



LAFCO Incorporation Process

Agenda Item #6

May 24, 2023

Shiva Frentzen, Executive Officer

City Incorporation Process

Pre-LAFCO Application:

Pre-LAFCO Application:
Preliminary Fiscal Analysis, Roles, Initiation (Registered Voters, Landowners, Affected Agency)

LAFCO Application:

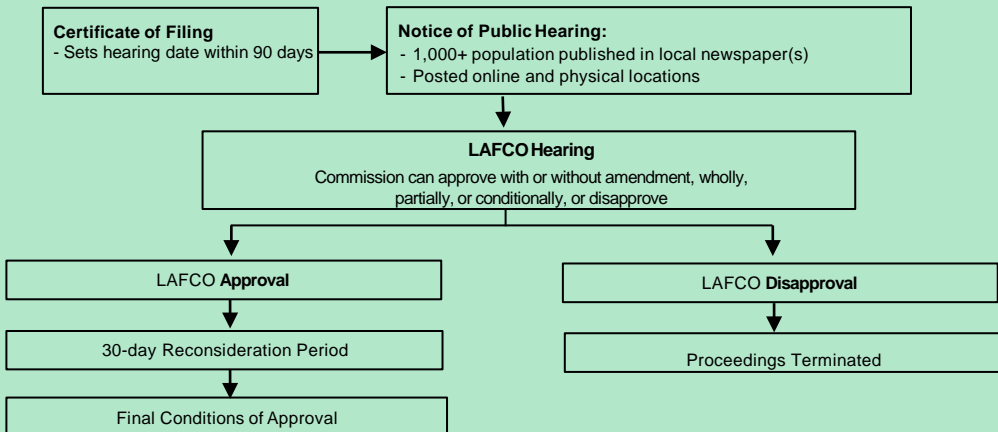
LAFCO Application: Board Resolution to Initiate Incorporation, Proposed Incorporation Maps and Boundary Description, Application Forms, Deposit

Full Application Requirements:

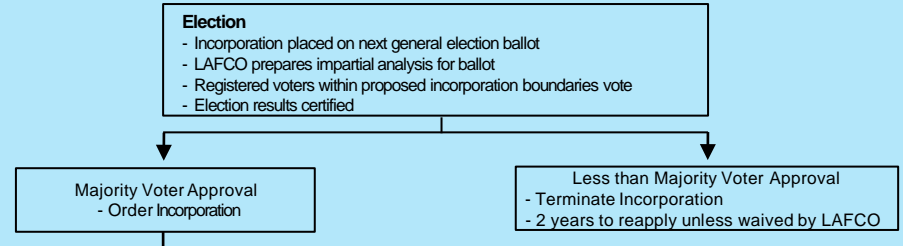
<p>Comprehensive Fiscal Analysis</p> <ul style="list-style-type: none"> - Prepared by LAFCO consultant - Public hearing(s) req'd - Potential State Controller review 	<p>Revenue Neutrality</p> <ul style="list-style-type: none"> - County Auditor determines property tax ratio - Proponents meet with County to negotiate - Revenue Neutrality Agreement finalized 	<p>CEQA Review</p> <ul style="list-style-type: none"> - Prepared by LAFCO consultant - Initial Study – EIR likely - Public hearings & comment period for draft & final 	<p>Service Plan</p> <ul style="list-style-type: none"> - Prepared by proponent or consultant
			<p>Targeted MSR-SOI(s)</p>

Any other information deemed necessary by the Executive Officer

Notice & LAFCO Hearing:



Election:



Post-Incorporation:

<p>Certificate of Completion</p> <ul style="list-style-type: none"> - After all conditions complete <p>State Board of Equalization Filing</p>	<p>Transition Year</p> <ul style="list-style-type: none"> - County to continue providing services for 1 year - City reimbursement (present or future) - City SOI to be determined within 1 year, if not done during incorporation process
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Pre-LAFCO Application

Pre-LAFCO Application:
Preliminary Fiscal Analysis, Roles, Initiation (Registered Voters, Landowners, Affected Agency)

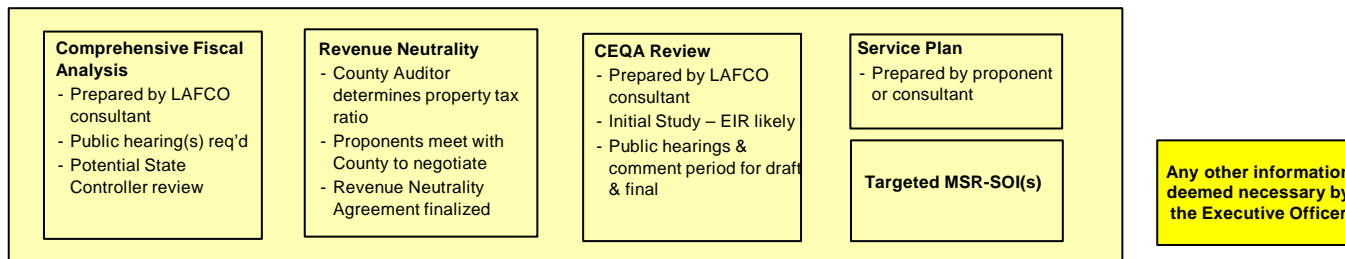
- Consult with LAFCO early
- LAFCO and Incorporation Proponents should begin working with the County and other agencies a full year ahead of application submittal
- LAFCO's Role
- Proponent's Role
- Alternatives to Incorporation
- Incorporation should not occur primarily for financial reasons
- Preliminary Fiscal Analysis
- Identify a Designated Agent and up to 3 persons to receive communication
- Initiation
 - Registered Voter Petition (25%)
 - Landowner Petition (25%)
 - Affected Agency Resolution

LAFCO Application

LAFCO Application: Board Resolution to Initiate Incorporation, Proposed Incorporation Maps and Boundary Description, Application Forms, Deposit

- Petition or Resolution to Initiate Incorporation
- Description of Incorporation proposal
 - Reasons for incorporation, statement of concerns, changes to public services, brief history, demographic/geographic/economic data
- Proposed Incorporation maps and boundary description
 - Identify proposed incorporation boundaries and alternative boundaries
 - Proposed Incorporation map and description to be approved by County Surveyor
- Application forms
 - Disclosure of Gifts, Project Information Form, Reimbursement Agreement, Legal Indemnity
- Deposit towards estimated costs

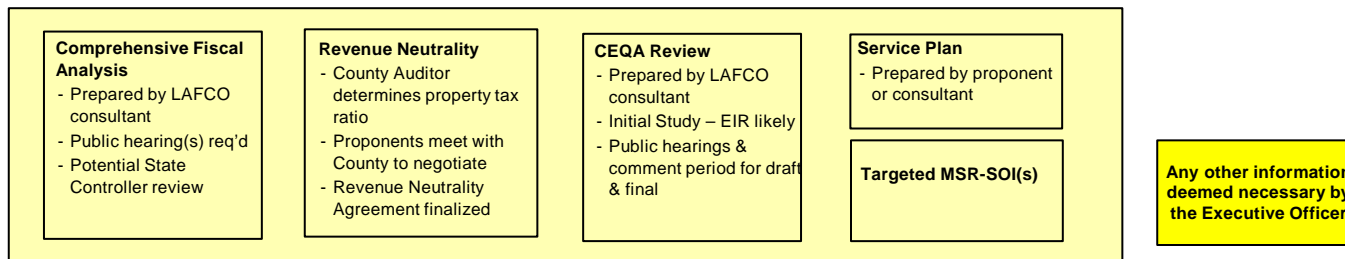
Full Application Requirements



Comprehensive Fiscal Analysis

- Prepared by LAFCO consultant
- Data request letters sent to all agencies/County at the start of the FY
- Public hearing(s) required
- Potential State Controller’s Office review
- The CFA should:
 - Address revenue neutrality
 - Address fiscal implications of proposed changes in services
 - Establish the base year cost
 - Calculate the property tax transfer
 - Develop budget projections for the next 10 fiscal years

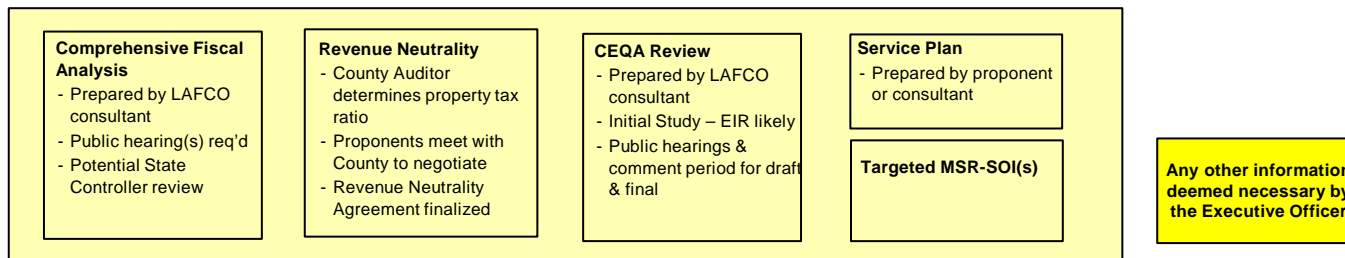
Full Application Requirements



Revenue Neutrality

- County Auditor determines property tax ratio
- Proponents and LAFCO meet with County to negotiate (negotiating committee)
- Ways to achieve revenue neutrality:
 - Tax sharing agreements
 - Lump-sum payments
 - Payments over a fixed period of time
 - Modification of incorporation boundaries
 - Any other terms acceptable to all parties
- Revenues and expenditures must be “substantially equal” for LAFCO to approve
- Revenue Neutrality Agreement finalized – all parties must agree

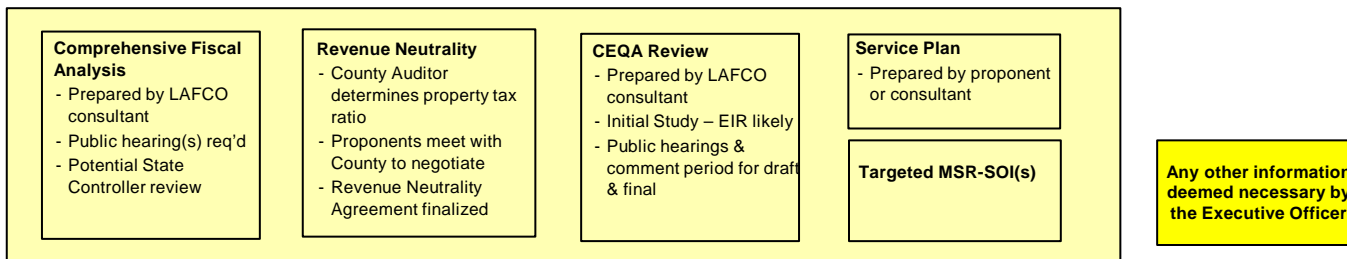
Full Application Requirements



CEQA Review

- Incorporations are subject to the California Environmental Quality Act (CEQA) and require environmental review
- Prepared by LAFCO consultant
- Initial Study (EIR likely)
- Public hearings and comment period for draft and final

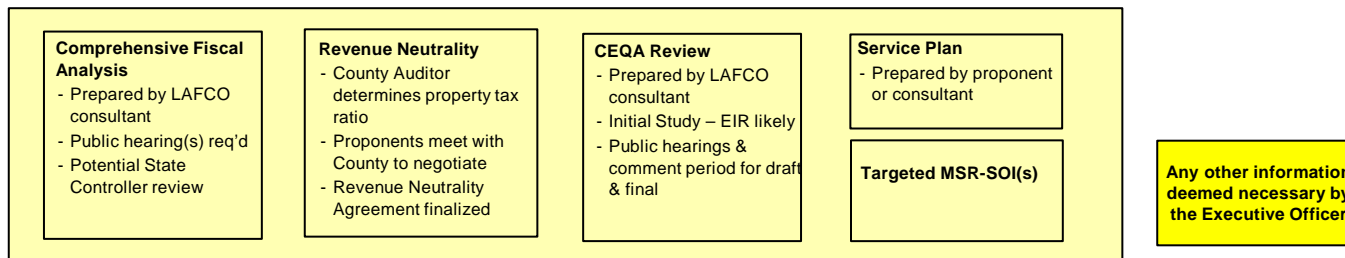
Full Application Requirements



Service Plan

- Prepared by Proponent or Proponent's consultant
- Shall include:
 - (1) An enumeration and description of the services currently provided or to be extended to the affected territory.
 - (2) The level and range of those services.
 - (3) An indication of when those services can feasibly be extended to the affected territory, if new services are proposed.
 - (4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
 - (5) Information with respect to how those services will be financed.

Full Application Requirements



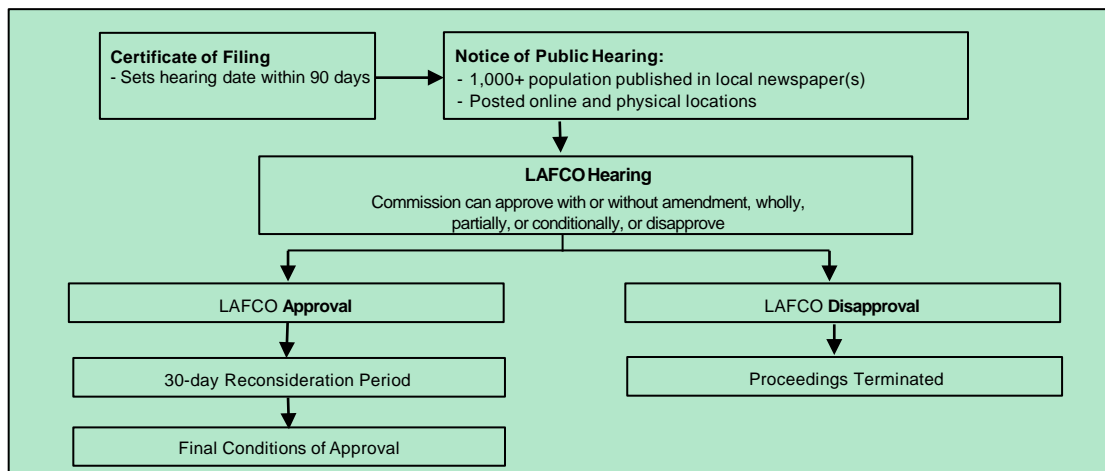
Targeted MSR-SOI:

- El Dorado Hills CSD

Possible targeted MSR-SOIs for other districts:

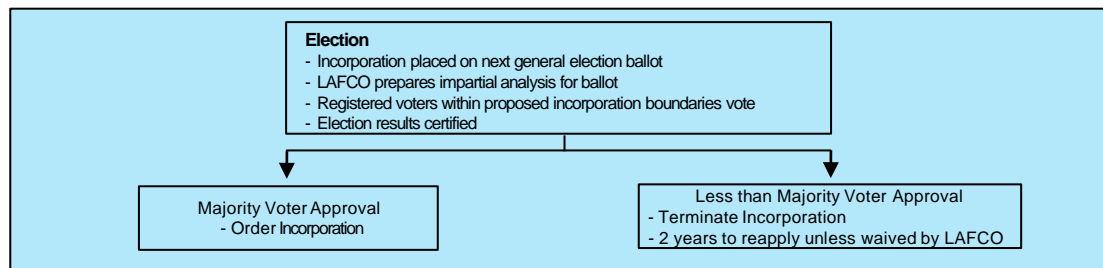
- Rolling Hills CSD
- Marble Mountain Homeowners CSD

Notice and LAFCO Hearing



- EO issues Certificate of Filing – hearing date within 90 days
- Notice of LAFCO Hearing
 - 21 days in advance of hearing
 - 1/8 page add published in local newspaper(s) (1,000+ voters/landowners)
 - Posted on LAFCO website, LAFCO office/bulletin, BOS hearing location
- LAFCO Hearing
 - Executive Officer staff report with recommendation and Terms and Conditions
 - Commission can approve with or without amendment, wholly, partially, or conditionally, or disapprove
- 30-day reconsideration period after approval

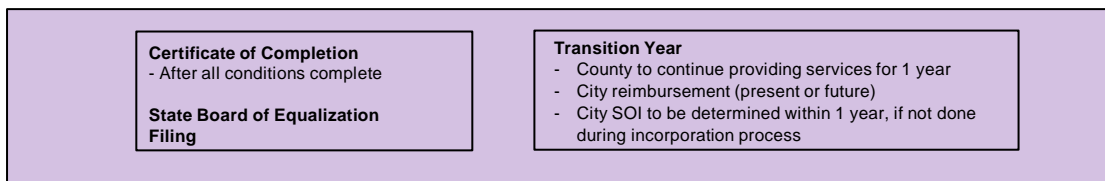
Election



Election

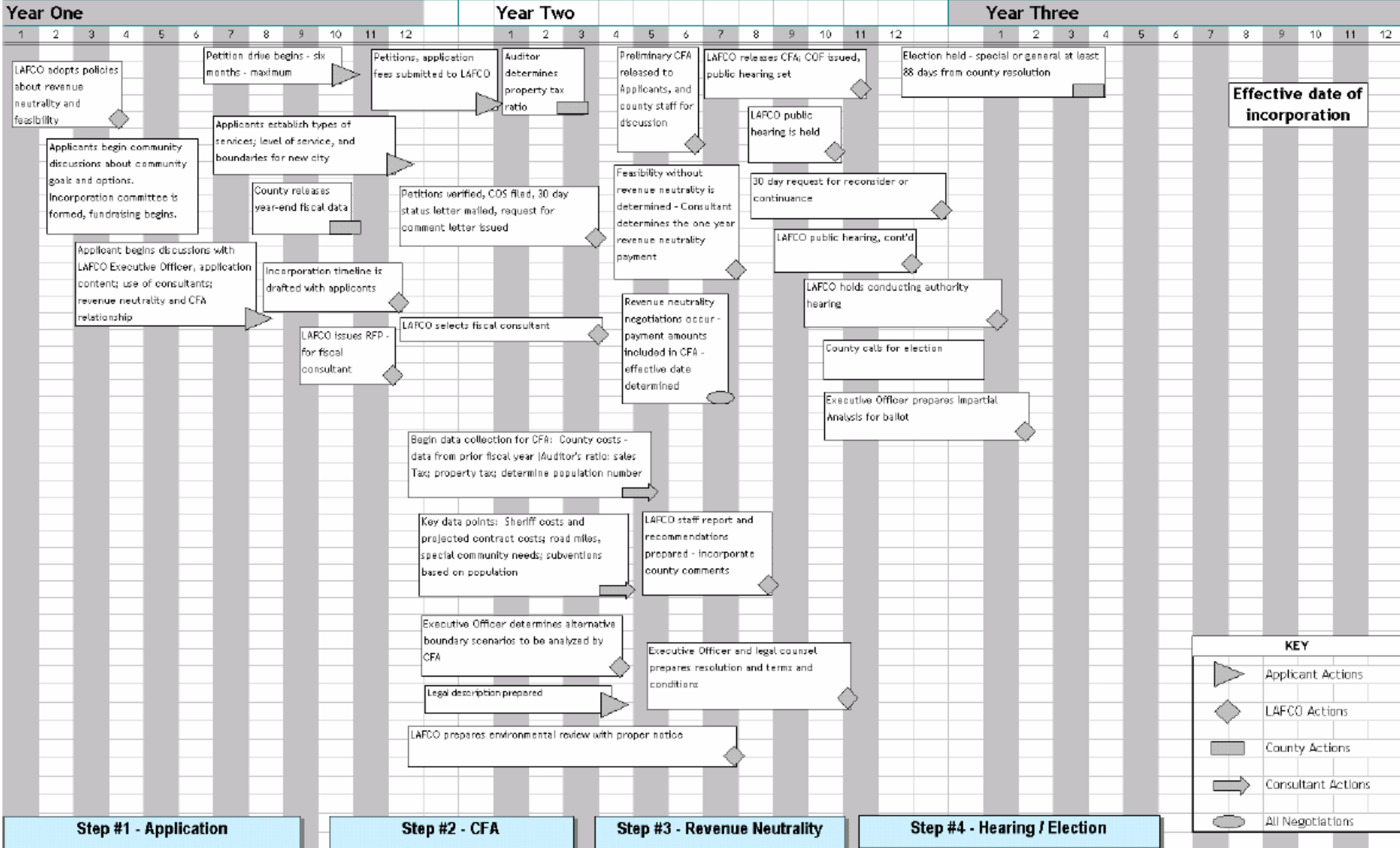
- LAFCO informs BOS and Elections; County calls for an election (at least 88 days later)
- Incorporation placed on next general election ballot
- If special election is requested, proponents pay for the cost
- LAFCO prepares impartial analysis for ballot
- Registered voters within proposed incorporation boundaries vote
- County Election certifies results; BOS adopts election resolution and sends to LAFCO
 - Majority voter approval – order incorporation
 - Less than majority approval – terminate incorporation (2 year wait for new application)

Post-Incorporation



- LAFCO records Certificate of Completion with effective date of incorporation
- Post-Incorporation
 - **Transition Year (municipal organization period)**
 - County shall continue to provide services for one year following incorporation, with reimbursement from the city (present or future)
 - City may need to find “bridge” financing to match initial expenses to collections and cashflow
 - LAFCO shall determine city SOI within one year of incorporation, if not done so during incorporation process

INCORPORATION TIMELINE



Effective date of incorporation

KEY

- ▶ Applicant Actions
- ◆ LAFCO Actions
- ▬ County Actions
- ➡ Consultant Actions
- All Negotiations



Resources

We have used the following incorporation resources:

- [OPR Guidelines to the LAFCO Process for Incorporations](#)
- LAFCO Incorporation Policies & Guidelines [Section 6.7 Incorporations](#)
- [Cortese-Knox-Hertzberg Local Government Reorganization Act](#)
- OPR Sample Timeline [Appendix H – Incorporation Timeline](#)

Questions?