

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

June 3, 2009

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: Arden Arcade Incorporation Status Report (LAFC 03-07)

RECOMMENDATION:

1. Direct the Executive Officer to authorize the CFA and EIR consultants to commence work if payment in the amount of \$101,358 is received by July 1, 2009. Note: Staff believes the Commission could amend the CFA Scope of Work to eliminate the “full service” city alternative analysis but that the single service provider alternative still needs to be evaluated in order for the Commission to make the required determinations pursuant to Government Code Sections 56301 and 56886.5. Nonetheless, there is potential risk that this could be challenged. This would result in a net savings of \$12,320 and would reduce the July 1, 2009 payment to \$88,233.
2. In order to further reduce the cost of the analysis for the single service provider alternative, the Commission may direct staff to either independently or in conjunction with the direction and assistance from LAFCo’s CFA consultant to gather data and prepare the single service provider analysis. This could result in an additional cost savings. Staff will provide the Commission with the estimated cost savings if an agreement can be reached with our consultant.
3. In the event that the required payment in the amount of \$101,358 (or as amended by the Commission) is not made by 5:00 pm PST on July 15, 2009, direct the Executive Officer to determine that the Arden Arcade Incorporation application is incomplete and terminate any further work or expenditure on the proposed application. The file would be closed and any future incorporation of the Arden Arcade community would require a new petition and application. **No time extensions would be granted.**
4. If the application is closed, direct the Executive Officer to report back at the next Commission Meeting with a final accounting of expenses incurred and the amount of proponent’s funds that remain on deposit.

DISCUSSION:

Project Schedule

The Arden Arcade Incorporation petition was submitted on February 28, 2007. Studies were commenced in good faith, but were suspended due to lack of timely and adequate funding by the Arden Arcade Incorporation Proponents (AACI).

On June 4, 2008, the Commission agreed to put the Proposed Arden Arcade Incorporation application on hold to provide additional time for AAIC to raise the required funding.

AAIC has had over two years to raise the required funding needed to cover their share of cost. It appears that the proponent's are having a difficult time raising the necessary funds to cover their share of cost to continue processing the incorporation. Note: AAIC provided a bank statement on March 4, 2009 which indicated that they had raised \$52,574 of the \$101,358 of the July 1, 2009 required payment.

The Commission required the higher upfront payment because of previous difficulties related to AAIC not being able to meet the required payment schedule.

Statutory Guidelines

When analyzing incorporation and reorganization proposals, Cortese Knox Hertzberg requires the Commission to determine if an **existing** single purpose agency (i.e., the City of Sacramento) can better provide efficient and cost-effective municipal services.

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.

Therefore, based on the statutory requirements, the Commission directed that the incorporation studies include alternatives to evaluate annexation to the City of Sacramento, the most logical single service provider and incorporation as a full service city pursuant to Government Code Sections 56301 and 56886.5.

Based on Commission direction and in order to make the required determinations, the Comprehensive Fiscal Analysis (CFA) and Environmental Impact Report (EIR) were scoped to provide the following information related to the proposed Arden Arcade Incorporation:

1. Fiscal Information for the proposed incorporation – Is the proposed “contract” city financially viable and if so, what is the revenue neutrality payment? (Based on AAIC petition).
2. The financial analysis of the proposed city as a full service city instead of a “contract” city. Would the proposed city be more cost effective and efficient if it detached some or all of the Independent and Dependent Special Districts and provided municipal services via city departments, i.e., the formation of a single service provider?
3. Also, the CFA proposed to examine and evaluate service levels, costs, and revenues under an alternative governance scenario of annexation to the City of Sacramento, a single service provider, i.e., would an existing single service provider be more efficient and cost-effective than a “contract” city?

This is a more comprehensive analysis than previous incorporations because the Arden Arcade community is located adjacent to the City of Sacramento, an existing (single) municipal service provider. Pursuant to statutory guidelines, the Commission requested comparative financial information related to this incorporation. This additional information increased the estimated cost of the CFA and EIR. (Note: The Commission is contributing approximately 41.67 percent of the total estimated costs of the CFA and EIR).

The additional information will not allow the Commission to approve an annexation since there is no application pending to annex the Arden Arcade community to the City of Sacramento. (Also, the affected territory is not within the City of Sacramento Sphere of Influence). This analysis would however, provide information that would allow the Commission to deny the incorporation if the Commission determines that another governance structure is determined to be **more efficient and cost effective** than the formation of a new “contract” city.

Payment Due Date

The Funding Agreement requires payment in the amount of \$101,358, due on or before July 1, 2009. This payment date is critical in order to commence the CFA and EIR to ensure completion to meet the November 2010 election. The Funding Agreement provides that LAFCo can render the application incomplete and terminate the application if payment in the amount of \$101,358 is not made by July 15, 2009. **Delay in payment after July 15th will have a significant negative impact on the ability to complete the CFA and EIR to meet the project schedule. Staff recommends that no time extensions be granted under any circumstances.**

Because the analysis is extensive, it is critical that work commence on July 1st to ensure completion in a timely manner. A copy of the Funding Agreement is attached.

Commission Direction from May 6, 2009

On May 6, 2009, the AAIC requested the Commission to amend the Scope of Work to eliminate the full service city analysis and the annexation alternative to reduce the cost of the CFA. The Commission directed staff to report back on the costs related to the annexation analysis and full service city alternative that are included in the current project scope of work for the CFA.

As background, the following summarizes the chronological history on which the current scope of work is based.

- June 7, 2007 Commission meeting:

Staff requested Commission approval to contract for both the CFA and EIR consultants to prepare the analysis of the proposed Arden Arcade Incorporation as a “contract” city with two boundary alternatives.

After public testimony and Commission discussion, the Commission directed staff to report back on August 15, 2007 with additional governance alternatives to be evaluated as part of the incorporation application. The Commission requested the additional options in order to compare and evaluate the incorporation based on Government Code Sections 56301 and 56886.5.

- August 15, 2007 Commission Meeting:

Staff reported back to the Commission with a number of potential governance options to be considered by the Commission. The following table highlights the alternative and costs associated with the additional analyses:

<u>Option</u>	<u>Cost</u>
A Single service provider (annexation)	\$40,000
B Compare to Citrus Heights	10,000
C Full Service City Alternative	20,000
D Evaluate Impacts to Reorganize Special Districts into a full service city	5,000 to 10,000 per district

Staff recommended that the Commission evaluate options A, B, C, and D. The Commission directed staff to evaluate only Options A and D. The CFA Scope of Work was amended to reflect these changes.

After several months, the CFA Consultant was replaced and the new CFA consultant agreed to evaluate Option A and Option D. The revised cost related to each option is \$12,320 or a total cost of \$24,640. Also, this was a pared down analysis in order to provide the Commission with the minimum amount of information to make the required determinations. In addition, the Commission reduced contingency funding in the amount of \$25,000 to lower the initial required payment.

Revised Cost Estimate Based on Revised Scope of Work

The total cost savings by eliminating the fiscal analysis of both Option A and D of the CFA would be \$24,640. The Environmental Consultant does not recommend that the EIR annexation alternative be amended because it would put the EIR document at risk. The EIR is also required to consider viable alternatives.

If the Commission amends the scope of work to eliminate the annexation and full service city analysis and evaluation, the revised cost estimate based on a revised scope of work is outlined below:

Total Estimated Costs to Complete CFA and EIR	\$178,251
Less: Costs related to annexation analysis	12,320
Less: Costs related to Full Service City analysis	<u>12,320</u>
Estimated Revised Cost Estimate	\$153,611
Less: Funds Available	<u>57,245</u>
Proponent's Estimated Share of Cost	\$ 96,366
Less: October Payment	<u>20,453</u>
Balance Due from Proponent's by July 1, 2009	\$ 75,913

In addition, the revised cost estimated does not provide any funding for contingencies and other processing costs that may be incurred. The proponents will need to provide funding for these costs if and when they are incurred. These costs include but are not limited to the following:

- Preparation of a legal description
- Supplemental work that may be required for the CFA and/or EIR that may be required if significant issues and comments are received on the Draft CFA and/or Draft EIR
- Costs incurred by the CFA consultant to assist in negotiating a Revenue Neutrality Payment
- Filing fees with the Board of Equalization
- Additional legal costs that may be incurred based on comments and issues raised during the evaluation and public hearing process.

It is difficult to estimate these potential additional costs at this time. Additional work may be required depending upon the issues and comments raised on the Draft CFA and Draft EIR. The consultants may be required to obtain additional information and further analysis to respond to comments. The consultants would be reimbursed on a time and materials basis. The same applies to additional legal costs that may be incurred. I would estimate that a minimum contingency in the amount of \$25,000 is still a reasonable amount that should be anticipated to be needed to cover the uncertainties related to the required studies.

AAIC needs to raise the required funds for contingencies in the event LAFCo makes a demand for payment in the event these funds are needed.

Commission Policy Considerations: Potential Risk/Legal Challenge

Staff believes that the Commission needs to evaluate the single purpose service provider (annexation) option. However, it may be possible to eliminate the full service city option. Based on the incorporations of Citrus Heights, Elk Grove, and Rancho Cordova, it appears that “contract” cities can efficiently provide services using existing special districts that also provided municipal services when governance was provided by the County of Sacramento. In essence, the County of Sacramento for developed and urbanized areas prior to incorporations could be considered a “contract city”, similar to the cities of Citrus Heights, Elk Grove and Rancho Cordova. The County provided an array of municipal services but also relied on special districts to provide sanitary sewer, fire, water, and parks and recreation services to unincorporated residents.

In fact, the “contract” city model remains the primary service delivery model in Sacramento County. Approximately 40 percent of the residents in Sacramento County are served by full service cities (Sacramento, Folsom, Galt, and Isleton) while 60 percent of the residents obtain municipal services from “contract” cities and/or the County of Sacramento in conjunction with Special Districts.

Also, new “contract” cities have the ability to provide services through contract staff rather than permanent staff. This has given contract cities more staffing flexibility. While there are pros and cons to this model, given the current economic climate; declining revenue and increasing costs related to labor contracts, a “contract” city utilizing contractors rather than permanent employees may be able to adjust more quickly to both economic upturns and downturns.

If the Commission amends the scope of work to eliminate the single service provider alternative (annexation), there is potential risk that the CFA and EIR could be challenged if adequate analysis is not provided to make the required determinations. If challenged during the draft comment period, it would be possible to update the analysis, however, the update would likely cause a project delay and it would not be possible to meet the project schedule.

One possible option to be considered by the Commission would be to allow LAFCo staff to either prepare the analysis independently or to work under the direction and assistance of LAFCo’s CFA consultant to provide sufficient information to evaluate the single service provider analysis required for the Commission to make the required determinations. Based on direction and assistance from the CFA consultant, LAFCo staff would collect the information and prepare a preliminary analysis and evaluation of a single service provider model. LAFCo’s CFA consultant would then review and “audit” the LAFCo prepared analysis. In essence, LAFCo would be working under the direction of our CFA consultant.

Potentially, this could result in a cost savings related to preparation of the single service provider component of the CFA. I have not yet spoken to our CFA consultant about this approach and I do not know if or how much the cost savings would be from this approach. In fact, this analysis probably is more complex because the City of Sacramento budget is currently in a state of flux. I will provide the Commission with a cost savings estimate early next week or during the public hearing after consulting with our CFA consultant on this possible option.

Nonetheless, staff believes that it would be possible to amend the CFA scope of work to eliminate the analysis related to the formation of a full service city. This would reduce the current CFA cost by \$12,320.

Finally, staff reiterates that every effort has been made to process this application in a cost-effective and timely manner in order to provide the Commission with adequate information to render its decision.

Respectfully Submitted


Peter Brundage
Executive Officer

(File: AA Status Report – June 4, 2009)

ARDEN ARCADE INCORPORATION COMMITTEE

P.O. Box 215642

Sacramento, CA 95821

Tel: (916) 916-340-5193 E-Mail: info@ardenarcadecity.org

January 08, 2009

Mr. Peter Brundage, Executive Director
Sacramento LAFCo
1112 I Street, Suite 100
Sacramento, CA 95814

SUBJECT: AMENDMENT #1 TO ARDEN ARCADE FUNDING AGREEMENT

Dear Mr. Brundage:

Enclosed please find two signed copies of the subject amendment which modifies Section 1 of the copy transmitted by your email dated December 23, 2008 by deleting the following: "~~Because Proponents did not meet certain obligations under the original funding schedule:~~"

Our goal in taking this action is to move forward without placing either Sacramento LAFCo or the Arden Arcade Incorporation Committee in the position of signing a document containing allegations of failure to perform. We have taken this action against the background of your rejection of our proposed revisions to your original draft agreement and your rejection of our proposed attachment to the copy of the agreement transmitted by your email dated December 23, 2008. In both instances, we had sought to also include our view of the world so that the amendment would include both LAFCo and Committee views.

We believe the best course of action is for LAFCo to initial the strikeout of Section 1 and return a fully executed copy of the agreement to the Committee.

Please be assured that we will continue to work closely with LAFCo staff to monitor all aspects of further work and seek to assure ourselves that no further delays/failures will delay our progress.

Sincerely,



Joel E. Archer
Chair
Arden Arcade Incorporation Committee

Enclosure

Amendment No. 1 to Funding Agreement for the Arden Arcade Incorporation

This First Amendment to the Funding Agreement ("Agreement") between the Sacramento Local Agency Formation Commission, a public agency ("LAFCo"), and the Arden Arcade Incorporation Committee, a California corporation ("Proponents"), is entered into effective as of the ___ day of December, 2008.

Recitals

- A. WHEREAS, LAFCo and the Proponents entered into a Funding Agreement effective July 1, 2007; and
- B. WHEREAS, LAFCo and the Proponents wish to amend the Funding Agreement because the attempt to meet the Proponents desire for a November 2008 election could not be met; and
- C. WHEREAS, the Proponents and LAFCo agreed to postpone the payment deadline for the required fee for incorporations, to credit the Proponents with \$5000 for funds paid to Burr Consulting, and to deem the Proponents' application incomplete until payment is made in accordance with this amendment; and
- D. WHEREAS, the parties wish to amend the Funding Agreement to revise the funding schedule;

Agreement

NOW, THEREFORE, the parties agree as follows:

PB
QA
1. Section I (Proponents' Obligations), first paragraph only is modified to state as follows: ~~Because Proponents did not meet certain obligations under the original funding schedule,~~ LAFCo has agreed to extend the funding schedule as follows: Proponents will deposit funds with LAFCo according to the following schedule: (1) on or before July 1, 2009, Proponents shall deposit \$101,358; and (2) on or before October 1, 2009, Proponents shall deposit \$20,453, plus any additional amounts required due to the delay in processing the application. In the event that these two payments are insufficient to cover all incorporation costs, any additional funds will be paid to LAFCo, by Proponents, within 30 calendar days of Proponents' receipt of written notice of such additional costs.

The Proponents understand and agree that changes in the law, changes in rates, services or availability of the consultants, and changes in the environment or service areas may increase or decrease the costs of processing the incorporation proposal, or may jeopardize the proposed incorporation altogether.

The Proponents shall give LAFCo timely notice of any material change in the proposed incorporation, and shall provide monthly updates on the status of their incorporation efforts.

Proponents agree to fund all additional costs that may be incurred to complete the Draft studies or that may result from the Draft studies.

2. **Section 2 (LAFCo's Obligations)**, is amended to add a new subsection c., which shall state as follows:
 - c. On April 1, 2009, LAFCo shall provide an updated cost estimate to Proponents which shall reflect any known additional funding requirement as of that date due to the delay in processing the application. There may be additional funds due after that date and LAFCo agrees to give timely written notice to Proponents of such amounts.
3. **Section 4 (Indemnity)**, subsection "a," first sentence only, is amended to state as follows:
 - a. Specifically, Proponents (i) have reviewed the scopes of work for both the CFA and the EIR (including the scope of work for the new CFA consultant, MuniFinancial) copies of which are attached hereto as Exhibits B and C, (ii) agree that they are legally sufficient, and (iii) waive any right to contest either the CFA or EIR based upon the scope of work.
4. **Section 5 (Suspension and Termination of the Agreement)**, is modified to state as follows: "If Proponents fail to deposit the amount due July 1, 2009, by July 15, 2009, or the amount due October 1, 2009, by October 15, 2009, LAFCo will cease all work on the incorporation until the required deposit is made. If Proponents' failure to make the entire required deposit continues for 30 calendar days following July 15, 2009, or October 15, 2009, LAFCo may elect to terminate all work on the incorporation, and/or take such other action as it deems necessary, in its sole and reasonable discretion. Thereafter, should Proponents fail to make a deposit when required as per written notice by LAFCo, LAFCo will cease work until the required deposit is made.
5. **Exhibit B (Scope of Work for CFA)**, is replaced with the revised Exhibit B, attached hereto.
6. Except as expressly amended herein, all terms of the Agreement shall remain in full force and effect.
7. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.

IN WITNESS WHEREOF, this First Amendment to the Funding Agreement has been executed by the parties hereto on the date first written above.

LAFCo

By Peter Brundage
Peter Brundage
Executive Officer
Sacramento Local Agency Formation
Commission

Proponents

By Joel Archer
Joel Archer
Chair
Arden Arcade Incorporation
Committee

Approved by LAFCo Counsel

By Nancy Miller
Nancy Miller

EXHIBIT B

**Comprehensive Fiscal Analysis
Scope of Work**

Comment [b1]:
Comment [b2R1]:
Comment [b3R2]:

Consultant shall prepare a CFA as required by Government Code Section 56800. Data used for the CFA shall be from the most recent fiscal year for which data are available. The CFA shall include an analysis of the following:

- (1) The costs to the proposed city of providing public services and facilities during the three fiscal years following incorporation;
- (2) The revenues of the proposed city during the three fiscal years following incorporation;
- (3) The effects on the costs and revenues of any affected local agency during the first three fiscal years of incorporation; and
- (4) Any other information and analysis required by LAFCo.

When determining the costs to the proposed city of providing public services and facilities, Consultant shall:

- (1) Include all direct and indirect costs associated with the current provision of existing services in the affected area, including the actual or estimated costs at which the existing level of service could be contracted by the proposed city following an incorporation, and any general fund expenditures used to support or subsidize a fee-supported service where the full costs of providing the service are not fully recovered through fees;
- (2) Identify any cost reduction to affected agencies based on the transfer of costs to the proposed city;
- (3) Review how the costs of existing services compare to the costs of services provided in cities with similar populations and geographic size that provide a similar level and range of services; and
- (4) Make a reasonable determination of the costs expected to be borne by the proposed city.

The CFA prepared shall include an evaluation of service levels, costs, and revenues should the proposed territory be annexed to the City of Sacramento or otherwise provided services by a single service provider.

The required tasks are identified below, including 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 table at page 4 of Consultants' proposal, dated May 30, 2008.

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: Full Service City Analysis

Objectives: Evaluate whether certain new city departments are feasible if territory is detached from the associated existing special district service providers.

Description: Examine the following services:

- Fire protection
- Water
- Wastewater; and

- Parks and recreation

Fire Protection, Wastewater, and Water

If the formation of a City fire Department can be accomplished with service cost economies of scale, evaluate the fiscal impacts of detachment of service territory from the Sacramento Metro Fire District. To assist with the question, gather policy input from fire protection administrators in the region.

Similarly, if the regulatory environment for wastewater collection and treatment make it conceptually possible to show a benefit to the General Fund from a city-operated wastewater system, evaluate the fiscal impacts of detachment of all current wastewater service providers. To assist with the question, gather policy input from utility administrators in the region.

Contingent on whether the General Fund will conceptually benefit from a city-owned water system, evaluate the fiscal impact of detachment of existing water providers. To assist with the question, gather policy input from utility administrators in the region.

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

<u>Service</u>	<u>Per Capita Approach</u>	<u>Case Study Approach</u>
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.

Deliverables	Scheduled Completion Date
1: Data Request to County	July 2009
2: Full Service City Analysis Tables	December 2009
3: Annexation Analysis Tables	September 2009
4: Draft Incorporation Tables	December 2009
5: Administrative Draft CFA Report	February 2010
6: Final CFA Report	March 2010

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.

In March, 2009, Consultant and LAFCo will determine if there is any modification required to the scope of work based on statutory changes or changes to the proposed project. If necessary, the scope of work and budget will be amended at that time.

On July 1, 2009, LAFCo will collect funds sufficient to start the Incorporation, Annexation, and Full Service City Analysis. Upon receipt of such funds, LAFCo will issue a notice to Consultant, authorizing work to begin.

On October 1, 2009, LAFCo will collect funds for the remaining tasks. Upon receipt of such funds, LAFCo will issue another notice to Consultant, authorizing work to begin.

Consultant 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 group and the cumulative funds needed to proceed to each task group.

Budget by Start Date/Task Group and Cumulative Budget

Start Date/Task Group	Task Group Budget	Cumulative Budget
1. July 1/Data Request to all Agencies	\$5,000	\$5,000
2. Aug 1/Start Incorporation, Annexation, Full Service Analysis	\$40,000	\$45,000
3. Nov 1/ Finish Analyses and Draft CFA	\$45,000	\$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