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

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AGENDA ITEM NO. 7

DATE: January 13, 2016

TO: Local Agency Formation Commission

FROM: David E. Fey, AICP, Executive Officer 

SUBJECT: Mid-Year Budget and Work Program Status for Fiscal Year 2015-2016

RECOMMENDATION: Receive and file

**Executive Summary**

This review assesses the mid-fiscal year status of the Commission's annual budget and progress made on projects in the approved annual work program.

**Discussion**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) requires the Commission to adopt a draft budget by May 1<sup>st</sup> and a final budget by June 15<sup>th</sup>. Staff will present the preliminary FY 16-17 budget in March, 2016, to solicit Commission direction on the draft budget that will be presented at the April, 2016, hearing. The Commission adopts its final budget at the May, 2016, hearing.

The Commission uses the services of an independent consulting bookkeeper who monthly enters financial data and provides bookkeeping services. Commission business is guided by adopted *LAFCo Financial and Accounting Procedures*. A scheduled biannual audit is underway by a third-party certified accounting firm and is expected to be completed prior to the end of the fiscal year.

**Overview of Mid-Year Budget**

As shown on Exhibit "A," the Commission has an approved budget of \$447,603; this figure includes approximately \$35,190 contribution from the fund balance. Mid-year revenue is \$443,546; \$372,412 of which comes from the mandated contributions of \$186,206 each from the County and the 15 cities (apportioned by their annual budgets). Application fee revenue is approximately \$30,000 higher than anticipated. The Commission has an approved reserve of \$100,000.

Mid-year expenses total \$201,479, which are budgeted and generally relate to office operation and personnel expenses. The largest unbudgeted expense anticipated by the end of the fiscal year is the County's request, pursuant to the Professional Services Agreement, that LAFCo pay the unfunded liability of a County employee who retired in 2014, while working under contract for the Commission. The amount provided by the County has ranged from \$15,000 to \$34,000 and will be resolved when adequate documentation is provided to LAFCo staff. In addition, staff expects personnel expenses that were not anticipated in the annual budget related to Executive Officer

compensation approved after the budget was adopted and cost of living/step increases for staff. No budget action is recommended at this time for those expenses. Staff will present its preliminary FY 16-17 in March, 2016, and will recommend actions, such as authorized expenditures from reserves, if necessary.

### **MID-YEAR 2015-16 WORK PLAN REVIEW**

Mid-year status of the work program shows substantive progress has been made on most work items:

#### **Project: Municipal Service Review Program**

Staff anticipates that there will be a backlog of uncompleted FY 15-16 MSR's by the end of the fiscal year (Exhibit "B"). This is attributed to agencies' delay in responding to LAFCo's questionnaire and, most notably, the time to resolve complex service delivery challenges, agency organization problems, or other issues raised during the MSR process. These factors increase the time that LAFCo's limited staff resources must spend on the MSR's.

(It is noted that staff organized the MSR schedule with the presumption that the level 3 special districts, those that do not provide a 'municipal' service such as irrigation and water districts, would be the most simple and most speedy MSR's to complete given the limited range of services that these types of districts provide. Actually, the level 3 special districts' MSR's have been the most time-intensive reports to complete.)

The potential backlog would carry over to the next fiscal year's MSR program. Staff is examining every opportunity to refine its MSR process including changes to the MSR questionnaire and MSR document format. However, notwithstanding staff's interest in continuous improvement of its process, the backlog reflects the time it has taken for staff to address substantive special district issues that had not been given sufficient attention in the previous MSR's. The issues include, but are not limited to, districts' fidelity to their principal acts, their transparency to the public, and compliance with the Brown Act and the Public Records Act.

#### **Project: Application Processing (Pre-applications / Applications)**

In the past six months eight annexations, one resource conservation district detachment, and four requests for extension of service have been requested by local agencies. Staff has revised the application form to be more succinct and user-friendly.

The four requests for extension of service outside of service areas and/or spheres of influence are attributable to the drought which has exacerbated groundwater conditions prompting property owners to seek service from adjacent cities and special districts. In light of the relative complexity of service requests, staff has created an application worksheet to assist local agencies.

Staff is also working with the City of Fresno and the Malaga County Water District on a draft memorandum of understanding to address service requirements for projects approved by the County in the City's SOI adjacent to the MCWD. This MOU has the potential to eliminate the need to request LAFCo authorization prior to extending services beyond a local agency's boundaries.

Project: Consultation and Facilitation to Local Agencies and the Public

This project accounts for the many requests for information, interpretation, advice, and facilitation that arise, including but not limited to:

- Facilitating completion of the fire transition agreement with the City of Fresno;
- Attending and supporting the Parlier Cemetery District board and staff;
- Supporting westside mosquito abatement districts' efforts to re-activate the Coalinga-Huron Mosquito Abatement District;
- Ongoing assistance and support to the Lanare Community Service District;
- Support to the Malaga County Water District for long-range planning, extension of services;
- Participation on the Fresno COG agricultural policy ad hoc committee and the Fresno County SGMA working group;
- Cooperation with Fresno County Special District Administration regarding the consolidation of County Service Area Nos. 30 and 32 (El Porvenir and Cantua Creek);
- Cooperation with City of Fresno, Self-Help Enterprises, and the Orange Center School District regarding development of a looped water pipeline;
- Response to the Bluffs Community Service District regarding ownership of district parcels, district powers;
- Outreach to cities: presentations to Coalinga City Council, Fresno City Council, joint meeting of the Board of Supervisors and the Councils of the Cities of Fresno, Clovis, Sanger and Fowler;
- Advice and direction to the Fresno COG Multi-Jurisdictional Housing Element (MJHE);
- Advice and direction to the City of Sanger regarding County development within Sanger SOI;
- Communications regarding formation of a proposed joint powers authority ("JPA") between Washington Union School District ("WUSD") and the Washington Colony Elementary School District ("WCESD");
- Outreach to Calwa Recreation and Parks District; and
- Staff participation at the monthly Fresno Environmental Reporting Network meetings.

Project: Inter-agency Coordination Regarding Inactive and/or Unresponsive Special Districts

LAFCo staff met with Fresno County Clerk/Registrar of Voters and the Clerk to the Fresno County Board of Supervisors to identify inactive/unresponsive special districts, establish more effective communication between our agencies, and to align our respective staff resources to either bring district activities to an acceptable level or to explore and recommend district modification to the Commission.

Since that meeting, Clerk to the Board staff have provided LAFCo with regular updates on County board appointments and LAFCo and the Clerk to the Board staff are coordinating their respective inventory of water districts' by-laws per Water Code.

The executive Officer briefed the incoming 2015-16 Fresno County Grand Jury on LAFCo and its responsibilities. The EO and Commission Counsel met with the Fresno County District Attorney Public Integrity Unit staff to brief them on the work of the Commission.

Project: Local Agency Workshop

This workshop was held October 20, 2015, at the Fresno County Farm Bureau to explain the role of LAFCo, spheres of influence, reorganizations, MSRs, and the annexation program to local agency staff, consultants, and other interested parties.

Project: Assess Agricultural Preservation Policies

This project is in progress and an ad hoc committee has been appointed (Commissioners Pacheco and Santoyo). Preserving open-space and prime agricultural lands is of paramount importance to the Commission. LAFCo's authority places it in a position to develop policies to influence orderly growth without being involved in actual land uses.

Project: Update of LAFCo Policies and Procedures

This is an extensive review of Commission Policies and Procedures that began as a FY 2014-15 project. Incremental improvements and updates have been approved by the Commission in 2014, namely the MSR policies, DUC implementation guidelines and annexation program guidelines. The current project is a comprehensive update of Fresno LAFCo's current Policies and Procedures manual to clarify procedural and policy language, and bring the manual into full conformance with the CKH. In consultation with the Commission, this project also strives to make the document more easily understandable by local agencies and the general public.

Project: LAFCo Committees

The Commission established an executive officer benefit committee, an agricultural policy committee, and most recently a Fresno MSR/SOI committee.

Project: Application Fee Analysis

GC sec. 56383 (a) authorizes the Commission to establish a schedule of fees and a schedule of service charges for the proceedings taken pursuant to CKH. The Commission's application fees were last updated in 2011. Currently, staff is assessing the individual tasks and expenses associated with each application and aggregating and comparing these expenses. Staff anticipates bringing a progress report to the Commission with the budget process this spring along with an evaluation of the fiscal implications of application fee waivers.

Project: Fire Transition Policy Review and Assessment

This project is not active. 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 intended to review the implementation of the Commission's 2013 amended policy and was originally intended to integrate the Fresno County Fire Protection District's 2015 Strategic Plan. The profile of the Fire Transition Policy has diminished since 2013, and all affected cities currently have transition agreements with the District. Because of this, staff resources have since been committed to other higher-priority projects. Staff will recommend with the FY 16-17 work program that this project be incorporated into the next update of the FCFPD's MSR.

**FRESNO LAFCO MID-YEAR FY15-16 BUDGET SUMMARY**

Revised: 12/21/15; Inclusive of 11/15 Financial Statement

#	REVENUE SUMMARY	Approved 15/16 Budget	% of Approved Budget	Actual to Date	% Collected
10100	ALLOCATION COUNTY	186,206	41.6%	186,206	100%
10200	ALLOCATION CITIES	186,206	41.6%	186,206	100%
10300	APPLICATION FEES	40,000	8.9%	70,750	177%
10400	MSR PREPARATION	0	0.0%	0	0%
10500	CONTRIBUTION FROM LEGAL RESERVE	0	0.0%	0	0%
10600	MSR CONSULTANT CONTRACTS	0	0.0%	0	0%
10700	MSR CONTRACT ADMINISTRATION	0	0.0%	0	0%
10800	SPECIAL HEARINGS	0	0.0%	0	0%
10900	MISC. RECEIPTS	0	0.0%	384	0%
	AVAILABLE FUND BALANCE	35,190	7.9%	0	0%
	<b>Total</b>	<b>447,602</b>	<b>100%</b>	<b>443,546</b>	
#	EXPENDITURE SUMMARY	Approved 15/16 Budget	% of Approved Budget	Actual to Date	% Expended
51000	EXPENDITURE - OFFICE OPERATIONS	99,845	22%	47,624	48%
52000	EXPENDITURE - PERSONNEL	289,958	65%	129,117	45%
53000	EXPENDITURE - CONSULTING SERVICES	57,800	13%	27,287	47%
	<b>Total</b>	<b>447,603</b>	<b>100%</b>	<b>204,028</b>	

The MSR process involves the following generalized steps:

1. Outreach: LAFCo outreach to the local agency, explanation of the process, agree on deliverables;
2. Data Development: The local agency collates information, provides documents, and responds to LAFCo MSR Questionnaire;
3. Data Review: LAFCo reviews data provided, may ask for clarification, prepares administrative draft MSR for agency review and comment prior to public review;
4. Public Review Draft MSR: Review and comment on LAFCo draft MSR; and
5. Public Review and LAFCo Hearing.

<u>Cities</u>	Step	1	2	3	4	5
Clovis						
Fresno						
Fowler						
Kingsburg						
Sanger						
Orange Cove						
Selma						

<u>Fire Protection</u>	Step	1	2	3	4	5
Bald Mountain Fire Protection						
Fig Garden Fire Protection						
North Central Fire Protection						
Orange Cove Fire Protection						

<u>Water District ( County)</u>	Step	1	2	3	4	5
Malaga County Water						
Pinedale County Water						

<u>Irrigation District</u>	Step	1	2	3	4	5
Hills Valley Irrigation District						
James Irrigation District						
Tranquillity Irrigation District						
Orange Cove Irrigation District						
Fresno Irrigation						
Riverdale Irrigation						
Consolidated Irrigation						

<u>Water District ( California)</u>	Step	1	2	3	4	5
Garfield Water						
Mercy Springs Water						
Pleasant Valley Water						
Firebaugh Canal Water District						
Raisin City Water District						

	Step	1	2	3	4	5
<u>Water District ( California)</u>						
Tri-Valley Water District						
Panoche Water District						

<u>Resource Conservation Districts</u>						
Sierra Res. Conservation District						

<u>Community Service District</u>						
Del Rey CSD						
Lanare CSD						
Big Creek CSD						
Bluffs CSD						

<u>County Service Areas</u>						
CSA No. 2 (Tenaya Park)						
CSA No. 5 (Wildwood Estates)						
CSA No. 18 (Calwa)						
CSA No. 19 (Hampton Park)						
CSA No. 23 (Dinky Creek)						
CSA No. 35 (Fresno County)						
CSA No. 49 (O'Neill Farms)						
CSA No. 50 (Auberry Fire)						

<u>Public Utilities District</u>						
Pinedale Public Utility						
Riverdale Public Utility						
Tranquility Public Utility						

<u>Sanitation District</u>						
Selma-Fowler-Kingsburg						

<u>Cemetery District</u>						
Clovis Cemetery						
Coalinga-Huron Cemetery						
Dunlap Cemetery						
Fowler Cemetery						
Kingsburg Cemetery						
Oak Grove						
Parlier Cemetery						
Reedley Cemetery						
Sanger/Del Rey Cemetery						
Selma Cemetery						
Squaw Valley Cemetery						
Washington Colony						

	Step	1	2	3	4	5
<u>Mosquito Abatement District</u>						
Consolidated MAD						
Fresno Mosquito & Vector Control						
Fresno-Westside MAD						
Coalinga-Huron MAD						
<u>Memorial District</u>						
Clovis Memorial						
Riverdale Memorial						
<u>Pest Control District</u>						
West Fresno Co. Red Scale						