



Local Agency Formation Commission
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May 16, 2019 (Agenda)

**EXECUTIVE OFFICER'S REPORT
FINAL FISCAL YEAR 2019/2020 LAFCO BUDGET
(AGENDA ITEM VI.A.)**

Introduction

The Commission adopted a proposed budget in the total amount of \$171,947 at the April 18, 2019 Public Hearing. In accordance with the provisions in Section 56381(a) of the Cortese-Knox-Hertzberg Act, the proposed budget was forwarded to the County, all six cities in the County and each independent special district. No comments have been received from any of these entities. Therefore, there are no changes proposed in the Final Budget.

This report presents a brief summary of the anticipated work program for the coming fiscal year, a summary of the staff support and anticipated revenues, along with the recommended Commission action. The budget process has been performed in conformance with section 56381(a) of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 governing LAFCO activities. In accordance with the Cortese-Knox-Hertzberg Act, LAFCO is required to adopt a final budget by June 15th of each year.

Following adoption by the Commission, the final budget will be transmitted to the Board of Supervisors, each City, the City Selection Committee, and to each independent special district.

Total Proposed Budget Cost

Considering current workload, Commission priorities and application trends, the Commission adopted a proposed budget for the 2019/20 fiscal year in the amount of \$171,947. This includes an "appropriations for contingencies" account based on 4% of the total budget, which would require the Commission's prior approval before any funds are spent. This proposed budget is almost \$10,000 greater than the current 2018/19 fiscal year's budget of \$162,265. This is due primarily to a requested \$10,000 increase in consultant costs to prepare an update to the Agricultural Service Providers Municipal Service Review.

Work Program Priorities

The primary component of the work program involves governmental reorganization application processing (annexations, detachments, reorganizations, out of boundary service extensions), along with related sphere of influence amendments if necessary. Application activity has been fairly stable, but there continue to be several larger projects that are more complex to process.

One example is the pending 5,800 acre Le Grand-Athlone Water District annexation which will involve reducing the spheres of influence of both the Merced Irrigation District and Chowchilla Water District. It is also anticipated Merced LAFCO will receive a request from the State Controller's Office for additional special district dissolutions in compliance with recent legislation in SB 448.

As approved in the proposed budget, \$35,000 is proposed in Account No. 21810 "Professional and Special Services" for anticipated consultant contract payments to update the "Agricultural Irrigation Service Providers MSR." An update to this 2008 MSR would be timely given the extensive amount of information generated through the Sustainable Groundwater Management Act (SGMA) and related Groundwater Sustainability Plan activities. Staff is working with District representatives to initiate the dissolution of the Celeste County Water District with or without payment of standard processing fees (or even through grant funding if AB1253 (Rivas) is passed this year. Located east of the City of Merced along State Highway 140, it is assumed that the City of Merced could become the "successor agency" for the sewer and water services and part of the effort would be to identify how remaining district assets could be spent for the benefit of the community.

One additional item mentioned at the March Commission meeting was looking at modifying local LAFCO policies regarding extension of services, typically sewer and/or water, outside a jurisdictions boundary, as authorized under Government Code section 56133.

Training

The other component of the work program involves costs for commissioner and staff training through attendance at conferences sponsored by the California Association of LAFCOs (CALAFCO). As approved with the proposed budget, the number of Commissioners budgeted to attend was reduced to four Commissioners, but if additional Commissioners wish to attend this year's conference set for Sacramento, the Commission can approve allocating funds from the Contingencies Account later in the Fiscal Year. Attendance at the spring CALAFCO Staff Workshop, likely to be held in Southern California, is proposed for two staff.

Staff Support

Staff support is proposed to be relatively the same as in the current fiscal year. Executive Officer costs are budgeted in Account 21810 "Professional and Special Services -Contractual Agreements." The same estimate of 400 hours have been budgeted for the fiscal year, however, an increase in the hourly pay rate of the Executive Officer will occur in July based on the increase in the Consumer Price Index, as the Commission approved through a contract amendment in July 2017.

In terms of staff support through the Memorandum of Understanding (MOU) with the County, the same level of staff support in Account No. 21840 is assumed from the Community and Economic Development (Tiffany Ho and Brian Guerrero) with Kim Zinke continuing in her role as Clerk. Legal support will continue under contract with the law firm of Best, Best & Krieger, and the total amount budgeted is not changing: \$25,920. The billing rate of \$257 per hour for Partner Attorneys, and \$149 per hour for Paralegals and Clerks will increase as of July 1, 2019, based on the Consumer Price Index.

A Memorandum of Understanding is presented in Agenda Item VII.A. at today's Commission meeting to memorialize the agreement with the Board of Supervisors for the County staff support.

Total Budget Revenues

Revenue for LAFCO comes from application processing fees and the state mandated subsidy from the County and six cities within the County. A total of \$36,058 is anticipated in application fee revenue for the fiscal year in Account No. 96920. The amount of cash retained in the Treasury for LAFCO at the end of each fiscal year is monitored by staff in consultation with the County Auditor's Office. As an independent agency, any revenue received in excess of expenditures by the Commission is retained in interest bearing Account No. 94200, and is available for the following fiscal year. Interest in the first two quarters of the Fiscal Year totaled \$686.64.

An update on the current cash balance will be presented at the public hearing, and the Commission has historically strived to maintain a minimum balance of \$100,000 for unanticipated costs such as litigation. This cash balance will be used to calculate the actual billing amount to be requested from the six cities and county for the current fiscal year, and it typically results in a cost saving to the jurisdictions.

In the Final Budget, without consideration of any cash balance, the City and County share of LAFCO operation costs is estimated to be approximately \$67,345, as identified in the enclosed "Line Item Justification Form for Revenue" in Account Numbers 95636 and 95637. Even though we are required to send the adopted budget to independent special districts, it is only the County and six cities in the County who help pay for LAFCO operating costs, unless special districts decide to seek representation on the Commission. This is actually something being considered through efforts by the California Special Districts Association (CSDA) with a workshop scheduled for Tuesday, May 14th in Merced, involving special districts and the Executive Officer.

Recommendation

Staff recommends the Commission adopt the Final Fiscal Year 2019/20 Budget and direct the Executive Officer to forward this budget to the County, the six cities within the County, and all special districts in conformance with the Cortese-Knox-Hertzberg Act.

Respectively submitted,

LOCAL AGENCY FORMATION
COMMISSION OF MERCED COUNTY



Bill Nicholson, Executive Officer

Enclosure - Final Fiscal Year 2019/20 Budget

FINAL BUDGET STATISTICS & REVENUE

LOCAL AGENCY FORMATION COMMISSION

WORKLOAD STATISTICS FY 2019/20

Application processing workload projections:

<u>APPLICATIONS PROCESS</u>	<u>2015-16 ACTUAL</u>	<u>2016-17 ACTUAL</u>	<u>2017-18 ACTUAL</u>	<u>2018-19 EXTENDED</u>	<u>2019-20 ESTIMATED</u>
Annexations	2	3	2	4	4
Detachments	0	1	1	1	1
Formations	0	0	1	0	1
Reorganizations	1	0	1	1	1
Sphere of Influence	2	5	4	3	3
Consolidations	0	0	0	1	1
Out of Boundary Service Reviews	5	4	2	4	4
Dissolutions	0	0	0	2	2
<u>Municipal Service Reviews</u>					
Cities	0	3	1	1	1
Other Special Districts	1	1	15*	15*	15*
Special Studies	0	0	0	0	3

*Urban Special District MSR Updates initiated in October 2017 to be completed in FY 2019-20 (LAFCO sponsored). Anticipate initiating Agricultural Irrigation Service Providers MSR update in FY 2019-20.

FINAL Budget May 16, 2019

LINE ITEM JUSTIFICATION FORM FOR APPROPRIATIONS LOCAL AGENCY FORMATION COMMISSION

BUDGET UNIT # 76800

FUND # 1220

Account Number, Description & Justification

Amount Requested 2019-20

21500 MEMBERSHIPS

California Association of LAFCOs Annual Dues \$3,261

TOTAL MEMBERSHIPS **\$3,261**

21700 - OFFICE EXPENSE-GENERAL

a.	Metered Mail	12 x \$40	=	\$480	
b.	Supplies	12 x \$40	=	\$480	
c.	Copies/Departmental	12 x \$50	=	\$300	
				<u>\$1,260</u>	

TOTAL OFFICE EXPENSE-GENERAL **\$1,260**

21810 - PROFESSIONAL & SPECIAL SERVICES - CONTRACTUAL AGREEMENTS

A.	Contract with Executive Officer \$112.09/hr X 400 hrs		=	<u>\$46,180</u>	
B.	Professional consultant costs for updating municipal service review as mandated by the Cortese-Knox-Hertzberg Act with Economic & Planning Systems or other Consultant		=	<u>\$35,000</u>	
				<u>\$81,180</u>	

TOTAL PROFESSIONAL & SPECIAL SERVICES - CONTRACTUAL AGREEMENTS **\$81,180**

21812 - INFORMATION SERVICES

Cost to televise and broadcast LAFCO meetings (\$519.45 x 10 meetings) \$5,195

TOTAL INFORMATION SERVICES **\$5,195**

21834 - PROFESSIONAL & SPECIAL SERVICES - LEGAL SERVICES

LAFCO Legal Counsel Support (Best, Best & Krieger)

Total Contract Amount \$25,920

TOTAL PROFESSIONAL & SPECIAL SERVICES - LEGAL SERVICES

\$25,920

21840 - PROFESSIONAL & SPECIAL SERVICES - ADMINISTRATIVE SERVICES

Allocation of County Planning Department Staff
Time to Support Application Processing AB2838
Implementation and Administration

Personnel Allocation:		Hourly Rate x Hours	Salaries & Benefits
LAFCO Planner	Planner II	\$49.82/hr x 150 hours =	\$7,473
LAFCO Secretary	Office Supervisor	\$67.38/hr x 150 hours =	\$10,107
Planning Technician	Planning Technician	\$53.38/hr x 10 hours =	\$533
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			\$18,113

TOTAL PROFESSIONAL & SPECIAL SERVICES - ADMINISTRATIVE SERVICES

\$18,113

21873 - PROFESSIONAL & SPECIAL SERVICES - ENGINEERING SERVICES

Costs for County Surveyor to
review and approve boundary
maps and legal descriptions

9 applications x \$300
(est. at \$53.51.hr rate)

\$2,700

TOTAL PROFESSIONAL & SPECIAL SERVICES - ENGINEERING SERVICES

\$2,700

21900 PUBLICATIONS & LEGAL NOTICES

Estimated 16 notices x \$50 = \$800

TOTAL PUBLICATIONS & LEGAL NOTICES

\$800

22327 - SPECIAL DEPARTMENT EXPENSE - COST ALLOCATION PLAN

Distributed overhead for County Support Costs
(payroll, accounts payable, etc.) \$7,305

TOTAL INDIRECT COSTS

\$7,305

22500 - TRANSPORTATION & TRAVEL

Part I - Conferences and Training

76800 - 1 Calif. Assn of LAFCOs Annual Commissioner Conf. (Hyatt Hotel - Sacramento) - 5 attendees

Transportation:	
228 mi. x .58 x 5 vehicles =	\$661
Meals:	
\$37/day x 2 days x 5 =	\$370
Lodging:	
\$170/ni. + 14% tax x 3 ni. X 5 =	\$2,910
Parking:	\$0
Registration:	
\$425 x 5 =	\$2,125
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	\$6,066

76800-2 Calif. Assn. of LAFCOs Annual Staff/Clerk Workshop (Southern California) - 2 attendees

Transportation:	
530 mi. x .58 x 2	\$614
Meals:	
\$37/day x 1 day x 2 =	\$74
Lodging:	
\$125/ni. + 14% tax x 2 ni. x 2 =	\$570
Parking:	
\$10/day Parking x 2 x 1 ni.	\$20
Registration:	
\$225 x 2 =	\$450
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	\$1,728

TOTAL PART I **\$7,794**

PART II - Boards, Commissions & Reimbursements

Commissioner reimbursement per meeting (assumes 2 Commissioners absent)

\$75/meeting x 7 Commissioner x 10 meetings =	
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	\$5,250

\$5,250

TOTAL PART II

PART IV - Other Travel Expenses

One-day Conference & seminars:

1 trip - Sacramento x 2 people	\$300
Registration:	\$40
Meals: Lunch Only	\$13

Parking: \$10
Transportation: 240 Mi. x .580 x 1= \$139

TOTAL PART IV \$502 **\$502**

TOTAL TRANSPORTATION & TRAVEL **\$13,546**

TOTAL BUDGET SUBTOTAL **\$159,269**

74000 - APPROPRIATIONS FOR CONTINGENCIES (4% TOTAL BUDGET AMOUNT)

Contingency for unanticipated expenses.

TOTAL APPROPRIATIONS FOR CONTINGENCIES **\$6,307**

LAFCO BUDGET TOTAL **\$171,947**