



Local Agency Formation Commission
LAFCO of Napa County

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May 7, 2007
Agenda Item No. 7a

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TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Adopted Fee Schedule: Comprehensive Update (Action)

The Commission will review a report from staff evaluating the current fee schedule. The report includes a recommendation to revise the fee schedule as part of a comprehensive update and is being presented to the Commission for discussion and preliminary action.

California Government Code §56383 authorizes the Commission to establish a fee schedule for the costs associated with fulfilling its responsibilities under the Cortese-Knox-Hertzberg Local Government Reorganization Act. This code section specifies that the Commission's fee schedule shall not exceed the estimated "reasonable cost" of the underlying service. This code section also empowers the Commission to waive a fee if it determines that the payment would be detrimental to the public interest.

At the direction of the Commission, staff has prepared a review of the current fee schedule that includes evaluating options to improve cost recovery as part of a comprehensive update. Staff is recommending that the Commission update the fee schedule to increase the hourly staff rate used in calculating application fees from \$50 to \$90. This recommendation is identified as Option "A" in the report.

BACKGROUND

In December 2001, the Commission adopted an updated fee schedule to address its new responsibilities under the Cortese-Knox-Hertzberg Local Government Reorganization Act. Marking the update was a transition by the Commission to incorporate a flat fee schedule assessing applicants based on the average number of hours associated with processing various types of proposals. The Commission also established an hourly staff rate of \$50 that was calculated to provide partial recovery of LAFCO's processing costs while limiting the financial impact to applicants. Additionally, the fee schedule was categorized based on 1) whether an annexation or detachment proposals has 100% consent from affected property owners and agencies and 2) the type of environmental review required.

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Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

In May 2004, the Commission amended the fee schedule to no longer categorize annexation and detachment proposals based on the type of environmental review associated with the proposal. Since that time, no other substantive amendments to the fee schedule have been made. The current fee schedule is provided in Attachment One.

DISCUSSION

In January 2007, the 2007-2008 Budget Committee (Kelly and Wagenknecht) met to review the Commission's operating expenses for the upcoming fiscal year. In presenting a draft budget at the February 7, 2007 meeting, the Budget Committee recommended that the Commission revisit its fee schedule to consider whether changes are appropriate to improve cost recovery. The Commission approved the recommendation of the Budget Committee and directed staff to review and provide options with respect to updating the fee schedule for consideration at a future meeting.

Current Fee Schedule

Beginning in 2001 with the implementation of the Cortese-Knox-Hertzberg Local Government Reorganization Act, the Commission has experienced a measurable increase in its regulatory and planning responsibilities. These changes have required the Commission to address a number of new and often complex factors in fulfilling its legislative directive to plan the orderly development of local agencies in a manner that preserves agricultural and open-space lands. A tangible outcome of these changes has been a significant increase in the amount of time needed to process applicant proposals. Notably, without the benefit of offsetting these new costs by raising fees, the Commission has absorbed the additional workload as part of its annual budget, which has experienced nearly a two-thirds increase in labor and overhead expenses since 2001.

In terms of a regional comparison, four other Bay Area LAFCOs (Alameda, Contra Costa, Santa Clara, and Sonoma) have fee schedules that are similar to Napa.¹ All five LAFCOs assign flat fees that distinguish between annexation and detachment proposals having 100% consent from affected property owners and agencies. However, Napa is the only LAFCO within this comparison group that does not also distinguish the type of environmental review associated with the proposal. With regard to actual fees, Napa assesses applicants substantially less than the other four LAFCOs in the comparison group for annexation and detachment proposals as illustrated in the following tables.

¹ Marin, San Mateo, and Solano LAFCOs have adopted fee schedules that assign annexation and detachment fees based on the acreage of the subject territory. San Francisco LAFCO does not have a comparable fee schedule.

Proposals with 100% Consent (Categorically Exempt)	
Napa	\$500
Alameda	\$900
Sonoma	\$1,880
Contra Costa	\$2,965
Santa Clara	\$5,172

Proposals without 100% Consent (Categorically Exempt)	
Napa	\$1,000
Alameda	\$1,575
Sonoma	\$2,400
Contra Costa	\$2,965
Santa Clara	\$10,612

Proposals with 100% Consent (Negative Declaration)	
Napa	\$500
Alameda	\$1,930
Sonoma	\$2,800
Contra Costa	\$3,515
Santa Clara	\$5,353

Proposals without 100% Consent (Negative Declaration)	
Napa	\$1,000
Alameda	\$2,590
Sonoma	\$3,320
Contra Costa	\$3,515
Santa Clara	\$10,793

Proposals with 100% Consent (Environmental Impact Report)	
Napa	\$500
Alameda	\$3,135
Sonoma	\$3,500
Contra Costa	\$3,765
Santa Clara	\$5,909

Proposals without 100% Consent (Environmental Impact Report)	
Napa	\$1,000
Contra Costa	\$3,765
Alameda	\$3,800
Sonoma	\$4,775
Santa Clara	\$11,349

Proposed Fee Schedule Update (Option A and Option B)

Staff has identified two separate options that retain the positive aspects of the current fee schedule along with employing different cost recovery practices as part of a comprehensive update. These options are identified as “A” and “B” and are summarized below in terms of their similarities and differences.

Similarities

Options A and B retain the Commission’s use of a flat fee schedule that assesses applicants based on an updated calculation of the average number of hours associated with processing different types of proposals. Options A and B also retain the practice of categorizing fees based on whether an annexation or detachment proposal has 100% consent from affected property owners and agencies. With regard to changes, similar to other Bay Area LAFCOs, Options A and B both expand the fee schedule to begin categorizing whether the annexation or detachment proposal involves an exemption, negative declaration, or an environmental impact report. Other similarities include:

- establishing an additional fee for annexation or detachment proposals that involve boundary changes involving two or more agencies.
- distinguishing the Commission's role as a lead or responsible agency under the California Environmental Quality Act.
- charging an "at cost" fee for establishing, amending, or updating spheres of influence and preparing municipal service reviews.
- charging an "at cost" fee for special district formations, consolidations, and dissolutions and for city incorporations and dissolutions.

Differences

The key feature that separates Options A and B are different weighted hourly staff rates that practice different levels of cost recovery with respect to labor (staff and benefits) and administrative overhead (rent, insurance, legal, supplies, and technology).² The hourly staff rate for Option A is \$90 and is calculated to provide full cost recovery. In contrast, the hourly staff rate for Option B is \$60 and is calculated to provide partial cost recovery. The inputs and methodologies used in calculating the hourly staff rates for Options A and B are provided in Attachment Two.

Impact to Applicants

Options A and B would both result in substantial increases to the fee schedule with respect to processing annexation and detachment proposals. An appropriate baseline for comparing the financial impact of Options A and B is the most common application to LAFCO, an annexation of an existing single-family residence to the Napa Sanitation District. This type of application, which has full consent and is exempt from environmental review, is currently charged \$500. Under this baseline scenario, an applicant would pay \$1,350 under Option A and \$900 under Option B. A complete listing of the application fees for annexation and detachment proposals under Options A and B are provided in Attachment Three.

ANALYSIS

It has been five years since the Commission adopted a comprehensive update to its fee schedule. Since then, while the number of applications received by the Commission each year has remained generally consistent, the length of time and the amount of staff resources dedicated to processing proposals has increased significantly.³ In addition, all six of the Commission's funding agencies (County of Napa and the Cities of American

² The hourly staff rates for Options A and B are weighted to reflect the proportional time requirements of staff in processing a typical proposal between LAFCO's three budgeted positions, Executive Officer, Analyst, and Secretary.

³ Between 2001 and 2006, the median number of annual applications received by the Commission is 15.5.

Canyon, Calistoga, Napa, St. Helena, and the Town of Yountville) have actively implemented their own cost recovery practices to address their own rising operational costs. These factors collectively make it appropriate for the Commission to adopt an updated fee schedule to provide a more accurate recovery of the costs associated with processing applications.

Recognizing that an update to the fee schedule is warranted, the key issue for the Commission is to determine the degree of cost recovery it wishes to practice. As mentioned, it has been the practice of the Commission to absorb some of the costs associated with processing applications. If the Commission wishes to continue this practice it should select Option B. However, if the Commission wishes to seek full cost recovery with regard to processing proposals it should select Option A.

RECOMMENDATION

Staff recommends that the Commission select Option A as part of a comprehensive update to the fee schedule. Option A provides the most accurate recovery of costs associated with processing applications in terms of staff and overhead expenses and maximizes the ability of the Commission to help offset the demands on its six funding agencies. The proposed update to the fee schedule is provided as Attachment Four.

In receiving this report, staff recommends that the Commission:

1. Consider the proposed update to the fee schedule and provide staff with direction with respect to any desired changes;
2. Direct staff to circulate the proposed fee schedule to all local agencies and interested parties pursuant to California Government Code §66016; and
3. Direct staff to schedule a public hearing for the Commission for final review and adoption of the proposed fee schedule update for June 4, 2007.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachments:

- 1) Current Fee Schedule
- 2) Hourly Staff Rate Calculations
- 3) Estimated Staff Hours for Annexations and Detachments
- 4) Proposed Fee Schedule Update (Option A)