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January 9, 2008 (Agenda)

Contra Costa Local Agency Formation Commission  
651 Pine Street, Sixth Floor  
Martinez, CA 94553

**LAFCO Processing Fees**

Dear Members of the Commission:

RECOMMENDATION

1. Receive report;
2. Direct staff to continue tracking actual costs associated with application processing and report back to the Commission in approximately one year; and
3. Provide additional direction as appropriate.

DISCUSSION

The Government Code (section 56383) provides that the Commission may establish fees for costs associated with various proceedings (e.g., annexations, reorganizations, sphere of influence amendments, etc.) These fees should reflect the reasonable costs of providing services.

The Contra Costa LAFCO has an adopted schedule of fees that includes both “flat” fees for processing applications, as well as “actual cost” fees for various studies (e.g., CEQA review, comprehensive fiscal analysis, etc.).

In early 2007, the Commission conducted public hearings to consider and adopt a number of revisions to the LAFCO Fee Schedule. The LAFCO fees had not been updated for approximately six years. The approved fee revisions were intended to enhance cost recovery and bring the Contra Costa LAFCO fees more in line with the market average; although the Contra Costa LAFCO fees are currently, for the most part, below the market average.

At that time, LAFCO staff presented an historical summary of the Contra Costa LAFCO fees, along with a market survey of the other urban LAFCO fees. The historical summary of Contra Costa LAFCO fees and cost recovery showed that over the past six years, Contra Costa LAFCO fees offset annual expenditures by approximately 20% on the average.

The application processing fees cover a portion of LAFCO's overall expenses. LAFCO fees generally do not apply to other LAFCO activities, such as conducting the state mandated municipal service reviews and sphere of influence updates, inter-governmental coordination, outreach and education, which are a large part of LAFCO services.

The Commission previously reviewed fees and cost recovery. There was discussion regarding various fee methodologies (e.g., flat fees, fees based on variables such as acreage, "actual time" based fees, etc.). The Commission directed staff to research "actual time" based fees, and discuss with other LAFCOs using this method, the advantages, disadvantages and cost recovery aspects. The Commission also directed staff to begin tracking LAFCO staff time by project, and report back to the Commission.

**Market Survey** - According to the market survey of the other urban LAFCOs, three of the 11 surveyed utilize "actual time" fee methodology or some variation (i.e., Sacramento, San Mateo and Santa Clara). In discussing the advantages and disadvantages of this methodology with these other LAFCOs, all agree that the "actual time" method is fair and enhances cost recovery. However, all indicate that from an accounting and record keeping perspective, tracking staff hours by project is time consuming and, in some cases, problematic.

**Tracking Staff Hours** - Per the Commission's direction, LAFCO staff began tracking staff hours by project in mid January 2007, including time spent by LAFCO legal counsel, contract planner, LAFCO Clerk and the Executive Officer in reviewing and processing LAFCO applications. Other costs such as materials and overhead, and ancillary costs associated with services provided by the County Assessor (to provide assessed value and tax rate information and verify landowners), County Auditor (to prepare property tax data, if applicable), County Planning (to prepare maps for LAFCO agenda packets), and County Elections (to verify number of registered voters) were not tracked.

Since mid January 2007, LAFCO staff has processed 13 applications from start to finish, including the following:

- One district activation of latent powers
- One sphere of influence (SOI) amendment (concurrent with annexation)
- One reorganization
- Two out of agency service requests
- Three annexations
- Five annexations to CSA L-100

Preliminary findings indicate that for most types of applications, i.e., reorganizations, annexations, SOI amendments and activation of latent powers, actual staff costs associated with the application processing are comparable to (within 15-20%) or greater than the LAFCO fees.

Given the limited sample, LAFCO staff believes that it is premature to draw any firm conclusions or to make any changes in the fee methodology at this time. It is recommended that LAFCO staff continue to track staff hours and report back to the Commission in approximately one year with additional data.

Please contact the LAFCO office if you have any questions.

Sincerely,

LOU ANN TEXEIRA  
EXECUTIVE OFFICER