



May 24, 2018

**NOTICE OF PUBLIC HEARING ON THE PROPOSED REVISION OF THE LAFCO  
FEE SCHEDULE AND ADOPTION OF FEE POLICIES  
Local Agency Formation Commission of Santa Clara County (LAFCO)**

The Local Agency Formation Commission of Santa Clara County will hold a public hearing on Wednesday, June 6, 2018 at 1:15 p.m., or as soon thereafter as the matter can be heard, in the Board Meeting Chambers, County Government Center, 70 West Hedding Street, San Jose, California, to consider:

1. Adoption of proposed revision of the LAFCO Fee Schedule and adoption of Fee Policies

In compliance with Government Code §66016, the staff report for the above-mentioned item is available on file at the LAFCO Office and on the LAFCO website at [www.santaclaralafco.org](http://www.santaclaralafco.org). All interested persons may be present and comment at said time and place or may submit written comments. Written communications should be filed prior to the date of the hearing by email, or mail.

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COMMISSIONERS: Sequoia Hall, Sergio Jimenez, Rob Rennie, John L. Varela, Mike Wasserman, Susan Vicklund Wilson, Ken Yeager

ALTERNATE COMMISSIONERS: Sylvia Arenas, Cindy Chavez, Yoriko Kishimoto, Russ Melton, Terry Trumbull

EXECUTIVE OFFICER: Neelima Palacherla

**LAFCO MEETING:** June 6, 2018  
**TO:** LAFCO  
**FROM:** Neelima Palacherla, Executive Officer  
Dunia Noel, Analyst  
Lakshmi Rajagopalan, Analyst  
**SUBJECT:** PROPOSED REVISION OF FEE SCHEDULE AND ADOPTION OF FEE POLICIES

### **STAFF RECOMMENDATION**

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1. Adopt a resolution to revise the LAFCO Fee Schedule, to be effective June 8, 2018. Please see Attachment A for the proposed Fee Schedule and Attachment B for the resolution adopting the fee schedule.
2. Amend the LAFCO Bylaws to include the proposed policies on LAFCO Fees. Please see Attachment C for the proposed policies on LAFCO Fees.

### **BACKGROUND**

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Pursuant to Government Code §56383, LAFCO may establish a schedule of fees and service charges for processing applications. The statute requires that the fees and/or service charges shall not exceed the estimated reasonable cost of providing the service.

LAFCO's current Fee Schedule was last comprehensively reviewed and updated in April 2010. At that time, the fees were revised to reflect staff time spent on processing applications and increases in staff hourly rates.

It has been the Commission's informal practice to review its fee schedule every two years and to amend its fees, as necessary, in order to help ensure an appropriate level of cost-recovery. In 2012, the LAFCO Finance Committee directed staff to defer the review of LAFCO's fees to a later date, as staff salaries had not significantly changed. In 2014, the LAFCO Finance Committee also directed staff to defer the review of LAFCO's fees to a later date in order to reflect the upcoming staff costs changes that would result from impending new union agreements. However, since that time, staff has been unable to complete a comprehensive review of LAFCO's Fee Schedule due to competing work priorities.

LAFCO's Finance Committee, at its March 19, 2018 meeting and March 9, 2017 meeting, directed staff to 1.) prioritize the revision of the LAFCO Fee Schedule to reflect current

staff rates, and 2.) develop policies for the Commission's consideration of fee waiver requests, as such requests have cost-recovery implications for LAFCO and implications for LAFCO's funding agencies.

### **PUBLIC HEARING AND NOTICE OF HEARING**

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Government Code §66016 stipulates the procedures for adopting / revising LAFCO fees. It requires LAFCO to hold a public hearing on the new / increased fees at a regularly scheduled meeting; requires that a notice of the meeting (with time and place of meeting, general description of the matter and a statement that the staff report is available) be mailed at least 14 days prior to the meeting to any interested parties who file a written request for mailed notice of the meeting on new or increased fees; and requires that a staff report be made available at least 10 days prior to the meeting with information on the estimated costs required to provide the service for which the fee is levied and the anticipated revenue sources to provide the service. It also requires that any Commission action to adopt a new fee or a fee increase be taken only by ordinance or resolution.

The staff report was made available on the LAFCO website on May 24, 2018 and a notice of public hearing was provided indicating its availability.

### **REVISED LAFCO STAFF HOURLY RATES**

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As discussed earlier, the current LAFCO Fee Schedule was adopted in April 2010; the current staff hourly rates were based on the projected FY 2011 LAFCO budget and staff salaries.

The proposed hourly rates for the Executive Officer, Analyst and Clerk reflect the projected staff and program costs in the FY 2019 LAFCO Budget. The County Controller's office has prepared a methodology for establishing staff hourly rates for the purpose of calculating fees. The proposed LAFCO staff hourly rates are developed in consultation with and based on the model provided by the County Controller's Office which takes into account the FY 2019 projected staff salaries and benefits, the FY 2018 average annual productive hours for County employees, and the FY 2019 projected indirect costs for the LAFCO program. The proposed rate for the Analyst is a weighted average for the two analyst positions.

The LAFCO Counsel hourly rate is established by contract (Agreement for Legal Services between LAFCO and the law firm of Best Best & Krieger LLP). Per the contract, the LAFCO Counsel hourly rate for FY 2019 is \$280. Per the contract, the hourly rate for special counsel legal services for environmental and natural resources work is \$310.

The County Surveyor hourly rate is established by the County Department of Planning and Development.

The following table depicts the current and proposed hourly rates for LAFCO staff and outside support staff.

## Staff Hourly Rates

Staff	Current Hourly Rates Based on FY 2011 Budget	Proposed Hourly Rates Based on FY 2019 Budget
LAFCO Executive Officer	\$182	\$227
LAFCO Analyst	\$164	\$199
LAFCO Clerk	\$116	\$145
LAFCO Counsel	\$219	\$280
County Surveyor	\$125	\$164

## LAFCO FEE SCHEDULE

The current LAFCO Fee Schedule includes two types of fees: 1.) Flat fees which reflect the average cost of processing applications; and 2.) Actual cost fees with an initial deposit based on the actual cost of processing individual applications.

Staff is not proposing a change in the existing fee structure. Flat fees will continue to be used for applications where staff time spent is relatively uniform from one application to another. For those applications that require more staff time or where staff time spent on processing the applications can vary from application to application, an initial deposit will be required at the time of application submittal. The final fee will be based on the actual cost of processing the application. If actual costs are less than the initial deposit, LAFCO will refund the difference to the applicant and if processing costs begin to exceed the deposit, additional fees will be required.

Staff has conducted an analysis of the current costs of processing applications in order to get estimates for average staff time spent on various types of applications. The proposed fee revisions to the flat fee and initial deposit amounts are based on this analysis and on the current staff hourly rates.

## CITY CONDUCTED ANNEXATION APPLICATIONS: FLAT FEE

### Proposed Revision

Increase the processing fee for city-conducted annexations from \$1,154 to \$1,367.

### Discussion

The proposed fee for city conducted annexation applications is based on the following staffing costs:

## City-Conducted Annexation Costs

Staff Involved in Processing	Estimated Average Time Spent (hours)	Staff Costs
LAFCO Executive Officer	0.92	\$209
LAFCO Analyst	1.01	\$201
LAFCO Clerk	6.6	\$957
<b>Total:</b>	<b>8.53 hours</b>	<b>\$1,367</b>

In order to better reflect current procedures and current staff roles in processing applications, staff has reviewed and reassessed estimated average staff processing times for city conducted annexation applications. The assessment indicates that there is a 5% reduction in the overall estimated staff time spent on these applications since 2010. The proposed increase in the fee is therefore mostly due to an increase in staff hourly rates since 2010.

For city conducted annexations, the County Surveyor's Office charges a fee directly to the city for reviewing the annexation map and legal description and for issuing the Surveyor's Report. And the County Assessor's Office charges a fee directly to the city for issuing the Assessor's Report. These fees are not adopted or collected by LAFCO and are not credited to the LAFCO account.

In Santa Clara County, each city council has the authority to consider and approve annexation of territory within its city's urban service area. Upon approval by the city council, the City forwards the approved annexations to LAFCO for administrative finalization. LAFCO staff reviews the annexation paperwork to ensure that the approved annexation 1.) includes detachments from appropriate special districts; 2.) is consistent with LAFCO policies and state law; and 3.) maps are consistent with the County Surveyor's reports, and the State Board of Equalization (SBE) requirements. Following the review, LAFCO staff prepares a Certificate of Completion and records the annexation. The annexation becomes effective on the date of recordation. LAFCO staff notifies affected agencies and interested parties about the annexation; requests the County Controllers Office for Tax Rate Area assignments; and forwards the information to the SBE for their property tax-boundary changes file which the County Assessor's office eventually uses to prepare the annual tax roll. LAFCO staff also works with the County Planning Office to ensure that the boundaries of special districts and cities maintained in the Geographic Information System (GIS) are accurately updated to reflect the approved annexation.

## **100% CONSENT LAFCO HEARD CHANGE OF ORGANIZATION APPLICATIONS: FLAT FEE**

### **Proposed Revision**

Increase the processing fee from \$5,914 to \$6,218.

### **Discussion**

The proposed fee for 100% consent LAFCO heard change of organization applications is based on the following staffing costs:

### **100% Consent Application Costs**

<b>Staff Involved in Processing</b>	<b>Estimated Average Time Spent (hours)</b>	<b>Staff Costs</b>
LAFCO Executive Officer	3.85	\$874
LAFCO Analyst	10.18	\$2,026
LAFCO Clerk	13.2	\$1,914
LAFCO Counsel	0.33	\$92
LAFCO Surveyor	8.0	\$1,312
<b>Total</b>	<b>35.56 hours</b>	<b>\$6,218</b>

In order to better reflect current procedures and current staff roles in processing applications, staff has reviewed and reassessed estimated average staff processing times for 100% consent applications. The assessment indicates that the estimated staff time spent on 100% consent applications has reduced by 19% since 2010. The reduction in staff time is mainly because the County Surveyors Office has switched from relying on paper maps/records to using GIS for conducting boundaries research and for preparing maps. While LAFCO staff currently prepares a much more detailed staff report compared to the single-page-template style report prepared previously, staff has been able to streamline other processes to gain overall efficiencies and keep staff time / costs down.

The small increase in the proposed fee is therefore due to an increase in staff hourly rates since 2010.

Change of organization means city or district annexations, detachments, consolidations, mergers, dissolutions, incorporations, formations; and reorganization means two or more changes of organization in one proposal. The LAFCO Fee Schedule includes a separate category for incorporations, formations and complex consolidations and dissolutions that require special studies and fiscal analysis.

Change of organization or reorganization applications that have consent from all landowners in the proposal territory typically qualify for a LAFCO process that may not

require a public hearing or notice and/or protest proceedings. Common examples of 100% consent applications include one or two parcel annexations to West Valley Sanitation District or Cupertino Sanitary District. These applications are typically non-controversial and generally qualify for a categorical exemption from CEQA. Most reorganization applications submitted to LAFCO fall under this category and are placed on the Commission’s consent calendar.

**NON-100% CONSENT LAFCO HEARD CHANGE OF ORGANIZATION APPLICATION: DEPOSIT FEES**

**Proposed Revision**

Increase the initial deposit from \$11,868, to \$12,122 – the total fee will be based on the actual cost of processing each individual application.

**Discussion**

The proposed initial deposit for a non-100% consent change of organization application is based on the following staffing costs:

**Non-100% Consent Application Costs**

<b>Staff Involved in Processing</b>	<b>Estimated Average Time Spent (hours)</b>	<b>Staff Costs</b>
LAFCO Executive Officer	18.83	\$4,274
LAFCO Analyst	12.83	\$2,553
LAFCO Clerk	21.67	\$3,142
LAFCO Counsel	3.0	\$840
LAFCO Surveyor	8.0	\$1,312
<b>Total</b>	<b>64.33 hours</b>	<b>\$12,122 Deposit</b>

In order to better reflect current procedures and current staff roles in processing applications, staff has reviewed and reassessed estimated average staff processing times for non-100% consent applications. The assessment indicates that the estimated staff time spent on non-100% consent applications has reduced by 20% since 2010. The reduction in staff time is mainly because the County Surveyor’s Office has switched from relying on paper maps/records to using GIS for conducting boundaries research and mapping. Additionally, staff has been able to streamline some processes to gain overall efficiencies and keep staff time / costs down.

The proposed increase to the initial deposit is therefore due to the increase in staff hourly rates since 2010.

LAFCO generally does not receive many non-100% consent change of organization applications. Such applications would typically involve multiple parcels and large land areas, such as annexation of unincorporated rural lands to fire districts, or open space districts. These types of applications are time intensive because they require public hearings, extensive noticing, and protest proceedings. Depending on the size and complexity of the proposal, actual staff time required will vary significantly. The LAFCO Fee Schedule includes a separate category for applications for incorporations, formations and complex consolidations and dissolutions that require special studies and fiscal analysis.

Deposit fees are initial payments towards the actual cost of processing the application. If actual costs are less than the initial deposit, LAFCO will refund the difference to the applicant and if processing costs begin to exceed the deposit, additional fees will be required.

Actual costs include staff time, any consultant fees, special counsel legal services and miscellaneous costs such as noticing, copying etc. If the actual costs are less than the deposit, LAFCO will refund the difference to the applicant. If processing costs begin to exceed the deposit, additional fees are required. Often, these types of applications also require extensive staff assistance prior to receipt of an application. Staff time spent in providing such assistance will be counted towards the deposit.

## **URBAN SERVICE AREA (USA) AND SPHERE OF INFLUENCE (SOI) AMENDMENT APPLICATIONS: DEPOSIT FEES**

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### **Proposed Revision**

Increase the initial deposit from \$11,574 to \$13,758 for USA and/or SOI amendment applications; the total fee will be based on the actual cost of processing each individual application.

### **Discussion**

The proposed initial deposit for USA/SOI amendment applications is based on the following staffing costs:

## USA / SOI Amendment Application Costs

Staff Involved in Processing	Estimated Average Time Spent (hours)	Staff Costs
LAFCO Executive Officer	23.83	\$5,409
LAFCO Analyst	17.17	\$3,417
LAFCO Clerk	19.17	\$2,780
LAFCO Counsel	3.0	\$840
LAFCO Surveyor	8.0	\$1,312
<b>Total</b>	<b>77.17 hours</b>	<b>\$13,758 Deposit</b>

In order to better reflect current procedures and current staff roles in processing applications, staff has reviewed and reassessed estimated average staff processing times for USA/SOI amendment applications. The assessment indicates that there is a 6% reduction since 2010 in the overall estimated average staff time spent on such applications. The reduction in staff time is mainly because the County Surveyor's Office has switched from relying on paper maps/records to using GIS for conducting boundaries research and mapping.

The proposed increase to the initial deposit amount is primarily due to the increase in staff hourly rates since 2010.

LAFCO reviews USA amendment applications carefully as they are in anticipation of future annexations. These types of applications are time intensive because they require public hearings, extensive noticing, research and analysis, pre-application meetings with the landowners and the city; involve complex policy considerations; and often draw controversy. Depending on the size and complexity of the proposal, actual staff time required will vary significantly from application to application. Deposit fees are initial payments towards the actual cost of processing the application. If actual costs are less than the initial deposit, LAFCO will refund the difference to the applicant and if processing costs begin to exceed the deposit, additional fees will be required.

Actual costs include staff time, any consultant fees, special counsel legal services and miscellaneous costs such as noticing, copying etc. If the actual costs are less than the deposit, LAFCO will refund the difference to the applicant. If processing costs begin to exceed the deposit, additional fees are required. Often, these types of applications also require extensive staff assistance prior to receipt of an application. Staff time spent in providing such assistance will be counted towards the deposit.

## **OUT OF AGENCY CONTRACT FOR SERVICE (OACS) APPLICATIONS: DEPOSIT FEES**

### **Proposed Revision**

Increase the initial deposit from \$9,670 to \$11,912 for OACS applications; the total fee will be based on the actual cost of processing each individual application.

### **Discussion**

The proposed initial deposit for OACS applications is based on the following staffing costs:

### **OACS Application Costs**

<b>Staff Involved in Processing</b>	<b>Estimated Average Time Spent (hours)</b>	<b>Staff Costs</b>
LAFCO Executive Officer	20.83	\$4,728
LAFCO Analyst	12.17	\$2,422
LAFCO Clerk	18.0	\$2,610
LAFCO Counsel	3.0	\$840
LAFCO Surveyor	8.0	\$1,312
<b>Total</b>	<b>62.0 hours</b>	<b>\$11,912 Deposit</b>

In order to better reflect current procedures and current staff roles in processing applications, staff has reviewed and reassessed estimated average staff processing times for OACS amendment applications. The assessment indicates that there is no significant change since 2010 in the overall estimated average staff time spent on such applications.

The proposed increase to the initial deposit amount is primarily due to the increase in staff hourly rates since 2010.

Out of agency contract for service applications are time intensive because they often require facilitation of extensive pre-application discussions between multiple jurisdictions and property owners, public hearings, noticing, research and analysis; involve complex policy considerations; and often draw controversy. Depending on the size and complexity of the proposal, actual staff time required will vary significantly from application to application.

Deposit fees are initial payments towards the actual cost of processing the application. If actual costs are less than the initial deposit, LAFCO will refund the difference to the applicant and if processing costs begin to exceed the deposit, additional fees will be required.

Actual costs include staff time, any consultant fees, special counsel legal services and miscellaneous costs such as noticing, copying etc. If the actual costs are less than the

deposit, LAFCO will refund the difference to the applicant. If processing costs begin to exceed the deposit, additional fees are required. Often, these types of applications also require extensive staff assistance prior to receipt of an application. Staff time spent in providing such assistance will be counted towards the deposit.

## **CITY INCORPORATIONS, DISTRICT FORMATIONS: DEPOSIT FEES**

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### **Proposed Revision**

Increase the initial deposit for applications involving city incorporations or disincorporations; special district formations or dissolutions, and consolidations from \$11,481 to \$12,122 (which is the same as the proposed initial deposit for non-100% consent change of organization / reorganization applications). However, the cost of incorporation / formation proceedings will be much higher than the initial deposit. The deposit allows staff to open a file and initiate the determination of petition sufficiency and begin meetings with the proponents to develop a time frame and cost estimates. The total fee will be based on the actual cost of processing the application.

This fee structure also applies to complex consolidation and dissolution applications that require retaining consultants to conduct special studies and fiscal analysis.

### **Discussion**

In August 2007, LAFCO adopted revised Incorporation Policies which include policies that clarify LAFCO's fee structure for processing an incorporation proposal. Per these Policies, the actual costs for processing the incorporation application are the proponent's responsibility. Application costs include consultant costs for preparing the comprehensive fiscal analysis and the environmental review documents, LAFCO staff time, legal counsel costs and other related expenses incurred by LAFCO in the incorporation proceedings.

As necessary, LAFCO will retain consultants for the preparation of the comprehensive fiscal analysis, CEQA analysis/documents, and other studies or reports. Each consultant's total cost will be divided into costs for each sub-task. Prior to commencement of each sub-task, the proponents must make a deposit in the amount of the estimated cost for that sub-task. LAFCO will not authorize the consultant to commence work on the sub-task until the funds are received. At the end of each sub-task a final accounting will be done. Any amounts due must be paid within 30 days. Any refunds will be applied to the subsequent sub-task or refunded. The actual amounts of the deposits will be determined after the consultant contracts are negotiated. Formation / consolidation applications will be subject to similar procedures.

LAFCO staff will provide the applicant/proponents an initial estimate of the costs of the proceedings. The terms of payment will be stated in an agreement to be executed between LAFCO and the applicant/proponents.

## **MANDATORY PRE-APPLICATION MEETING: DEPOSIT FEES**

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### **Proposed Revision**

Increase the fee for mandatory pre-application meetings from \$1,562 to \$1,935 to reflect the increase in LAFCO staff hourly rates.

### **Discussion**

The proposed fee for mandatory pre-application meetings is based on the following staffing costs:

### **Pre-Application Meeting Costs**

<b>Staff Involved in Processing</b>	<b>Estimated Average Time Spent (hours)</b>	<b>Staff Costs</b>
LAFCO Executive Officer	4.0	\$908
LAFCO Analyst	3.0	\$597
LAFCO Clerk	2.0	\$290
LAFCO Counsel	0.5	\$140
<b>Total</b>	<b>9.5 hours</b>	<b>\$1,935 Deposit</b>

In order to better reflect current procedures and current staff roles in processing applications, staff has reviewed and reassessed estimated average staff processing times for conducting pre-application meetings. The assessment indicates that there is no change since 2010 in the overall estimated average staff time spent on such applications.

The proposed increase in the fee is primarily due to the increase in staff hourly rates since 2010.

A mandatory pre-application meeting with LAFCO staff is required, preferably prior to seeking signatures on the petition – for applications involving district formations and/or city incorporations. Depending on the size and complexity of the proposal, actual staff time required will vary significantly from application to application. Deposit fees are initial payments towards the actual cost of processing the application. If actual costs are less than the initial deposit, LAFCO will refund the difference to the applicant and if processing costs begin to exceed the deposit, additional fees will be required.

## **RECONSIDERATION REQUESTS: DEPOSIT FEES**

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### **Proposed Revision**

Increase the initial deposit for reconsideration requests from \$2,619 to \$5,563; the total fee will be based on the actual cost of processing the application.

## Discussion

The proposed fee for reconsideration applications is based on the following staffing costs:

### Reconsideration Costs

Staff Involved in Processing	Estimated Average Time Spent (hours)	Staff Costs
LAFCO Executive Officer	13.0	\$2,951
LAFCO Analyst	3.58	\$712
LAFCO Clerk	11.17	\$1,620
LAFCO Counsel	1.0	\$280
<b>Total</b>	<b>28.75 hours</b>	<b>\$5,563 Deposit</b>

In order to better reflect current procedures and current staff roles in processing applications, staff has reviewed and reassessed estimated average staff processing times for reconsideration applications. The assessment indicates that the overall estimated average staff time spent on such applications is nearly double that in 2010 and that staff significantly underestimated the average staff time spent on such applications in 2010.

The proposed increase to the initial deposit amount is due to the increase in staff hourly rates since 2010 and also due to a higher but more accurate estimate of the time required to process such applications.

Requests for reconsiderations require public hearings, noticing, careful review, research and analysis, involve policy considerations; and often draw controversy. Depending on the complexity of the proposal, actual staff time required will vary significantly from application to application. Deposit fees are initial payments towards the actual cost of processing the application. If actual costs are less than the initial deposit, LAFCO will refund the difference to the applicant and if processing costs begin to exceed the deposit, additional fees will be required.

Actual costs include staff time, any consultant fees, special counsel legal services and miscellaneous costs such as noticing, copying etc. If the actual costs are less than the deposit, LAFCO will refund the difference to the applicant. If processing costs begin to exceed the deposit, additional fees are required. Often, these types of applications also require extensive staff assistance prior to receipt of an application. Staff time spent in providing such assistance will be counted towards the deposit.

## **RESEARCH FEE**

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### **Proposed Revision**

Increase the hourly fee for staff research from \$173 to \$213 to reflect the increase in staff hourly rates.

### **Discussion**

This fee is for staff time spent in consultation or on research of a specific issue not necessarily associated with above listed applications. The fee is based on average staff costs.

## **ISLAND ANNEXATION FEES**

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### **Proposed Revision**

No change proposed, no action necessary.

### **Discussion**

LAFCO adopted Island Annexation Policies in February 2005 in order to encourage cities to annex unincorporated islands. The policies initially provided a 2-year fee waiver for annexations that result in the elimination of entire islands. Since that time, the Commission periodically reviewed and extended the discretionary fee waiver. In October 2009, the Commission amended its Island Annexation Policies to reflect that the ongoing fee waiver for entire island annexations will remain in effect until rescinded by the Commission. Additionally, in 2013, the legislature amended the CKH Act to remove the sunset date and allow streamlined island annexations on a permanent basis.

Since July 2010, LAFCO has processed 11 island annexations and waived **\$12,694** in island annexation fees. Previously, between FY 2006 and FY 2010, LAFCO waived over \$85,000 in island annexation fees.

## **SERVICE CHARGES**

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### **Proposed Revision**

Establish the following service charges.

<b>Service</b>	<b>Amount</b>
Copying	\$0.10/side – color \$0.05/side – black and white
Mailing or Shipping	Actual Cost

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## **EFFECTIVE DATE FOR THE NEW FEE SCHEDULE**

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Staff is proposing that the revised fee schedule become effective on June 8, 2018.

## **REVENUE COMPARISON**

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The following table compares the revenues generated under the current fee system with the potential revenues that would be realized if the proposed fee schedule were in place. This estimation is based on average level of application activity over the last five fiscal years (not including the current year activity). As seen in the following table, there is a 13% increase in revenues under the proposed Fee Schedule. It should be noted that the estimated revenues under the current and proposed fees are based on just the “minimum” or initial deposit amounts and not on the “final” or actual cost. Therefore actual revenues generated may differ significantly from this estimation not only because of the difference between the actual costs and initial deposits but also because application activity varies from year to year.

### **Potential Revenue Generation**

<b>Type of Applications</b>	<b>Average # of Applications in last 5 FYs</b>	<b>Current Fees</b>	<b>Average Annual Revenue (estimated)</b>	<b>Proposed Fees</b>	<b>Potential Annual Revenue (estimated)</b>
<b>City Conducted</b>	7	\$1,154	\$8,078	\$1,367	\$9,569
<b>100% Consent</b>	2	\$5,914	\$11,828	\$6,218	\$12,436
<b>Non-100% Consent</b>	1	\$11,868	\$11,868	\$12,122	\$12,122
<b>USA / SOI</b>	3	\$11,574	\$34,722	\$13,758	\$41,274
<b>Out of Agency Contracts</b>	0	\$9,670	\$0	\$11,912	\$0
<b>Reconsiderations</b>	0	\$2,619		\$5,563	\$0
<b>Incorporations/ Formations</b>	0	\$11,481		\$13,758	\$0
<b>Total</b>	<b>13</b>		<b>\$66,496</b>		<b>\$75,401</b>

## **PROPOSED POLICIES ON LAFCO FEES**

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LAFCO's current Bylaws do not include policies to guide the Commission's procedures and timelines for establishing, reviewing, and amending the LAFCO Fee Schedule or for considering fee waiver requests.

Over the past few years LAFCO has received and considered various fee waiver requests. LAFCO's Finance Committee, at its March 19, 2018 meeting and at its March 9, 2017 meeting, directed staff to develop policies to help guide the Commission's consideration of such requests, as such requests have cost-recovery implications for LAFCO and implications for LAFCO's funding agencies. Therefore staff has drafted policies (Attachment C) for the Commission's consideration and adoption that clarify the following:

- Commission's procedures and timelines for establishing, reviewing, and amending the LAFCO Fee Schedule in order to help provide for an appropriate level of cost-recovery to the Commission in processing applications
- Commission's collection of application fees in relation to determining whether an application is complete
- Commission's consideration of fee waiver requests, in-light of cost-recovery goals and undue cost burden to LAFCO's funding agencies

## **NEXT STEPS**

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After Commission adoption of the resolution establishing the revised Fee Schedule, staff will mail the revised Fee Schedule to the County, Cities and Special Districts in the county and will post the revised Fee Schedule on the LAFCO website.

After Commission adoption of the policies on LAFCO Fees, staff will amend the LAFCO Bylaws to include the new policies and update the LAFCO website accordingly.

## **ATTACHMENTS**

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| Attachment A: | Proposed LAFCO Fee Schedule                  |
| Attachment B: | Resolution adopting the Revised Fee Schedule |
| Attachment C: | Proposed policies on LAFCO Fees              |

**PROPOSED LAFCO FEE SCHEDULE**

	<b>Type of Application</b>	<b>Fee</b>
1.	City Conducted Annexations	\$1,367 + SBE Fees
2.	100% Consent LAFCO Heard Change of Organizations	\$6,218 + SBE Fees
3.	<b>Deposit Fees ***</b>	
	Non-100% Consent LAFCO Heard Change of Organizations	\$12,122 deposit + Actual Costs + SBE Fees
	Urban Service Area / Sphere of Influence Amendments	\$13,758 deposit + Actual Costs
	Out of Agency Contract for Services	\$11,912 deposit + Actual Costs
	Mandatory Pre-Application Meeting for District Formations/City Incorporations	\$1,935 deposit + Actual Costs
	District Formations, City Incorporations and complex Dissolutions, Consolidations, Mergers	\$12,122 deposit + Actual Costs + SBE fees
	Reconsideration Requests	\$5,563 deposit + Actual Costs
4.	Research Fees	\$213/hour
5.	Service Charges	Copies: \$0.10/page – color \$0.05/page – B/W Mailing/Shipping Actual Cost

All fees/deposits shall be paid at the time of application submittal. The application shall not be deemed complete until the required fees/deposits are received.

When SBE fees are required, a separate check payable to the State Board of Equalization (SBE) must be included with the application packet. The SBE fee is based on acreage; and determined by the SBE Schedule of Fees.

\*\*\* Deposit fees are initial payments towards the actual cost of processing applications. Staff time spent on pre-application assistance will be counted towards the deposit. Actual costs include staff time, any consultant fees, special counsel legal services and miscellaneous costs such as noticing, copying etc. If actual costs are less than deposit, LAFCO will refund the difference to the applicant. If processing costs begin to exceed the deposit, additional fees are required. LAFCO approval will be conditional upon final payment within 35 days of LAFCO hearing date.

**RESOLUTION NO. 2018-XX**

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION  
OF SANTA CLARA COUNTY REVISING LAFCO FEE SCHEDULE**

**RESOLVED** by the Local Agency Formation Commission of Santa Clara County, California, that

**WHEREAS**, Government Code section 56383 authorizes the Commission to establish a schedule of fees for the cost of proceedings; and

**WHEREAS**, the schedule of fees shall not exceed the reasonable cost of providing the service for which the fee is charged;

**WHEREAS**, in compliance with Government Code section 66016, the Executive Officer set June 6, 2018 as the hearing date on the revised fee schedule attached hereto as Attachment A and gave the required notice of hearing; and,

**WHEREAS**, this Commission called the proposal for public hearing, considered the public testimony and considered the revised fee schedule and the report of the Executive Officer;

**NOW THEREFORE**, the Local Agency Formation Commission of Santa Clara County does hereby resolve, determine, and order as follows:

**SECTION 1:**

The proposed revision to the Local Agency Formation Commission fee schedule attached hereto as Attachment A and incorporated herein by reference is hereby approved and is effective June 8, 2018.

**PASSED AND ADOPTED** by Local Agency Formation Commission of Santa Clara County, State of California, on June 6, 2018 by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

\_\_\_\_\_  
Ken Yeager, Chairperson  
LAFCO of Santa Clara County

**ATTEST:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Emmanuel Abello, LAFCO Clerk

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Malathy Subramanian, LAFCO Counsel

**FEE POLICIES**

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- 1) The Commission may establish a schedule of fees and service charges for the processing of applications filed with the Commission, pursuant to Government Code §56383. The schedule of fees and service charges shall not exceed the estimated reasonable cost of providing the service for which the fee is charged.
- 2) The Commission shall regularly review and amend as necessary the schedule of fees and service charges to help ensure an appropriate level of cost-recovery.
- 3) All fees/deposits shall be paid at the time of the application submittal and said application shall not be deemed complete until the required fees/deposits are received.
- 4) In order to achieve reasonable cost-recovery and not place an undue cost burden on its funding agencies (i.e. County, cities, special districts), the Commission will not generally provide fee waivers.
- 5) Consistent with Government Code §56383(d), the Commission may reduce or waive fees if it finds that payment of such fees would be detrimental to the public interest.
- 6) Any request for a fee reduction or waiver must be submitted in writing to the Executive Officer.