



June 9, 2014

**VIA EMAIL & FED EX**

Ms. Kristina Berry  
Executive Officer  
Placer County LAFCO  
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Auburn, CA 95603  
KBerry@placer.ca.gov

Commissioners  
Placer County LAFCO  
110 Maple Street  
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Re: Olympic Valley Incorporation Proposal (*LAFCO #2013-02*)

Dear Ms. Berry and Commissioners:

We are submitting this request on behalf of Save Olympic Valley, a local group of residents, property owners, and taxpayers who have serious concerns regarding the proposal to incorporate Olympic Valley, in response to the letter dated May 21, 2014 from Mr. Michael Colantuono to Ms. Berry. While we do not address all of the points raised in Mr. Colantuono's letter at this time, in light of Placer County LAFCO's timeline to contract for the Comprehensive Fiscal Analysis ("CFA"), there is one issue we are compelled to address.

On behalf of the incorporation proponents, Mr. Colantuono urges Placer County LAFCO to not require additional deposits or security for the costs that will be incurred by Placer County LAFCO in connection with the IOV Proposal. We believe that Placer County LAFCO should deny this request.

Proponents are legally required to cover all of the costs associated with the incorporation proposal, including the CFA, the environmental review ("EIR"), staff time and materials and the negotiation of the revenue neutrality agreement. Obviously, Mr. Colantuono's request indicates that the proponents lack the sufficient funds.

Furthermore, it has been publicly reported that proponents' group, Incorporate Olympic Valley ("IOV"), is the subject of an investigation by the Fair Political Practices Commission ("FPPC") into alleged fundraising and campaign reporting violations. As detailed in the FPPC complaint, one

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of the many alleged violations relates to proponents' apparent practice of fundraising for "charitable" (i.e., tax deductible) purposes, but then using those funds for political purposes to attempt to influence voters and LAFCO, in violation of the California Political Reform Act. Needless to say, these violations underscore proponents' serious fundraising issues, are a negative reflection of their credibility, and will likely further erode their already insufficient resources and ability to fundraise. Moreover, because proponents have failed to comply with the FPPC reporting and fundraising disclosure requirements, it is impossible at this stage to know for sure how much money has actually be raised, let alone remains.

Accordingly, in order to spare the taxpayers from incurring unnecessary and avoidable expenses—which proponents are legally required to cover but may likely not be able to—proponents should be required to make a *full advance deposit of the total estimated costs to LAFCO to process their proposal*. Requiring this deposit would be entirely consistent with the law.

Both the Government Code and Placer County LAFCO's policies authorize the Commission to require proponents to make a full deposit of the costs required to process their application *before* taking any further action on their proposal. (See Govt. Code § 56383(c) ["The commission may require that an applicant deposit some or all of the required amount that will be owed with the executive officer before any further action is taken"] (underlining added); Placer County LAFCO Fee Schedule and Fee Policies [deposit amount for incorporation proposal to be determined by executive officer].)

Placer County would not be alone in this approach. The policies of other LAFCOs, particularly those in rural counties, *expressly require that incorporation proponents deposit the entire estimated cost up front*. See, for example, the policies of Mendocino County, Lake County, Del Norte County and Modoc County. The purpose of these policies is to ensure that county taxpayers are not responsible for very substantial application processing costs and fees if proponents have insufficient resources to cover those costs.

Requiring a full deposit or other security will not frustrate the political process as alleged by proponents. Indeed, the LAFCO statutes

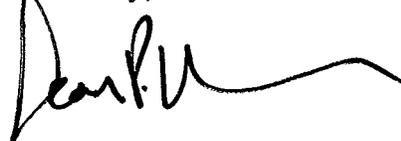
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provide a mechanism for proponents to seek a loan from the state to fund their expenditures if they are unable to raise sufficient funds. Government Code section 56383(g), however, dictates that LAFCO should “take no action on the [incorporation] proposal” until a loan has been requested from the state by the proponents and funds have been received. In short, the LAFCO law does not contemplate that Placer County and its taxpayers will take the risk that the IOV proponents will be unsuccessful in their fundraising efforts.

Proponents of the incorporation proposal have gravely underestimated the costs they are legally required to pay to Placer County LAFCO to process their proposal and they have publicly acknowledged that their funds are limited. Therefore, pursuant to Government Code section 56383(c) and consistent with Placer County LAFCO policy, incorporation proponents should be required to advance a *full deposit* of the estimated costs to LAFCO, including but not limited to the costs of preparing, analyzing and processing the CFA and required environmental review, *prior to* LAFCO taking any action on the proposal. In the alternative, we respectfully request that the Commission stop all work on the proposal unless and until such time as proponents have demonstrated that they have sufficient resources to cover the *full cost* of processing their incorporation proposal. To proceed otherwise would put Placer County LAFCO’s entire budget—and the taxpayers—at risk.

Thank you for your attention to this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean P. Welch", with a long horizontal flourish extending to the right.

Sean P. Welch

SPW/pas