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

AGENDA ITEM NO. 6

DATE: May 14, 2014

TO: Local Agency Formation Commission

FROM: David E. Fey, AICP, Executive Officer

SUBJECT: Consider Approval – LAFCo Final Fiscal Year 2014-15 Budget and Work Plan

RECOMMENDED ACTIONS:

- 1. Approve the final Fiscal Year 2014-2015 budget as presented in Exhibits 1-5, as it balances anticipated costs with projected revenue, supports improvements to LAFCo's capabilities, and maintains a prudent reserve.**
- 2. Approve the LAFCo Work Plan (Exhibit 6) and associated staffing changes that are expected to enhance and support the Commission's mission.**
- 3. Appoint an ad hoc employee benefits committee as described in this report.**

Executive Summary

- The Final budget request for Fiscal Year 2014-2015 is \$491,963, consistent with the Proposed Fiscal Year 2014-2015 budget presented to the Commission on April 9, 2014.
- The Final Budget for FY 2014-2015 (\$491,963) presents a decrease in the amount of \$29,523 from the FY 2013-2014 budget of \$518,578.
- The County and Cities share to offset LAFCo's net operating costs as required by State law will be \$197,805 each, (↓) \$22,938 each from last year.
- Revenue from application fees deposited during the first nine months of this year amounted to \$56,319, which is \$26,319 above the \$30,000 anticipated revenue for the FY 2013-2014 fiscal year.
- LAFCo's account balance is estimated to be approximately \$155,000 by the end of the fiscal year.
- Staff will provide the Commission with a final budget report when Fiscal Year 2013-14 is closed.

The CKH section 56381 (a) states,

“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 following analysis is presented in support of a finding in accordance with section 56381:

- The proposed annual budget is lower than the previous year’s budget by \$29,523;
- A significant reduction in expense is from the transition of County-contract employees to LAFCo employees. For example, the Professional Service Agreement with Fresno County stipulates that a 0.6 multiplier for County retirement, in contrast, LAFCo employees will have an equivalent multiplier of 0.075; and
- The proposed LAFCo work plan and associated staffing changes are expected to enhance and support the Commission’s mission.

Section 56381(c) states,

“If, at the end of the fiscal year, the commission has funds in excess of what it needs, the commission may retain those funds and calculate them into the following fiscal year’s budget. If, during the fiscal year, the commission is without adequate funds to operate, the board of supervisors may loan the commission funds. The commission shall appropriate sufficient funds in its budget for the subsequent fiscal year to repay the loan.”

Fresno LAFCo’s Challenges for FY 2014-2015 and Beyond

The FY 2014-2015 budget presents an opportunity to refocus Fresno LAFCo resources and enhance LAFCo’s role as an independent public agency whose purposes are to encourage the orderly formation of local governmental agencies, preserve agricultural land resources, and discourage urban sprawl. With the projected annual savings LAFCo will realize by having “LAFCo only” employees as opposed to County contract employees, staff recommends that the Commission consider establishing an ad hoc committee to evaluate the range of potential employee benefits and present a recommendation to the Commission. Potential employee benefits include but are not limited to:

- annual vacation/sick leave;
- cost-of-living increases;
- contribution towards health insurance, retirement contribution, disability insurance; and
- short- and long-term life insurance.

EXHIBIT 1
FISCAL YEAR 2014-2015 FINAL BUDGET
Total Services, Supplies and Capital Facilities - Appropriations

BUDGET ITEM	ADOPTED FY 2013-2014 BUDGET	RECOMMENDED FINAL FY 2014-2015 BUDGET	NOTES
7040 Telephone Charges	1,108	1,405	
7101 Liability Insurance	12,203	13,490	
7175 Property/Other Insurance	0	0	
7205 Maintenance-Equipment	676	700	
7250 Professional Memberships	6,466	6,563	
7265 Office Operations Expense	6,000	6,000	
7268 Postage	5,000	4,000	
7286 PeopleSoft Human Resources Charge	605	400	
7287 PeopleSoft Financials Charge	663	660	
7295 Professional & Special Services	423,983	384,849	
7296 Data Processing Services	16,652	19,221	
7325 Publication & Legal Notices	3,000	3,000	
7340 Office Leases	26,248	30,915	
7355 Postage Equipment Rental	382	260	
7412 Mileage	2,000	0	
7415 Commissioner Per Diem & Mileage	4,500	6,500	
NEW Special Hearing Expense	0	0	
7417 Trans & Travel - Comm & Adv Bds	6,000	8,000	
8300 Fixed Assets (Computers)	3,000	3,000	
8991 Contingencies	3,000	3,000	
Total	\$521,486	\$491,963	

TOTAL RECOMMENDED APPROPRIATIONS FOR 2013-2014

EXHIBIT 2
FISCAL YEAR 2014-2015 FINAL BUDGET
Net Operating Cost and City/County Contribution Calculation

	RECOMMENDED FINAL FY 2014-2015 BUDGET
Total Proposed Gross Expenses	491,963
<i>Preliminary City/County Contribution</i>	245,982
Projected 7/1/14 Fund Balance	156,353
Estimated FY 14-15 Fee Revenue (+)	30,000
Reduce Legal Reserve, move to Fund Balance (+)	10,000
Funds from Fund Balance to establish an Operational Reserve (-)	-100,000
Net Available Fund Balance to Reduce County/City Contribution	96,353
Contribution from Fund Balance	
Estimated Cities' Contribution	197,805
Estimated County Contribution	197,805

EXHIBIT 3
FINAL FISCAL YEAR 2014-2015 BUDGET
ACCOUNT #7295 - PROFESSIONAL AND SPECIALIZED SERVICES
General Administrative, Auditor-Controller, Professional and Specialized, Salaries/Benefits

BUDGET ITEM	ADOPTED FY 13-14 BUDGET	RECOMMENDED FINAL FY 14-15 BUDGET	NOTES
GENERAL COUNTY			
Personnel, Employee Relations	\$2,000	\$0	
General Accounting/Auditor Charges	\$3,000	\$3,000	
SUB-TOTAL	\$5,000	\$3,000	
FINANCIAL SERVICES			
Bi-Annual Audit	\$0	\$7,000	
Payroll Services	\$850	\$1,500	
Bookkeeping Service	\$6,000	\$3,000	
SUB-TOTAL	\$6,850	\$11,500	
PROFESSIONAL & SPECIALIZED SERVICES			
Fresno Co. Assessor	\$4,500	\$4,500	
LAFCo Counsel	\$85,000	\$50,000	
Fresno Co. Elections	\$600	\$600	
Fresno Co. Health	\$1,760	\$1,760	
Special Counsel	\$6,000	\$2,000	
Executive Officer Compensation	\$130,083	\$131,198	
SUB-TOTAL	\$227,943	\$190,058	
SALARIES AND BENEFITS			
6100 - Regular Salaries	\$101,842	\$117,000	
6300 - Overtime	\$0	\$0	
6350 - Unemployment Insurance	\$618	\$1,692	
6400 - Retirement Contribution	\$57,337	\$8,775	
6500 - OASDI Contribution	\$7,792	\$9,000	
6550 - Workers Comp Contribution	\$235	\$1,440	EOs estimate of \$720 x 2
6600 - Health Insurance Contribution	\$15,820	\$16,580	
6650 - Life & Disability Insurance	\$292	\$584	
6670 - Benefit Administration	\$255	\$220	
SUB-TOTAL	\$184,191	\$155,291	
EXTRA HELP & VACATION PAYOUT			
0000 - Sick Leave/Vacation Payout	\$0.00	\$15,000	
6200 - Extra Help	\$0.00	\$10,000	
SUB-TOTAL	\$0.00	\$25,000	
GRAND TOTAL	\$423,984	\$384,849	

* Portion of County Support - Total Contribution of Salaries and Benefits

EXHIBIT 4

FISCAL YEAR 2014-2015 FINAL BUDGET
Salaries and Benefits - County Employees

Account Number & Description	ADOPTED FY 13-14 BUDGET FOR TWO EMPLOYEES	RECOMMENDED FINAL FY 14-15 BUDGET-CLERK	NOTES
6100 - Regular Salaries	\$101,842	\$62,000	
6200 - Extra Help	\$0	\$0	
6300 - Overtime	\$0	\$0	
6350 - Unemployment Insurance	\$618	\$846	
6400 - Retirement Contribution	\$57,337	\$4,650	
6500 - OASDI Contribution	\$7,792	\$4,743	
6550 - Workers Comp Contribution	\$235	\$720	
6600 - Health Insurance Contribution	\$15,820	\$8,290	
6650 - Life & Disability Insurance	\$292	\$292	
6670 - Benefit Administration	\$255	\$110	
Total Salaries and Benefits	\$184,191	\$81,651	

Account Number & Description	ADOPTED FY 13-14 BUDGET	RECOMMENDED FY 14-15 BUDGET-ANALYST	
6100 - Regular Salaries	\$0	\$55,000	
6200 - Extra Help	\$0	\$0	
6300 - Overtime	\$0	\$0	
6350 - Unemployment Insurance	\$0	\$846	
6400 - Retirement Contribution	\$0	\$4,125	
6500 - OASDI Contribution	\$0	\$4,257	
6550 - Workers Comp Contribution	\$0	\$720	
6600 - Health Insurance Contribution	\$0	\$8,290	
6650 - Life & Disability Insurance	\$0	\$292	
6670 - Benefit Administration	\$0	\$110	
Total Salaries and Benefits	\$0	\$73,640	

EXHIBIT 5

RECOMMENDED FISCAL YEAR 2014-2015 BUDGET

Salaries and Benefits - Executive Officer

Account Number & Description	ADOPTED 13-14 BUDGET	RECOMMENDED FY 14-15 BUDGET	NOTES
Salary	100,000	100,000	
Car Allowance (\$400/month)	4,800	6,000	\$500/mo
Worker's Comp (Quote from insurance company)	720	720	
6350 - Unemployment Insurance	846	846	
6400 - Retirement	7,500	7,500	
6500 - OASDI Contribution	8,017	7,300	
6600 - Health Insurance	7,908	8,430	
6650 - Life & Disability	292	292	
6670 - Benefit Administration		110	
Total Salaries and Benefits	130,083	\$131,198	

OASDI rate of .062 + Medicare rate of .0145 times gross salary

DRAFT 2014-15 LAFCO WORK PLAN

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 law and 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 emergent 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

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

2014 Work Plan Projects

Project: Commission Workshops

Issues Addressed: 3, 4, 9

Compatible with Goals: 1, 3, 6

This project consists of a series of working sessions with the Commission and local agencies that are educational in nature and may ultimately contribute to policy or procedural action by the Commission. Local agencies, interested parties and other stakeholders will be invited to participate in the discussion; topics will be focused on a specifically-defined topics for discussion.

Commission Workshop 1:

This workshop is designed to discuss and develop the Commission's role in Fresno County. It will start with a summary of the Commission's long-held issues and goals and will end with affirmation or amendment to these benchmarks. During the workshop, there will be discussion of CKH's procedures for annexations, detachments,

and changes of organization (consolidate, dissolution, etc.) as well as the logistics and statutory requirements for each option. Workshop will include a discussion of a range of policy options to determine if the Commission should initiate a change of organization as either an independent action or at the request of a third party, or support an application by a local agency.

Local Agency Workshop 1: City Annexation Soup to Nuts: The role of LAFCo, Spheres of influence, Reorganizations, MSR's, and the Annexation Process

Based in input from the first Commission workshop, this workshop will acquaint cities, consultants, and the development community with information they need to know about LAFCo and the annexation application process. 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.

Commission Workshop 2: Special District Status, Support and Organizational Options.

Workshop on status of special districts, their current challenges and options available to the Commission and districts to address these options; management, financial, and technological/operational support by Commission or other agencies. Other agencies invited to participate will include the California Department of Public Health, County Resources staff, and the Fresno County Elections Department.

Local Agency Workshop 2: Special District Support

Based in input from the second Commission workshop, staff will hold a workshop to address the needs of special districts. The scope of this workshop is under development but is intended to provide information and support for special districts. Given the variety of special districts in the County and each district's need for support, staff will likely tailor this workshop to the districts that would benefit most from supporting information and resources.

Project: Disadvantaged Unincorporated Community Implementation Process

Issues Addressed: 2, 3, 7, 8, 9, 11, 15, 16

Compatible with Goals: 1, 3, 6

This project focuses on creating an active and updatable database of Disadvantaged Unincorporated Communities in Fresno County, and creation of an administrative process to implement the Commission's DUC policy.

Project: Fire Transition Policy Review and Assessment

Issues Addressed: 2, 8, 9

Compatible with Goals: 1, 3

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.

Project: Develop a Model Annexation Process
Issues addressed: 2, 3, 5, 6, 7, 8, 9, 11, 12, and 15
Goals Addressed: 1,3

The Commission has considered peninsula policies, transition of service; expiration of transition agreements, etc. Each of these issues is linked to a city's unique growth, development, and service characteristics. The variation between cities' development and annexation practices contributes to an administrative burden that can be resolved by 'translating' a city's practice with a standardized list of criteria to address the Commission's statutory and policy requirements.

Project: Revive Agricultural Preservation Policies
Issues addressed: 1, 2, 3, 6, 7, 9, 10, 12, 13, 14
Goals Addressed: 1, 2, 3, 4

Preserving open-space and prime agricultural lands is of paramount importance to the Commission. There have been a number of other agencies in the County that have been involved in drafting policies and procedures to protect agricultural resources. 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.

Project: LAFCo Policies and Procedures
Issues Addressed: 2, 3, 7, 8, 11, 12, 13, 14, 15, 16
Compatible with Goals: 1-5

This project would review in depth the current Policies and Procedures manual, clarify and update the process and policy language, and bring the manual into full conformance with the revised Local Government Act of 2000. This project will also strive to make the document more easily understandable by the public.

Project: LAFCo Subcommittees
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. Modeled after the practice of the Fresno Metropolitan Flood Control District, standing committee meetings shall be held pursuant to the applicable statutory notice requirements.