



# LAFCO Incorporation Process

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, Feasibility Study, Service Plan, Environmental information, Application Forms, Deposit

**Full Application Requirements:**

**Comprehensive Fiscal Analysis**

- Prepared by LAFCO consultant
- Public hearing(s) req'd
- Potential State Controller review

**Revenue Neutrality**

- County Auditor determines property tax ratio
- Proponents meet with County to negotiate
- Revenue Neutrality Agreement finalized

**CEQA Review**

- Prepared by LAFCO consultant
- Initial Study – EIR likely
- Public hearings & comment period for draft & final

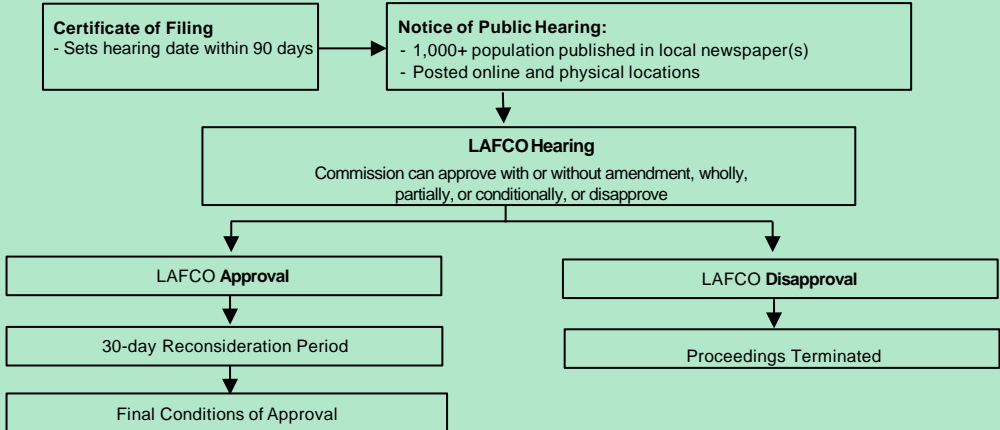
**Service Plan**

- Prepared by proponent or consultant

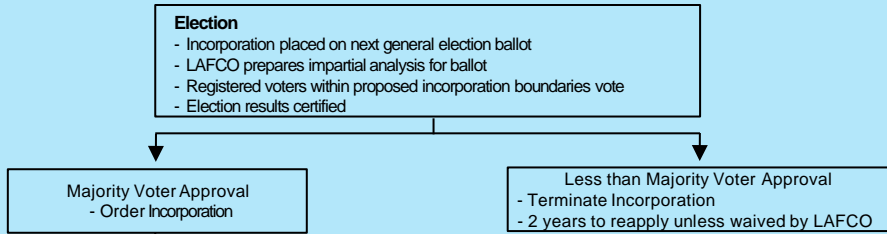
**Targeted MSR-SOI(s)**

Any other information deemed necessary by the Executive Officer

**Notice & LAFCO Hearing:**



**Election:**



**Post-Incorporation:**

**Certificate of Completion**  
- After all conditions complete

**State Board of Equalization Filing**

**Transition Year**

- 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



# 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

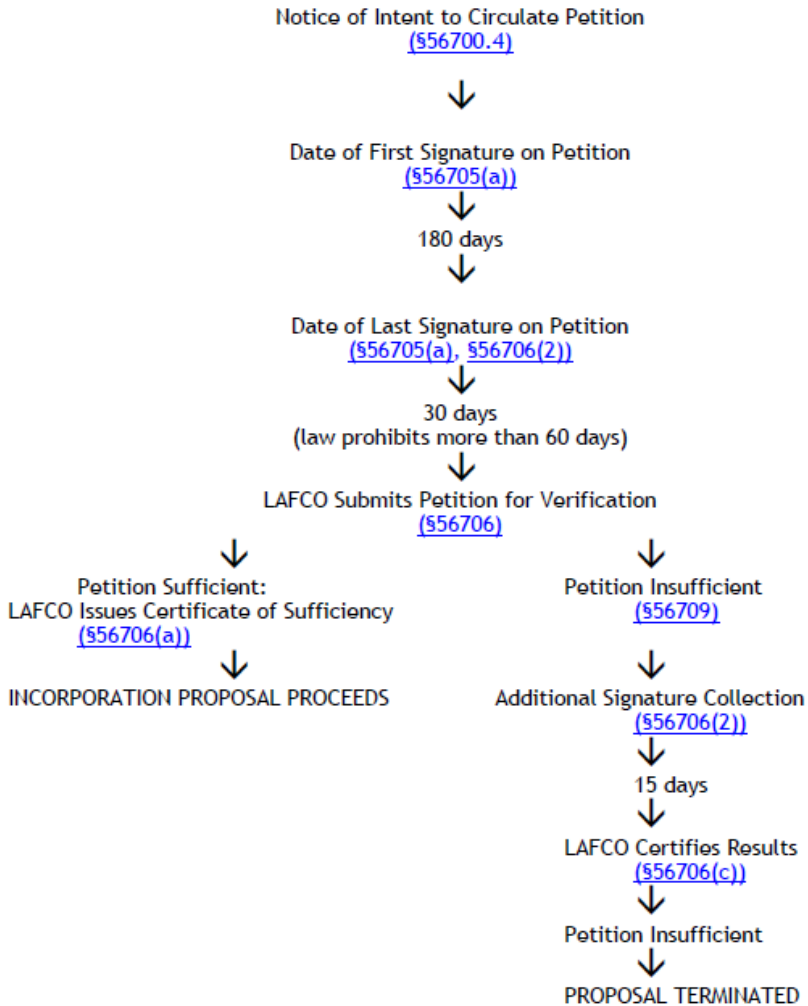
# Pre-LAFCO Application

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

## Minimum Petition Requirements:

- Registered Voters: A petition signed by at least 25% of the registered voters residing in the proposed incorporation area is submitted to LAFCO. The Registrar of Voters must verify the number of valid signatures on petitions of registered voters.
- Land Owners: A petition signed by at least 25% of the landowners owning at least 25% of the assessed value of land within the proposed incorporation area. The County Assessor's Office must verify the petitions of landowners. Landowner petitions are examined based on a comparison of signatures and the most recent assessment roll.

**EXHIBIT 2  
TYPICAL TIMELINE FOR  
PROCESSING INCORPORATION PETITIONS**



# Pre-LAFCO Application

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

## Timing of Petitions

- A Notice of Intent must be filed with LAFCO before circulating a petition
- All signatures must be gathered within 180 days (six months) from the date of the first signature
- Petitions must be submitted to LAFCO within 60 days of the date of the last signature
- The Executive Officer shall cause the petition to be examined by the Registrar of Voters or County Assessor’s Office
- The Executive Officer shall issue a Certificate of Sufficiency or Notice of Insufficiency within 30 days after the date a petition is received
- If the petition is insufficient, proponents have 15 days to submit a supplemental petition
- The Executive Officer shall examine the supplemental petition and certify in writing the results within 10 days after the date of filing

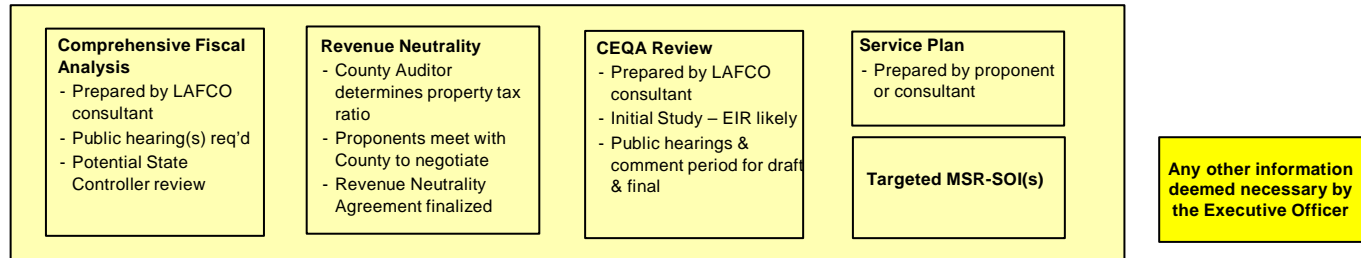


# LAFCO Application

LAFCO Application: Board Resolution to Initiate Incorporation, Proposed Incorporation Maps and Boundary Description, Feasibility Study, Service Plan, Environmental information, 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
- Feasibility Study
  - Estimates potential municipal costs and revenues for city services
- Service Plan
  - Plan for providing services prepared in compliance with California Government Code §56653
- Environmental Information
  - LAFCO is lead agency for California Environmental Quality Act (CEQA). A completed Environmental Information Form is required to facilitate LAFCO's environmental review
- Application forms
  - Disclosure of Gifts, Project Information Form, Reimbursement Agreement, Legal Indemnity
- Deposit towards estimated costs

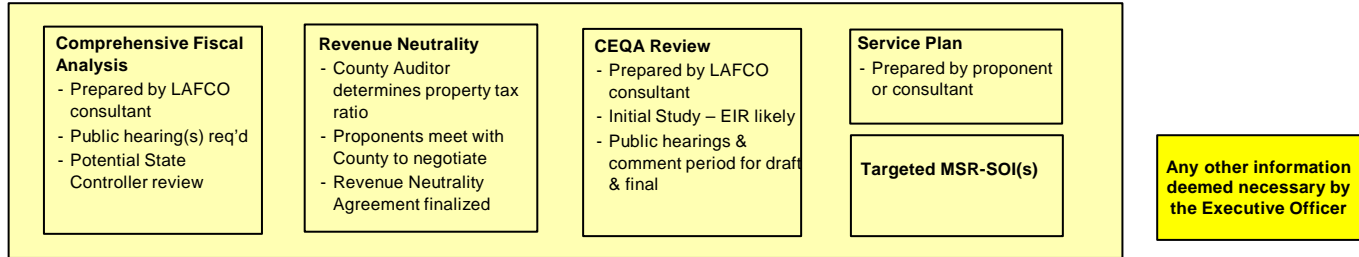
# Full Application Requirements



## 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

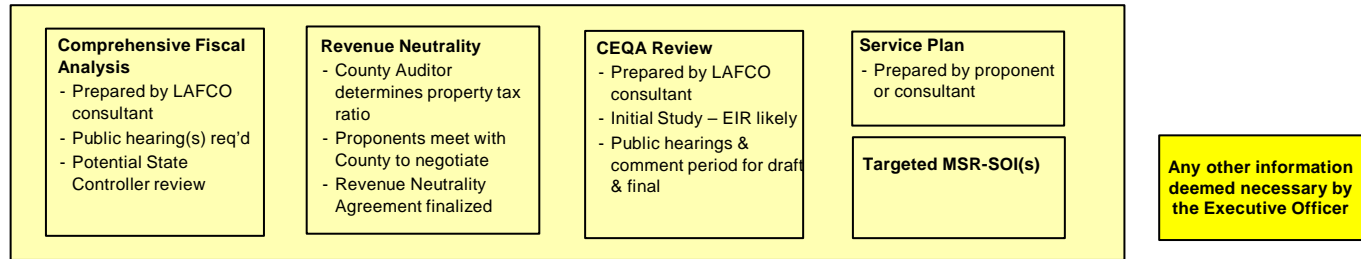


## Revenue Neutrality

- 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



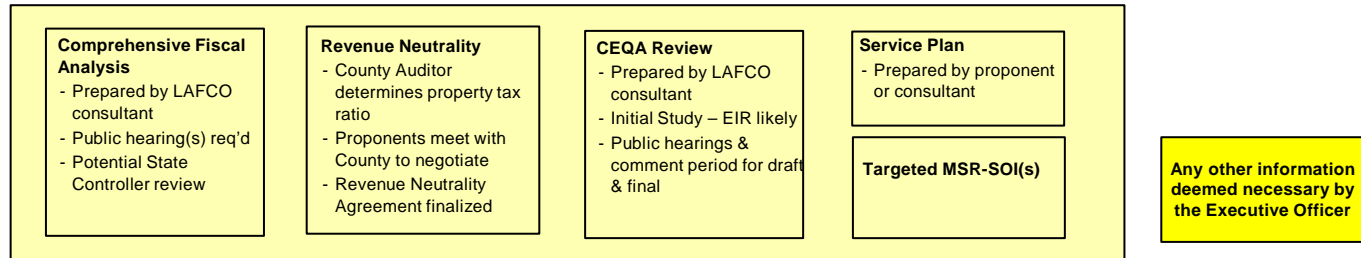
# Full Application Requirements



## 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

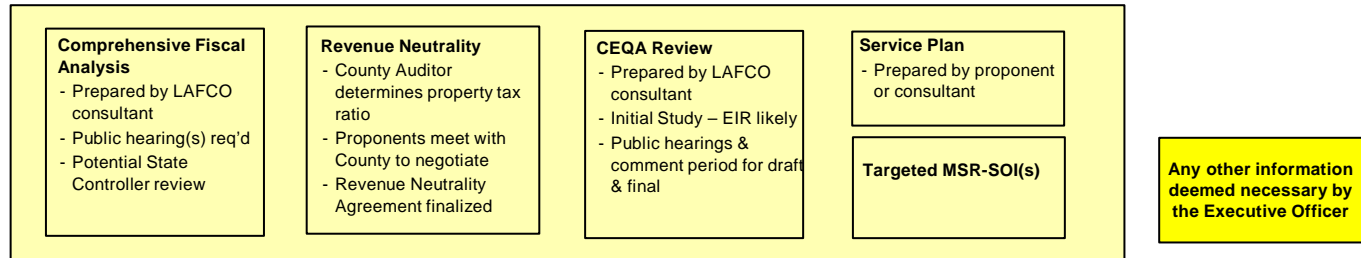
# Full Application Requirements



## 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



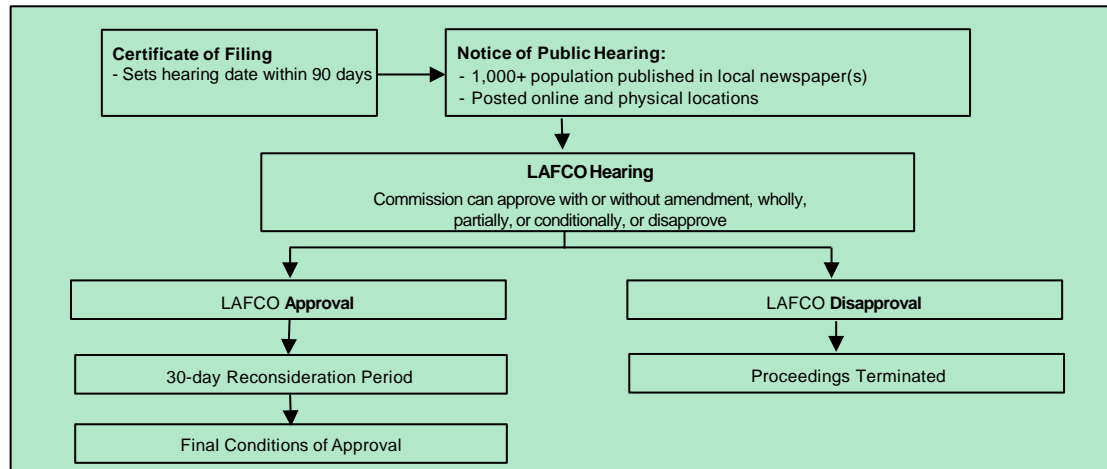
## Targeted MSR-SOI:

- El Dorado Hills CSD

## Possible targeted MSR-SOIs for other districts:

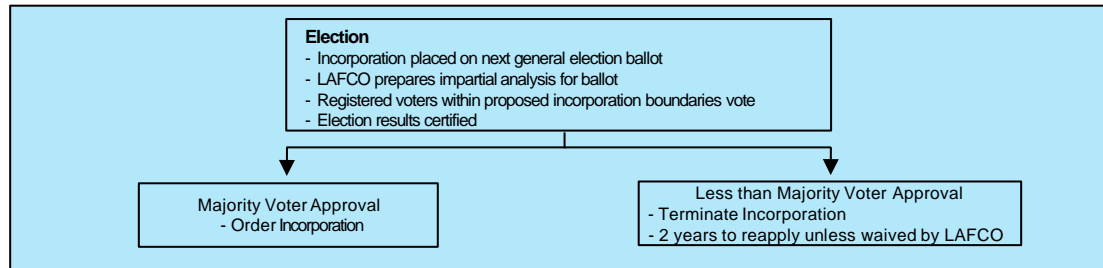
- Rolling Hills CSD
- Marble Mountain Homeowners CSD

# 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

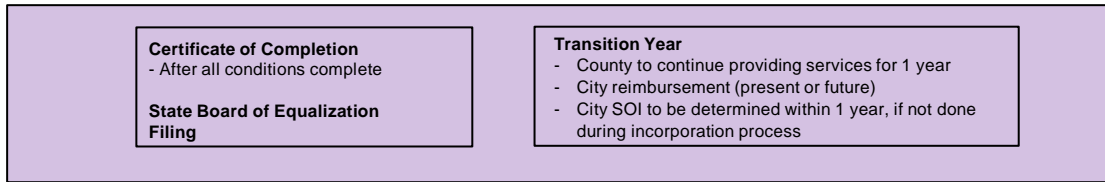
# Election



## Election

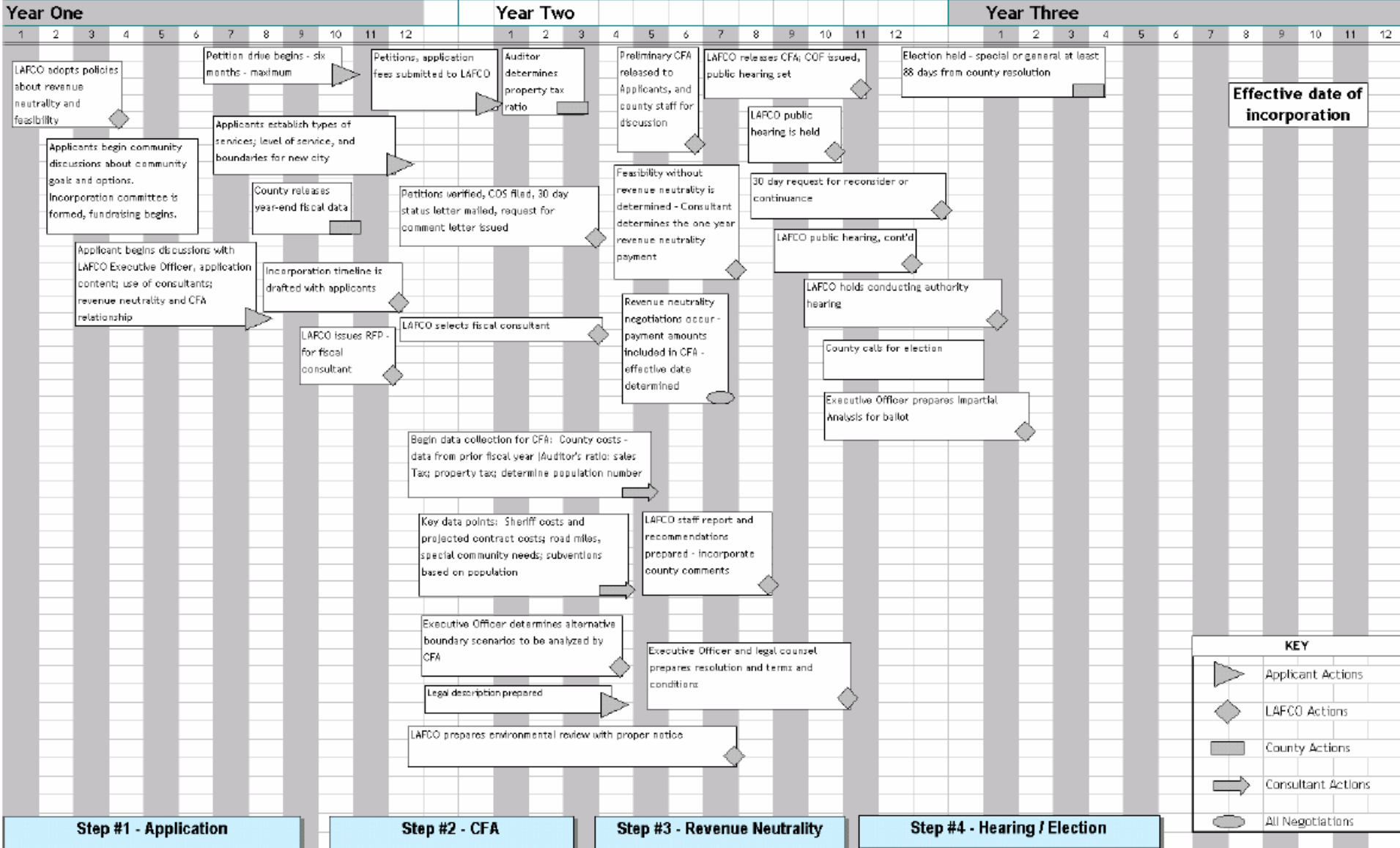
- LAFCO informs BOS and Elections; County calls for an election (at least 88 days later)
- Incorporation placed on next general election ballot
- If special election is requested, proponents pay for the cost
- LAFCO prepares impartial analysis for ballot
- Registered voters within proposed incorporation 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



# 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?