

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

AGENDA ITEM No. 6

DATE: March 11, 2015

TO: Local Agency Formation Commission

FROM: David E. Fey, AICP, Executive Officer 

SUBJECT: Presentation: Preliminary Budget and Work Plan for Fiscal Year 2015-16

RECOMMENDATION: Receive and Provide Direction

Executive Summary

At today's hearing the Commission will receive the fiscal year (FY) 2015-16 LAFCo preliminary budget estimates (Exhibit "A") and draft 2015-16 Work Plan (Exhibit "B") and provide direction to staff with respect to any recommended changes that the Commission may choose to incorporate into the proposed budget and work plan that will be presented to the Commission April 1, 2015.

The Commission's budget is based on a July 1st to June 30th fiscal year.

Staff anticipates that the FY 2014-15 budget will close below its original projection of \$491,963, largely due to higher than anticipated application fee revenue, and lower expenditures for office operations, LAFCo legal counsel and employee benefits.

Staff anticipates that these lower expenditures will continue and currently estimates the preliminary FY 2015-16 budget to be approximately \$446,000, a decrease of \$45,000 from FY 2014-15.

This is a preliminary estimate that will be further refined based on continuing staff analysis and Commission direction. Staff will present a "Proposed Budget" that reflects the Commission's comments and direction at its April hearing, and a "Final Budget" in May.

Overview of Budget Process

California Government Code 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."

Summary of FY 14-15 Budget

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 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 section 56381(b)(4) of the California Government Code.

LAFCo's operational expenses are augmented by fees established by the Commission in accordance with section 56383 of the California Government Code for services rendered to process applications for annexations, reorganizations, and detachments, as well as other LAFCo actions.

The approved FY 2014-15 budget projected application fee revenue of \$30,000 and authorized use of available fund balance of \$53,452. These funds were used to reduce the County and city contributions to \$197,805 each to fully fund LAFCo's operating costs as authorized by State law. To date, application fee revenue has exceeded that projection by approximately \$17,000. Staff anticipates FY 2014-15 will close with an available fund balance of approximately \$19,000.

Because of higher revenue and lower expenditures for office operations, LAFCo legal counsel and personnel (the latter includes authorized expenditures for extra help that were not used); staff anticipates that the FY 2014-15 budget will close below its original projection of \$491,963.

Fresno LAFCo's Challenges for FY 2015-16 and Beyond

The preliminary budget presents an opportunity for the Commission to consider its 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.

For example, the Commission took several related actions in FY 2014-15 to align its staff resources to address the evolving role of Municipal Service Reviews. The Commission will recall that the first generation of Fresno LAFCo's MSRs was completed by a combination of staff and consultants in order to comply with the 2008 deadline established by the Legislature. Though these MSRs complied with the Act, the Commission has since determined that the value of the reports can be improved by employing a more deliberate and thorough approach for staff to perform the subsequent generation of MSRs.

The Commission authorized the hiring of a LAFCo Analyst whose primary responsibility would be the management of the MSR Program and in November, 2014, the Commission approved New MSR Guideline Policies to LAFCo Policies, Standards, and Procedures manual in furtherance of its MSR management goals.

A draft FY 2015-16 work plan summary, attached as Exhibit "B," is presented for the Commission's consideration. It contains ongoing assignments such as the MSR program, application processing

and consultation and facilitation to local agencies and the public. It also proposes a Local Agency Spring Workshop as an annual familiarization and facilitation event for local agencies, interested parties and other stakeholders that will be invited to participate in the discussion.

Two new projects are proposed: a comprehensive examination and update of Fresno LAFCo's current Policies and Procedures manual and an application fee analysis. Two projects from FY 2014-15 that were not addressed during that year are also recommended for 2015-16. These are the fire transition policy review and assessment, which was delayed pending the public release of the Fresno County Fire Protection District's 2015 Strategic Plan, and an assessment of agricultural preservation policy options, which will benefit from the work of the Fresno COG Ag Mitigation Committee just beginning and the recent experiences of other valley LAFCos.

Summary of Preliminary FY 2015-16 Revenue and Expenditure Accounts

This section presents a comparison of each preliminary account with the adopted FY 2014-15 budget. The total recommended appropriation for FY 2015-16 is \$446,000, which is approximately \$45,000 less than FY 2014-15.

Summary of Revenue

As noted, revenue to support LAFCo comes largely from local agencies represented on the Commission and application fees. Based on the preliminary analysis, and using projected \$30,000 in application fees and an estimated \$19,000 in available fund balance to reduce the gross operating budget, the county/city apportionments are anticipated to be approximately \$198,587, respectively.

REVENUE SUMMARY (Account Number 10000) approximately \$492,000 to approximately \$446,000 a decrease of \$46,000 from 2014-15

RESERVES AND ASSETS (Account Number 20000) approximately \$330,000 to approximately \$232,000, a decrease of \$98,000 from 2014-15

Summary of Expenditure Accounts

Based on expenditures for the first seven months of the fiscal year and the anticipated expenses for the remaining five months, staff is proposing the expenditures for FY 2015-16 as follows:

EXPENDITURE – OFFICE OPERATIONS (Account Number 51000) approximately \$107,000 to \$101,000, a decrease of approximately \$6,000 from 2014-15

EXPENDITURE – PERSONNEL (Account Number 52000) approximately \$311,500 to approximately \$290,000, a decrease of approximately \$21,500 from 2014-15

EXPENDITURE – CONSULTING SERVICES (Account Number 53000) approximately \$73,000 to approximately \$54,400 a decrease of approximately \$18,600 from 2014-15

Summary of Budget Recommendations

Based on a recent review of the Commission's account balance, by the end of FY 2014-15, LAFCo's account balance should be \$169,000. Staff recommends that \$19,000 of this can be used to further reduce the County/city contributions.

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FRESNO LAFCO PRELIMINARY BUDGET SUMMARY

Revised: 3/4/15; Inclusive of 1/15 Financial Statement

#	REVENUE SUMMARY	Approved 2014/2015				% of Approved Budget		Actual to Date		Estimate to Close FY 14/15		Preliminary 15/16 Budget
		Budget				Budget						
10100	ALLOCATION COUNTY	197,805				40.2%		197,805		197,805		198,587
10200	ALLOCATION CITIES	197,805				40.2%		197,805		197,805		198,587
10300	APPLICATION FEES	30,000				6.1%		46,982		47,000		30,000
10400	MSR PREPARATION	0				0.0%		10,662		10,662		0
10500	CONTRIBUTION FROM LEGAL RESERVE	10,000				2.0%		10,000		0		0
10600	MSR CONSULTANT CONTRACTS	0				0.0%		0		0		0
10700	MSR CONTRACT ADMINISTRATION	2,901				0.6%		0		0		0
10800	SPECIAL HEARINGS	0				0.0%		0		0		0
10900	MISC. RECEIPTS	0				0.0%		0		1,500		0
	AVAILABLE FUND BALANCE	53,452				10.9%		0		0		19,062
Totals		491,963				89%		463,254		454,772		446,235
#	EXPENDITURE SUMMARY	Approved 2014/2015 Budget		% of Approved Budget		Actual to Date		Estimate to Close FY 14/15		Preliminary 15/16 Budget		
51000	EXPENDITURE - OFFICE OPERATIONS	107,114		22%		58,965		101,033		101,942		
52000	EXPENDITURE - PERSONNEL	311,489		63%		157,152		259,386		289,933		
53000	EXPENDITURE - CONSULTING SERVICES	73,360		15%		14,488		25,436		54,360		
Totals		491,963		100%		230,605		385,855		446,235		

EXHIBIT A

DRAFT 2015-16 LAFCO WORK PLAN March 11, 2015

Introduction

Fresno LAFCo's Financial and Accounting Procedures specify that before July 1st, 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 developed to be 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 leap frog 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, 2015* 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 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. Not cooperative with LAFCo on the MSR.

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

1. Encouraging Orderly Formation and Development of Agencies (Government Code Section 56301)
2. Encouraging Consistency with Spheres of Influence and Recommended Reorganization Of Agencies: (Government Code Section 56425)
 - a. 102-04 Transition Agreements
3. Encouraging Orderly Urban Development and Preservation of Open Space Patterns: (Government Code Section 56300)
4. Encouraging Conservation of Prime Agricultural Lands and Open Space Areas: (Government Code Section 56377)
5. Providing Public Access to the Commission via the Internet
6. LAFCo Disadvantaged Communities Policy

2015-16 Work Plan

Municipal Service Reviews

Pursuant to Commission direction and policy for an assertive MSR program, staff has presented a schedule of MSR updates for all local agencies.

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.

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 Spring Workshop

This workshop will explain the role of LAFCo, Spheres of influence, Reorganizations, MSRs, and the Annexation. Local agencies, interested parties and other stakeholders will be invited to participate in the discussion.

The workshop will describe the application process, critical timelines, the public hearing and conducting authority process. We will also walk through the sphere of influence update process to put it in proper perspective, and describe the function of Municipal Service Reviews.

Update of LAFCo Policies and Procedures

This was a 2014-15 project and during that year the Commission approved MSR policies, DUC implementation guidelines and annexation program guidelines.

This project for FY 15-16 is a comprehensive examination and update of Fresno LAFCo's current Policies and Procedures manual to clarify procedural and policy language, and bring the manual into full conformance with CKH. In consultation with the Commission, This project will also strive to make the document more easily understandable by local agencies and the general public.

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); the fiscal implications of waiving application fees.

Fire Transition Policy Review and Assessment

(Initially approved with the 2014-15 work plan)

A Fire Transition Policy has been in place in one form or another since the late 1970s. It was substantially revised recently to address implementation issues raised by cities. This project would review the implementation of the amended policy and outreach to local agencies to evaluate the state of fire departments, their mutual support capacities, explore options to address service transition and seek to build consensus of the policy's efficacy among local agencies.

This project will benefit from the anticipated Fresno County Fire Protection District's 2015 Strategic Plan.

Assess Agricultural Preservation Policies

(Initially approved with the 2014-15 work plan)

Preserving open-space and prime agricultural lands is of paramount importance to the Commission. LAFCo's statutory foundation puts it in a position to develop policies that permit it to influence orderly growth without being involved in actual land uses.

This project will evaluate the effectiveness of past LAFCo policy efforts, efforts of other agencies in Fresno County, and provide recommendations on an appropriate level of commission policy, whether project-by-project or on a sphere of influence basis.

This work will benefit from the work of the Fresno COG Ag Mitigation Committee.

Project: LAFCo Subcommittees (as needed)

Issues Addressed: 1-16

Compatible with Goals: 1-5

This project shall explore the benefits of establishing standing committees composed of members and alternate members to address specific administrative, policy, budgetary issues and develop recommendations in conjunction with the Executive Officer.

Each subcommittee formed at the direction of the Commission will first meet to agree upon its goals, meeting frequency and other logistics, and an anticipated close of its business and presentation of its recommendation to the commission