

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

AGENDA ITEM NO. 9

DATE: April 13, 2022
TO: Fresno Local Agency Formation Commission
FROM: David E. Fey, Executive Officer 
SUBJECT: Preliminary Budget and Work Plan for Fiscal Year 2022-23
(Continued from March 9, 2022, hearing).

RECOMMENDATION: Receive Report and Provide Direction.

Executive Summary

The fiscal year ("FY") 2022-23 LAFCo preliminary budget estimate is summarized in Attachment "A" and the preliminary 2022-23 work plan is presented in Attachment "B" for the Commission's consideration and direction to staff.

The FY 2021-22 budget is \$635,476. At this time, fee revenue is approximately \$12,000 below projections and expenses as a whole are projected to close under budget.

As part of the FY 2021-22 budget, the Commission's adopted an operational reserve of \$150,000. Staff estimates a preliminary FY 2022-23 budget of approximately \$563,000.

This preliminary estimate will be further refined based on continuing staff analysis and Commission direction and a proposed budget will be presented to the Commission on May 11, 2022, followed by a final budget and work plan at the Commission's June 8, 2022, hearing.

The distribution of the preliminary budget is limited. However, in accordance with Government Code ("GC") sec. 56381, the proposed and final budgets will be distributed to all local agencies and the County Administrative Officer.

Overview of Budget Process

GC section 56381(a) states, "The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. At a minimum, the proposed 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 1st to June 30th fiscal year.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") authorizes the operational costs of LAFCo to be shared one-half by the County and one-half by cities where only the County and cities are represented on the Commission. In the event that 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's operational expenses are augmented by fees established by the Commission in accordance with section 56383 of the GC for services rendered to process applications for annexations, reorganizations, and detachments, as well as other LAFCo actions.

Preliminary Summary of FY 20-21 Budget to Close

Revenue

FY 21-22 anticipated \$635,476 in revenue, comprised of a net allocation of \$321,423 (\$160,716 from both the County and the 15 cities), \$85,000 anticipated in application fees, and a fund balance contribution of \$229,044. Fee revenue is currently approximately \$12,000 below projections.

Expense - Office Operations

FY 21-22 budgeted office operations for \$110,650 and is estimated to close at approximately \$86,000. Contributing factors include not expending budgeted funds for the office move, cancellation of CALAFCO staff workshop and the annual conference and a reduction in office expenses attributed to COVID-related telecommuting.

Expense - Personnel

FY 21-22 personnel expenses were budgeted for \$455,176 and are estimated to close at approximately \$375,000. Reduced expenditures are attributed to loss of two senior staff and transitioning an intern to a full-time analyst position, and transition of employee bookkeeper to a contracted bookkeeper. The Commission authorized increases to the executive officer salary and benefits as of January 1, 2022.

Expense - Consulting Services

FY 21-22 Consulting services expenses were budgeted for \$69,650 and are estimated to close at approximately \$83,000. This increase is largely due to the mid-year contract with Sierra HR to perform the executive officer recruitment, funded by a \$22,500 expenditure from the

Commission's reserve; the transition of the Commissions' employee bookkeeper to a contractor (essentially a transfer of \$1,700 between Personnel and Consulting Services), and reduced billing by LAFCo counsel. Other reductions in expenses are attributed to reduced application tempo resulting in lower billing for professional services from County staff.

Preliminary FY 2022-2023 Budget

Preliminary FY 22-23 budget estimate is approximately \$563,000, comprised of the following:

Revenue

The preliminary FY 2022-23 revenue forecast is approximately \$563,000, with an estimate of County and cities' contribution of approximately \$206,000, respectively, \$70,000 in application fees and a fund balance contribution of \$59,000 and a contribution from reserve of approximately \$21,800 (leaving \$100,000 in reserve).

Expenses – Personnel

The preliminary personnel expense forecast is approximately \$398,000. This figure assumes:

- senior analyst position is replaced with LAFCo analyst I position;
- merit-based step increases for two permanent staff;
- continued use of part time student intern; and
- new executive officer compensation equivalent to current salary/benefits.

Expense - Office Operations

The preliminary office operations expense forecast is approximately \$100,000. This figure reflects the contracted increase to LAFCo's office lease and planned increase in CALAFCO dues. Expenses have been reduced by limiting attendance at the fall 2022 CALAFCO annual conference to the executive officer.

Expense - Consultant Services

The preliminary consulting services expenses forecast is \$64,450. This figure assumes reduced billing from County professional services based on anticipated reduction in application revenue.

ATTACHMENT A

PRELIMINARY FY 22-23 BUDGET			
Updated 4-13-22			
REVENUE SUMMARY	Adopted FY 20-21 Budget	Estimate to Close FY 20-21	Proposed FY 22-23 Budget
ALLOCATION COUNTY	160,716	160,716	205,968
ALLOCATION CITIES	160,716	160,716	205,968
APPLICATION FEES	85,000	73,326	70,000
AUTH. FUND BALANCE/RESERVE CONTRIBUTION	229,044	149,845	80,912
Total	635,476	544,603	562,847
EXPENDITURE SUMMARY			
EXPENDITURE - OFFICE OPERATIONS	110,650	86,846	100,073
EXPENDITURE - PERSONNEL	455,176	375,402	398,325
EXPENDITURE - CONSULTING SERVICES	69,650	83,355	64,450
Total	635,476	544,603	562,847

**PRELIMINARY FY 2022-23 WORKPLAN
March 9, 2022**

1. PROCESS APPLICATIONS, REORGANIZATIONS AND CITIES' SOI AMENDMENTS

Preliminary budget implication: application fees will fund this activity.

Proposals under discussion but not submitted include City of Firebaugh SOI amendment and annexation, City of Clovis McFarlane annexation, Widren Water District consolidation with the Westlands Water District, CSA 32 (Cantua Creek) SOI amendment and annexation, FMFCD SOI update to include SEDA and annexation of same, City of Clovis Ashlan-Thompson SE (Manny Penn), City of Fowler annexation, City of Kingsburg SOI amendment and annexation, City of Sanger Academy Avenue corridor annexation Malaga County Water District SOI amendment and annexation, City of Kerman SOI amendment and annexation.

2. SPECIAL DISTRICT DISSOLUTIONS: WESTSIDE RESOURCE CONSERVATION DISTRICT AND ZALDA RECLAMATION DISTRICT

Preliminary budget implication: expenses related to staff time on the WRCD dissolution, noticing, are potentially reimbursable from district funds held in trust by the state; ZRD dissolution is anticipated to be application based.

The WRCD and ZRD are both inactive special districts. Pursuant to the Commission's October 13, 2021, workshop, dissolution proceedings will be pursued in accord with the WRCD board's resolution of dissolution that was conveyed to LAFCo in anticipation of submission of a complete application. ZRD dissolution proceedings are anticipated to be based on an application form, or in cooperation with the Kings River Conservation District.

3. FRESNO LAFCO'S MUNICIPAL SERVICE REVIEW PROGRAM

Preliminary budget implication: this activity can be funded from LAFCo's operating account.

On November 5, 2014, the Commission adopted its MSR program. The goal of the Fresno LAFCo MSR program is to provide cities and special districts with an assessment of their provision of services, make recommendations regarding areas of improvement, and determine whether an agency is equipped to effectively provide services within its existing or expanded SOI.

A MSR is necessary for an update of a SOI pursuant to GC sec. 56430.

Fresno LAFCo's 132 MSRs are informally categorized in three "generations:"

- **"1.0" MSRs** are the first generation of MSRs adopted in 2007. These are the first MSRs performed; they are generally brief, frequently conclusory, and may not have been developed with the cooperation of the affected local agency.

- **“1.5” MSR**s are second generation MSR's that were updated between 2008 and 2014. These MSR's may present more analysis of the affected local agency as staff's experience preparing MSR's grew (locally and statewide through the CALAFCO community).
- **“2.0” MSR**s are MSR's that have been updated pursuant to the Commission's 2014 MSR Policy. The 2.0 MSR's present more complete and comprehensive data and analysis in compliance with the 2014 MSR Policy.

Since adoption of the Commission's 2014 MSR Program, this Commission has adopted a total of 52 2.0 MSR's in conjunction with the update of affected local agencies' SOI. Table 1-1 shows the Commission's MSR inventory by MSR “generations.”

Table 1-1, Fresno LAFCo MSR inventory by Generation

Municipal Service Review Program	MSRs by Generation			Total MSR's
	1.0	1.5	2.0	
Special District MSR's by Generation	18	53	45	116
City MSR's by Generation	7	1	7	15
Total MSR's by Generation	25	54	52	131

Summary of Remaining 1.0 MSR's

Of the remaining 18 special district 1.0 MSR's, the following types of special districts hold the largest number of 1.0 MSR's:

- 6 Irrigation Districts,
- 4 Mosquito Abatement/Pest Control Districts
- 3 Community Service Districts,
- 2 California Water Districts
- 1 Hospital District
- 1 Levee District
- 1 County Water District

Staff recommends that the Commission's work plan continue to prioritize the update of the remaining 2007 special district MSR's (AKA the “1.0 MSR's”) when staff resources are available and not committed to application-driven MSR's and SOI updates.

The remaining MSR's are proposed for FY 22-23 as follows. Progress on this list depends on the availability of staff resources not already committed to application based MSR's:

- Central Valley Pest Control District
- West Fresno County Red Scale Protective District
- Coalinga-Huron Mosquito Abatement

- Consolidated Mosquito Abatement
- Fresno Mosquito and Vector Control
- Fresno Westside Mosquito Abatement
- Lower San Joaquin Levee District
- 12 County Service Areas
- Six County Waterworks Districts

4. MSR Assessment of MSR Recommendation Follow-Through

Preliminary budget implication: this activity can be funded from LAFCo's operating account.

This work is a progression of a project developed by LAFCo intern Kaylie Griffin. The project was to compile all MSR recommendations approved by the Commission since 2007 in a single database. Recommendations were based on specific determinations to enhance the agencies' order, logic, and efficient service delivery and progress on these recommendations will be of interest to the Commission. This database will facilitate the assessment of each local agency's follow through. Staff will provide each agency with the recommendations and request what progress has been made.

BACKGROUND ON FRESNO LAFCO'S WORK PLAN

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 of 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. The budget supports the work program.

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 goals and mission of Fresno LAFCo, consistent with state law.

I. SCOPE OF WORK PLAN

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 affected 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. PROJECTS OF THE WORK PLAN

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. Special district is the subject of a 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 special district issues have since emerged:

11. The district board frequently lacks a quorum.
12. Board members lack technical, managerial, and/or financial expertise.
13. Board members continue to serve after terms expire (though frequently permitted by the district's principal act).
14. District does not file annual financial statements with County Auditor Controller Treasurer Tax Collector.

III. WORK PLAN CONFORMITY WITH FRESNO LAFCo GOALS

The work plan is refined annually to conform to Commission's adopted 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.