

MEMO

**Date:** April 22, 2008

**To:** LAFCO Members *MP*

**From:** Neelima Palacherla, Executive Officer

**Re:** **Clarification on Applicability of Comprehensive Fiscal Analysis Report versus Initial Fiscal Analysis Report**

Based on several comment letters that LAFCO has received regarding the Proposed Incorporation of the Town of San Martin, it appears that there is some confusion concerning the following financial documents:

- Initial Fiscal Analysis (dated July 11, 2003)
- Comprehensive Fiscal Analysis (dated March 5, 2008)

This memo is meant to provide background information on the purpose and role of these documents in LAFCO's processing of the San Martin Incorporation Proposal.

The Initial Fiscal Analysis (IFA) is intended to provide a preliminary evaluation of the financial feasibility of incorporation and to enable the proponents/community to appraise the potential for incorporation before spending additional time and resources on the incorporation efforts. The San Martin Neighborhood Alliance (SMNA) retained Economic Planning Systems (EPS), to prepare an Initial Fiscal Analysis (IFA) which was released in July 2003. Even though LAFCO policies require that an IFA be prepared, the IFA is **not** prepared under the direction of LAFCO and LAFCO is **not** involved in the development of the data, methodology or assumptions used in the IFA. LAFCO staff reviewed the IFA and in its October 4, 2004 letter to SMNA requested a reexamination of the issues establishing fiscal feasibility.

In February 2007, SMNA submitted a petition/ application to LAFCO for the incorporation of the Town of San Martin. LAFCO retained EPS to prepare the Comprehensive Fiscal Analysis (CFA), the preparation of which is a legal responsibility of LAFCO. The purpose of the CFA is to analyze the new city's fiscal feasibility, evaluate the fiscal impacts of incorporation on affected agencies and provide a basis for findings that LAFCO is required to make before approving the incorporation. The CFA

for the Proposed Incorporation of San Martin was prepared under direction of LAFCO pursuant to LAFCO's Incorporation Policies, the State Office of Planning and Research's Incorporation Guidelines, and the State law. The CFA is based on data provided by the County and other affected public agencies. It is extremely important to understand that the CFA **does not** rely on data or assumptions that were included in the IFA. LAFCO's decision on the incorporation will be based on the financial feasibility conclusions included in the CFA and will **not** be based on the IFA. **Therefore comment letters/ questions focused on the CFA rather than the IFA are more useful and relevant to this process.**

The CFA is available for public review on the LAFCO website at [www.santaclara.lafco.ca.gov](http://www.santaclara.lafco.ca.gov) under "What's New." A copy of the CFA will also be made available for review at the following locations:

LAFCO Office 70 West Hedding Street, 11 <sup>th</sup> Floor, East Wing San Jose, CA 95110 (408) 299-6415	BookSmart 80 East Second Street Morgan Hill, CA 95037 (408) 778-6467	Morgan Hill Public Library Information Desk 600 West Main Avenue Morgan Hill, CA 95037 (408) 779-3196
--	---	---

LAFCO will hold a public hearing to accept public comment on the CFA on Wednesday, May 7<sup>th</sup>. The meeting will be held at 1:15 PM in the Board of Supervisors Chambers at 70 West Hedding Street in San Jose.

Please contact me with any questions regarding this issue at (408) 299-5127 or email at [neelima.palacherla@ceo.sccgov.org](mailto:neelima.palacherla@ceo.sccgov.org). Thank you.

Cc:

Sylvia Hamilton, SMNA