

# **PLACER COUNTY LOCAL AGENCY FORMATION COMMISSION**

110 MAPLE STREET, AUBURN, CALIFORNIA 95603 • 530-889-4097 LAFCO@PLACER.CA.GOV

**COMMISSIONERS:**

MIGUEL UCOVICH  
CHAIR (CITY)

November 18, 2015

JIM HOLMES  
VICE-CHAIR (COUNTY)

Jeffrey Brownfield  
Chief, Division of Audits  
3301 C. Street, Suite 715A  
Sacramento, CA 95816

GRAY ALLEN  
(SPECIAL DISTRICTS)

DR. BILL KIRBY  
(CITY)

E. HOWARD RUDD  
(PUBLIC)

Re: Placer LAFCO/Review of CFA by the State Controller

RON TREABESS,  
(SPECIAL DISTRICTS)

Dear Mr. Brownfield:

ROBERT WEYGANDT  
(COUNTY)

Thank you for meeting with us on November 5, 2015 to clarify and explain several questions we had regarding the review report recently issued by the State Controller for the proposed town of Olympic Valley. As you know, the report has been the subject of significantly different interpretations by proponents and opponents of the project. Although our meeting was extremely helpful, we find it necessary to request the State Controller clarify several aspects of its report in writing. This is necessary because the State Controller's written report will become a part of the staff report submitted by the by this office for the project. Therefore, it is crucial that the written report correctly reflects the position of the State Controller on the issues in question. We also believe the clarifications will assist other LAFCOs in future incorporation efforts.

**ALTERNATE  
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(COUNTY)

JIM GRAY  
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(CITY)

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(SPECIAL DISTRICTS)

**STAFF:**

KRIS BERRY, AJCP  
EXECUTIVE OFFICER

LINDA WILKIE  
CLERK TO THE  
COMMISSION

WILLIAM WRIGHT  
LAFCO COUNSEL

On Issue 2, can you please clarify whether any services discussed under this item must be services that were provided in the area of the proposed city in the base year? It appears to us that this is a requirement under Government Code Section 56810(c)(3) which states as follows:

The commission shall multiply the amount determined pursuant to paragraph (2) for each affected local agency by the corresponding proportion determined pursuant to paragraph (1) to derive the amount of property tax revenue used to provide services by each affected local agency *during the prior fiscal year within the area subject to the proposal*. The county auditor shall adjust the amount described in the previous sentence by the annual tax increment according to the procedures set forth in Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, to the fiscal year in which the new city or district receives its initial allocation of property taxes. (Emphasis added.)

Can you also please clarify under Issue 2 whether the services proposed to be transferred must be services which the new jurisdiction (city) proposes to assume within the area of the city as set forth in the proposal submitted to the commission? It appears to us that this is a requirement under Government Code Section 56810(b) which states as follows:

The commission shall notify the county auditor of the proposal and the services which the new jurisdiction proposes to assume within the area, and identify for the auditor the existing service providers within the area subject to the proposal.

On Issue 6, can you clarify that the term "should use" is intended to mean that if the SVRE estimates were available to the CFA consultant, that such data "should be considered" as part of the preparation of the value estimates, and not simply used directly as the presumed values of such future development. Can you also clarify that the methodology used under this section used current values of property sales in the area, not "historical" as stated in the report.

Can you also please clarify under Issues 15 and 16 that the executive officer, in preparing the CFA, is required to make a reasonable determination of the costs expected to be borne by the newly incorporated city in providing public services and facilities during the three fiscal years following incorporation. It appears to us that although the actual or estimated cost of service in the base year is one factor in determining the cost of service, that ultimately the cost must be based upon the reasonable determination of the executive officer. This is particularly true of services such as community development and planning where future costs may be significantly different from the base year costs due to the development of a new general plan and related issues. We believe this clarification is appropriate under Government Code Section 56800 which states as follows:

For any proposal that includes incorporation, the executive officer shall prepare, or cause to be prepared by contract, a comprehensive fiscal analysis. This analysis shall become part of the report required pursuant to Section 56665. Data used for the analysis shall be from the most recent fiscal year for which data are available, preceding the issuances of the certificate of filing. When data requested by the executive officer in the notice to affected agencies are unavailable, the analysis shall document the source and methodology of the data used. The analysis shall review and document each of the following:

*(a) The costs to the proposed city of providing public services and facilities during the three fiscal years following incorporation in accordance with the following criteria:*

(1) When determining costs, the executive officer shall include all direct and indirect costs associated with the current provision of existing services in the affected territory. These costs shall reflect the actual *or estimated* costs at which the existing level of service could be contracted by the proposed city following an incorporation, if the city elects to do so, and shall include 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. The executive officer shall also identify which of these costs shall be transferred to the new city that result in an administrative cost reduction to other agencies. *In the analysis, the executive officer shall also review how the costs of any existing services compare to the costs of services provided in cities with similar populations and similar geographic size that provide a similar level and range of services and shall make a reasonable determination of the costs expected to be borne by the newly incorporated city.*

(2) When determining costs, the executive officer shall also include all direct and indirect costs of any public services that are proposed to be assumed by the new city and that are provided by state agencies in the area proposed to be incorporated.

*(b) The revenues of the proposed city during the three fiscal years following incorporation.*

(c) The effects on the costs and revenues of any affected local agency during the three fiscal years of incorporation.

(d) Any other information and analysis needed to make the findings required by Section 56720. (Emphasis added.)

On Issue 28, please clarify that the SCO believes that the CFA should more clearly show that the amount of potential revenue neutrality payments calculated under Government Code Section 56815 is subject to change prior to completion of the negotiations and that the appendices where the preliminary revenue neutrality figures were presented did not contain an appropriate level of disclosure on how the potential payments are subject to change prior to completion of revenue neutrality negotiations. Therefore, unless amended to clearly set forth the fact that the figures are subject to change, the appendices could be misleading to the reader and lead to an incorrect conclusion that the estimated payments were in fact finalized.

We thank in advance for clarifying these issues as we believe the clarification will greatly assist our efforts to properly processing this project.

Very truly yours,



Kristina Berry, AICP  
Executive Officer

Cc: LAFCO Commissioners  
Jim Simon, RSG  
William Wright