



Local Agency Formation Commission  
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**April 16, 2020 (Agenda)**

**EXECUTIVE OFFICER'S REPORT  
PROPOSED FISCAL YEAR 2020/2021 LAFCO BUDGET  
(AGENDA ITEM VI.A.)**

**Introduction**

In accordance with the Cortese-Knox-Hertzberg Act of 2000, each LAFCO is required to adopt a proposed budget by May 1st of each year. Following adoption by the Commission, the proposed budget will be transmitted to the Board of Supervisors, each City, the City Selection Committee, and to each independent special district. Based upon input from these entities and any modifications desired by the Commission, the Final Budget must be adopted by June 15th. These provisions are contained in Section 56381(a) of the Cortese-Knox-Hertzberg Act.

**Total Proposed Budget Cost**

Considering current workload, expected continued lower application levels due to the current COVID-19 repercussions, and Commission priorities, Staff has prepared a proposed budget for the 2020/21 fiscal year in the amount of \$153,114. 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 approximately \$19,000 less than the current 2019/20 fiscal year's budget of \$171,947. This is due primarily to a requested \$15,000 decrease in consultant costs to prepare a possible Municipal Service Review update, and reducing several accounts related to application processing activities.

**Work Program Priorities**

Each year, the primary component of the work program involves governmental reorganization application processing (annexations, detachments, reorganizations, out of boundary service extensions which have increased in recent years), along with related sphere of influence amendments if necessary. Application activity has been lower than previous years, but many of the projects have been more complex to process, including: completion of the Southeast Gustine Reorganization, processing the Le Grand-Athlone Water District Annexation involving three sphere of influence amendments and initial review of the formation request for the Owens Creek Water District. The *Proposed Budget Workload Statistics Form* included as part of the attached proposed budget material identifies the historic application history back to FY 2016/17.

Another special activity in the coming fiscal year involves the potential dissolution of "inactive" special districts identified annually by the State Controller's office in incompliance with State legislation in SB 448. Depending on the list generated by the Controller's Office by **October 31, 2020**, Merced LAFCO may be required to process additional dissolutions in the coming fiscal year.

### Sphere of Influence & Municipal Service Review Updates

As the Commission is aware, a significant state mandated LAFCO workload activity involves two provisions in the Cortese-Knox-Hertzberg Act of 2000 that require a review of Sphere of Influences every five years, and the corresponding review of the related Municipal Service Reviews (MSRs). Section 564125(g) of the Act requires that "...every five years..., the commission shall, as necessary review and update each sphere of influence." As a parallel requirement, Section 56430(c) contains a requirement that the commission conduct a service review before the establishment or update of a sphere of influence. Current MSR update activities are described below, along with a reference to performing a cursory review of districts which have no changes and a simple confirming resolution can be adopted the Commission to meet the five-year review requirement.

In the 2019/20 Fiscal Year, staff completed the sphere of influence amendments for three special districts associated with the 5,800 acre Le Grand-Athlone Water District annexation. The corresponding MSR update was completed in the previous fiscal year (paid for by the District). Work is continuing on the Urban Service District MSR Update involving the 15 independent special districts providing sewer and/or water service in unincorporated communities. This project is expected to be completed by the end of the calendar year. Another MSR update is scheduled for initiation on today's Commission agenda through approval of the contract with Economic and Planning Systems (EPS) in association with Berkson Associates for an update to the "Agricultural Irrigation Service Providers MSR" authorized in the current budget at a cost of \$35,000.. LAFCO Staff is completing detailed revisions to the EPS prepared Administrative Draft by using on-line resources to obtain district information that was difficult to obtain directly from many districts.

In the Proposed Budget, Staff is recommending the allocation of \$20,000 in Account No. 21810 "Professional and Special Services" for a potential consultant contract for an MSR update if prioritized by the Commission during the coming fiscal year.

In terms of revenue, one city and one special district-initiated MSR update are anticipated in the next fiscal year, which would be paid for by the jurisdiction requesting it.

Staff has initiated a "Special Study" to address possible dissolution of the Celeste County Water District as directed by the Commission this fiscal year. Special studies, authorized under section 56378(a) of the Government Code, do not have the same content requirements as an MSR, and can be used in support of LAFCO initiated dissolutions or consolidations. In this instance, the sewer and water systems authorized for administration by the District are actually managed and operated by the City of Merced. Unfortunately, a potential State funding opportunity for this type of study which has been introduced in state legislation in the past couple years continues to languish AB 1628 (Rivas), and current information from CALAFCO is that the State will likely only fund COVID-19 related expenditures next fiscal year.

### 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). These conferences continue to be valuable for staff and Commissioners to learn about Commission process and policies, and new legislation involving the Cortese-Knox-Hertzberg Local Government Reorganization Act and other laws affecting LAFCO.

In the current budget the Commission had reduced the registration to only four Commissioners and one staff member at the Fall Annual Conference. This reflected historic attendance levels and included the understanding that if additional Commissioners wish to attend, the Commission can approve allocating funds from the Contingencies Account later in the Fiscal Year. This year's conference set for Monterey, Attendance at the spring CALAFCO Staff Workshop, to be held in Southern California, was approved for two staff. However, the conference that would have been held this month has been postponed to next year due to the current shelter in place orders.

### **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." An increase in the hourly pay rate of the Executive Officer will occur in July based on the increase in the Consumer Price Index (which has been estimated at 1.8%) as the Commission approved through a contract amendment in July 2017.

The same estimate of 400 hours over the fiscal year are proposed matching the current fiscal year reflecting continuation of duties in application processing, MSR preparation, CALAFCO coordination activities - including participation on the Legislative Committee - ongoing budgeting and contract oversight, and overall administration.

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 with the anticipated increase in actual hours spent in support of LAFCO operations from the Community and Economic Development Department under the "LAFCO Planner" position with more time spent by Tiffany Ho – primarily for support in MSR preparation and review, and with Clerk duties continuing to be performed by Kim Zinke. The total hours and costs remain the same as the current fiscal year: \$18,113 (which reflected a decrease of \$4,000 from the previous fiscal year).

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, 2020, based on the Consumer Price Index.

A Memorandum of Understanding will be presented to the Commission with the Final Budget for subsequent agreement with the Board of Supervisors for the County staff support function. It should be recognized that the total amount of time spent by staff and corresponding costs will depend on the actual workload experienced. While the total costs will not exceed the budgeted amount, the actual expenditures may be lower based on workload.

### **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. In terms of application fees, a total of \$14,687 has been received through March 31, 2020, which is about 41% of the anticipated revenue of \$36.058 in Account No. 96920, three-quarters of the way into the fiscal year.

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 three quarters of the Fiscal Year totaled \$1,761.70.

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 Proposed Budget, without consideration of any cash balance, the City and County share of LAFCO operation costs is estimated to be approximately \$62,063, as identified in the enclosed "Line Item Justification Form for Revenue" in Account Numbers 95636 and 95637. This amount is \$5,000 less than anticipated in the current fiscal year. Revenue from application fees is estimated to generate \$26,988.

**Recommendation**

Staff recommends the Commission adopt the Proposed Fiscal Year 2020/21 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, and to set the final budget hearing for May 21, 2020, along with the corresponding MOU with the County for staff support services.

Respectively submitted,

LOCAL AGENCY FORMATION  
COMMISSION OF MERCED COUNTY



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Bill Nicholson, Executive Officer

Enclosures - Proposed Fiscal Year 2020/21 Budget and Proposed Budget Statistics & Revenue summary

# Proposed Budget April 16, 2020

## LINE ITEM JUSTIFICATION FORM FOR APPROPRIATIONS LOCAL AGENCY FORMATION COMMISSION

**BUDGET UNIT # 76800**

**FUND # 1220**

Account Number, Description & Justification

Amount Requested 2020-21

### 21500 MEMBERSHIPS

California Association of LAFCOs Annual Dues \$4,958

### **TOTAL MEMBERSHIPS**

**\$4,958**

### 21700 - OFFICE EXPENSE-GENERAL

a. Metered Mail	12 x \$30	=	\$360
b. Supplies	12 x \$30	=	\$360
c. Copies/Departmental	12 x \$25	=	\$300
			<u>\$1,020</u>

### **TOTAL OFFICE EXPENSE-GENERAL**

**\$1,020**

### 21810 - PROFESSIONAL & SPECIAL SERVICES - CONTRACTUAL AGREEMENTS

A. Contract with Executive Officer \$120.92/hr X 400 hrs	<u>\$48,368</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>\$20,000</u>
	<u>\$68,368</u>

### **TOTAL PROFESSIONAL & SPECIAL SERVICES - CONTRACTUAL AGREEMENTS**

**\$68,368**

### 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
			<u>\$18,113</u>

**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

7 applications x \$300 (est. at \$53.51/hr rate)	<u>\$2,100</u>
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**TOTAL PROFESSIONAL & SPECIAL SERVICES - ENGINEERING SERVICES**

**\$2,100**

**21900 PUBLICATIONS & LEGAL NOTICES**

Estimated 14 notices x \$50 = \$700

**TOTAL PUBLICATIONS & LEGAL NOTICES**

**\$700**

**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 - Monterey) - 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 &amp; 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** **\$147,225**

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

Contingency for unanticipated expenses.

**TOTAL APPROPRIATIONS FOR CONTINGENCIES** **\$5,889**

**LAFCO BUDGET TOTAL** **\$153,114**



## PROPOSED BUDGET STATISTICS & REVENUE

### LOCAL AGENCY FORMATION COMMISSION

#### WORKLOAD STATISTICS FY 2020/21

Application processing workload projections:

<u>APPLICATIONS PROCESS</u>	<u>2016-17 ACTUAL</u>	<u>2017-18 ACTUAL</u>	<u>2018-19 ACTUAL</u>	<u>2019-20 EXTENDED</u>	<u>2020-21 ESTIMATED</u>
Annexations	3	2	2	2	3
Detachments	1	1	0	1	1
Formations	0	1	0	1	0
Reorganizations	0	1	0	0	1
Sphere of Influence	5	4	2	2	3
Consolidations	0	0	0	0	1
Out of Boundary Service Reviews	4	2	4	5	4
Dissolutions	0	0	2	0	1
<u>Municipal Service Reviews</u>					
Cities	3	1	1	0	1
Other Special Districts	1	1	1	15*	15*
Special Studies	0	0	0	1	1

\*Urban Special District MSR Updates initiated in October 2017 to be completed in FY 2020-21 (LAFCO sponsored). Anticipate initiating Agricultural Irrigation Service Providers MSR update in FY 2020-21.

