
FRESNO LOCAL AGENCY FORMATION COMMISSION
EXECUTIVE OFFICER'S REPORT

AGENDA ITEM NO. 9

DATE: January 12, 2022
TO: Fresno Local Agency Formation Commission
FROM: David E. Fey, Executive Officer 
SUBJECT: Workshop on a Mid-Year Budget Review and Work Program Status for Fiscal Year 2021-2022.

RECOMMENDATION: Receive and file, provide direction as needed; chair to appoint a budget committee to provide

Executive Summary

This report presents the mid-fiscal year status of the Commission's annual budget and progress made on projects in the approved annual work program. The budget analysis has been prepared with data from November 2021 that has been extrapolated through calendar 2021.

At mid-year, revenue and expenses are generally on track with the adopted budget at mid-year:

- 100% of County and City allocations have been received (\$321,432);
- 78% of estimated fee revenue has been received (\$65,950 of \$85,000);
- Estimated office expenditures \$52,336 or 47% of \$110,650 approved;
- Estimated personnel expenditures \$186,528 or 41% of \$445,176 approved; and
- Estimated consultant services expenditures \$14,654 or 21% of \$69,650 approved.

Overall work program projects are lagging at mid-year due to loss of staff and a focus on application-generated work.

Discussion

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") requires the Commission to adopt a draft budget each year by May 1st and a final budget by June 15th. The Commission adopted its annual budget and work program at its hearing on June 10, 2020.

The Commission's part-time bookkeeper updates LAFCo's financial data and provides bookkeeping services monthly.

Commission business is guided by LAFCo's *Financial and Accounting Procedures* and by

CKH. Pursuant to these procedures, "The Executive Officer shall serve as the budget administrator, to prepare, present, transmit, review, execute, and maintain the LAFCo budget consistent with State Law and Commission policy. The Executive Officer shall provide the Commission with a mid-year budget report comparing expenditures to the adopted budget."

Overview of Mid-Year Budget

As shown in Attachment "A," the Commission has an approved budget of \$635,476 which includes \$321,432 from contributions by the County (\$160,716) and the 15 cities (\$160,716 apportioned by their annual budgets), \$229,044 authorized to be contributed from the fund balance, and \$85,000 in projected fee revenue.

The Commission has an approved reserve of \$150,000 and a legal reserve of \$50,000.

Mid-year revenue is estimated to be \$387,382, composed of the County and the 15 cities' allocations and \$65,950 in application fee revenue.

Mid-year expenses are estimated to be \$253,518, or approximately 40% of approved expenses.

Overview of Mid-Year FY 2021-2022 Work Program

Work Item 1. Conduct Biennial Financial Audit (FY 2019-20)

On October 13, 2021, the Commission approved an agreement for services with Sampson, Sampson & Patterson, LLP to perform LAFCo's biennial financial audit for FY 2019-2020. The auditor has secured requested documents and has started work on the financial audit. Staff anticipates completion of the work and presentation to the Commission by the second quarter of calendar 2022.

Work Item 2. Application Processing

Application processing is a core service in that staff evaluates applications for consistency with CKH and adopted policies to promote orderly growth. The Commission, in its determination of local agency boundaries, will be balancing that development with sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services.

In the event of a conflict of staff resources between application and programmatic activities application processing will take priority.

Status at mid-year

- 8 applications have been submitted in FY 21-11: One was submitted concurrently with a SOI amendment application (CSA 32, LAFCo file no. AD-21-01);
- 6 applications for reorganization applications have been approved;
- 4 applications for reorganization are in progress;
- 2 extension of service applications (both city of Fresno) have been approved by the executive officer.

In addition to annexation applications, several application driven SOI amendments are underway or have been processed: the City of Firebaugh MSR/SOI/annexation and the City of Kerman MSR/SOI.

A significant application-driven project has been the Sierra Resource Conservation District's combined SOI/annexation applications. These proposals met substantial resistance from three affected irrigation districts and the Kings River Conservation District. All expressed concerns about overlap of responsibilities and potential resource management conflicts. During the preparation of the MSR, staff facilitated dialog between the applicants and the districts with the goal to resolve the potential conflicts prior to Commission hearing. The ultimate resolution of the affected districts' concerns came from agreements between these agencies and the SRCD to address their various concerns.

Work Item 3. Fresno LAFCo's Municipal Service Review Program

The MSR program is a core service of the Commission. As the foundation for the update of a sphere of influence, a MSR is the analysis of the service or services to be provided by a local agency and consists of a written conclusion, or "determinations" based on evidence collected by LAFCo. MSRs conclude with recommendations based on this body of evidence that encourage order, logic, and efficient service delivery by local agencies.

Though the COVID-19 pandemic has interrupted communication with the subject special districts, and work on programmatic MSRs has largely been deferred to process application driven projects described earlier, staff has completed preliminary outreach to the "first priority MSRs" that were held over from FY 2019-20 (Coalinga-Huron Mosquito Abatement District; Consolidated Mosquito Abatement District; Central Valley Pest Control District; West Fresno County Red Scale Protective District (the District has not responded constructively to staff's data requests. More effort will be necessary to assemble the data needed for a complete MSR).

Loss of staff to other agencies has hindered the progress of the MSR program as all available resources have been assigned to application-driven projects.

Work Item 4. Continue Support to Local Agencies and the Public

The amount of local agency and developer calls for assistance and information has declined significantly when compared with the past two years. Nevertheless, the City of Fresno has remained the primary source of calls. Many of these pertain to otherwise routine annexations

that have become complicated given the lack of a property tax revenue sharing agreement between the City and the County.

Work Item 5. Comprehensive Review and Update of the Fresno LAFCo Policy Manual

Staff has prepared an administrative draft policy manual amendment. Given current staffing constraints, this work item has not yet been scheduled for review by the Commission.

Work Item 6. Evaluate Office Move

Staff considered moving its office and resolved that the project was underfunded. The Commission has extended its current lease to 2023. Will recommend to new EO to evaluate and plan funding for a move if necessary