

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

AGENDA ITEM NO. 9

DATE: March 9, 2022

TO: Fresno Local Agency Formation Commission

FROM: David E. Fey, Executive Officer 

SUBJECT: Preliminary Budget and Work Plan for Fiscal Year 2022-23.

RECOMMENDATION: Receive Report and Provide Direction.

Executive Summary

The fiscal year ("FY") 2022-23 LAFCo preliminary budget estimate is summarized in Attachment "A" and the preliminary 2022-23 work plan is presented in Attachment "B" for the Commission's consideration and direction to staff.

The FY 2021-22 budget is \$635,476. At this time, fee revenue is approximately \$12,000 below projections and expenses as a whole are projected to close under budget.

The Commission's adopted an operational reserve of \$150,000. Staff estimates a preliminary FY 2022-23 budget of approximately \$625,000, an increase of approximately \$23,000 from FY 2020-21.

This preliminary estimate will be further refined based on continuing staff analysis and Commission direction leading up to the presentation of the final budget in May.

A proposed budget and work plan will be presented to the Commission on April 13, 2022, and a final budget and work plan will be presented to the Commission at its May 11, 2022, hearing. The distribution of the preliminary budget is limited. However, in accordance with Government Code ("GC") sec. 56381, the proposed and final budgets will be distributed to all local agencies and the County Administrative Officer.

Overview of Budget Process

GC section 56381(a) states, "The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter."

The Commission's *Financial and Accounting Procedures* stipulate that "In order to get an early start on the budget and allow for careful consideration of the budget options, the Executive Officer will present a preliminary budget to the Commission in March of each year in order to obtain advance direction from the Commission." The Commission's budget is based on a July 1st to June 30th fiscal year.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") authorizes the operational costs of LAFCo to be shared one-half by the County and one-half by cities where only the County and cities are represented on the Commission. In the event that special districts choose to be represented on the Commission, LAFCo funding would then be shared one-third by the County, cities, and the special districts or by an alternative method approved pursuant to GC sec. 56381(b)(4).

LAFCo's operational expenses are augmented by fees established by the Commission in accordance with section 56383 of the GC for services rendered to process applications for annexations, reorganizations, and detachments, as well as other LAFCo actions.

Preliminary Summary of FY 20-21 Budget to Close

Revenue

FY 21-22 anticipated \$635,476 in revenue, comprised of a net allocation of \$321,423 (\$160,716 from both the County and the 15 cities), \$85,000 anticipated in application fees, and a fund balance contribution of \$229,044. Fee revenue is currently approximately \$12,000 below projections.

Expense - Office Operations

FY 21-22 budgeted office operations for \$110,650 and is estimated to close at approximately \$87,000. Contributing factors include not expending budgeted funds for the office move, cancellation of CALAFCO staff workshop and the annual conference and a reduction in office expenses attributed to COVID-related telecommuting.

Expense - Personnel

FY 21-22 personnel expenses were budgeted for \$455,176 and are estimated to close at approximately \$384,000. Reduced expenditures are attributed to loss of two staff and transitioning an intern to replace the Analyst I; and transition of employee bookkeeper to a contracted bookkeeper. The Commission authorized increases to the executive officer salary and benefit as of January 1.

Expense - Consulting Services

FY 21-22 Consulting services expenses were budgeted for \$69,650 and are estimated to close at \$82,600. This increase is largely due to the mid-year contract with Sierra HR to perform the executive officer recruitment, funded by a \$22,500 expenditure from the Commission's

reserve; the transition of the Commissions' employee bookkeeper to a contractor (essentially a transfer of \$1,700 between Personnel and Consulting Services accounts with modest savings) Contributing factors include reduced expenditures for bookkeeping service as LAFCo's contract bookkeeper became a part time employee and reduced billing for LAFCo counsel. Other reduction in expenses are attributed to reduced application tempo resulting in lower billing for professional services from County staff.

Preliminary FY 2022-2023 Budget

Preliminary FY 22-23 budget estimate is approximately \$511,500, comprised of the following:

Revenue

The preliminary FY 2022-23 revenue forecast is approximately \$625,000, with an estimate of County and cities' contribution of approximately \$213,000, respectively, \$70,000 in application fees and a fund balance contribution of \$0 and a contribution from reserve of approximately \$21,800.

Expenses – Personnel

The preliminary personnel expense forecast is approximately \$358,000. This figure assumes:

- senior analyst position is not filled;
- merit-based step increases for two permanent staff;
- reduced hours for part time student intern; and
- new executive officer compensation equivalent to current salary/benefits.

Expense - Office Operations

The preliminary office operations expense forecast is approximately \$91,200. This figure reflects the contracted increase to LAFCo's office lease and planned increase in CALAFCO dues. Expenses have been reduced by not attending the fall 2022 CALAFCO annual conference and deleting the \$3,000 contingency fund. The latter is proposed to be reduced because its use is similar to the Commission's reserve.

Expense - Consultant Services

The preliminary consulting services expenses forecast is \$62,500. This figure assumes reduced billing from County professional services based on anticipated reduction in application revenue.