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

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AGENDA ITEM No. 4

**DATE:** March 10, 2021

**TO:** Fresno Local Agency Formation Commission

**FROM:** David E. Fey, Executive Officer 

**SUBJECT:** Preliminary Budget and Work Plan for Fiscal Year 2021-22.

**RECOMMENDATION:** Receive Report and Provide Direction.

**Executive Summary**

The fiscal year ("FY") 2021-22 LAFCo preliminary budget estimate is summarized in Attachment "A" and the preliminary 2021-22 work plan is presented in Attachment "B" for the Commission's consideration and direction to staff.

The FY 2020-21 budget is \$602,358. Staff anticipates that fee revenue will close approximately \$58,000 above projections and expenses as a whole are projected to close approximately \$58,000 under budget at approximately \$550,000.

The preliminary budget continues the Commission's practice of maintaining an operational reserve of \$100,000. Staff estimates a preliminary FY 2021-22 budget of approximately \$625,000, an increase of approximately \$23,000 from FY 2020-21

This preliminary estimate will be further refined based on continuing staff analysis and Commission direction leading up to the presentation of the final budget in May.

Based on Commission comments and direction, a proposed budget and work plan will be presented to the Commission on April 14, 2021 and a final budget and work plan will be presented to the Commission at its May 12, 2021 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 20-21 anticipated \$602,358 in revenue, comprised of a net allocation of \$350,108 (\$175,054 from both the County and the 15 cities), \$70,000 anticipated in application fees, and a fund balance contribution of \$182,250. Staff anticipates that FY 20-21 fee revenue will close \$58,000 higher than projected.

**Expense - Office Operations**

FY 20-21 budgeted office operations for \$100,651 and are estimated at this point to close at approximately \$84,000. Contributing factors include not expending budgeted funds for CALAFCO staff workshop and the annual conference and a reduction in mileage as in-person meetings were deferred in 2020.

**Expense - Personnel**

FY 20-21 personnel expenses were budgeted for \$436,056 and are estimated to close at \$415,000. Contributing factors include reduced expenditures for part time intern and bookkeeper.

**Expense - Consulting Services**

Consulting services expenses were budgeted for \$65,650 and are estimated to close at \$50,000. Contributing factors include reduced expenditures for bookkeeping service as

LAFCo's contract bookkeeper became a part time employee and reduced billing for LAFCo counsel.

### **Preliminary FY 21-22 Budget and Work Plan**

Preliminary FY 21-22 budget estimate is \$625,000, comprised of the following:

#### **Revenue**

The preliminary FY 2021-22 revenue forecast is approximately \$625,000, with an estimate of County and cities' contribution of approximately \$213,000, respectively, \$70,000 in application fees and a fund balance contribution of approximately \$129,000.

#### **Expenses – Personnel**

The preliminary personnel expense forecast is \$454,000. This figure reflects merit-based step increases for permanent staff and funding part time student intern and bookkeeper.

#### **Expense - Office Operations**

The preliminary office operations expense forecast is \$108,000. This figure reflects the contracted increase to LAFCo's office lease, planned increase in CALAFCO dues, and includes expenses associated with new LAFCo office and moving expenses when LAFCo's lease expires in January 2022.

#### **Expense - Consultant Services**

The preliminary consulting services expenses forecast is \$627,000. This figure the biennial financial audit (\$10,000).

### **Preliminary FY 2021-22 Work Plan**

The preliminary 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 preliminary FY 2021-22 work plan is attached as Attachment "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.

## ATTACHMENT A

<b>PRELIMINARY FY21-22 BUDGET</b>				
Updated 2-25-2021				
<b>#</b>	<b>REVENUE SUMMARY</b>	<b>Adopted FY 20-21 Budget</b>	<b>Estimate to Close FY 20-21</b>	<b>Proposed FY 21-22 Budget</b>
10100	ALLOCATION COUNTY	175,054	175,054	213,407
10200	ALLOCATION CITIES	175,054	175,054	213,407
10300	APPLICATION FEES	70,000	128,880	70,000
	AUTH. FUND BALANCE CONTRIBUTION	182,250	71,217	128,758
	<b>Total</b>	<b>602,358</b>	<b>550,205</b>	<b>625,573</b>
<b>#</b>	<b>EXPENDITURE SUMMARY</b>			
51000	EXPENDITURE - OFFICE OPERATIONS	100,651	84,213	107,836
52000	EXPENDITURE - PERSONNEL	436,056	415,292	454,787
53000	EXPENDITURE - CONSULTING SERVICES	65,650	50,700	62,950
	<b>Total</b>	<b>602,358</b>	<b>550,205</b>	<b>625,573</b>

**PRELIMINARY FY 2021-22 WORKPLAN  
March 10, 2021**

**UPDATE ALL MSRS ON FIVE-YEAR BASIS**

**Preliminary budget implication: Annually \$200,000-\$250,000 for five additional staff (salaries/benefits, office equipment, furniture, and rent) or comparable funding for consultants.**

Fresno LAFCo oversees 130 local agencies (15 cities and 115 special districts). Preparing a MSR for each local agency on a five-year basis would have the Commission considering approximately 26 MSRs per year on an annual basis. Currently, the Commission considers about 10 special district MSRs per year. 40 performed since 2014 MSR program was adopted, 90 remaining.

A MSR is necessary to prepare and to update spheres of influence. Due to the level of effort necessary to prepare a city's MSR, it is staff's practice to update cities' MSRs only on their request; however, staff proactively prepares MSRs for special districts.

Currently, the Cities of Clovis and Huron have active SOI amendment applications in progress and draft MSRs under development.

The City of Reedley has been working on its draft MSR and is expected to submit before the end of the fiscal year.

**1. CONDUCT BIENNIAL FINANCIAL AUDIT OF FY 2019-20**

**Preliminary budget implication: \$10,000 to be funded by operational funds.**

Fresno LAFCo's *Financial and Accounting Procedures ("FAP")* guide the Commission's fiscal procedures. These procedures provide appropriate internal accounting, maintain proper administrative controls, and establish a uniform and systematic approach to LAFCo's financial and accounting process. The *FAP* establishes policy to conduct financial audits and reviews every two years, when there is a change in Executive Officer, or upon the Commission's direction.

The last financial audit was completed in 2020 for FY 2017-18.

**2. 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.

### 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 any 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" MSRs** are second generation MSRs that were updated between 2008 and 2014. These MSRs may present more analysis of the affected local agency as staff's experience preparing MSRs grew (locally and statewide through the CALAFCO community).
- **"2.0" MSRs** are MSRs that have been updated pursuant to the Commission's 2014 MSR Policy. The 2.0 MSRs 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 48 2.0 MSRs in conjunction with the update of affected local agencies' SOIs. A list of the agencies with 2.0 MSRs is presented in **Attachment C**. Table 1-1 shows the Commission's MSR Inventory by generations.

**Table 1-1, Fresno LAFCo MSR inventory by Generation**

Municipal Service Review Program	MSRs by Generation			Total MSRs
	1.0	1.5	2.0	
Special District MSRs by Generation	19	57	41	117
City MSRs by Generation	8	2	5	15
<b>Total MSRs by Generation</b>	<b>27</b>	<b>59</b>	<b>46</b>	<b>132</b>

#### Summary of Remaining 1.0 MSRs

Of the remaining 19 special district 1.0 MSRs, the following types of special districts hold the largest number of 1.0 MSRs:

- 6 Irrigation Districts,
- 3 Mosquito Abatement Districts (one currently in progress),
- 3 Community Service Districts,
- 2 Pest Control Districts (one currently in progress),

- 1 California Water District
- 1 Hospital District
- 1 Levee District
- 1 Resource Conservation District (one currently in progress),
- 1 County Water District

The balance of 1.0 MSR's consist of the following agencies: Tri-County Hospital District, Lower San Joaquin Levee District, Westside Resource Conservation District, Westlands Water District, and Malaga County Water District.

In 2018, the Commission directed staff to defer updates of Irrigation District and California Water Districts' MSR's until after these agencies' GSA's have adopted their GSP's.

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"). Work on these MSR's would, however, take second place to application-driven MSR's.

The remaining MSR's are proposed for FY 21-22 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. Comprehensive review and update of Fresno LAFCo Policy Manual**  
**Preliminary budget implication: Can be funded by operational funds.**

Fresno LAFCo's Policy Manual has undergone incremental amendment and update but is in need of a complete and thorough examination to update policies consistent with CKH, and to reflect contemporary priorities and characteristics of the Commission's local agencies.

**5. Evaluate office move**  
**Preliminary budget implication: \$5,000 to be funded by operational funds.**

LAFCo's office is located in an historic building in downtown Fresno. This location has been convenient but with the expiration of the Commission's lease in early 2022 and the changes to the character of downtown staff supports a thorough review of available offices in other parts of the metropolitan area.

## 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 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. 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.