



Sacramento

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street, Suite 100 • Sacramento, CA 95814 • (916) 874-6458 • Fax (916) 874-2939

September 26, 2008

Joel Archer
4120 Exa Court
Sacramento, CA 95821

Dear Joel,

As we discussed in our August 28, 2008 meeting, the LAFCo Commission required the Arden Arcade Incorporation Proponents sign a the Revised Amendment No. 1 to the Funding Agreement, make a payment of \$101,358 by July 1, 2009 and another payment in the amount of \$20,453 by October 1, 2009. The total amount due is \$121,811 in order to meet the November 2010 election timeline.

In order to manage the project and ensure that work can commence on July 1, 2009, I am writing to request that the Arden Arcade Incorporation Committee pay the amount due of \$101,358 prior to July 1, 2009.

As we discussed, I would like the Arden Arcade Incorporation Committee to make a good faith payment in the amount of \$50,000 by March 1, 2009 and the balance in the amount of \$51,358 by June 1, 2009 or sooner. In lieu of payment, you may provide documentation that demonstrates the Arden Arcade Incorporation Committee has adequate funding (in bank accounts or other liquid assets, etc.) to make the required payment by the July 1, 2009 due date.

Payment or adequate verification that the funds are available prior to July 1, 2009 will allow me sufficient time to notify the consultants so that they can plan for this project in their work schedule and obtain their commitment to compete these studies to meet the incorporation hearing timeline for a November 2010 election. The consultants will not be authorized to commence work on July 1, 2009 until the proponent's entire share of funds are on deposit with LAFCo (\$101,358) and the attached Amendment No. 1 to the Funding Agreement has been signed by both LAFCo and the Incorporation Proponents.

As I have previously stated any delays (even minor delays) after a July 1st start date will have significant impacts on maintaining and meeting the project schedule. In addition, the Commission may not grant any further continuances after July 1, 2009.

Finally, pursuant to Amendment No. 1 of the Funding Agreement, if possible, I will notify you and the Arden Arcade Incorporation Committee by April 1, 2009 if the contract amounts for the required

draft studies have increased due to the revised project schedule. The total amount of \$121,811 is based on the Amendment No. 1 to the Funding Agreement previously transmitted to you by Miller Owen & Trost. I am enclosing a copy of my letter dated June 10, 2008 for reference.

Please call me at 874-5935, if you have any further questions.

Sincerely,

A handwritten signature in cursive script that reads "Peter Brundage".

Peter Brundage
Executive Officer

Cc: LAFCo Commission
Nancy Miller
Arden Arcade Incorporation Committee
Bill Davis
Eric Nickell
Steve Jenkins

Encl: July 10, 2008 Letter to Arden Arcade Incorporation Committee
Amendment No. 1

Amendment No. 1 to Funding Agreement for the Arden Arcade Incorporation

This First Amendment to the Funding Agreement ("Agreement") between the Sacramento Local Agency Formation Commission, a public agency ("LAFCo"), and the Arden Arcade Incorporation Committee, a California corporation ("Proponents"), is entered into effective as of the ___ day of September, 2008.

Recitals

- A. **WHEREAS**, LAFCo and the Proponents entered into a Funding Agreement effective July 1, 2007; and
- B. **WHEREAS**, the Proponents did not comply with the agreed funding schedule and therefore the attempt to meet the Proponents desire for a November 2008 election could not be met; and
- C. **WHEREAS**, the Proponents requested, and LAFCo agreed, to postpone the payment deadline for the required fee for incorporations, to credit the Proponents with \$5,174 for funds paid to Burr Consulting, and to deem the Proponents application incomplete until payment is made in accordance with this amendment; and
- D. **WHEREAS**, subsequent to the June 2008 Commission meeting, the Proponents and staff agreed that the earlier LAFCo receives the necessary funding, the sooner the consultants will be able to organize staff and allocate staff time to the project; and
- E. **WHEREAS**, the parties wish to amend the Funding Agreement to revise the funding schedule;

Agreement

NOW, THEREFORE, the parties agree as follows:

1. **Section 1 (Proponents' Obligations)**, first paragraph only is modified to state as follows: Proponents were unable to meet the original funding schedule, and have requested that the funding schedule be extended. LAFCo and the Proponents have agreed that under the optimal funding schedule, the Proponents will deposit \$50,000 on or before March 1, 2009, and \$51,358 on or before June 1, 2009. Notwithstanding this optimal funding schedule, Proponents shall deposit \$101,358 no later than July 1, 2009. Proponents shall also deposit \$20,453 on or before October 1, 2009, plus any additional amounts required due to the delay in processing the application. In the event that these payments are insufficient to cover all incorporation costs, any additional funds will be paid to LAFCo, by Proponents, within 30 calendar days of notice to the Proponents of such additional costs.

The Proponents understand and agree that changes in the law, changes in rates, services or availability of the consultants, and changes in the environment or service areas may increase the costs of processing the incorporation proposal, or may jeopardize the proposed incorporation altogether.

The Proponents shall give LAFCo timely notice of any material change in the proposed incorporation, and shall provide monthly updates on the status of their incorporation efforts.

Proponents agree to fund all additional costs that may be incurred to complete the Draft studies or that may result from the Draft studies.

2. **Section 2 (LAFCo's Obligations)**, is amended to add a new subsection c., which shall state as follows:

c. On April 1, 2009, LAFCo shall provide an updated cost estimate to Proponents which shall reflect any known additional funding requirement as of that date due to the delay in processing the application. There may be additional funds due after that date and LAFCo agrees to give timely notice to Proponents of such amounts.

3. **Section 4 (Indemnity)**, subsection "a," first sentence only, is amended to state as follows:

a. Specifically, Proponents (i) have reviewed the scopes of work for both the CFA and the EIR (including the scope of work for the new CFA consultant, MuniFinancial) copies of which are attached hereto as Exhibits B and C, (ii) agree that they are legally sufficient, and (iii) waive any right to contest either the CFA or EIR based upon the scope of work.

4. **Section 5 (Suspension and Termination of the Agreement)**, is modified to state as follows:

"If Proponents fail to deposit the amount due July 1, 2009, by July 15, 2009, or the amount due October 1, 2009, by October 15, 2009, LAFCo will cease all work on the incorporation until the required deposit is made. If Proponents' failure to make the entire required deposit continues for 30 calendar days following July 15, 2009, or October 15, 2009, LAFCo may elect to terminate all work on the incorporation, and/or take such other action as it deems necessary, in its sole and absolute discretion. Thereafter, should Proponents fail to make a deposit when required as per notice by LAFCo, LAFCo will cease work until the required deposit is made.

5. **Exhibit B (Scope of Work for CFA)**, is replaced with the revised Exhibit B, attached hereto.
6. Except as expressly amended herein, all terms of the Agreement shall remain in full force and effect.
7. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.

IN WITNESS WHEREOF, this First Amendment to the Funding Agreement has been executed by the parties hereto on the date first written above.

LAFCo

Proponents

By Peter Brundage 9/26/2008
Peter Brundage
Executive Officer
Sacramento Local Agency Formation
Commission

By _____
Joel Archer

Approved by LAFCo Counsel

By _____
Nancy Miller

EXHIBIT B

Comprehensive Fiscal Analysis
Scope of Work

Amendment No. 1 to Consultant Agreement with Michael Brandman Associates

This First Amendment to the Consultant Agreement ("Agreement") between the Sacramento Local Agency Formation Commission, a public agency ("LAFCo"), and Michael Brandman Associates, a California corporation ("Consultant"), is entered into effective as of the ___ day of June, 2008.

Recitals

- A. WHEREAS, LAFCo and the Consultant entered into a Consultant Agreement effective _____, 2007; and
- B. WHEREAS, the Incorporation Proponents did not have sufficient funds to comply with the original funding schedule; and
- C. WHEREAS, the parties wish to amend the Consultant Agreement to extend the funding schedule and revise the work schedule; and
- D. WHEREAS, Consultant has received funding in the amount of \$88,595, but was not provided with the information necessary to complete the Draft EIR due to funding shortages; and
- E. WHEREAS, Consultant shall resume work on the Draft EIR once the Proponents fulfill their funding obligations, as set forth below.

Agreement

NOW, THEREFORE, the parties agree as follows:

1. Section 2.c. (Compensation and Expenses) is revised to read:

In no event shall the total compensation to Consultant for work performed and reimbursement of expenses incurred pursuant to this Agreement exceed \$159,280, unless this Agreement is amended in writing.

Sections 1 a. through d. of Section 1 will remain in full force and effect.

2. Section 6 (Time of Work), is modified to state as follows:

Consultant shall perform services required in a timely manner. The time for completion of Consultant's work depends upon receipt of funds by LAFCo from the incorporation proponents. As a consequence, no due date is required, however, Consultant shall use its best efforts to complete the work in time to allow for consideration by LAFCo on or before June 30, 2010.

In March 2009, Consultant and LAFCo will determine if there is any modification required to the scope of work based on statutory changes. If there have been statutory changes, the scope of work and budget may be amended at that time.

Pursuant to LAFCo's revised agreement with Proponents, Proponents shall provide one payment on July 1, 2009, and a second payment on October 1, 2009. Consultant shall not proceed with the scope of work until it has received written confirmation from LAFCo that sufficient funds have been received from the proponents

3. "Cost Estimate" in Exhibit A (MBA Work Plan, Schedule and Cost and Funding), shall be replaced with the revised Cost Estimate attached hereto in Exhibit A to this Amendment.

4. "Funding Schedule" in Exhibit A (MBA Work Plan, Schedule and Cost and Funding), shall be replaced with the revised Funding Schedule attached hereto in Exhibit A to this Amendment.

5. Except as expressly amended herein, all terms of the Agreement shall remain in full force and effect.

6. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.

IN WITNESS WHEREOF, this First Amendment to Consultant Agreement has been executed by the parties hereto on the date first written above.

LAFCo

Consultants

By _____
Peter Brundage
Executive Officer
Sacramento Local Agency Formation
Commission

By _____
Stephen Jenkins

Approved by LAFCo Counsel

By _____
Nancy Miller

ATTACHMENT A – REVISED COST ESTIMATE AND SCHEDULE

Cost Estimate

Revised June, 2008

Task	Description	Cost
1	Project Initiation	\$9,480
2	Prepare Project Description, Alternatives, Project Objectives, and Significance Criteria	12,700
3	Prepare and Circulate Notice of Preparation and Scoping Meetings	9,420
4	Prepare Administrative Draft EIR	58,180
5	Prepare and Circulate Draft EIR, Notices	22,510
6	Prepare Administrative Final EIR and MMRP	14,350
7	Prepare and Distribute Final EIR and Findings	9,960
8	Staff Meetings and Certification Hearings	8,400
New	"Contingencies" to Cover Updates Required due to Delay, if necessary	14,400
Revised Project Total		\$159,280

FUNDING SCHEDULE

Project Schedule and Funding Requirements (revised June, 2008)

As reflected in the revised funding schedule below, Consultant has been paid \$88,595 of the estimated total cost to-date. In exchange, Consultant met several of the milestones, as noted below. Consultant has not, however, completed the Administrative Draft EIR due to a lack of information from the Comprehensive Fiscal Analysis (CFA) Consultant (caused by the Proponents' failure to fund the CFA). Due to this delay, Consultant has requested a contingency of \$14,400 to complete the EIR. Once the Proponents deposit funds with LAFCo in July 2009, LAFCo shall provide Consultants with a new Notice to Proceed, and work will resume on the EIR.

Milestone	Completion Date	Milestone and Payment Status
Sign Agreement and Notice to Proceed	8-20-07	Complete – Consultant Paid in Full
Project Initiation Meeting with Sacramento LAFCO Staff to discuss EIR Format, Significance Criteria, Draft Project Objectives, Project Description, Prelim Alternatives, Cumulative Project List/Study Area, Public Controversy,	8-22-07	Complete – Consultant Paid in Full

Milestone	Completion Date	Milestone and Payment Status
Scope, Schedule and LAFCO Mailing List		
Submit Draft Significance Criteria, Project Objectives, Project Description, Alternatives, and Cumulative Project list to LAFCO	8-30-07	Complete – Consultant Paid in Full
LAFCO Staff returns comments	9-5-07	Complete – Consultant Paid in Full
Submit Draft Notice of Preparation (NOP) to LAFCO Staff	9-7-07	Complete – Consultant Paid in Full
LAFCO Staff returns comments on NOP	9-12-07	Complete – Consultant Paid in Full
NOP submitted to State Clearinghouse for 30-day public review period	9-14-07	Complete – Consultant Paid in Full
Scoping meeting during NOP public review period	10-3-07	did this occur?
Close of NOP 30-day public review period	10-15-07	Complete – Consultant Paid in Full
Consultant and LAFCo Review Scope of Work as to any Statutory Changes	3-1-09	
LAFCo Receives Payment from Proponent (\$56,285) and issues Notice to Proceed to Consultant	7-01-09	
LAFCo Receives Additional Payment from Proponent (\$14,400)	10-01-09	
Prepare and submit Administrative Draft EIR (ADEIR) to LAFCO Staff	10-16-09	Incomplete – Balance Due for this task: \$1,185 However, contingency funds up to \$14,400 are also available for completion of this task
LAFCO Staff returns comments on ADEIR	10-30-09	
Print-ready Draft EIR to LAFCO Staff	11-09-09	
LAFCO Staff approves Print-ready Draft EIR	11-23-09	
Publish Draft EIR and Begin 45-day Public Review Period (legal ad, NOC, NOA, DEIR)	12-4-09	
Public Hearing on Draft EIR during public review period	TBD	
Close 45-day public Review Period	1-18-10	

Milestone	Completion Date	Milestone and Payment Status
Prepare and submit Administrative Final EIR (AFEIR) Draft MMRP, and Draft Findings and Overriding considerations to LAFCO Staff	2-12-10	
LAFCO Staff returns comments on AFEIR Draft MMRP, and Draft Findings and Statement of Overriding Considerations	2-26-10	
Print-ready Final EIR to LAFCO Staff	3-22-10	
LAFCO Staff approves Print-ready Final EIR	3-26-10	
Publish Final EIR	4-2-10	
Sacramento LAFCO Hearings Begin	May 2010	

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

CONSULTANT AGREEMENT WITH MUNI FINANCIAL

THIS AGREEMENT is made this ____ day of _____, 2008, by and between the SACRAMENTO LOCAL AGENCY FORMATION COMMISSION, hereinafter referred to as "LAFCo," and Muni Financial, hereinafter referred to as the "Consultant."

1. Purpose and Scope of Work

Consultant shall prepare a Comprehensive Fiscal Analysis as required under the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 as amended for the proposed incorporation of Arden Arcade. The Analysis will comply in all respects with state law and LAFCo's policies and procedures. The specific services are as set forth in Exhibit "A" attached hereto. The Executive Officer shall determine in his sole discretion whether Consultant's services are satisfactory.

2. Compensation and Expenses

a. The total compensation for such services performed by Consultant pursuant to this Agreement shall be paid monthly in arrears upon receipt of Consultant's invoice. Such compensation shall be computed in the manner described in Exhibit "A" attached hereto. Payment will be made monthly, in arrears, for services performed during the previous month subject to the provisions of Paragraph 2.d. below. LAFCo will make payment within thirty (30) days of Consultant's presentation of a written statement of services performed so long as the payment amount is consistent with the amount authorized by LAFCo to be spent in accordance with Section 2.d, and Section 6 below.

b. LAFCo is not responsible for any payment for services or expenses not previously authorized by LAFCo in writing. Payment will be made monthly, in arrears, for authorized services and expenses incurred during the previous month. LAFCo will make payment within thirty (30) days of Consultant's presentation of appropriate receipts, travel vouchers and/or LAFCo's expense claim form.

c. In no event shall the total compensation to Consultant for work performed and reimbursement of expenses incurred pursuant to this Agreement exceed \$90,000, unless this agreement is amended in writing.

d. Consultant acknowledges that the funding for this Agreement depends on payments made by the incorporation proponents under a separate agreement with

LAFCo. Consequently, notwithstanding the compensation limit set forth in Subsection 2.c, above, Consultant agrees that:

i. Consultant will not proceed with any phase of the work until the Executive Officer has given written authorization to proceed, together with the funding amount available for such work;

ii. The Executive Officer may, from time to time, direct Consultant to suspend its work, if the Executive Officer determines in good faith that funding will not be available to compensate Consultant for such work;

iii. In no event shall LAFCo be required to pay Consultant more than the funding amount received for Consultant's work from the incorporation proponents; and

iv. In the event of non payment by the proponents, LAFCo or Consultant may terminate this Agreement.

3. **Materials, Supplies and Equipment**

Except as otherwise specifically set forth in Exhibit "A," attached hereto, Consultant shall, at its sole expense, furnish all materials, supplies, and equipment which are or may be required for performance of services pursuant to this Agreement.

4. **Ownership**

Consultant agrees that all work products including, but not limited to, notes, designs, drawings, reports, memoranda, and all other tangible personal property of whatever nature produced in the performance of this Agreement shall be the sole property of LAFCo, provided that Consultant may retain file copies of said work products. Consultant shall provide said work products to LAFCo upon request.

Consultant may publish marketing materials or professional papers drawing from work that is at that time in the public domain.

Consultant represents and warrants that all materials or work product to be furnished to LAFCo will be produced by Consultant or that required permissions and license agreements will be obtained and paid for by Consultant and that LAFCo is free to use, reuse, publish or otherwise deal with all such material except as otherwise specifically provided in Exhibit "A," attached hereto. Consultant shall indemnify and hold harmless LAFCo, its directors, officers, employees, agents and representatives, from any claim, loss, damage, cost, liability or expense arising from any falsity or violation of the foregoing representation and warranty.

5. **Limitation of Compensation**

LAFCo is not obligated to employ Consultant or pay royalties or other compensation of any kind to Consultant as a result of the use by LAFCo of Consultant's work products, whether or not said use relates to the project for which said work product was prepared.

6. **Time of Work**

Consultant shall perform services required in a timely manner. Consultant shall use its best efforts to complete the work in time to allow for consideration by LAFCo on or before April 1, 2010. If LAFCo does not receive funds from the incorporation proponents in a timely manner, Consultant is under no obligation to complete the work within this time frame. If payments are delayed, the time for completion may be amended by agreement of the parties hereto.

7. **Terms and Conditions**

The Standard Form Terms and Conditions attached hereto as Exhibit "B" are made a part of this Agreement. Consultant's signature on this Agreement constitutes acknowledgment that Consultant has received said Terms and Conditions.

In the event of any inconsistency between said Standard Terms and Conditions and any other provisions of this Agreement, said other provisions shall control.

8. **Exhibits**

All exhibits referred to herein are attached hereto and are incorporated herein by reference.

9. **Nonexclusive Agreement**

Consultant understands and agrees that this is a nonexclusive Agreement. LAFCo may hire other consultants for work of a similar or identical nature.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto upon the date first above written.

MUNI FINANCIAL

SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION

By: _____

By: _____
Peter Brundage
Executive Officer

EXHIBIT A

SCOPE OF WORK/BUDGET/SCHEDULE/RATE OF COMPENSATION

SCOPE OF WORK

Consultant shall prepare a CFA as required by Government Code section 56800. Data used for the CFA shall be from the most recent fiscal year for which data are available. The CFA shall include an analysis of the following:

- (1) The costs to the proposed city of providing public services and facilities during the three fiscal years following incorporation;
- (2) The revenues of the proposed city during the three fiscal years following incorporation;
- (3) The effects on the costs and revenues of any affected local agency during the first three fiscal years of incorporation; and
- (4) Any other information and analysis required by LAFCo.

When determining the costs to the proposed city of providing public services and facilities, Consultant shall:

- (1) Include all direct and indirect costs associated with the current provision of existing services in the affected area, including the actual or estimated costs at which the existing level of service could be contracted by the proposed city following an incorporation, and any general fund expenditures used to support or subsidize a fee-supported service where the full costs of providing the service are not fully recovered through fees;
- (2) Identify any cost reduction to affected agencies based on the transfer of costs to the proposed city;
- (3) Review how the costs of existing services compare to the costs of services provided in cities with similar populations and geographic size that provide a similar level and range of services; and
- (4) Make a reasonable determination of the costs expected to be borne by the proposed city.

The CFA prepared shall include an evaluation of service levels, costs, and revenues should the proposed territory be annexed to the City of Sacramento or otherwise provided services by a single service provider.

The required tasks are identified below, including a description of the work to be completed plus identification of meetings and deliverables.

Task 1: Project and Policy Management

Objectives: Maintain effective communication with LAFCo staff throughout the project.

Description: Meet with LAFCo staff to confirm project scope, schedule, and deliverables.

Determine preferred method for communicating with staff. Discuss key assumptions and methodologies including:

- Base year
- Potential development
- Planning horizon
- Plan for services
- Incorporation boundaries
- Incorporation date
- Similar cities for cost comparison
- Revenue neutrality analysis

Identify key contacts in County departments and other affected agencies to facilitate data gathering. Based on conversations with LAFCo staff, scope of work includes analysis for two boundary scenarios.

Meetings: Two (2) meetings: one (1) project kick-off meeting with LAFCo and one (1) meeting with incorporation proponents.

Deliverables: None.

Task 2: Incorporation Analysis

Subtask 2.1 Determine Development Scenario

Objectives: Estimate existing and new development within the planning horizon.

Description: For each of two boundary alternatives, determine base year population, dwelling unit, and employment estimates for proposed incorporated area using Census data, historical building permit data provided by County staff, and identification of employment centers. Develop per dwelling unit resident and per square foot employment density factors based on base year data and comparable studies. Identify approved, proposed, and potential development projects, plus projects under construction based on data provided by County staff (unlikely to be significant given nearly built

out status of Arden Arcade). Conduct local real estate market research to identify key factors and trends affecting development, and to provide property value assumptions for property tax estimates. Prepare market-based development scenario based on available data and reasonable assumptions.

Meetings: None.

Deliverables: None.

Subtask 2.2: Develop Cost Assumptions

Objectives: Develop reasonable estimates of all City costs through planning horizon for each of two boundary alternatives.

Description: Submit information request to affected agencies (County departments, the City, and various special districts) for data on current service levels, cost recovery rates, net costs of service, and contract costs. Analyze responses and follow up with supplemental information requests to develop reasonable and consistent cost assumptions.

Estimate ongoing staffing and related costs based on proposed levels of service and necessary administrative, executive, and legislative functions. Analyze staffing and costs for similar cities. Develop staffing plan based on number of positions by function and department by year. Determine cost inputs including salaries and benefits by position, supplies and services, non-departmental such as insurance and office occupancy, and contract service costs. Use average per capita or case study approaches as appropriate.

Estimates of City costs for the CFA will be based on the service provider assumptions shown in the table at page 4 of Consultants' proposal, dated May 30, 2008.

The analysis will also include estimates for transition year costs for services provided by County and repayment of costs by City and for one time City startup costs such as election, general plan, and furnishings and equipment.

Meetings: One (1) meeting with County staff to review information needs.

Deliverables: None.

Subtask 2.3: Develop Revenue Assumptions

Objectives: Develop reasonable estimates of all City revenues through planning horizon for each of two boundary alternatives.

Description: **Property tax revenues:** Submit information request to County Auditor-Controller for property tax data, such as existing assessed value and tax allocation factors by tax rate area within incorporation area, "Auditor's ratio" (property taxes as a percent of general fund undesignated revenues). Calculate property tax transfer amount based on *California Government Code* sections 56810 using County net cost of services, Auditor's ratio, and estimated tax increment to first year of incorporation.

Sales tax revenues: Submit information request to State Board of Equalization for revenue generated within incorporation area, or use audit data available to County. Develop alternative reasonable method for estimating revenue if these sources are not available.

Vehicle license fees: Estimate revenue based on AB 1602 (2005-06 legislative session) assuming an incorporation date prior to June 30, 2009.

Other revenues: Develop assumptions primarily using per capita factors based on analysis of County fiscal data or statewide data for revenue subventions, and input from County staff. Estimate charges for services based on current County cost recovery rates.

Meetings: None.

Deliverables: None.

Subtask 2.4: Analyze Fiscal Feasibility

Objectives: Determine fiscal feasibility of proposed incorporation for each of two boundary alternatives.

Description: Construct model based on assumptions developed in prior tasks. Analyze fiscal feasibility of incorporation by fund based on general and restricted revenue sources. Funds likely to include (1) general fund, (2) community services district fund (to account for transfer of existing City assessments and charges), and (3) road fund (to account for gas tax revenues). Exclude impact of potential revenue neutrality mitigation (see subsequent tasks).

Provide a set of tables summarizing the preliminary results of the quantitative analysis for review and comment by LAFCo staff. Discuss analysis and preliminary findings via conference call.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis for CFA.

Subtask 2.5: Conduct Additional Fiscal Analysis

Objectives: Provide additional fiscal information related to the proposed incorporation for each of two boundary alternatives.

Description: **Revenue neutrality:** Analyze net impact of revenue and cost reductions caused by incorporation on County in base year pursuant to *California Government Code* section 56815. Conduct analysis by fund.

Assessment districts: Conduct qualitative analysis of impacts on existing assessment districts.

Assets: Submit information request to County and City for inventory of assets to be transferred to City. If GASB 34 valuation is not available, estimate value based on quantities, unit replacement cost factors, and current condition.

Appropriations limit: Determine provisional appropriations limit pursuant to *California Government Code* section 56812.

Meetings: One (1) meeting with County staff.

Deliverables: Include revenue neutrality analysis in prior task deliverable.

Task 3: Full Service City Analysis

Objectives: Evaluate whether certain new city departments are feasible if territory is detached from the associated existing special district service providers.

Description: Examine the following services:

- Fire protection
- Water
- Wastewater; and
- Parks and recreation

Fire Protection, Wastewater, and Water

If the formation of a City fire Department can be accomplished with service cost economies of scale, evaluate the fiscal impacts of detachment of service territory from the Sacramento Metro Fire District. To assist with the question, gather policy input from fire protection administrators in the region.

Similarly, if the regulatory environment for wastewater collection and treatment make it conceptually possible to show a benefit to the General Fund from a city-operated wastewater system, evaluate the fiscal impacts of detachment of all current wastewater service providers. To assist with the question, gather policy input from utility administrators in the region.

Contingent on whether the General Fund will conceptually benefit from a city-owned water system, evaluate the fiscal impact of detachment of existing water providers. To assist with the question, gather policy input from utility administrators in the region.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis of special districts.

Task 4: Annexation Analysis

Objectives: Evaluate service levels, costs, and revenues under alternative governance scenario of annexation to the City of Sacramento.

Description: Refine model to analyze and compare service levels and costs under annexation to the City of Sacramento to those under incorporation as a new City. This task will use the same development scenario developed in Subtask 2.1.

Evaluate taxes and fees paid by property owners, citizens, and businesses under the annexation scenario. Each revenue and cost input will be developed using either a per capita or case study approach as shown in the following table:

Annexation Service Area Approach

<u>Service</u>	<u>Per Capita Approach</u>	<u>Case Study Approach</u>
Animal Control	X	
Fire and EMS ¹		X
General Government	X	
Parks and Recreation ²	X	
Planning	X	
Public Protection	X	
Public Works	X	

1 Analysis will not consider impacts on Sacramento Metropolitan Fire District or impacts of City assuming personnel costs.

2 Per acre.

Consultant will calculate per capita factors by dividing total annual revenues or costs by the appropriate service population. Service population will include the current residential and employment population. Employment will be weighted appropriately to reflect impacts relative to residents for each revenue or cost line item. The analysis will estimate ongoing staffing and related costs based on current levels of service in the City of Sacramento.

Analysis assumes the City of Sacramento would be the sole provider of municipal services in Arden Arcade as in its current territory. The analysis assumes detachment from current service providers.

Meetings: None.

Deliverables: Tables summarizing quantitative analysis for annexation scenario.

Task 5: Draft Comprehensive Fiscal Analysis Report

Objectives: Elicit public comment on incorporation fiscal feasibility; support LAFCo policy decisions and actions.

Description: Prepare the administrative draft CFA. Include findings regarding fiscal feasibility. Clearly describe all data sources, assumptions, and methodologies. Meet with LAFCo staff to discuss and receive comments. Based on one round of comments prepare the public draft CFA for public review and revenue neutrality negotiations. Prepare final draft CFA based

on one round of comments or prepare a separate response to comments as appropriate. Integrate results of revenue neutrality negotiations as directed by LAFCo staff. Present final draft CFA to the public and Commission using slide presentation.

Meetings: Four (4) meetings: one (1) meeting to review administrative draft CFA with incorporation proponents; one (1) meeting to present final draft CFA at public workshop; and up to two (2) meetings to present final draft CFA to Commission.

Deliverables: Administrative draft CFA (10 hard copies plus digital format), public draft CFA (50 hard copies plus digital format), and final draft CFA (50 hard copies plus digital format).

Optional Task 6: Revenue Neutrality Negotiations

Objectives: Provide additional fiscal information related to the proposed incorporation for the revenue neutrality negotiation process.

Description: On an as needed basis, provide analytical support for the revenue neutrality negotiation process. Services under this task to be provided at time and expense.

Meetings: As needed.

Deliverables: As needed.

PROJECT SCHEDULE AND BUDGET

Schedule

Consultant shall complete a comprehensive fiscal analysis for the proposed Arden-Arcade incorporation within five (5) months of receipt of the fiscal year 2007-08 financial statements for the County of Sacramento.

Deliverables	Scheduled Completion Date
1: Data Request to County	July 2009
2: Full Service City Analysis Tables	December 2009
3: Annexation Analysis Tables	September 2009
4: Draft Incorporation Tables	December 2009
5: Administrative Draft CFA Report	February 2010
6: Final CFA Report	March 2010

Budget

The total budget for Consultant's services shall not exceed **\$90,000**, including direct expenses related to this fiscal analysis project. Additional expenses must be authorized in writing. Consultant will invoice LAFCo monthly for services.

In March, 2009, Consultant and LAFCo will determine if there is any modification required to the scope of work based on statutory changes or changes to the proposed project. If necessary, the scope of work and budget will be amended at that time.

On July 1, 2009, LAFCo will collect funds sufficient to start the Incorporation, Annexation, and Full Service City Analysis. Upon receipt of such funds, LAFCo will issue a notice to Consultant, authorizing work to begin.

On October 1, 2009, LAFCo will collect funds for the remaining tasks. Upon receipt of such funds, LAFCo will issue another notice to Consultant, authorizing work to begin.

Consultant will not proceed with work on tasks until LAFCo confirms that task funds are collected and available for payment. The following table shows the proposed budget by task group and the cumulative funds needed to proceed to each task group.

Budget by Start Date/Task Group and Cumulative Budget

Start Date/Task Group	Task Group Budget	Cumulative Budget
1. July 1/Data Request to all Agencies	\$5,000	\$5,000
2. Aug 1/Start Incorporation, Annexation, Full Service Analysis	\$40,000	\$45,000
3. Nov 1/ Finish Analyses and Draft CFA	\$45,000	\$90,000

Additional services under the optional Task 6 and any additional meetings may be authorized by LAFCo and will be billed at Consultant's then-current hourly consulting rates. Consultant's current hourly rates are:

MUNIFINANCIAL HOURLY RATE SCHEDULE	
TITLE	HOURLY RATE
Division Manager	\$200
Principal Consultant	190
Senior Project Manager	155
Project Manager	135
Senior Project Analyst	120
Senior Analyst	110
Analyst	90
Analyst Assistant	75
Property Owner Services Representative	50
Support Staff	45

EXHIBIT B

TERMS AND CONDITIONS

(Consulting Agreement)

GENERAL PROVISIONS

1. Independent Contractor. At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of LAFCo.
2. Time. Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary for satisfactory performance of Consultant's obligations pursuant to this Agreement.
3. Indemnification. Consultant shall assume the defense of, and indemnify and save harmless, LAFCo, its directors, officers, agents, employees and representatives, from any and all claims, costs, damages, expenses, injuries, liability and losses, including but not limited to attorney's fees and litigation costs, accruing or resulting to any and all consultants, subcontractors, materialmen, laborers, employees, and other person, firm or corporation furnishing or supplying work, services, materials, or supplies, in connection with the performance of this Agreement, from any and all claims and losses accruing or resulting to any person who may be injured or killed or any property damaged by Consultant directly or indirectly in the performance of this Agreement, to the extent resulting from Consultant's negligence or other wrongful conduct, except where such claims and losses are due to the sole active negligence or willful misconduct of the indemnitee.
4. Consultant not Agent. Except as LAFCo may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of LAFCo in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind LAFCo to any obligation whatsoever.
5. Products of Consulting. All products of consulting shall become the sole property of LAFCo and shall be delivered to LAFCo before the end of performance under this Agreement.
6. Assignment Prohibited. Consultant may not assign any right or obligation pursuant to this Agreement without prior written consent of LAFCo. Any attempted or purported assignment of any such right or obligation by Consultant without such consent shall be void and of no effect.

7. Modifications and Amendments. This Agreement may be modified or amended by mutual consent of Consultant and LAFCo, evidenced in writing and executed by the parties.

8. Changes. LAFCo may, from time to time, request changes in the scope of work of the Agreement to be performed hereunder. Such changes, including any increase or decrease in the amount of Consultant's compensation, which are mutually agreed upon by and between LAFCo and Consultant, shall be incorporated in written amendments to this Agreement.

9. Termination. This Agreement may be terminated by LAFCo on forty-eight (48) hours written notice. The effective date of termination shall be the 48th hour of said written termination notice with no further action by either party. Consultant may terminate on forty-eight (48) hours written notice only upon the written consent of LAFCo unless LAFCo has breached or is in default under the Agreement.

In the event LAFCo abandons the project, upon written notification to the Consultant, this Agreement shall terminate. In the event of termination, Consultant shall be entitled to the authorized compensation earned by it through the date of termination, computed pro rata up to and including the date. Consultant shall be entitled to no further compensation as of the date of termination except as may be necessary to deliver products to LAFCo. In no event shall LAFCo be liable for lost profits. In no event shall Consultant perform uncompensated work for LAFCo after the date of termination.

10. Products to be Delivered on Termination. In the event of termination of this Agreement, Consultant shall immediately deliver to LAFCo all files, memoranda, notes, draft reports and all other matter prepared by Consultant in the course of providing services pursuant to this Agreement. All such material shall be the sole property of LAFCo.

11. Notices. Any and all notices, demands, request, or other matters required by this Agreement or by law to be served on, or given to, or delivered to either party hereto, LAFCo or Consultant, by the other party to this Agreement, shall be in writing and shall be deemed duly served, given, or delivered when personally delivered to the party to whom it is addressed or in lieu of such personal service, when deposited in the United States mail, postage prepaid, addressed to LAFCo or Consultant as provided in this Agreement. Either party may change his address for the purpose of notices by giving written notice of such change to the other party in the manner as herein provided.

12. Insurance.

a. Consultant shall carry workers' compensation insurance unless Consultant executes the "No Employees Certification Form" attached.

b. Consultant shall carry general liability insurance with a combined single limit of not less than \$500,000 per occurrence, \$1,000,000 general aggregate. Consultant shall provide LAFCo with a certificate of insurance on a standard form showing that (1) Consultant maintains the required general liability insurance; (2) the insurer shall not terminate or modify coverage without twenty (20) days' advance written notice to LAFCo, ten (10) days' notice if cancellation is due to nonpayment of premium.

c. Consultant shall carry automobile liability insurance with a minimum coverage of \$1,000,000 per person and per accident for bodily injury and \$300,000 for property damage. Consultant shall either (1) provide LAFCo with a certificate of insurance on a standard form showing that Consultant maintains the required automobile liability insurance, that the insurer shall not terminate or modify coverage without twenty (20) days' advance written notice to LAFCo, and that LAFCo is an additional insured's; or (2) affirm in writing the name of Consultant's automobile liability insurer and policy number, the policy limits and effective dates of coverage, that the coverage will be kept in place for the duration of the Agreement, that Consultant has a valid driver's license, and that his or her vehicle is in proper operating condition.

13. Licenses. At its sole cost, Consultant shall obtain and keep in full force and effect during the term of this agreement, all licenses, permits and other entitlements required for Consultant to legally perform the services provided pursuant to federal, state and local authorities.

14. Attorney's Fees. In the event any action is brought by either party to this contract to enforce this contract or for breach of this contract or for a declaration of rights and duties of the parties to this contract, the prevailing party shall recover its cost of suit and attorney's fees incurred in such action from the other party.

15. Fair Employment. In the performance of this contract, Consultant will not discriminate against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical handicap, mental condition, marital status, sex or age¹ pursuant to Section 12940 et seq. of the Government Code. Consultant will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, religious creed, color, national origin, ancestry, physical handicap, mental condition, marital status, sex or age. Such action shall include, but not be limited to, the following: employment, upgrading, demotion

¹"It is an unlawful employment practice for an employer to refuse to hire or employ, or to discharge, reduce, suspend, or demote any individual over the age of 40 on the ground of age, except in cases where the law compels or provides for such action." (Government Code Section 12941)

or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; terms conditions or privileges of employment; and selection for training, including apprenticeship. Consultant shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by LAFCo setting forth this Fair Employment provision.

Consultant will permit access to his records of employment, employment advertisements, application forms, and other pertinent dates and records by the Fair Employment and Housing Commission or LAFCo for the purpose of investigation to ascertain compliance with the Fair Employment section of this contract.

Remedies for willful violation:

a. LAFCo may determine a willful violation of these Fair Employment provisions to have occurred upon receipt of a final judgment having that effect from a court in an action to which Consultant was a party, or upon receipt of a written notice from the Fair Employment and Housing Commission that it has investigated and determined that Consultant has violated the California Fair Employment and Housing Act, and has issued an order, under Government Code Section 12970, which has become final, or obtained injunctive relief under Government Code Section 12973.

b. For willful violation of these Fair Employment provisions, LAFCo shall have the right to terminate this contract either in whole or in part, and any loss or damage sustained by LAFCo in securing the goods or services hereunder shall be borne and paid by Consultant and his surety under the performance bond, if any, and LAFCo may deduct from any monies due or that thereafter may become due to Consultant, the differences between the price named in the contract and the actual costs thereof to LAFCo.

16. Conflict of Interest.

a. Consultant represents that it has no financial interest in any bidder, prospective bidder, contractor, or subcontractor or any other entity connected with or directly affected by the services provided or work performed by Consultant, other than those listed below. A Consultant has a "financial interest" if it is reasonably foreseeable that Consultant, or a member of his or her immediate family, may gain a material financial advantage as a result of Consultant's relationship with any bidder, prospective bidder, contractor, or subcontractor or any other entity connected with or directly affected by the services provided or work performed by Consultant. As used throughout this Section, the term "Consultant" includes every owner and every employee of Consultant.

Name:

Address:

Relationship to Consultant:

Name:

Address:

Relationship to Consultant:

_____ initial and use a separate sheet of paper, if necessary

b. Consultant represents that neither Consultant nor any member of Consultant's immediate family has, or anticipates having, any financial interest (as defined in subsection (e) below) in any contract made or to be made by LAFCo in which Consultant or any member of Consultant's immediate family, has advised LAFCo or participated in preliminary discussions, negotiations, compromises, reasoning, planning, drafting of plans and/ or specifications, or solicitation of bids. Consultant further represents that neither Consultant nor any member of Consultant's immediate family has been or anticipates being either a purchaser at any sale or a vendor at any purchase made by LAFCo. If Consultant or any member of Consultant's immediate family has or anticipates having any financial interest in any such contract or purchase, Consultant shall provide the following information with respect to each such interest:

Name of entity under contract with LAFCo:

Relationship to Consultant:

Name of entity under contract with LAFCo:

Relationship to Consultant:

Name of entity under contract with LAFCo:

Relationship to Consultant:

_____ initial and use a separate sheet of paper, if necessary

c. If requested by LAFCo, Consultant agrees to file a completed "Fair Political Practices Commission (FPPC) Form 700, Statement of Economic Interest for Designated Employees" with LAFCo in accordance with LAFCo's Conflict of Interest Code.

d. LAFCo hereby determines that Consultant is hired to perform a range of duties that are limited in scope. A description of Consultant's duties is contained in Exhibit A. Based upon that description, Consultant shall:

___ Not be required to file a FPPC Form 730.

___ File a FPPC Form 730 and disclose pursuant to:

___ Disclosure Category 1.

___ Disclosure Category 2.

___ Disclosure Category 3.

___ Disclosure Category 4.

_____ Executive Officer's Initials

e. For the purposes of this Section, a Consultant has a "financial interest" if it is reasonably foreseeable that Consultant, or member of Consultant's immediate family, may gain a material financial advantage as a result of Consultant's relationship with any bidder, prospective bidder, contractor, or subcontractor or any other entity connected with or directly affected by the services provided or work performed by Consultant. As used throughout this Section, the term "Consultant" includes every owner and every employee of Consultant.

WORKERS' COMPENSATION INSURANCE CERTIFICATION

TO THE SACRAMENTO LOCAL AGENCY FORMATION COMMISSION:

The undersigned does hereby certify that Consultant is aware of the provisions of Section 3700 et seq. of the Labor Code which require every employer to be insured against liability for workers' compensation claims or to undertake self-insurance in accordance with the provisions of said Code, and that Consultant will comply with such provisions before commencing the performance of work on this contract.

Consultant

By:

Title:

Address:

Date:

PLEASE READ CAREFULLY BEFORE SIGNING

To be signed by authorized corporate officer, partner or individual. If the Consultant is:

1. An individual using a firm name, sign: "Jane Doe, individual doing business as Blank Company".
2. An individual doing business under his/her own name, sign: your name only.
3. A co-partnership sign: "John Doe and Jane Roe, co-partners doing business as Blank Company, by John Doe, Co-Partner."
4. A corporation, sign: "Blank Company, by John Doe, Vice President." (or other title).

NO-EMPLOYEE CERTIFICATION

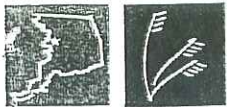
Consultant certifies that she has no employees and is not subject to the provisions of Section 3700, et seq., of the California Labor Code ("Code"), which requires every employer to be insured against liability for worker's compensation claims or to undertake self-insurance in accordance with the provisions of the Code. Consultant agrees that she will comply with such provisions immediately upon hiring any employee.

Consultant: _____
By: _____
Title: _____
Address: _____
Date: _____

PLEASE READ CAREFULLY BEFORE SIGNING

To be signed by authorized corporate officer, partner or individual submitting the bid.
If the Consultant is: (Example)

1. An individual using a firm name, sign: "Jane Doe, individual doing business as Blank Company".
2. An individual doing business under his/her own name, sign: your name only.
3. A co-partnership sign: "John Doe and Jane Roe, co-partners doing business as Blank Company, by John Doe, Co-Partner."
4. A corporation, sign: "Blank Company, by John Doe, Vice President." (or other title).



Sacramento

COPY

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street, Suite 100 • Sacramento, CA 95814 • (916) 874-6458 • Fax (916) 874-2939

June 10, 2008

Arden Arcade Incorporation Committee
c/o Joel Archer
3301 Watt Avenue, Suite 700
Sacramento, California 95821

Dear Joel:

On June 4, 2008, at the request of the incorporation proponents due to funding difficulties, the Sacramento Local Agency Formation Commission agreed to postpone the contract for payments and deemed the Arden Arcade Incorporation Application Incomplete until funding is deposited by the Arden Arcade Incorporation Committee according to a new schedule to complete the Draft Environmental Impact Report and Draft Comprehensive Fiscal Analysis. LAFCo also agreed to credit the proponents with \$5,174 that had been previously paid to LAFCo for services by Burr Consulting.

The new project schedule assumes a start date of July 1, 2009 based on an estimated project budget of \$178,521. The total current remaining project budget as of today's date including LAFCo matching funds is:

Draft EIR	\$70,685
Draft CFA	90,000
Legal	<u>17,836</u>
Total	\$178,521

Note: Costs to complete the Draft EIR and Draft CFA are subject to future contract adjustments which may result from this delay due to funding issues, changes in the law, changes in rates, services or availability of the consultants and changes in the environment or service areas. The proponents understood and agreed to fund all additional costs that may be incurred to complete the Draft studies or that may result from the Draft studies.

The proponents' current share of the costs is estimated to be \$121,275. As indicated above, this amount may be increased due to this project delay. LAFCo intends on or before March 1, 2009 to provide an update to the proponents informing them of any additional costs as of that date. Additional costs after that date will be noticed when known. The proponent's new payment schedule as of this date (absent any additional amounts owed) is summarized as follows:

July 1, 2009	\$101,184
October 1, 2009	<u>20,091</u>
Total	\$121,275

LAFCo Match	36,811
Adjustment Burr	5,174
Proponents Deposit	7,630
LAFCo Match	<u>7,631</u>
Total	\$57,246

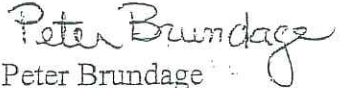
Total Funds	178,521
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Payments are due on or before the July 1, 2009 and October 1, 2009 due dates.

The studies must commence on July 1, 2009 in order to complete public hearings in time for a November 2010 General Election.

Please call me at 874-5935 if you have any further questions. An amendment to the funding agreement for your signature consistent with this letter will be forwarded to you.

Sincerely,



Peter Brundage
Executive Officer

cc: Sacramento Local Agency Formation Commission
Nancy Miller
Steve Jenkins
MuniFinancial

