

FRESNO LOCAL AGENCY FORMATION COMMISSION (LAFCo)
EXECUTIVE OFFICER'S REPORT

AGENDA ITEM No. 7

DATE: May 10, 2017
TO: Local Agency Formation Commission
FROM: David E. Fey, AICP, Executive Officer 
SUBJECT: Final Budget and Work Plan for Fiscal Year 2017-18

RECOMMENDATION: Approve

Executive Summary

Staff presents the final fiscal year (FY) 2017-18 LAFCo budget (Exhibit "A," pages 1-5) and the final 2017-18 work plan (Exhibit "B") for the Commission's approval.

Staff anticipates that FY 2016-17 budget will close below the approved budget of \$571,336, largely due to lower personnel expenses. Application fee revenue is expected to close approximately \$12,000 lower than projected.

The final budget continues the Commission's practice of maintaining an operational reserve of \$100,000, a legal reserve of \$50,000, and a special counsel reserve of \$2,000. Staff estimates a final FY 2017-18 budget of \$573,596.

County and cities' respective allocation in the final budget is \$181,110 compared with \$200,779 in FY 2016-17 (Exhibit "A," page 6). The allocation has been reduced by a final fund balance contribution of \$171,375.

Overview of Budget Process

California Government Code (GC) sec. 56381(a) states, "The commission shall adopt annually, following noticed public hearings, a final budget by May 1 and final budget by June 15. At a minimum, the final and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter."

The Commission's *Financial and Accounting Procedures* stipulate that "In order to get an early start on the budget and allow for careful consideration of the budget options, the Executive Officer will present a preliminary budget to the Commission in March of each year in order to obtain advance direction from the Commission." The Commission's budget is based on a July 1 to June 30 fiscal year.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 authorizes half of the operational costs of LAFCo to be shared by the County and half by cities where only the County

and cities are represented on the Commission. In the event that independent special districts choose to be represented on the Commission, LAFCo funding would then be shared one-third by the County, cities, and the special districts or by an alternative method approved pursuant to GC sec. 56381(b)(4).

LAFCo augments its operational expenses by application fees established by the Commission in accordance with GC sec. 56383 for services rendered to process applications for annexations, reorganizations, and detachments, as well as other LAFCo actions.

Summary of FY 2016-17 Budget to Close

Revenue

FY 2016-17 anticipated \$571,336 in revenue as follows:

- \$200,779 each from the County and the 15 cities;
- \$68,500 anticipated in application fees, and
- A fund balance contribution of \$99,778.

Staff anticipates that FY 2016-17 fee revenue will close \$12,200 lower than projected and require a fund balance contribution of only \$24,092.

Expense - Office Operations

Approved FY 2016-17 office operation expenses of \$93,045 are estimated in the final budget to close at \$85,298. In addition to not having used the \$3,000 contingency fund, other line items projected to close under budget are postage, staff mileage, and Commission and staff education expenses.

Expense - Personnel

Approved FY 2016-17 personnel expenses of \$380,936 are estimated in the final budget to close at \$331,166. Reduced personnel expense is largely attributable to staff retirement. The final budget presents limited intern expenses (\$900) in the current fiscal year to reflect staff's ongoing discussion with CSU Fresno about GIS internships.

Expense - Consultant Services

Approved FY 2016-17 consulting services expenses of \$97,354 are estimated to close approximately \$67,354, generally attributable to lower than anticipated expenses of the Fresno County GIS services for LAFCo mapping services and LAFCo counsel.

Summary of Final FY 2017-18 Budget and Work Plan

Revenue

The final FY 2017-18 revenue forecast is \$573,596 with a final estimate of County and cities' respective contribution of \$181,110, \$40,000 in application fees, and a fund balance contribution of \$171,375.

Expense - Office Operations

The final office operations expense forecast is \$93,366. (FY 2016-17 \$93,054)

Expenses – Personnel

The final personnel expense forecast is \$379,730. (FY 2016-17 \$380,936)

Expense - Consultant Services

The final consulting services expenses forecast is \$100,500. (FY 2016-17 \$95,354)

Final FY 2017-18 Work Plan

The final budget supports the Commission's role as an independent planning and regulatory agency whose purposes are to encourage the orderly formation of local governmental agencies, preserve agricultural land resources, and discourage urban sprawl. The Commission's work plan represents projects and activities that fulfill its goals and objectives. The budget represents the funding to accomplish projects important to the Commission.

A final FY 2017-18 Work Plan is attached as Exhibit "B," consistent with the analysis presented in this report. It contains ongoing assignments such as the MSR program, application processing and consultation and facilitation to local agencies and the public.

A change from the proposed work plan is the addition of an update of the Commission Policies and Procedures Manual. If approved, the Commission will hold monthly briefings on the manual's current adopted policies, standards, and procedures and will provide direction to staff as necessary, to update and modify the contents of the manual.

Individuals and Agencies Receiving this Report

- Ken Price, LAFCo Counsel
- In accordance with GC sec. 56381, the April 2017 final budget has been distributed to the Fresno County Board of Supervisors, each city, and to each independent special district.

FRESNO LAFCo FINAL FY17-18 BUDGET SUMMARY

04/20/17

REVENUE SUMMARY		Approved FY 16/17 Budget	Actual to date	Proposed Estimate to Close FY 16/17	Proposed FY 17/18 Budget
#					
10100	ALLOCATION COUNTY	200,779	200,779	200,779	181,110
10200	ALLOCATION CITIES	200,779	200,779	200,779	181,110
10300	APPLICATION FEES	68,500	46,700	56,300	40,000
10700	MSR CONTRACT ADMINISTRATION	1,000	968	968	0
10800	SPECIAL HEARINGS	0	0	0	0
10900	MISC. RECEIPTS	500	0	0	0
	AUTH. FUND BALANCE CONTRIBUTION	99,778	0	24,092	171,375
	Total	571,336	449,226	483,818	573,596
EXPENDITURE SUMMARY					
#					
51000	EXPENDITURE - OFFICE OPERATIONS	93,045	65,350	85,298	93,366
52000	EXPENDITURE - PERSONNEL	380,936	244,917	331,166	379,730
53000	EXPENDITURE - CONSULTING SERVICES	97,354	44,183	67,354	100,500
	Total	571,335	354,450	483,818	573,596

FRESNO LAFCo FINAL FY17-18 BUDGET SUMMARY					
REVENUE					
4/20/2017					
10000	REVENUE - DESCRIPTION	Approved FY 16/17 Budget	Actual to date	Proposed Estimate to Close FY 16/17	Proposed FY 17/18 Budget
10100	ALLOCATION COUNTY	200,779	200,779	200,779	181,110
10200	ALLOCATION CITIES	200,779	200,779	200,779	181,110
10300	APPLICATION FEES	68,500	46,700	56,300	40,000
10400	MSR PREPARATION	0	0	0	0
10600	MSR CONSULTANT CONTRACTS	0	0	900	0
10700	MSR CONTRACT ADMINISTRATION	1,000	968	968	0
10800	SPECIAL HEARINGS	0	0	0	0
10900	MISC. RECEIPTS	500	0	0	0
	AUTH. FUND BALANCE CONTRIBUTION	99,778	0	24,092	171,375
	Total Revenue	571,336	449,226	483,818	573,596

FRESNO LAFCo FINAL FY17-18 BUDGET SUMMARY					
EXPENDITURE - OFFICE OPERATIONS					
4/20/2017					
	EXPENDITURE - OFFICE OPERATIONS	Approved FY 16/17 Budget	Actual to date	Proposed Estimate to Close FY 16/17	Proposed FY 17/18 Budget
51000	Office Operations Expense	5,200	3,410	4,000	4,500
51010	Office Lease	40,606	29,278	40,606	41,488
51040	Liability Insurance	13,000	12,106	13,000	14,300
51060	Copier Maintenance-Equipment	600	123	200	600
51080	Postage	3,500	1,108	2,000	2,500
51120	Publication & Legal Notices	2,000	1,577	2,000	2,000
51130	Postage Equipment Rental	312	169	312	350
51140	Staff Mileage	864	408	500	405
51150	Commission Hearing Expenses	6,000	4,274	5,760	5,909
51160	Commission and Staff Education/Training	6,000	4,999	5,000	6,000
51170	Contingency Fund Expenses	3,000	0	0	3,000
51180	Professional Memberships	7,963	7,763	7,920	8,314
51190	Fixed Assets (Furniture, other LAFCo assets)	3,000	134	3,000	3,000
51195	Fixed Asset Depreciation	1,000	0	1,000	1,000
	Total Office Operations	93,045	65,350	85,298	93,366

FRESNO LAFCo FINAL FY17-18 BUDGET SUMMARY					
EXPENDITURE - PERSONNEL					
4/20/2017					
		Approved		Proposed	
52000	EXPENDITURE - PERSONNEL	FY 16/17	Actual to	Estimate to	Proposed
		Budget	Date	Close	FY 17/18
				FY 16/17	Budget
52100	Executive Officer				
52110	Salary	110,000	80,577	110,000	115,500
52120	Car Allowance	6,000	4,250	6,000	6,000
52130	Worker's Comp	600	1,173	1,200	1,155
52140	Unemployment Insurance	500	261	350	350
52150	Retirement Contribution	11,000	8,167	11,000	11,550
52160	SS & Medicare	6,000	5,533	6,000	9,240
52170	Health Insurance Contribution	9,273	8,287	9,273	9,949
52180	Life Insurance/Disability	100	83	100	110
52190	Income Tax	0	0	0	0
52195	Benefit Administration	120	0	0	120
	Subtotal	143,593	108,330	143,923	153,974
52200	Clerk				
	Subtotal	84,900	15,944	15,944	0
52700	Office Assistant I/II/III				
52710	Salary	0	14,433	24,269	44,000
52730	Workers Comp Contribution	0	0	300	440
52740	Unemployment Insurance	0	371	350	350
52750	Retirement Contribution	0	0	2,427	4,400
52760	SS & Medicare	0	752	1,942	3,520
52770	Health Insurance Contribution	0	5,036	7,608	11,010
52780	Life Insurance/Disability	0	16	83	100
52795	Benefit Administration	0	0	0	120
	Subtotal	0	20,609	36,978	63,940
52400	Senior LAFCo Analyst				
52410	Salary	60,000	43,973	60,000	63,000
52430	Workers Comp Contribution	600	639	700	630
52440	Unemployment Insurance	151	262	350	350
52450	Retirement Contribution	5,500	4,253	6,000	6,300
52460	SS & Medicare	658	3,239	3,239	5,040
52470	Health Insurance Contribution	6,402	5,545	6,402	7,857
52480	Life & Disability Insurance	50	43	50	65
52495	Benefit Administration	120	0	0	120
	Subtotal	73,481	57,953	76,741	83,362
52300	LAFCo Analyst I				
52310	Salary	47,000	30,341	41,520	45,000
52320	Overtime	0	0	0	0
52330	Workers Comp Contribution	118	274	350	450
52340	Unemployment Insurance	309	329	350	350
52350	Retirement Contribution	4,700	1,958	4,152	4,500
52360	SS & Medicare	3,313	2,243	3,313	3,600
52370	Health Insurance Contribution	6,402	6,906	6,402	7,651
52380	Life & Disability Insurance	50	29	50	65
52395	Benefit Administration	120	0	120	120
	Subtotal	62,012	42,081	56,257	61,736
52600	Intern				
52610	Salary	15,000	0	900	15,000
52630	Workers Comp Contribution	0	0	0	168
52640	Unemployment Insurance	750	0	350	350
52650	Retirement Contribution	0	0	0	0
52660	SS & medicare	1,200	0	72	1,200
52670	Health Insurance Contribution	0	0	0	0
52680	Life and Disability Ins.	0	0	0	0
52695	Benefit Admin	0	0	0	0
	Subtotal	16,950	0	1,322	16,718
Total Personnel		380,936	244,917	331,166	379,730

FRESNO LAFCo FINAL FY17-18 BUDGET SUMMARY					
Expenditure - Consulting Services					
4/20/2017					
53000	EXPENDITURE - CONSULTING SERVICES	Approved FY 16/17 Budget	Actual to date	Proposed Estimate to Close FY 16/17	Proposed FY 17/18 Budget
53100	Payroll Services	2,000	1,050	2,000	2,000
53200	Independent Financial Audit	5,000	0	5,000	10,000
53300	Bookkeeping Service	2,250	1,366	2,250	2,250
53310	Fr Co Accounting/Auditor	3,500	3,501	3,500	4,655
53400	Fr Co Assessor/Recorder	6,000	2,408	6,000	6,000
53500	LAFCo Counsel	22,000	11,032	16,000	22,000
53600	Fr Co Elections	250	0	250	250
53700	Fr Co Env Health	1,800	1,232	1,800	2,112
53800	Special Counsel	2,000	0	0	2,000
53920	Reimbursements Billed	0	0	0	0
51030	Fr Co Telecommunications	5,549	129	5,549	5,000
51100	Fr Co PeopleSoft Financial Charges	1,200	185	1,200	1,200
51110	Fr Co Data Processing Charges	15,805	17,318	15,805	23,033
53900	Fr Co GIS Services	30,000	5,963	8,000	20,000
Total Consultant Expenses		97,354	44,183	67,354	100,500

FISCAL YEAR 17-18 PROPOSED BUDGET
Net Operating Expense/City/County Contribution Calculation

	Proposed FY 17/18 Budget
Expense - Total Gross Operating Budget	573,596
Gross County Contribution	286,798
Gross Cities' Contribution	286,798
Adjustments	
Estimated 'surplus' fee revenue from FY 16-17	0
Estimated fee revenue FY 17-18	40,000
Reduced by contribution from FY 16-17 fund balance	171,375
Net Operating Budget	362,221
Estimated Adjusted County/Cities Contribution (The final amount to be determined by the County Auditor)	
Estimated Adjusted County Contribution	181,110
Estimated Adjusted Cities Contribution	181,110

FINAL 2017-18 LAFCO WORK PLAN
May 10, 2017

Introduction

Fresno LAFCo's Financial and Accounting Procedures specify that before July 1, the LAFCo Executive Officer shall prepare for the Commission's review and approval an annual work plan. The work plan is prepared in conjunction with the annual budget. The work plan identifies the purposes and plans of State Law and local policy, including requirements for service reviews, sphere of influence updates, and other mandated functions.

This work plan reflects the Fresno LAFCo's policies and procedures and the current and the dynamic needs of the local agencies in Fresno County. The work plan is composed of projects to be undertaken directly by LAFCo staff during the year.

The work plan is developed to advance the state's interests, the Commission's issues and goals.

I. The scope of the work plan is consistent with the legislature's findings and declarations:

- It is the policy of the state to encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the state.
- The logical formation and determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services.
- Providing housing for persons and families of all incomes is an important factor in promoting orderly development.
- This policy should be effected by the logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the expansion of, the boundaries of those local agencies which can best accommodate and provide necessary governmental services and housing for persons and families of all incomes in the most efficient manner feasible.
- The Legislature also finds that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.

II. The projects are identified to address important issues identified by the Commission in its initial Policies, Standards, and Procedures Document, adopted in 1986 or as revised. Fresno LAFCo identified the following list of problems and needs locally, which pertain to the Commission's responsibilities, and developed policies, standards and procedures in this document in order to help resolve the problems and meet needs within the Commission's jurisdiction:

1. Proliferation of overlapping and competing local agencies.
2. Need for more cooperation/coordination among local agencies
3. Inadequate level or range of services in county/community.
4. Inadequate revenue base or adverse fiscal impacts for local agencies
5. Illogical, gerrymandered agency boundaries, islands, surrounded areas.
6. Illogical agency service areas.
7. Conflicts between urban and rural/agricultural land uses.

8. Premature proposals and lack of development proposals.
9. Phasing of agency expansion/growth.
10. Determining environmental effects of proposals.
11. Determining consistency with city or county general plans.
12. Urban sprawl and leapfrog urban development.
13. Guiding urban growth away from prime agricultural lands.
14. Defining agricultural lands and open space lands.
15. Opposition of proposals by residents and popularity of proposals by landowners/developers.
16. Provision of adequate noticing of LAFCO hearing and conducting authority hearing.

On February 18, 2015, the following Special District issues were presented to the Commission:

1. No adopted annual budget, by-laws, or procedures.
2. No services.
3. District board nonfeasance.
4. Grand Jury Reports.
5. Lack of staff or staff lacks technological/managerial/financial (T/M/F) expertise.
6. Board members fulfill both policy and operational functions.
7. Lack of coordination of similar services between and among different special districts.
8. Lack of transparency and/or Brown Act compliance.
9. Changing demographics, antiquated mission.
10. The special district does not cooperate with LAFCo on the MSR.

Other issues have emerged since that time:

11. District board lacks quorum.
12. Board members lack T/M/F expertise.
13. Board members continue to serve after terms expire.

III. The work plan is refined to conform to Commission goals:

1. Encouraging Orderly Formation and Development of Agencies;
2. Encouraging Consistency with Spheres of Influence and Recommended Reorganization of Agencies;
3. Encouraging Orderly Urban Development and Preservation of Open Space Patterns;
4. Encouraging Conservation of Prime Agricultural Lands and Open Space Areas;
5. Providing Public Access to the Commission via the Internet; and
6. LAFCo Disadvantaged Communities Policy.

2017-18 Work Plan Items

Continue the Municipal Service Review Program

The Fresno LAFCo's MSR Program is currently the most significant function of the Fresno LAFCo. LAFCo exercises a unique statutory authority among governmental agencies in the County in the implementation of its MSR Program. The MSR program has facilitated the improvement of special district performance; improved interagency communications, and resulted in the overall improvement of second-generation MSRs.

Municipal Service Reviews are the only independent "governance audit" performed locally, regularly, and intended to coordinate services among and between local agencies. The MSR program supports the respective missions of local agencies, improves service delivery efficiencies, and enhances accountability of local agencies.

The MSR Program has resulted in increasing order and efficiencies for LAFCo, the subject local agencies, and allied local and state agencies. Nearly all of the current MSRs have revealed one or more issues of local agency operation that warranted determinations and supportive recommendations. The issues raised have included lack of compliance with Principal Acts, lack of compliance with Brown Act, inconsistent boundaries, and other things that can negatively influence service delivery efficiencies.

Pursuant to Commission direction in 2014 for an assertive MSR program, staff developed an ambitious schedule of MSR updates for all local agencies. The more complex and in-depth MSRs have influenced the schedule. For some local agencies far more time than anticipated was needed to make personal contact with a responsible party at a special district and to receive the public records requested by LAFCo. In other cases, initial speedy contact and acquisition of public data has revealed boundary discrepancies that take time to coordinate a resolution between LAFCo and one or more other public agencies (including Fresno County Public Works and Planning, County Elections, and the subject local agency). In consideration of these experiences, the MSR schedule has been amended and is now proposed as a sequence of MSR updates.

Staff also established a trial program working with Fresno County Public Works and Planning to augment LAFCo's local agency mapping project. The first year's experience produced 25 maps. Staff recommends that this trial program be extended another year to take advantage of the interagency efficiencies gained during the first trial year. In addition, staff is working with the CSU Fresno Geography Department for GIS internships to augment this program.

Update Commission Policies and Procedures Manual

Staff proposes an update of the Commission's Policies and Procedures Manual. The Commission will hold monthly briefings on the manual's current adopted policies, standards, and procedures and will provide direction to staff as necessary to update and modify the manual.

Application Processing (Pre-applications / Applications)

Annexations, detachments, extensions of service, spheres of influence updates, and other district modifications that are requested by local agencies and the public, as well as any activities initiated by the Commission will be processed in accordance with statute and policy.

Staff may engage in incidental changes to the LAFCo website and documents therein to increase application processing efficiencies.

Consultation and facilitation to local agencies and the public

This accounts for the many requests for information, interpretation, advice, and project facilitation that arise.

Local Agency Outreach

Staff will contact all local agencies and offer to attend council and board meetings to explain the role of LAFCo, Spheres of influence, Reorganizations, MSRs, and Annexations. In addition, pursuant to the adopted Annexation Program Guidelines, staff will offer an Annexation Program Workshop to local agency staff and the development community. This work item includes continued participation with the emerging local chapter of the California Special District Association.

Application Fee Analysis

This project will evaluate the Commission's application fees: do the current fees balance expenses associated with application processing; the state of subsidiary expenses (such as services provided through the Professional Services Agreement with Fresno County). This work item will also collect and analyze data to determine the fiscal implications of waiving application fees.

Water Policy Development and Ad Hoc Committee

The Commission added this work item in 2016. The Committee has held a public listening session and a meeting with State Water Resources Control Board staff. The committee is seeking an additional meeting with Groundwater Sustainability Agency directors.

Agricultural Preservation Policy Development and Ad Hoc Committee

This project began in FY 15-16 and has been in abeyance until the completion of the water policy development work item.

Other Activities as Directed

In addition to the work plan items presented above, staff is available for additional activities as directed by the Commission.