



## LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

### **CITY INCORPORATION POLICY**

Adopted on April 5, 1989 (Resolution No. 97-S)

Last Revision on October 7, 2020 (Resolution No. 2020-29)

#### **1. OVERVIEW**

In each county, a Local Agency Formation Commission (LAFCO) has been set up by the State of California to regulate city incorporations and other boundary changes to cities and districts. LAFCO's mission is to promote the orderly formation and development of local governments through its enforcement of state-mandated procedures, State policies, and local LAFCO policies.

The purpose of these guidelines is to provide guidance to citizens who are considering and proposing the incorporations of a new city within the County of Santa Cruz ("County"). These guidelines do not supersede State law or local policies. Local policies include "Spheres of Influence Policies and Guidelines" and "Standards for Evaluating Proposals." In order to make a final decision on a particular proposal, LAFCO may need additional information not specified in these guidelines. While LAFCO will assist in obtaining any additional information that is needed, the proponents may also have to prepare additional information.

#### **2. PURPOSE OF FEASIBILITY STUDY**

The preparation of an incorporation feasibility study is the responsibility of the proponents of a city incorporation. It is an important step in the process. It allows the proponents to understand and, in turn, explain to the citizenry how the new city would operate. Major topics include boundaries, functions, revenues, and expenditures. The feasibility study allows LAFCO to review the effects of the proposal on the entire structure of governmental services. Two of LAFCO's major duties are to make sure that the new city would have sufficient funds with which to operate and would not negatively impact the provision of services by other governmental agencies.

#### **3. STATUTORY BASIS**

Incorporation proceedings are set up by the Cortese-Knox Local Government Reorganization Act of 1985 (Government Code Sections §56000-57550)(the "Act"). Under the Act, LAFCO has the responsibility to review applications and to approve; approve subject to amendments, conditions or modifications; or deny applications. If LAFCO denies the proposal, the Act specifies a one-year waiting period before the proponents may initiate another incorporation proposal. If a proposal is approved, LAFCO will forward it to the County Board of Supervisors, which is responsible for calling an election within the authorized incorporation boundaries. If a majority of registered voters in the proposed city petition the Board of Supervisors to terminate the incorporation process, it is terminated and cannot be resubmitted for two years. If a majority of registered voters in the incorporation area vote for the incorporation, then the new city is incorporated. If the proposal is defeated at the election, then there is a two-year waiting period.

#### **4. CONTENTS OF FEASIBILITY STUDY**

For LAFCO to make its decision, sufficient information needs to be put on record and analyzed by the registered voters, the affected governmental agencies, and LAFCO staff. The basic elements of a feasibility study are:

- 1) Reason for proposal.
- 2) Proposed boundary map at a scale that allows the identification of individual assessor's parcels.
- 3) The population and number of registered voters in the incorporation area. Projection of population growth for the next ten years.
- 4) The assessed value of the property in incorporation area.
- 5) A description of the local agencies which presently serve the community, with a discussion of the range and level of services currently provided.
- 6) A list and discussion of the functions that the new city would assume.
- 7) A discussion and supporting data on the financial and service efficiency impacts that the proposal would have on all governmental agencies that would give up service responsibility as a result of this proposal. This discussion should include the effects of the incorporation on adjacent communities, special districts, and the County.
- 8) A list and descriptions of the County and special district functions that the new city is not proposed to assume, a list of the special districts that are proposed to continue services to the new city, and a discussion of the foreseeable level of services in the community after incorporation. If the new city would have any impacts on these districts (including economic or level of service impacts), the feasibility study should discuss the impacts and quantify them, where possible.

A clear and compelling rationale must be provided if the continued overlap of any special district (e.g., water, fire, parks, sanitation, or storm drainage) is proposed. There should be a special emphasis on the impact of incorporation on the County or any special districts which are currently providing services to the area immediately surrounding the proposed city.

- 9) A map showing a proposed sphere of influence of the new city, including the existing sphere of influence of any city that overlaps or comes within two miles of the proposed city sphere.
- 10) A ten-year forecast of revenues and expenditures for the new city broken out by revenue and expenditure categories. The forecast should include the applicable categories in the same order. Where fees will be set by municipality, include projection of fee levels and anticipated volume. Table A depicts the required financial information as part of the ten-year projections.

**Table A: Ten-Year Forecast (Revenue & Expenditure)**

Revenue	Expenditure
1. Property Tax	1. Legislative
2. Sales and Use Taxes	2. Management and Support
3. Transportation Taxes	3. Capital Improvements (Municipal Buildings, etc.)
4. Transient Lodging Taxes	4. Police
5. Franchise	5. Fire
6. Business License Taxes	6. Animal Regulation
7. Real Property Transfer Taxes	7. Weed Abatement
8. Utility Users Tax	8. Street Lighting
9. Construction Permits	9. Disaster Preparedness
10. Vehicle Code Fines and Forfeitures	10. Streets, Highways, and Storm Drains
11. Investment Earnings	11. Street Trees and Landscaping
12. State Motor Vehicle In-Lieu Tax	12. Public Transit
13. State Cigarette Tax	13. Planning
14. State Homeowners Relief Tax	14. Construction and Engineering Regulations Enforcement
15. State Gasoline Tax and SB 325 Funds	15. Housing and Community Development
16. Federal Aid for Urban Streets	16. Community Promotion
17. Zoning and Subdivision Fees	17. Physical and Mental Health
18. Plan Checking Fees	18. Solid Waste
19. Animal Shelter Fees	19. Sewers
20. Engineering Fees	20. Parks and Recreation
21. Weed and Lot Cleaning	21. Libraries
22. Sewer Service Charges and Connection Fees	22. Water
23. Solid Waste Revenues	23. Child Care
24. Library Fines and Fees	24. Senior Services
25. Park and Recreation Fees	25. Other Expenses
26. Water Service Charges and Connection Fees	
27. Other Revenues	

The above list is not meant to be all-inclusive. Additional items may be added. When appropriate, any additions should be included in the same category as outlined in the State Controller's Annual Report of the Financial Transactions Concerning Cities of California. The expenditure chart should summarize the level of service and basis for each expenditure. Projected staffing levels should be included. The background information should be included in the report and based on prevailing staffing patterns and wage rates in comparable communities.

- 11) A map of any agricultural or other open space lands in the incorporation boundaries, or the proposed sphere of influence. A discussion of the effect of the proposal on maintaining or converting these lands to other uses.
- 12) A justification of the proposed boundaries explaining why certain sub-areas were included and why adjoining sub-areas were excluded.
- 13) Based upon existing master plans and capital improvement programs of the County and affected districts, the feasibility study shall include a list of planned capital improvements related to city responsibilities, their costs, an indication of which projects would likely be funded, and the source of the funds.

**5. EARLY DISTRIBUTION OF FORECAST OF LOCAL REVENUES**

Upon learning that a community group has been formed to sponsor an incorporation effort and after receiving an appropriate street map of the proposed city from the proponents, LAFCO staff will request a "Forecast of Local Revenues" from the proper State and/or County agencies to determine what funds would be available to the proposed new city.

**6. FURTHER ASSISTANCE**

LAFCO staff is available to incorporation proponents, opponents, affected public agencies, and the general citizenry to provide further assistance. This assistance includes explanations of the incorporation process, copies of the incorporation laws and LAFCO policies, and notices of LAFCO's hearing on the incorporation proposal.