has been built on deep, continuing relationships with local government department staff. With hundreds of ongoing client relationships in finance, engineering and other services, we have been consistently called upon to assist staff with a range of special projects. In response to this need, the Financial Consulting Services Division was created.

Our work incorporates excellent **public communication strategies and skills**. As voter approval becomes the norm for revenue measures, we offer expertise in communicating persuasive information to the targeted group, whether developers, land owners or the general electorate. We provide clearly written report summaries, on-point public presentations and strong meeting facilitation skills.

The table below provides an overview of the services provided by the Financial Consulting Services Division.

DEVELOPMENT INFRASTRUCTURE FINANCING	
Development Impact & Utility Connection Fees for Capital Facilities	Infrastructure & Public Facilities Financing Plans
Real Estate Market Analysis & Development Forecasts	Capital Improvement Plans
SPECIAL DISTRICT FORMATION ASSISTANCE	
Community Facilities Districts, including Special Tax Analysis	Proposition 218 Benefit Analysis
Landscaping and Lighting Act of 1972	Fire Suppression Districts
Benefit Assessment Act of 1982	Bridge & Thoroughfare Districts
1913/1915 Act Bonded Assessment Districts	Refunding Bond Analysis & Reporting
Construction Acquisition Services	Notice & Ballot Preparation & Mailing
FEES AND RATE STUDIES	
User Fee Analysis	Utility Rate Modeling
Cost Allocation Studies	Budget Planning
ECONOMIC AND FISCAL POLICY ANALYSIS	
LAFCO Annexation, Consolidation, or New Governmental Agency Formation Studies	Financial Modeling, Budget Analysis, & Feasibility Studies
Fiscal Impact Analysis of Projects, Plans, & Policies	Economic Development & Economic Impact Studies

FISCAL IMPACT ANALYSIS EXPERIENCE

Fiscal impact analysis is a tool to estimate the effect of proposed policies and plans on ongoing operating revenues and costs for a public agency. MuniFinancial has managed *over 50 fiscal impact studies* for a broad range of clients, helping them address a range of policy issues including:

- ◆ Fiscal impacts of land use policies and plans;
- ◆ Fiscal impacts of growth control and tax limitation ballot initiatives;
- ◆ City/county tax sharing agreements for annexations; and
- ◆ **The feasibility of proposed city incorporations.**

We sometimes play the “honest broker” role, providing objective analysis to all sides such as the city and the county in annexation tax sharing negotiations, and the agency and the developer during the project approval process.

PROJECT SUMMARIES

Summaries of selected project experience are presented below.

County of Riverside, CA; Feasibility Study and Comprehensive Fiscal Analysis for Incorporation: Assisted Eastvale Incorporation Committee in evaluating the fiscal impact of incorporation for the community of Eastvale in Riverside County. Completed an initial feasibility study for incorporation of the area. Project includes a comprehensive fiscal analysis to be completed by September 2008.

County of Riverside, CA; Fiscal Analysis and Municipal Service Review: Assisted LAFCo, the County, and the adjacent City of Murrieta in evaluating the fiscal impact of alternative governance scenarios for the growing community of Wildomar in southwest Riverside County. The analyses helped the agencies determine which incorporation and annexation scenarios were fiscally viable. The project included a municipal service review for the area. The study for County of Riverside was conducted in 2004. See our website (www.muni.com) for a link to the Wildomar report.

Rio Linda – Elverta Recreation and Park District, CA; Feasibility Study for Incorporation: Completed an initial feasibility study for incorporation of the area. A number of residents living within the Park District were interested in obtaining local land use control through the process of incorporation. The final study presented multiple scenario options taking into consideration whether specific legislation was passed and if certain parcels of land were included or excluded from the incorporation.

City of Rio Dell, CA; Fiscal Impact Analysis: Assisted the City of Rio Dell by providing an assessment of the fiscal impact of the annexation of the Town of Scotia to the City. The analysis examined the fiscal feasibility of the annexation on Rio Dell's general fund and road funds, and on the Rio Dell Fire Protection District's operational funds as well. The final report provided three possible outcomes of the annexation in terms of status quo, best and worst.

City of Roseville, CA; Fiscal Impact Analysis: Completed fiscal impact analysis for the annexation of the West Roseville Specific Plan (WRSP) area. Analyzed numerous scenarios of the proposed land use plan as part of the negotiations with the project developer to ensure the plan was fiscally positive for the City. Coordinated with the County's economic consultant to assist in the negotiation of the property tax split agreement with Placer County.

City of Roseville, CA; Fiscal Impact Analysis: Completed fiscal impact analysis for the annexation of the Sierra Vista Specific Plan (SVSP) area and Creekview Specific Plan (CSP) area. Analyzed proposed land use to determine the fiscal impact on the City's General Fund. Conducted market analysis to determine the amount of retail development that the area could support to assist the City in its negotiations with the developer group.

County of Sacramento, CA; County Service Area Formation: Developed and implemented the strategy for forming a County Service Area to fund the ongoing operating costs of transit and related services for a Specific Plan Area in Sacramento County. MuniFinancial assisted the County in developing a new revenue source to mitigate the impacts of growth on traffic congestion and air pollution.

County of Yolo, CA; Annexation Tax Sharing: Assisted the County of Yolo in developing policies for negotiating with cities tax sharing associated with annexations. Conducted fiscal impact analysis of growth to determine the tax revenue needed to offset current service costs and generate a surplus to correct the structural under-funding of the General Fund.

Hollywood Chamber of Commerce, CA; Secession Fiscal Impact Analysis: Reviewed fiscal impact analyses prepared for the proposed secession of the Hollywood area from the City of Los Angeles. Evaluated impact of secession from the business community's perspective.

Fiscal Impact Analysis and CFD for Public Services: Retained by a range of clients to analyze the fiscal impacts of growth and form a Community Facilities District (CFD) to fund public services. The fiscal impact analysis examines a prototype subdivision or actual proposed development projects. Fiscal impact results inform a policy decision to set a special tax rate so that new development funds increases in service costs, typically public safety costs. We then assist in forming a Community Facilities District (CFD), including providing special tax advice, as part of a development project to fund public service costs associated with growth. Future new development projects annex into the CFD to expand this revenue stream as growth occurs. We have conducted these studies and formed CFDs for:

- ♦ City of Clovis, CA
- ♦ City of Madera, CA
- ♦ City of Elk Grove, CA
- ♦ City of Manteca, CA
- ♦ City of Galt, CA
- ♦ City of Palm Springs, CA
- ♦ City of Livingston, CA
- ♦ County of Sacramento, CA

CLIENT REFERENCES

Client relationships are extremely important to us. We encourage you to contact any or all of the clients listed below regarding our commitment to personalized service and performance.

MUNIFINANCIAL SELECTED REFERENCES		
AGENCY	SERVICE	CONTACT
County of Riverside, CA	Fiscal Analysis and Municipal Service Review	Katherine M. Gifford Senior Management Analyst 4080 Lemon Street, 4th Floor Riverside, CA 92501 (951) 955-1179
Rio Linda – Elverta Recreation & Park District	Feasibility Study for Incorporation	Don Schatzel District Administrator 810 Oak Lane Rio Linda, CA 95673 (916) 991-8810
City of Rio Dell, CA	Fiscal Impact Analysis	John Miller City Manager 675 Wildwood Avenue Rio Dell, CA 95562 (707) 764-3532

PROJECT TEAM

Senior professionals have been selected for the Sacramento LAFCo's engagement. We are confident that the MuniFinancial team has a depth of experience that will successfully fulfill LAFCo's desired work performance.

Mr. Eric J. Nickell, Principal Consultant in the Sacramento office of MuniFinancial's Financial Consulting Services Division, will serve as **principal-in-charge** of the study. He will oversee the quality of work products and assure timely completion of the project. He will also provide technical oversight to the project.

Mr. Robert D. Spencer, Principal Consultant in the Oakland office of our Financial Consulting Services Group, will serve as **technical advisor**. Mr. Spencer's experience includes a recent municipal service analysis and initial feasibility review for the Wildomar area of Riverside County, CA. This complex study included analysis of two incorporation and two annexation scenarios for the area.

We propose **Ms. Sarah M. Graham**, as **project manager**. Ms. Graham is a Project Manager in Financial Consulting Services at MuniFinancial. She will organize and direct consultant tasks, provide quality control for work products and ensure that the deliverables are completed on time and within budget. She will serve as the agency's day-to-day contact and will be present at key meetings.

Staff analysts in our Oakland office, including **Mr. Carlos Villarreal**, will provide **analytical support**. He will work under the direction of Ms. Graham, who will assign additional resources to the team if necessary.

PROJECT MANAGEMENT

As a successful consulting firm, we understand the importance of project management and team support. MuniFinancial has successfully guided diverse consultant teams through many projects for the benefit of our clients.

The goal of project management is to achieve the client's objectives on schedule and within budget. To accomplish this, we employ a variety of tools to monitor project status and to establish effective communication with the client and between project team members.

Project Monitoring. The project manager monitors budget status through our online accounting system. The system captures project labor costs, overhead and direct expenses on a weekly basis. Project managers continually monitor the budget and compare costs to work performed to date. In our experience, the system is an invaluable tool for reducing cost overruns and budget amendments, a tool often not found in other consulting firms.

Financial Consulting Services principals and project managers meet weekly to assess the status of each project and to direct staff. These weekly meetings allow staffing constraints to be identified early and resources reallocated to keep projects on budget and on schedule. These meetings also provide a forum for applying the group's collective expertise to solving difficult analytical issues that arise in complex projects.

Client Communication. To remain informed about project status, clients can choose among several communication options based on their preferences. We can provide regular updates by e-mail, phone call, meetings, or project status memos. The status memo is particularly

effective because it documents work completed to date, status of remaining tasks, and identification of outstanding issues that require input from the client.

Quality Control. The principal in charge and project manager assigned to the project provide quality control and quality assurance. The project manager reviews interim and final work products before transmittal to the client to ensure that they meet MuniFinancial's quality standards. The principal in charge reviews the final work product, including reports and quantitative models, to provide a second level of quality control and assurance.

Team member resumes follow for your review.

14 Years Experience

Areas of Expertise

Public Services & Infrastructure Funding

Real Estate Market Analysis and Feasibility

Regulation of Land Use

Education

Master of Public Affairs with emphasis in economics and public policy, Woodrow Wilson School of Public Affairs, Princeton University

Bachelor of Arts in Chemistry, the Colorado College

Professional Affiliations

Urban Land Institute

ERIC J. NICKELL

PRINCIPAL CONSULTANT

Eric Nickell is a Principal Consultant in the Sacramento office of MuniFinancial's Financial Consulting Services Division. Mr. Nickell is a public finance and real estate market consultant with training in economics and public policy.

Prior to his employment with MuniFinancial, Mr. Nickell was a Vice President with Economic & Planning Systems (EPS). His practice areas included public services funding plans, real estate market analysis and feasibility testing, conservation finance, and development impact fee nexus studies.

RELATED EXPERIENCE

Services Funding and Fiscal Impact Analysis

- ♦ ***Davis Oeste Ranch Fiscal and Economic Impact Studies:*** As a consultant to the developer of this active adult mixed used project, Mr. Nickell estimated the fiscal impacts of the project on the City and County's operating funds, as well as short term and permanent employment and output effects in the wider County economy. The analysis included an important focus on fiscal impacts of a property tax sharing agreement between the City and County.
- ♦ ***West Sacramento Vina del Lago Fiscal and Economic Impact Studies:*** Working for the developer of this active adult master planned community, Mr. Nickell estimated the fiscal impacts of development on the City's operating funds, as well as short term and permanent employment and output effects in the wider County economy.
- ♦ ***Glenn Echo Glenn Fiscal Study:*** In collaboration with Raney Planning & Management, Glenn County's planning consultant, Mr. Nickell produced a fiscal impact study of the revenue required for the County, school district, and fire district to provide services to the residential project.
- ♦ ***San Ramon Northwest Specific Plan Services Funding:*** In collaboration with EDAW, the City of San Ramon's environmental consultant, Mr. Nickell prepared a fiscal study of the annual revenue requirements for the city to provide General Fund services to the Specific Plan.
- ♦ ***Knights Landing Howald Property Fiscal Study:*** Working for the developer, Mr. Nickell produced a fiscal impact study of the revenues required for Yolo County, the local community services district, and fire district to provide services to the residential project.

- ♦ ***Woodland Gateway Market and Fiscal Impact Studies:*** On behalf of the City of Woodland, Mr. Nickell conducted market and fiscal studies of a large regional retail project to estimate properly the net retail spending and local government budget impacts of proposed development.
- ♦ ***Woodland Park Market, Fiscal Impact, and Economic Impact Studies:*** As the City of Woodland's public finance consultant, Mr. Nickell conducted market, fiscal impact, and economic impact analyses and peer review studies of developer financing proposals to assist in evaluating the large industrial project.
- ♦ ***Ceres Growth Areas Fiscal Study:*** To assist the City with establishing the correct special tax level for a Community Facilities District for services, Mr. Nickell prepared an analysis of the revenues required to provide the full range of services to growth areas identified both within and outside of City limits.
- ♦ ***Alameda Harbor Bay Village Six Fiscal Study and Financing Overview:*** On behalf of the developer, Mr. Nickell compared one-time and ongoing public agency revenues produced by three alternative land use plans and estimated the changes to public revenues caused by affordable housing requirements.
- ♦ ***Glenn Brighton Ranch Fiscal Study and Financing Overview:*** Working for the developer, Mr. Nickell provided an overview of project funding for Glenn County services and public infrastructure, including fire and school facilities, for this master planned community.
- ♦ ***Davis Mace Covell Gateway Fiscal Study:*** Working for the developer, Mr. Nickell produced a fiscal impact study of the revenue required for the City to provide services to the mixed use project.
- ♦ ***Moraga Rancho Laguna Fiscal Study:*** On behalf of the developer, Mr. Nickell produced an infrastructure funding overview and fiscal impact study of the revenue required for the town, school district, and fire district to provide services to the mixed use project.
- ♦ ***Vallejo Bordoni Ranch Fiscal Study:*** Working for the developer, Mr. Nickell produced a fiscal impact study of the revenue required for the city to provide services to the mixed use project.
- ♦ ***Woodland Spring Lake Specific Plan Fiscal Study:*** As a public finance consultant to the City, Mr. Nickell produced a fiscal impact study of the revenue required for the City to provide general fund services to the specific plan.

Areas of Expertise

Fiscal Analysis

*Real Estate Market
Analysis and Feasibility*

*Public Services &
Infrastructure Funding*

Education

*Master of
Public Policy,*

*Goldman School of
Public Policy, University
of California, Berkeley*

*Bachelor of Arts,
Tufts University*

SARAH M. GRAHAM

PROJECT MANAGER

Sarah Graham recently joined MuniFinancial as a Project Manager in the Financial Consulting Services Division in the firm's Oakland office. Her responsibilities include supervising analysts on development impact fee studies and preparing fiscal impact analyses.

Ms. Graham has worked with ECONorthwest, an economic consulting firm located in Oregon, and was a Budget Analyst for the Board of Supervisors of San Francisco.

RECENT PROJECT EXPERIENCE

Feasibility and Fiscal Impact Analyses

- ♦ **Riverside County, CA:** For the Eastvale Incorporation Committee, Ms. Graham is managing the preparation of the Initial Fiscal Review and Comprehensive Fiscal Analysis.
- ♦ **County of Sacramento, CA, Folsom and Natomas Area Fiscal Impact Studies:** For the County, Ms. Graham is estimating General Fund revenue and cost impacts from various development proposals.
- ♦ **City of Dublin, CA:** Project manager for a fiscal impact study of land use scenarios in East Dublin.
- ♦ **County of Merced, CA:** Project manager for fiscal impact and fee study of the Delhi Community Plan.
- ♦ **County of Sutter, CA:** Assisting County in developing financial strategy for Sutter Pointe Specific Plan and providing peer review of fiscal impact analysis.

Financing and Funding Plans

- ♦ **City of Hercules, CA:** Project manager for a fiscal analysis of land use and development within the City, including a Public Facilities and Services Financing Plan and Long-Term Municipal Financial Strategy.
- ♦ **City of Modesto, CA:** Project manager for the development of a Facilities Master Plan and Infrastructure Financing Plan for:
 - **Woodglen Specific Plan**
 - **Pelandale-McHenry Specific Plan**
- ♦ **City of Selma, CA:** Project manager for the development of a Public Facilities Financing Plan for the Amberwood Specific Plan.
- ♦ **Stockton-San Joaquin County Public Library:** Managing the development of a funding and financing strategy for the Library's Facilities Master Plan.
- ♦ **City of Wilsonville, OR:** Managed the development of a funding strategy for parks master planning in the City of Wilsonville, Oregon.

CARLOS VILLARREAL

ANALYST II

Areas of Expertise

*Development Impact
Fees and Fiscal
Analysis*

Carlos Villarreal is an Analyst II in Financial Consulting Services at MuniFinancial, and works from the firm's Oakland office. His responsibilities include supporting Project Managers on development impact fee studies and preparing fiscal impact analyses.

Prior to joining MuniFinancial, Mr. Villarreal worked as an intern with the US Coast Guard, where he assisted with the development of a GIS database for the Coast Guard's MLCP(s) Civil Engineering Office.

Project Highlights

*City of Huntington Park
City of Roseville
Madera County*

RELATED EXPERIENCE

Development Impact Fees

- ♦ **Madera County:** Supporting analyst for a development impact fee and capital improvement plan study for several county facility types.
- ♦ **City of Huntington Park:** Supporting analyst for a study updating the City's parks, parking and art in public places impact fees.
- ♦ **Rincon Valley Fire Protection District:** Supporting analyst for a study of a development impact fee for fire protection facilities.
- ♦ **City of Fresno UGM Traffic Fees:** Supporting analyst for a study updating the City's Urban Growth Management Traffic Impact Fees.
- ♦ **City of Sierra Madre:** Supporting analyst for a study establishing development impact fees for general government, library, public safety, traffic, water and wastewater facilities

Education

*Bachelor of Arts,
Geography, University
of California, Los
Angeles*

*Minor in Public Policy
and Urban Planning*

Fiscal Analysis

- ♦ **City of Roseville:** Supporting analyst for fiscal impact analyses of:
 - ♦ **Diamond Plaza Rezone**
 - ♦ **Paseo del Norte Rezone**
 - ♦ **Hewlett Packard Area Rezone**
- ♦ **City of Santa Rosa:** Supporting analyst and database programmer for Santa Rosa Long Range Facilities Financing Plan.

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

CONSULTANT AGREEMENT WITH MUNI FINANCIAL

THIS AGREEMENT is made this ____ day of _____, 2008, by and between the SACRAMENTO LOCAL AGENCY FORMATION COMMISSION, hereinafter referred to as "LAFCo," and Muni Financial, hereinafter referred to as the "Consultant."

1. Purpose and Scope of Work

Consultant shall prepare a Comprehensive Fiscal Analysis as required under the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 as amended for the proposed incorporation of Arden Arcade. The Analysis will comply in all respects with state law and LAFCo's policies and procedures. The specific services are as set forth in Exhibit "A" attached hereto. The Executive Officer shall determine in his sole discretion whether Consultant's services are satisfactory.

2. Compensation and Expenses

a. The total compensation for such services performed by Consultant pursuant to this Agreement shall be paid monthly in arrears upon receipt of Consultant's invoice. Such compensation shall be computed in the manner described in Exhibit "A" attached hereto. Payment will be made monthly, in arrears, for services performed during the previous month subject to the provisions of Paragraph 2. d. below. LAFCo will make payment within thirty (30) days of Consultant's presentation of a written statement of services performed so long as the payment amount is consistent with the amount authorized by LAFCo to be spent in accordance with Section 2.d, and Section 6 below.

b. LAFCo is not responsible for any payment for services or expenses not previously authorized by LAFCo in writing. Payment will be made monthly, in arrears, for authorized services and expenses incurred during the previous month. LAFCo will make payment within thirty (30) days of Consultant's presentation of appropriate receipts, travel vouchers and/or LAFCo's expense claim form.

c. In no event shall the total compensation to Consultant for work performed and reimbursement of expenses incurred pursuant to this Agreement exceed \$90,000, unless this agreement is amended in writing.

d. Consultant acknowledges that the funding for this Agreement depends on payments made by the incorporation proponents under a separate agreement with LAFCo. Consequently, notwithstanding the compensation limit set forth in Subsection 2.c, above, Consultant agrees that:

i. Consultant will not proceed with any phase of the work until the Executive Officer has given written authorization to proceed, together with the funding amount available for such work;

ii. The Executive Officer may, from time to time, direct Consultant to suspend its work, if the Executive Officer determines in good faith that funding will not be available to compensate Consultant for such work;

iii. In no event shall LAFCo be required to pay Consultant more than the funding amount received for Consultant's work from the incorporation proponents; and

iv. In the event of non payment by the proponents, LAFCo or Consultant may terminate this Agreement.

3. **Materials, Supplies and Equipment**

Except as otherwise specifically set forth in Exhibit "A," attached hereto, Consultant shall, at its sole expense, furnish all materials, supplies, and equipment which are or may be required for performance of services pursuant to this Agreement.

4. **Ownership**

Consultant agrees that all work products including, but not limited to, notes, designs, drawings, reports, memoranda, and all other tangible personal property of whatever nature produced in the performance of this Agreement shall be the sole property of LAFCo, provided that Consultant may retain file copies of said work products. Consultant shall provide said work products to LAFCo upon request.

Consultant may publish marketing materials or professional papers drawing from work that is at that time in the public domain.

Consultant represents and warrants that all materials or work product to be furnished to LAFCo will be produced by Consultant or that required permissions and license agreements will be obtained and paid for by Consultant and that LAFCo is free to use, reuse, publish or otherwise deal with all such material except as otherwise specifically provided in Exhibit "A," attached hereto. Consultant shall indemnify and hold harmless LAFCo, its directors, officers, employees, agents and representatives, from any claim, loss, damage, cost, liability or expense arising from any falsity or violation of the foregoing representation and warranty.

5. **Limitation of Compensation**

LAFCo is not obligated to employ Consultant or pay royalties or other compensation of any kind to Consultant as a result of the use by LAFCo of Consultant's work products, whether or not said use relates to the project for which said work

product was prepared.

6. **Time of Work**

Consultant shall perform services required in a timely manner. Consultant shall use its best efforts to complete the work in time to allow for consideration by LAFCo on or before April 1, 2009. If LAFCo does not receive funds from the incorporation proponents in a timely manner, Consultant is under no obligation to complete the work within this time frame. If payments are delayed, the time for completion may be amended by agreement of the parties hereto.

7. **Terms and Conditions**

The Standard Form Terms and Conditions attached hereto as Exhibit "B" are made a part of this Agreement. Consultant's signature on this Agreement constitutes acknowledgment that Consultant has received said Terms and Conditions.

In the event of any inconsistency between said Standard Terms and Conditions and any other provisions of this Agreement, said other provisions shall control.

8. **Exhibits**

All exhibits referred to herein are attached hereto and are incorporated herein by reference.

9. **Nonexclusive Agreement**

Consultant understands and agrees that this is a nonexclusive Agreement. LAFCo may hire other consultants for work of a similar or identical nature.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto upon the date first above written.

MUNI FINANCIAL

SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION

By: _____

By: _____

Peter Brundage
Executive Officer

EXHIBIT A

SCOPE OF WORK/BUDGET/SCHEDULE/RATE OF COMPENSATION

SCOPE OF WORK

The scope of services for the CFA is described in detail by task below. Each task includes a description of the work to be completed plus identification of meetings and deliverables.

Task 1: Project and Policy Management

Objectives: Maintain effective communication with LAFCo staff throughout the project.

Description: Meet with LAFCo staff to confirm project scope, schedule, and deliverables.

Determine preferred method for communicating with staff. Discuss key assumptions and methodologies including:

- Base year
- Potential development
- Planning horizon
- Plan for services
- Incorporation boundaries
- Incorporation date
- Similar cities for cost comparison
- Revenue neutrality analysis

Identify key contacts in County departments and other affected agencies to facilitate data gathering. Based on conversations with LAFCo staff, scope of work includes analysis for two boundary scenarios.

Meetings: Two (2) meetings: one (1) project kick-off meeting with LAFCo and one (1) meeting with incorporation proponents.

Deliverables: None.

Task 2: Incorporation Analysis

Subtask 2.1 Determine Development Scenario

Objectives: Estimate existing and new development within the planning horizon.

Description: For each of two boundary alternatives, determine base year population, dwelling unit, and employment estimates for proposed incorporated area using Census data, historical building permit data provided by County staff, and identification of employment centers. Develop per dwelling unit resident and per square foot employment density factors based on base year data and comparable studies. Identify approved, proposed, and potential development projects, plus projects under construction based on data provided by County staff (unlikely to be significant given nearly built out status of Arden Arcade). Conduct local real estate market research to identify key factors and trends affecting development, and to provide property value assumptions for property tax estimates. Prepare market-based development scenario based on available data and reasonable assumptions.

Meetings: None.

Deliverables: None.

Subtask 2.2: Develop Cost Assumptions

Objectives: Develop reasonable estimates of all City costs through planning horizon for each of two boundary alternatives.

Description: Submit information request to affected agencies (County departments, the City, and various special districts) for data on current service levels, cost recovery rates, net costs of service, and contract costs. Analyze responses and follow up with supplemental information requests to develop reasonable and consistent cost assumptions.

Estimate ongoing staffing and related costs based on proposed levels of service and necessary administrative, executive, and legislative functions. Analyze staffing and costs for similar cities. Develop staffing plan based on number of positions by function and department by year. Determine cost inputs including salaries and benefits by position, supplies and services, non-departmental such as insurance and office occupancy, and contract service costs. Use average per capita or case study approaches as appropriate.

Estimates of City costs for the CFA will be based on the service provider assumptions shown in the following table:

Service Provider Assumptions for CFA

Service	Current Provider	Future Provider
Animal Control	Sacramento County	City (contract with County)
Cemetery	Sacramento County	No effect on CFA
Electric and Gas	Private utility companies	No effect on CFA
Fire and EMS	Sacramento Metropolitan Fire District	City (contract with Metro)
Flood Control	American River Flood Control District	No effect on CFA
General Government	County General Fund	City
Library	Sacramento Public Library Authority	No effect on CFA
Parks and Recreation	Arcade Creek Recreation and Park District; Arden Manor Recreation and Park District; Arden Park Recreation and Park District; Fulton- El Camino Recreation and Park District; Mission Oaks Recreation and Park District	City
Planning	Sacramento County	City
Public Protection	Sacramento County; Community Services Area No. 11; (Hwy. Patrol for Traffic)	City (contract with County)
Public Works	County General and Road Funds	City (contract with County)
Solid Waste Collection	Sacramento County	No effect on CFA
Solid Waste Disposal	Sacramento County	No effect on CFA
Telecommunications	Private utility companies	No effect on CFA
Water and Wastewater	Cal American Water Company; Carmichael Water District; City of Sacramento; Del Paso Manor Water District; Sacramento County Water Agency; Sacramento Suburban Water District; Southern California Water Company	No effect on CFA

Sources: MuniFinancial.

The analysis will also include estimates for transition year costs for services provided by County and repayment of costs by City and for one time City startup costs such as election, general plan, and furnishings and equipment.

Meetings: One (1) meeting with County staff to review information needs.

Deliverables: None.

Subtask 2.3: Develop Revenue Assumptions

Objectives: Develop reasonable estimates of all City revenues through planning horizon for each of two boundary alternatives.

Description: **Property tax revenues:** Submit information request to County Auditor-Controller for property tax data, such as existing assessed value and tax allocation factors by tax rate area within incorporation area, "Auditor's ratio" (property taxes as a percent of general fund undesignated revenues). Calculate property tax transfer amount based on *California Government Code* sections 56810 using County net cost of services, Auditor's ratio, and estimated tax increment to first year of incorporation.

Sales tax revenues: Submit information request to State Board of Equalization for revenue generated within incorporation area, or use audit data available to County. Develop alternative reasonable method for estimating revenue if these sources are not available.

Vehicle license fees: Estimate revenue based on AB 1602 (2005-06 legislative session) assuming an incorporation date prior to June 30, 2009.

Other revenues: Develop assumptions primarily using per capita factors based on analysis of County fiscal data or statewide data for revenue subventions, and input from County staff. Estimate charges for services based on current County cost recovery rates.

Meetings: None.

Deliverables: None.

Subtask 2.4: Analyze Fiscal Feasibility

Objectives: Determine fiscal feasibility of proposed incorporation for each of two boundary alternatives.

Description: Construct model based on assumptions developed in prior tasks. Analyze fiscal feasibility of incorporation by fund based on general and restricted revenue sources. Funds likely to include (1) general fund, (2) community services district fund (to account for transfer of existing City assessments and charges), and (3) road fund (to account for gas tax revenues). Exclude impact of potential revenue neutrality mitigation (see subsequent tasks).

Provide a set of tables summarizing the preliminary results of the quantitative analysis for review and comment by LAFCo staff. Discuss analysis and preliminary findings via conference call.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis for CFA.

Subtask 2.5: Conduct Additional Fiscal Analysis

Objectives: Provide additional fiscal information related to the proposed incorporation for each of two boundary alternatives.

Description: **Revenue neutrality:** Analyze net impact of revenue and cost reductions caused by incorporation on County in base year pursuant to *California Government Code* section 56815. Conduct analysis by fund.

Assessment districts: Conduct qualitative analysis of impacts on existing assessment districts.

Assets: Submit information request to County and City for inventory of assets to be transferred to City. If GASB 34 valuation is not available, estimate value based on quantities, unit replacement cost factors, and current condition.

Appropriations limit: Determine provisional appropriations limit pursuant to *California Government Code* section 56812.

Meetings: One (1) meeting with County staff.

Deliverables: Include revenue neutrality analysis in prior task deliverable.

Task 3: Special District Analysis

Objectives: Evaluate service levels, costs, and revenues of five parks districts and three public water districts.

Description: The analysis will include a review of Comprehensive Annual Financial Reports for affected districts. The evaluation of service levels and costs for services will compare the following metrics for the special districts:

Special District Metrics

Metric	Water Districts	Park Districts
Acreage		X
Boundaries	X	X
Debt issued/capacity	X	X
Fees for services	X	X
Number of accounts	X	
O & M costs	X	X
Rates	X	
Share of customer base	X	X
Taxes	X	X

The analysis will determine where further study is warranted for reorganization of special districts and will make a finding as to whether engineering analysis is necessary.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis of special districts.

Task 4: Annexation Analysis

Objectives: Evaluate service levels, costs, and revenues under alternative governance scenario of annexation to the City of Sacramento.

Description: Refine model to analyze and compare service levels and costs under annexation to the City of Sacramento to those under incorporation as a new City. This task will use the same development scenario developed in Subtask 2.1.

Evaluate taxes and fees paid by property owners, citizens, and businesses under the annexation scenario. Each revenue and cost input will be developed using either a per capita or case study approach as shown in the following table:

Annexation Service Area Approach

Service	Per Capita Approach	Case Study Approach
Animal Control	X	
Fire and EMS ¹		X
General Government	X	
Parks and Recreation ²	X	
Planning	X	
Public Protection	X	
Public Works	X	

1 Analysis will not consider impacts on Sacramento Metropolitan Fire District or impacts of City assuming personnel costs.

2 Per acre.

Consultant will calculate per capita factors by dividing total annual revenues or costs by the appropriate service population. Service population will include the current residential and employment population. Employment will be weighted appropriately to reflect impacts relative to residents for each revenue or cost line item. The analysis will estimate ongoing staffing and related costs based on current levels of service in the City of Sacramento.

Analysis assumes the City of Sacramento would be the sole provider of municipal services in Arden Arcade as in its current territory. The analysis assumes detachment from current service providers.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis for annexation scenario.

Task 5: Draft Comprehensive Fiscal Analysis Report

Objectives: Elicit public comment on incorporation fiscal feasibility; support LAFCo policy decisions and actions.

Description: Prepare the administrative draft CFA. Include findings regarding fiscal feasibility. Clearly describe all data sources, assumptions, and methodologies. Meet with LAFCo staff to discuss and receive comments. Based on one round of comments prepare the public draft CFA for public review and revenue neutrality negotiations. Prepare final draft CFA based

on one round of comments or prepare a separate response to comments as appropriate. Integrate results of revenue neutrality negotiations as directed by LAFCo staff. Present final draft CFA to the public and Commission using slide presentation.

Meetings: Four (4) meetings: one (1) meeting to review administrative draft CFA with incorporation proponents; one (1) meeting to present final draft CFA at public workshop; and up to two (2) meetings to present final draft CFA to Commission.

Deliverables: Administrative draft CFA (10 hard copies plus digital format), public draft CFA (50 hard copies plus digital format), and final draft CFA (50 hard copies plus digital format).

Optional Task 6: Revenue Neutrality Negotiations

Objectives: Provide additional fiscal information related to the proposed incorporation for the revenue neutrality negotiation process.

Description: On an as needed basis, provide analytical support for the revenue neutrality negotiation process. Services under this task to be provided at time and expense.

Meetings: As needed.

Deliverables: As needed.

PROJECT SCHEDULE AND BUDGET

Schedule

Consultant shall complete a comprehensive fiscal analysis for the proposed Arden-Arcade incorporation within five (5) months of receipt of the fiscal year 2007-08 financial statements for the County of Sacramento. This schedule can only be met with the cooperation of LAFCo staff. Delays in responding to our requests for data and review will result in corresponding delays to the project schedule.

To complete our tasks on schedule, we suggest that LAFCo assign a key individual as project manager for the agency. We will expect LAFCo's project manager to (1) provide direction on policy issues, (2) coordinate responses to requests for information, and (3) coordinate review of work products. We anticipate responses to our requests for data or

review within five (5) business days. Delays in responding to our requests may result in corresponding delays to project schedule.

The following exhibit shows the proposed project schedule. This schedule assumes that MuniFinancial receives authorization to proceed in May and also receives the County's budget actuals for FY 2007-08 in August of this year. Changing either of these critical dates could impact the project schedule.

Arden Arcade CFA Proposed Project Schedule

Task / Subtask	2008								2009	
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<i>Meetings & Major Deliverables</i>										
1. Project & Policy Management										
<i>Notice to proceed</i>	○									
<i>Kickoff meeting with LAFCo staff</i>	◆									
<i>Kickoff meeting with citizens committee</i>		◆								
2. Incorporation Analysis										
<i>Data request to County</i>		⌘								
<i>County actuals available</i>				○						
<i>Draft tables</i>						⌘				
<i>Preliminary results meeting</i>							◆			
3. Special Districts Analysis										
<i>Draft tables</i>					⌘					
4. Annexation Analysis										
<i>Draft tables</i>					⌘					
5. Draft CFA Report										
<i>Administrative draft report</i>								⌘ ◆		
<i>Final report</i>									⌘	
<i>Public workshop</i>										◆
<i>Final presentation</i>										◆

Key:
 ◆ = Meetings ⌘ = Deliverable ○ = Critical date

Budget

The total budget for Consultant's services shall not exceed **\$90,000**, including direct expenses related to this fiscal analysis project. Additional expenses must be authorized in writing. Consultant will invoice LAFCo monthly for services.

LAFCo will collect funds for tasks prior to authorizing work. MuniFinancial will not proceed with work on tasks until LAFCo confirms that task funds are collected and available for payment. The following table shows the proposed budget by task and/or subtask and shows the cumulative funds needed to proceed to each task.

Budget by Task / Subtask and Cumulative Budget

Task / Subtask	Task Budget	Cumulative Budget
1. Project & Policy Management		
Kickoff meetings	\$5,000	\$5,000
2. Incorporation analysis		
Data request to County	5,000	\$10,000
Preliminary results meeting	20,000	\$30,000
3. Special districts analysis		
Draft tables	15,000	\$45,000
4. Annexation analysis		
Draft tables	15,000	\$60,000
5. Draft CFA Report		
Administrative draft report	10,000	\$70,000
Final report	10,000	\$80,000
Final presentations	10,000	\$90,000

Additional services under the optional Task 6 and any additional meetings may be authorized by LAFCo and will be billed at Consultant's then-current hourly consulting rates. Consultant's current hourly rates are:

MUNIFINANCIAL HOURLY RATE SCHEDULE	
TITLE	HOURLY RATE
Division Manager	\$200
Principal Consultant	190
Senior Project Manager	155
Project Manager	135
Senior Project Analyst	120
Senior Analyst	110
Analyst	90
Analyst Assistant	75
Property Owner Services Representative	50
Support Staff	45

EXHIBIT B

TERMS AND CONDITIONS

(Consulting Agreement)

GENERAL PROVISIONS

1. Independent Contractor. At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of LAFCo.

2. Time. Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary for satisfactory performance of Consultant's obligations pursuant to this Agreement.

3. Indemnification. Consultant shall assume the defense of, and indemnify and save harmless, LAFCo, its directors, officers, agents, employees and representatives, from any and all claims, costs, damages, expenses, injuries, liability and losses, including but not limited to attorney's fees and litigation costs, accruing or resulting to any and all consultants, subcontractors, materialmen, laborers, employees, and other person, firm or corporation furnishing or supplying work, services, materials, or supplies, in connection with the performance of this Agreement, from any and all claims and losses accruing or resulting to any person who may be injured or killed or any property damaged by Consultant directly or indirectly in the performance of this Agreement, to the extent resulting from Consultant's negligence or other wrongful conduct, except where such claims and losses are due to the sole active negligence or willful misconduct of the indemnitee.

4. Consultant not Agent. Except as LAFCo may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of LAFCo in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind LAFCo to any obligation whatsoever.

5. Products of Consulting. All products of consulting shall become the sole property of LAFCo and shall be delivered to LAFCo before the end of performance under this Agreement.

6. Assignment Prohibited. Consultant may not assign any right or obligation pursuant to this Agreement without prior written consent of LAFCo. Any attempted or purported assignment of any such right or obligation by Consultant without such consent shall be void and of no effect.

7. Modifications and Amendments. This Agreement may be modified or amended by mutual consent of Consultant and LAFCo, evidenced in writing and executed by the parties.

8. Changes. LAFCo may, from time to time, request changes in the scope of work of the Agreement to be performed hereunder. Such changes, including any increase or decrease in the amount of Consultant's compensation, which are mutually agreed upon by and between LAFCo and Consultant, shall be incorporated in written amendments to this Agreement.

9. Termination. This Agreement may be terminated by LAFCo on forty-eight (48) hours written notice. The effective date of termination shall be the 48th hour of said written termination notice with no further action by either party. Consultant may terminate on forty-eight (48) hours written notice only upon the written consent of LAFCo unless LAFCo has breached or is in default under the Agreement.

In the event LAFCo abandons the project, upon written notification to the Consultant, this Agreement shall terminate. In the event of termination, Consultant shall be entitled to the authorized compensation earned by it through the date of termination, computed pro rata up to and including the date. Consultant shall be entitled to no further compensation as of the date of termination except as may be necessary to deliver products to LAFCo. In no event shall LAFCo be liable for lost profits. In no event shall Consultant perform uncompensated work for LAFCo after the date of termination.

10. Products to be Delivered on Termination. In the event of termination of this Agreement, Consultant shall immediately deliver to LAFCo all files, memoranda, notes, draft reports and all other matter prepared by Consultant in the course of providing services pursuant to this Agreement. All such material shall be the sole property of LAFCo.

11. Notices. Any and all notices, demands, request, or other matters required by this Agreement or by law to be served on, or given to, or delivered to either party hereto, LAFCo or Consultant, by the other party to this Agreement, shall be in writing and shall be deemed duly served, given, or delivered when personally delivered to the party to whom it is addressed or in lieu of such personal service, when deposited in the United States mail, postage prepaid, addressed to LAFCo or Consultant as provided in this Agreement. Either party may change his address for the purpose of notices by giving written notice of such change to the other party in the manner as herein provided.

12. Insurance.

a. Consultant shall carry workers' compensation insurance unless Consultant

executes the "No Employees Certification Form" attached.

b. Consultant shall carry general liability insurance with a combined single limit of not less than \$500,000 per occurrence, \$1,000,000 general aggregate. Consultant shall provide LAFCo with a certificate of insurance on a standard form showing that (1) Consultant maintains the required general liability insurance; (2) the insurer shall not terminate or modify coverage without twenty (20) days' advance written notice to LAFCo, ten (10) days' notice if cancellation is due to nonpayment of premium.

c. Consultant shall carry automobile liability insurance with a minimum coverage of \$1,000,000 per person and per accident for bodily injury and \$300,000 for property damage. Consultant shall either (1) provide LAFCo with a certificate of insurance on a standard form showing that Consultant maintains the required automobile liability insurance, that the insurer shall not terminate or modify coverage without twenty (20) days' advance written notice to LAFCo, and that LAFCo is an additional insured's; or (2) affirm in writing the name of Consultant's automobile liability insurer and policy number, the policy limits and effective dates of coverage, that the coverage will be kept in place for the duration of the Agreement, that Consultant has a valid driver's license, and that his or her vehicle is in proper operating condition.

13. Licenses. At its sole cost, Consultant shall obtain and keep in full force and effect during the term of this agreement, all licenses, permits and other entitlements required for Consultant to legally perform the services provided pursuant to federal, state and local authorities.

14. Attorney's Fees. In the event any action is brought by either party to this contract to enforce this contract or for breach of this contract or for a declaration of rights and duties of the parties to this contract, the prevailing party shall recover its cost of suit and attorney's fees incurred in such action from the other party.

15. Fair Employment. In the performance of this contract, Consultant will not discriminate against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical handicap, mental condition, marital status, sex or age¹ pursuant to Section 12940 et seq. of the Government Code. Consultant will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, religious creed, color, national origin, ancestry, physical handicap, mental condition, marital status, sex or age. Such

¹"It is an unlawful employment practice for an employer to refuse to hire or employ, or to discharge, reduce, suspend, or demote any individual over the age of 40 on the ground of age, except in cases where the law compels or provides for such action." (Government Code Section 12941)

action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; terms conditions or privileges of employment; and selection for training, including apprenticeship. Consultant shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by LAFCo setting forth this Fair Employment provision.

Consultant will permit access to his records of employment, employment advertisements, application forms, and other pertinent dates and records by the Fair Employment and Housing Commission or LAFCo for the purpose of investigation to ascertain compliance with the Fair Employment section of this contract.

Remedies for willful violation:

a. LAFCo may determine a willful violation of these Fair Employment provisions to have occurred upon receipt of a final judgment having that effect from a court in an action to which Consultant was a party, or upon receipt of a written notice from the Fair Employment and Housing Commission that it has investigated and determined that Consultant has violated the California Fair Employment and Housing Act, and has issued an order, under Government Code Section 12970, which has become final, or obtained injunctive relief under Government Code Section 12973.

b. For willful violation of these Fair Employment provisions, LAFCo shall have the right to terminate this contract either in whole or in part, and any loss or damage sustained by LAFCo in securing the goods or services hereunder shall be borne and paid by Consultant and his surety under the performance bond, if any, and LAFCo may deduct from any monies due or that thereafter may become due to Consultant, the differences between the price named in the contract and the actual costs thereof to LAFCo.

16. Conflict of Interest.

a. Consultant represents that it has no financial interest in any bidder, prospective bidder, contractor, or subcontractor or any other entity connected with or directly affected by the services provided or work performed by Consultant, other than those listed below. A Consultant has a "financial interest" if it is reasonably foreseeable that Consultant, or a member of his or her immediate family, may gain a material financial advantage as a result of Consultant's relationship with any bidder, prospective bidder, contractor, or subcontractor or any other entity connected with or directly affected by the services provided or work performed by Consultant. As used throughout this Section, the term "Consultant" includes every owner and every employee of Consultant.

Name:

Address:

Relationship to Consultant:

Name:

Address:

Relationship to Consultant:

_____ initial and use a separate sheet of paper, if necessary

b. Consultant represents that neither Consultant nor any member of Consultant's immediate family has, or anticipates having, any financial interest (as defined in subsection (e) below) in any contract made or to be made by LAFCo in which Consultant or any member of Consultant's immediate family, has advised LAFCo or participated in preliminary discussions, negotiations, compromises, reasoning, planning, drafting of plans and/ or specifications, or solicitation of bids. Consultant further represents that neither Consultant nor any member of Consultant's immediate family has been or anticipates being either a purchaser at any sale or a vendor at any purchase made by LAFCo. If Consultant or any member of Consultant's immediate family has or anticipates having any financial interest in any such contract or purchase, Consultant shall provide the following information with respect to each such interest:

Name of entity under contract with LAFCo:

Relationship to Consultant:

Name of entity under contract with LAFCo:

Relationship to Consultant:

Name of entity under contract with LAFCo:

Relationship to Consultant:

_____ initial and use a separate sheet of paper, if necessary

c. If requested by LAFCo, Consultant agrees to file a completed "Fair Political Practices Commission (FPPC) Form 700, Statement of Economic Interest for Designated Employees" with LAFCo in accordance with LAFCo's Conflict of Interest Code.

d. LAFCo hereby determines that Consultant is hired to perform a range of duties that are limited in scope. A description of Consultant's duties is contained in Exhibit A. Based upon that description, Consultant shall:

___ Not be required to file a FPPC Form 730.

___ File a FPPC Form 730 and disclose pursuant to:

___ Disclosure Category 1.

___ Disclosure Category 2.

___ Disclosure Category 3.

___ Disclosure Category 4.

_____ Executive Officer's Initials

e. For the purposes of this Section, a Consultant has a "financial interest" if it is reasonably foreseeable that Consultant, or member of Consultant's immediate family, may gain a material financial advantage as a result of Consultant's relationship with any bidder, prospective bidder, contractor, or subcontractor or any other entity connected with or directly affected by the services provided or work performed by Consultant. As used throughout this Section, the term "Consultant" includes every owner and every employee of Consultant.

WORKERS' COMPENSATION INSURANCE CERTIFICATION

TO THE SACRAMENTO LOCAL AGENCY FORMATION COMMISSION:

The undersigned does hereby certify that Consultant is aware of the provisions of Section 3700 et seq. of the Labor Code which require every employer to be insured against liability for workers' compensation claims or to undertake self-insurance in accordance with the provisions of said Code, and that Consultant will comply with such provisions before commencing the performance of work on this contract.

Consultant

By:

Title:

Address:

Date:

PLEASE READ CAREFULLY BEFORE SIGNING

To be signed by authorized corporate officer, partner or individual. If the Consultant is:

1. An individual using a firm name, sign: "Jane Doe, individual doing business as Blank Company".
2. An individual doing business under his/her own name, sign: your name only.
3. A co-partnership sign: "John Doe and Jane Roe, co-partners doing business as Blank Company, by John Doe, Co-Partner."
4. A corporation, sign: "Blank Company, by John Doe, Vice President." (or other title).

NO-EMPLOYEE CERTIFICATION

Consultant certifies that she has no employees and is not subject to the provisions of Section 3700, et seq., of the California Labor Code ("Code"), which requires every employer to be insured against liability for worker's compensation claims or to undertake self-insurance in accordance with the provisions of the Code. Consultant agrees that she will comply with such provisions immediately upon hiring any employee.

Consultant: _____
By: _____
Title: _____
Address: _____
- _____
Date: _____

PLEASE READ CAREFULLY BEFORE SIGNING

To be signed by authorized corporate officer, partner or individual submitting the bid.
If the Consultant is: (Example)

1. An individual using a firm name, sign: "Jane Doe, individual doing business as Blank Company".
2. An individual doing business under his/her own name, sign: your name only.
3. A co-partnership sign: "John Doe and Jane Roe, co-partners doing business as Blank Company, by John Doe, Co-Partner."
4. A corporation, sign: "Blank Company, by John Doe, Vice President." (or other title).