



Local Agency Formation Commission
2222 M Street
Merced, CA 95340
Phone (209) 385-7671 / Fax (209) 726-1710
www.lafcomerced.org

May 21, 2020 (Agenda)

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

Introduction

The Commission adopted the Proposed Budget in the total amount of \$153,114 at the April 16, 2020 Public Hearing. In accordance with Section 56381(a) of the Cortese-Knox-Hertzberg Act of 2000, the Proposed Budget was forwarded to each city and the County. In addition, all special districts were sent a notice of the budget process with a link to the LAFCO website containing the budget and attachments. No comments were received from any of these agencies, and therefore, the Final Budget is presented to the Commission without any change from the Proposed Budget.

Following adoption of the Final Budget, a copy must also be sent to the County and cities within the county, and the special districts will also be send a notice. The following is a brief summary of the budget and work program.

Total Proposed Budget Cost

As referenced above, the 2020/21 Fiscal Year Budget total is proposed at \$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, due primarily to a \$15,000 reduction in appropriations for the preparation of Municipal Service Reviews.

Work Program Priorities

The primary component of the work program continues to involve 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. Application activity has been lower than previous years and The *Proposed Budget Workload Statistics Form* included as part of the attached final 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.

Work will be completed this year on the Urban Service District Municipal Service Review (MSR) Update involving the 15 independent special districts providing sewer and/or water service in unincorporated communities. The next MSR update work effort was approved at last month's Commission meeting through a contract with Economic and Planning Systems (EPS) in association with Berkson Associates for an update of the "Agricultural Irrigation Service Providers MSR" funded in the current 2019-20 FY Budget at a cost of \$35,000.

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.

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). CALAFCO postponed the Spring Staff Workshop scheduled for last April due to Covid-19 shelter-in-place orders, and anticipates it will be held next year at the same location in Orange County. Due to the complexities of planning for conferences, CALAFCO has initiated planning efforts for the Fall Conference in Monterey, but possibly with an abbreviated two-day format. The conference is scheduled for late October, and while there is no assurance it will be held, Staff would suggest retaining the funds in the Final Budget to be optimistic that the Commission will be able to take advantage of the great training and networking opportunities these annual conferences provide.

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.

The total hours for County staff support from the Community and Economic Development Department is proposed to remain the same as the current fiscal year. However, the anticipated actual hours spent in support of LAFCO operations should increase under the "LAFCO Planner" position 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 in Account No. 21810. A Memorandum of Understanding between LAFCO and Merced County (scheduled on today's Agenda as Item VII.B.) serves as the formal agreement with the Board of Supervisors for the County staff support function and use of County facilities.

Legal support will continue under contract with the law firm of Best, Best & Krieger, with Malathy Subramanian as our lead Attorney. 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.

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.

In the Final 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 Final Fiscal Year 2020/21 Budget and direct the Executive Officer to forward this budget to the County, the six cities within the County, and notify all special districts in conformance with the Cortese-Knox-Hertzberg Act.

Respectively submitted,

LOCAL AGENCY FORMATION
COMMISSION OF MERCED COUNTY



Bill Nicholson, Executive Officer

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

Final Budget May 21, 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	\$20,000
		<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
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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

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

\$2,100

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 & 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**

FINAL 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.

LOCAL AGENCY FORMATION COMMISSION – FINAL BUDGET

LINE ITEM JUSTIFICATION FORM FOR REVENUE

**BUDGET UNIT #76800
Fund #1220**

<u>Account Number, Amount, Description and Justification</u>	<u>Requested 2020-21</u>
<u>94200 – INTEREST</u>	\$2,000
<u>95636 – COUNTY REVENUES</u>	
Represents County share (50%) of non-application supported costs for LAFCO functions.	\$62,063
<u>95637 – CITY REVENUES</u>	
Represents the 50% share of non-application supported costs for LAFCO functions to be provide by the six cities within Merced County (based on Auditor’s formula for each city’s individual share).	\$62,063
<u>96920 – APPLICATION REVENUE¹</u>	
Annexations 3 x \$2,700 =	\$8,100
Detachments 1 x \$2,700 =	\$2,700
Formations 0 x \$4,370 =	\$0
Reorganizations 1 x \$2,700 =	\$2,700
Sphere of Influence 3 x \$2,700 =	\$8,100
Consolidations 1 x \$1,832 =	\$1,832
Municipal Service Reviews 1 x \$2,000 =	\$2,000
Out of Boundary Services 4 x \$778 =	\$3,112
Total	\$26,988
TOTAL REVENUE:	\$153,114

¹ Fees are collected for various LAFCO applications, such as annexations, detachments, reorganizations and Sphere of Influence revisions. LAFCO Sponsored Municipal Service Reviews are not included in revenue projections.