



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

**April 15, 2021 (Agenda)**

**EXECUTIVE OFFICER'S REPORT  
PROPOSED FISCAL YEAR 2021/2022 LAFCO BUDGET  
(AGENDA ITEM VI.C.)**

**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**

Based upon the expected lower application levels continuing next year as the economy adjusts to the removal of COVID-19 activity restrictions, and completion of current work efforts, Staff has prepared a proposed budget for the 2021/22 fiscal year in the amount of \$152,767. 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 \$1,329 greater than the current 2020/21 fiscal year's budget of \$151,438. The increase primarily results from an increase in anticipated costs for attendance at the annual CALAFCO Conference in Southern California of \$1,178.

**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 remained at a slow pace in recent years, along with related sphere of influence amendments if necessary. Some individual applications have been more complex involving formations, including the pending formation request for the Owens Creek Water District. The material identifies the historic application history back to FY 2017/18.

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, 2021, 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 2020/21 Fiscal Year, staff completed the Urban Service District MSR Update involving the 15 independent special districts providing sewer and/or water service in unincorporated communities. In the current Fiscal Year Staff has been working on an update to the "Agricultural Irrigation Service Providers MSR" under contract with Economic and Planning Systems (EPS) in association with Berkson Associates. LAFCO Staff is working parallel with the consultant team to gather the relevant service level and economic data for each district and their relationship to ongoing Groundwater Sustainability Management Act (SGMA) efforts. We anticipate completing sample data tables for each district this summer to send out to each district with an information request for data we were not able to obtain. Then a public review Draft of the MSR update would be completed and a public hearing may be anticipated by the end of this calendar year.

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. It would be timely to initiate updates for one of the following groups of special district MSRs: cemetery districts, resource conservation districts or the "other special districts" MSR which includes hospital, drainage, levee and fire districts along with the County Service Area covering the unincorporated County territory. Staff also continues work on a "Special Study" to address possible dissolution of the Celeste County Water District or its consolidation with the City of Merced which operated the sewer and water systems in the community. Possible annexation opportunities have also been identified in the area of the newly constructed Campus Parkway Interchange with Highway 140.

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 the educational conferences sponsored by the California Association of LAFCOs (CALAFCO). These conferences and workshops were cancelled due to the COVID-19 pandemic in the current fiscal year..

In the current budget the Commission provided funding to register four Commissioners and one staff member at the Fall Annual Conference, which was cancelled. The 2021 Fall Conference is planned for Newport Beach and at this time CALAFCO anticipated it will be held as scheduled.

Attendance at the spring CALAFCO Staff Workshop 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.” 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 1.7%) as the Commission approved through a contract amendment in July 2017. For reference, last year's CPI increase was 0.5%.

The same estimate of 400 hours for the Executive Officer for the fiscal year is proposed 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 current billable rate is \$119.327/hour, and with an estimated 1.7% increase, the full amount identified in the proposed budget is \$48,520.00.

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 application processing, 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.

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, 2021, 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 \$7,104 has been received through March 31, 2020, which is about 26% of the anticipated revenue of \$26,988 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 (\$410.39 in interest received as of 12/31/21).

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 \$64,240, as identified in the enclosed "Line Item Justification Form for Revenue" in Account Numbers 95636 and 95637. This amount is \$2,177 greater than anticipated in the current fiscal year based on the slight increase in the budget and slightly lower application fee revenue. Revenue from application fees is anticipated to generate \$24,288, a \$2,700 reduction from the current Fiscal Year budget.

### **Recommendation**

Staff recommends the Commission adopt the Proposed Fiscal Year 2021/22 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 20, 2021, along with the corresponding MOU with the County for staff support services.

Respectively submitted,

LOCAL AGENCY FORMATION  
COMMISSION OF MERCED COUNTY



---

Bill Nicholson, Executive Officer

Enclosures - Proposed Fiscal Year 2021/22 Budget and Proposed Budget Statistics & Revenue summary

# Proposed Budget April 15, 2021

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

**BUDGET UNIT # 76800**

**FUND # 1220**

Account Number, Description & Justification

Amount Requested 2021-22

**21500 MEMBERSHIPS**

California Association of LAFCOs Annual Dues \$4,970

**TOTAL MEMBERSHIPS**

**\$4,970**

**21700 - OFFICE EXPENSE-GENERAL**

a. Postage (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 \$121.30/hr X 400 hrs	<u>\$48,520</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>\$68,520</u>

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

**\$68,520**

**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  
SOI/MSR Updates and Administration

Personnel Allocation:		Hourly Rate x Hours	Salaries & Benefits
LAFCO Planner	Planner III	\$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
			<hr/>
			\$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 \$2,100  
(est. at \$53.51.hr rate)

**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 \$5,629  
(payroll, accounts payable, etc.)

**TOTAL INDIRECT COSTS** **\$5,629**

**22500 - TRANSPORTATION & TRAVEL**

**Part I - Conferences and Training**

76800 - 1 Calif. Assn of LAFCOs Annual Commissioner Conf. (Hyatt Regency - Newport Beach) - 5 attendees

Transportation:	
3,170 mi. x .58 x 5 vehicles =	\$1,839
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
	<hr/>
	\$7,244

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
	<hr/>
	\$1,728

**TOTAL PART I** **\$8,972**

**PART II - Boards, Commissions & Reimbursements**

Commissioner reimbursement per meeting (assumes 2 Commissioners absent)

\$75/meeting x 7 Commissioner x 10 meetings =	
	<hr/>
	\$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** **\$14,724**

TOTAL BUDGET SUBTOTAL

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

Contingency for unanticipated expenses ( $\$146,891 \times 0.04\% = \$5,876$ )

**TOTAL APPROPRIATIONS FOR CONTINGENCIES** **\$5,876**

**LAFCO BUDGET TOTAL** **\$152,767**



## PROPOSED BUDGET STATISTICS & REVENUE

### LOCAL AGENCY FORMATION COMMISSION

### WORKLOAD STATISTICS FY 2021/22

Application processing workload projections:

<u>APPLICATIONS PROCESS</u>	<u>2017-18 ACTUAL</u>	<u>2018-19 ACTUAL</u>	<u>2019-20 ACTUAL</u>	<u>2020-21 EXTENDED</u>	<u>2021-22 ESTIMATED</u>
Annexations	2	2	2	3	3
Detachments	1	0	1	0	1
Formations	0	1	0	1	0
Reorganizations	1	0	0	1	1
Sphere of Influence	4	2	2	2	2
Consolidations	0	0	0	0	1
Out of Boundary Service Reviews	2	4	5	2	2
Dissolutions	0	2	0	0	1
<u>Municipal Service Reviews</u>					
Cities	1	1	1	0	1
Other Special Districts	1	1	15	15*	1*
Special Studies	0	0	0	1	1

\*Agricultural Irrigation District MSR Updates initiated in April 2020 to be completed in FY 2021-22 (LAFCO sponsored). No comprehensive multi-district MSR Updated anticipated in FY 2021-22, just district sponsored effort.

**LOCAL AGENCY FORMATION COMMISSION – PROPOSED BUDGET**

**LINE ITEM JUSTIFICATION FORM FOR REVENUE**

**BUDGET UNIT #76800  
Fund #1220**

**Account Number, Amount, Description and Justification** **Requested 2021-22**

**94200 – INTEREST** **\$1,500**

**95636 – COUNTY REVENUES**  
Represents County share (50%) of non-application supported costs for LAFCO functions. **\$64,240**

**95637 – CITY REVENUES**  
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). **\$64,239**

**96920 – APPLICATION REVENUE<sup>1</sup>**

<b>Annexations</b>	<b>3 x \$2,700 =</b>	<b>\$8,100</b>
<b>Detachments</b>	<b>1 x \$2,700 =</b>	<b>\$2,700</b>
<b>Formations</b>	<b>0 x \$4,370 =</b>	<b>\$0</b>
<b>Reorganizations</b>	<b>1 x \$2,700 =</b>	<b>\$2,700</b>
<b>Sphere of Influence</b>	<b>2 x \$2,700 =</b>	<b>\$5,400</b>
<b>Consolidations</b>	<b>1 x \$1,832 =</b>	<b>\$1,832</b>
<b>Municipal Service Reviews</b>	<b>1 x \$2,000 =</b>	<b>\$2,000</b>
<b>Out of Boundary Services</b>	<b>2 x \$778 =</b>	<b>\$1,556</b>

**Total** **\$24,288**

**TOTAL REVENUE: **\$152,767****

---

<sup>1</sup> 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.