

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MAY 27, 2015

REGULAR MEETING

TO: Ken Humphreys, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #8: **CONSIDERATION AND ADOPTION OF THE AMENDED EL
DORADO LAFCO FEE SCHEDULE**

RECOMMENDATION

Staff recommends that the Commission:

1. Receive and adopt the attached fee schedule so that the agency can recover the costs of processing applications;
2. Set an effective date of July 27, 2015 for the new fee schedule; and
3. Determine that any project currently being processed by LAFCO is subject to the current Schedule of Fees prior to the effective date of the new fee schedule and subject to the new rates after that date.

REASON FOR RECOMMENDED ACTION

Section 2.2.1(a) of the Commission's Policies and Guidelines require the periodic review of the fee schedule.

BACKGROUND

Government Code §56383 allows for the Commission to adopt a Schedule of Fees to recover the "estimated reasonable costs" of processing various LAFCO actions. Outside of adjusting the hourly rate charged to applicants, staff does not recommend substantial changes to the fee schedule. Back in 2006, the Commission also adopted a multiplier into the fee schedule, whereby the staff hourly rates would increase 2% annually to keep up with costs and annual budget changes. In 2011, the last time the fee schedule was revisited, the multiplier was increased to 7%. For this revision, staff recommends lowering the multiplier to 3% annually, starting with July 1, 2016. No changes in the initial deposit are recommended (refer to Attachment A).

Hourly Rates

The recommended new rates better reflect the current salary compensation levels. These rates would be the applicable current rates for Fiscal Year 2015-2016 and the rates recommended after the effective date of July 27, 2015:

Employee	Current rates	Recommended Rates	Change (+/-)
Executive Officer	\$150.68	\$127.00	-\$23.68
Policy Analyst	\$ 79.63	\$ 69.00	-\$10.63
Clerk	\$ 47.78	\$ 42.00	-\$ 5.78

The hourly rate calculations are included in Attachment B and an explanation of the factors and methodology used to derive at these numbers are included in Attachments C, D and E. In the past expenditures for retirement and health benefits combined have been the primary drivers of increasing costs to the agency. However, health care costs have not risen as dramatically since 2010 and the new LAFCO-specific CalPERS contract has really normalized pension costs. Consequently, staff recommends that the Commission also adopt a built-in formula to increase the hourly rates by 3% annually for the next two years. This is a smaller percentage increase than the 7% annual increase formula found in the 2011 Fee Schedule.

Please note that the Administrative Assistant is not included because her normal work functions do not include work on LAFCO petitions. Instead, the costs for this position are considered part of the agency's overhead.

Changing the Process in Which Applicants Are Billed

LAFCO charges on a time and materials basis. This means the agency charges the applicants the actual staff time costs for processing the petition. An initial deposit is requested upfront to cover these costs. Consequently, at the end of the LAFCO process there could be two possible outcomes: The applicant is refunded a portion of their deposit if the LAFCO costs do not exceed the deposit; or the applicant could be charged for the difference if the costs exceed the deposit. In 2006, the initial deposit amounts were determined based on the total average processing cost of the applications seen at the time and the amounts appear to have been set correctly.

The 2006 Fee Schedule also set up the billing structure of asking for at least half of the deposit amount up front (with the second half due upon the successful completion of the AB-8 process) and conducting a final billing after Commission action. Because there are some administrative filings that come after the completion of all conditions of approval, staff conducted a time study to determine what they were. On average, staff incurred about four hours of staff time to finish these filings. These hours were included in the final billing. Once the applicant pays the amount in the final bill, there are no more billings and the applicant does not pay anything more.

It used to be that projects were finalized within a year of Commission approval. Since 2012, staff has seen a breakdown in the billing process. For reasons that are only partially known by staff, most of the applicants from the last four years are not complying with their Conditions of Approval in a timely manner. As a result, staff spends time with the applicants longer, fielding and making phone calls, ascertaining

the challenges the applicant is having with compliance and writing up requests for extension memos to the Commission. This additional time means the agency is incurring uncompensated costs beyond the time already billed. The La Canada (LAFCO Project 2010-03, still active), Alto (LAFCO Project 2009-10) and Clarksville (LAFCO Project 2009-01) petitions combined cost the agency nearly \$5,000 in uncompensated expenses.

Parallel to this is that sometimes the compensation for earned time is realized in the fiscal year after that time has been earned. In other words, a project may be processed in "fiscal year A" but the applicant is not billed until "fiscal year B." From an accounting standpoint, staff has to move monies from one fiscal year to another so that the payment corresponds to the time the hours were "earned." Normally these adjustments are small. As the Commission is aware, the last audit called for quite a large adjustment from FY2014-15 to FY2013-14.

In talking with LAFCO's Auditor, it makes sense to address both issues by adjusting the manner in which LAFCO bills. Instead of the "up-to-three bills per project" method currently employed, LAFCO could bill all not-closed projects every six months. In this proposed method, staff will true-up the hours for each project every June 30th and December 31st. Applicants will receive an "accounts payable" statement that details their payments and earned hour charges up to that point. Processing will resume upon the timely receipt of payment. This will continue every June and December until the project is ready for its Certificate of Completion to be filed, where a final accounting will occur. This will allow for all incurred costs to be compensated. The June 30th date is key in that it allows the payments to be immediately attributed to the fiscal year in which the hours are incurred. An added side benefit is that some applicants ask staff about their current charges. For those who are interested, this proposed process gives applicants periodic updates.

Lastly, staff recommends removing from the fee schedule the line item about being able to provide recordings via audio cassette. This is obsolete technology that is no longer widely used.

Attachments:

- Attachment A: Recommended Fee Schedule
- Attachment B: Hourly Rate Calculations
- Attachment C: Net Productive Hours/Administrative Rates
- Attachment D: Explanation of the Net Productive Hours Calculations
- Attachment E: Explanation of Hourly Rate Calculations