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

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AGENDA ITEM NO. 9

**DATE:** June 8, 2022

**TO:** Fresno Local Agency Formation Commission

**FROM:** Brian Spaunhurst, Executive Officer 

**SUBJECT:** Final Budget and Work Plan for Fiscal Year 2022-23

**RECOMMENDATION:** Adopt the Final Budget and Work Plan for Fiscal Year 2022-23.

**Executive Summary**

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

The FY 2021-22 budget is \$635,476. At this time, fee revenue is approximately \$2,000 below projections and overall expenses are projected to close under budget.

Staff estimates a final FY 2022-23 budget of approximately \$521,562. The County and cities' allocation is final at \$253,955 respectively.

Though the final budget is lower than earlier fiscal years, it proposes a higher County and cities' allocation. This reflects less available fund balance to reduce this expense. Further, staff projects lower application fee revenue assuming that the City of Fresno and Fresno County do not agree on a comprehensive property tax revenue sharing agreement in the next fiscal year.

In accordance with Government Code ("GC") sec. 56381, the final budget has been 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 proposed 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. If 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 application fees established by the Commission in accordance with GC sec. 56383 for services rendered to process applications for annexations, reorganizations, and detachments, as well as other LAFCo actions.

### **Final 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 \$2,000 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 \$410,845. Reduced expenditures are attributed to the mid-year loss of two senior staff (though the net reduction was offset by payout of their PTO) and transitioning an intern to a full-time entry analyst position. The Commission authorized an approximately \$5,600 increase of the existing executive officer's compensation as of January 1, 2022.

#### **Expense - Consulting Services**

FY 21-22 Consulting services expenses were budgeted for \$69,650 and are estimated to close at \$79,705. 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), and reduced billing by LAFCo counsel. Other reductions in expenses are attributed to reduced application tempo resulting in lower billing for professional services from County staff.

### **Final FY 2022-2023 Budget**

Final FY 22-23 budget estimate is approximately \$585,801, comprised of the following:

#### **Revenue**

The final FY 2022-23 revenue forecast is \$585,801, with an estimate of County and cities' contribution of approximately \$251,138, respectively, \$60,000 in application fees, a contribution from operational reserve, and a reduction of approximately \$25,000 of legal/special counsel reserve, leaving \$100,000 in reserve. The reduction of legal/special counsel reserve was made in consultation with LAFCo Counsel.

#### **Expenses – Personnel**

The final personnel expense forecast is approximately \$423,778. This figure assumes:

- Continued funding of the existing analyst position;
- Replacing a senior analyst position with an analyst I position;
- Merit-based step increases for two permanent staff consistent with current schedule of salaries;
- Continued funding of a part time student intern; and
- New executive officer compensation/salary/benefits; and
- Quarter-time funding of the former executive officer on a part time consulting basis.

#### **Expense - Office Operations**

The final office operations expense forecast is \$100,073. This figure reflects the contracted increase to LAFCo's office lease and planned increase in CALAFCO dues.

\$6,900 in training and education expenses is recommended, largely associated with staff's participation in the 2023 CALAFCO staff workshop. Also, only the executive officer is budgeted to attend the fall 2022 CALAFCO annual conference.

#### **Expense - Consultant Services**

The final consulting services expenses forecast is approximately \$61,950. This figure assumes reduced billing from County professional services based on anticipated reduction in application revenue.

Options Available

The Commission has the option to reduce personnel expenditures in FY 22-23 by not including the departing executive officer's quarter time (\$40,981) and the additional analyst position (\$70,145), the effect of which is as follows:

<b>SUMMARY OF BUDGET OPTIONS</b>	<b>Final FY 22-23 Budget</b>
ALLOCATION COUNTY	195,575
ALLOCATION CITIES	195,575
APPLICATION FEES	60,000
MISC. RECEIPTS	0
AUTH. FUND BALANCE CONTRIBUTION	
AUTH. CONTRIBUTION FROM RESERVES	23,525
<b>Total</b>	<b>474,675</b>

**ATTACHMENT A**

<b>FINAL FY 22-23 BUDGET</b>			
Updated 6-1-22			
<b>REVENUE SUMMARY</b>	<b>Adopted FY 21-22 Budget</b>	<b>Estimate to Close FY 21-22</b>	<b>Final FY 22-23 Budget</b>
ALLOCATION COUNTY	160,716	160,716	251,138
ALLOCATION CITIES	160,716	160,716	251,138
APPLICATION FEES	85,000	82,926	60,000
AUTH. FUND BALANCE/RESERVE CONTRIBUTION	229,044	173,024	23,525
<b>Total</b>	<b>635,476</b>	<b>577,996</b>	<b>585,801</b>
<b>EXPENDITURE SUMMARY</b>			
EXPENDITURE - OFFICE OPERATIONS	110,650	87,446	100,073
EXPENDITURE - PERSONNEL	455,176	410,845	423,778
EXPENDITURE - CONSULTING SERVICES	69,650	79,705	61,950
<b>Total</b>	<b>635,476</b>	<b>577,996</b>	<b>585,801</b>

**Expenditure Subcategories**

<b>EXPENDITURE - OFFICE OPERATIONS</b>	<b>Adopted FY 21-22 Budget</b>	<b>Estimate to Close FY 21-22</b>	<b>Final FY 22-23 Budget</b>
Office Operations Expense	3,500	1,800	3,500
Office Lease	45,504	45,504	47,000
Office move expenses	5000	0	0
Liability Insurance	14,500	15,206	16,000
Copier Maintenance-Equipment	750	750	750
Postage	1,500	500	1,500
Publication & Legal Notices	2,500	2,550	2,500
Postage Equipment Rental	500	300	500
Staff Mileage	200	50	200
Commission Hearing Expenses	6,936	6,936	6,936
Commission and Staff Education/Training	16,000	90	6,900
Contingency Fund Expenses	3,000	3,000	3,000
Professional Memberships	10,760	10,760	11,287
<b>Total Office Operations</b>	<b>110,650</b>	<b>87,446</b>	<b>100,073</b>

<b>EXPENDITURE - PERSONNEL</b>	<b>Adopted FY 21-22 Budget</b>	<b>Estimate to Close FY 21-22</b>	<b>Final FY 22-23 Budget</b>
Executive Officer - Outgoing			
Subtotal	182,723	188,343	40,981
Executive Officer - Incoming			
Subtotal		12,068	147,544
Clerk to the Commission II			
Subtotal	75,708	75,708	78,043
Senior LAFCo Analyst			
Subtotal	92,521	43,487	0
LAFCo Analyst I			
Subtotal	78,568	76,356	59,872
LAFCo Analyst I (proposed)			
Subtotal			70,145
Intern			
Subtotal	22,557	13,039	26,018
Consulting Bookkeeper			
subtotal	3,100	1,231	1,175
<b>Total Personnel</b>	<b>455,176</b>	<b>410,231</b>	<b>423,778</b>

<b>EXPENDITURE - CONSULTING SERVICES</b>	<b>Adopted FY 21-22 Budget</b>	<b>Estimate to Close FY 21-22</b>	<b>Final FY 22-23 Budget</b>
Payroll Services	2,200	2,200	2,200
HR Consultant, HR Services	0	1,700	3,300
HR Consultant, Recruiter	0	20,000	0
Independent Financial Audit	10,000	10,000	0
Bookkeeping Service	0	855	0
Fr Co Auditor-Controller	2,200	2,200	2,200
Fr Co Assessor	4,500	1,500	2,500
LAFCo Counsel	20,000	12,000	20,000
Fr Co Elections	250	250	250
Fr Co Health	2,000	500	1,000
Fr Co PeopleSoft Financial Charges	500	500	500
Fr Co Data and Telephone Services	28,000	28,000	30,000
<b>Total Consultant Expenses</b>	<b>69,650</b>	<b>79,705</b>	<b>61,950</b>

**FINAL FY 2022-23 WORKPLAN  
June 8, 2022**

**1. PROCESS APPLICATIONS, REORGANIZATIONS AND CITIES' SOI AMENDMENTS**

**Final budget implication: application fees will fund this activity.**

Proposals under discussion but not submitted include City of Firebaugh SOI amendment and annexation, City of Clovis McFarlane annexation, Widren Water District consolidation with the Westlands Water District, CSA 32 (Cantua Creek) SOI amendment and annexation, FMFCD SOI update to include SEDA and annexation of same, City of Clovis Ashlan-Thompson SE (Manny Penn), City of Fowler annexation, City of Kingsburg SOI amendment and annexation, City of Sanger Academy Avenue corridor annexation Malaga County Water District SOI amendment and annexation, City of Kerman SOI amendment and annexation.

**2. SPECIAL DISTRICT DISSOLUTIONS: WESTSIDE RESOURCE CONSERVATION DISTRICT AND ZALDA RECLAMATION DISTRICT**

**Final budget implication: expenses related to staff time on the WRCD dissolution, noticing, are potentially reimbursable from district funds held in trust by the state; ZRD dissolution is anticipated to be application based.**

The WRCD and ZRD are both inactive special districts. Pursuant to the Commission's October 13, 2021, workshop, dissolution proceedings will be pursued in accord with the WRCD board's resolution of dissolution that was conveyed to LAFCo in anticipation of submission of a complete application. ZRD dissolution proceedings are anticipated to be based on an application form, or in cooperation with the Kings River Conservation District.

**3. FRESNO LAFCO'S MUNICIPAL SERVICE REVIEW PROGRAM**

**Final budget implication: this activity can be funded from LAFCo's operating account.**

On November 5, 2014, the Commission adopted its MSR program. The goal of the Fresno LAFCo MSR program is to provide cities and special districts with an assessment of their provision of services, make recommendations regarding areas of improvement, and determine whether an agency is equipped to effectively provide services within its existing or expanded SOI.

A MSR is necessary for an update of a SOI pursuant to GC sec. 56430.

Fresno LAFCo's 132 MSRs are informally categorized in three "generations:"

- **"1.0" MSRs** are the first generation of MSRs adopted in 2007. These are the first MSRs performed; they are generally brief, frequently conclusory, and may not have been developed with the cooperation of the affected local agency.

- **“1.5” MSR**s are second generation MSR's that were updated between 2008 and 2014. These MSR's may present more analysis of the affected local agency as staff's experience preparing MSR's grew (locally and statewide through the CALAFCO community).
- **“2.0” MSR**s are MSR's that have been updated pursuant to the Commission's 2014 MSR Policy. The 2.0 MSR's present more complete and comprehensive data and analysis in compliance with the 2014 MSR Policy.

Since adoption of the Commission's 2014 MSR Program, this Commission has adopted a total of 52 2.0 MSR's in conjunction with the update of affected local agencies' SOI. Table 1-1 shows the Commission's MSR inventory by MSR “generations.”

**Table 1-1, Fresno LAFCo MSR inventory by Generation**

Municipal Service Review Program	MSRs by Generation			Total MSRs
	1.0	1.5	2.0	
Special District MSRs by Generation	18	53	45	116
City MSRs by Generation	7	1	7	15
<b>Total MSRs by Generation</b>	<b>25</b>	<b>54</b>	<b>52</b>	<b>131</b>

#### Summary of Remaining 1.0 MSRs

Of the remaining 18 special district 1.0 MSR's, the following types of special districts hold the largest number of 1.0 MSR's:

- 6 Irrigation Districts,
- 4 Mosquito Abatement/Pest Control Districts
- 3 Community Service Districts,
- 2 California Water Districts
- 1 Hospital District
- 1 Levee District
- 1 County Water District

Staff recommends that the Commission's work plan continue to prioritize the update of the remaining 2007 special district MSR's (AKA the “1.0 MSR's”) when staff resources are available and not committed to application driven MSR's and SOI updates.

The remaining MSR's are proposed for FY 22-23 as follows. Progress on this list depends on the availability of staff resources not already committed to application based MSR's:

- Central Valley Pest Control District
- West Fresno County Red Scale Protective District
- Coalinga-Huron Mosquito Abatement



- Consolidated Mosquito Abatement
- Fresno Mosquito and Vector Control
- Fresno Westside Mosquito Abatement
- Lower San Joaquin Levee District
- 12 County Service Areas
- Six County Waterworks Districts

**4. MSR Assessment of MSR Recommendation Follow-Through**

**Final budget implication: this activity can be funded from LAFCo's operating account.**

This work is a progression of a project developed by LAFCo intern Kaylie Griffin. The project was to compile all MSR recommendations approved by the Commission since 2007 in a single database. Recommendations were based on specific determinations to enhance the agencies' order, logic, and efficient service delivery and progress on these recommendations will be of interest to the Commission. This database will facilitate the assessment of each local agency's follow through. Staff will provide each agency with the recommendations and request what progress has been made.

**BACKGROUND ON FRESNO LAFCO'S WORK PLAN**

Fresno LAFCo's Financial and Accounting Procedures specify that before July 1, the LAFCo Executive Officer shall prepare for the Commission's review and approval of an annual work plan. The work plan is prepared in conjunction with the annual budget. The work plan identifies the purposes and plans of state law and local policy, including requirements for service reviews, sphere of influence updates, and other mandated functions. The budget supports the work program.

This work plan reflects the Fresno LAFCo's Policies and Procedures and the current and the dynamic needs of the local agencies in Fresno County. The work plan is composed of projects to be undertaken directly by LAFCo staff during the year.

The work plan is developed to advance the goals and mission of Fresno LAFCo, consistent with state law.

**I. SCOPE OF WORK PLAN**

The scope of the work plan is consistent with the legislature's findings and declarations:

- It is the policy of the state to encourage orderly growth and development, which are essential to the social, fiscal, and economic well-being of the state.
- The logical formation and determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services.

- Providing housing for persons and families of all incomes is an important factor in promoting orderly development.
- This policy should be affected by the logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the expansion of, the boundaries of those local agencies which can best accommodate and provide necessary governmental services and housing for persons and families of all incomes in the most efficient manner feasible.
- The Legislature also finds that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.

## II. PROJECTS OF THE WORK PLAN

The projects are identified to address important issues identified by the Commission in its initial Policies, Standards, and Procedures Document, adopted in 1986 or as revised. Fresno LAFCo identified the following list of problems and needs locally, which pertain to the Commission's responsibilities, and developed policies, standards and procedures in this document in order to help resolve the problems and meet needs within the Commission's jurisdiction:

1. Proliferation of overlapping and competing local agencies.
2. Need for more cooperation/coordination among local agencies.
3. Inadequate level or range of services in county/community.
4. Inadequate revenue base or adverse fiscal impacts for local agencies.
5. Illogical, gerrymandered agency boundaries, islands, surrounded areas.
6. Illogical agency service areas.
7. Conflicts between urban and rural/agricultural land uses.
8. Premature proposals and lack of development proposals.
9. Phasing of agency expansion/growth.
10. Determining environmental effects of proposals.
11. Determining consistency with city or county general plans.
12. Urban sprawl and leapfrog urban development.
13. Guiding urban growth away from prime agricultural lands.
14. Defining agricultural lands and open space lands.
15. Opposition of proposals by residents and popularity of proposals by landowners/developers.
16. Provision of adequate noticing of LAFCO hearing and conducting authority hearing.

On February 18, 2015, the following Special District issues were presented to the Commission:

1. No adopted annual budget, by-laws, or procedures.
2. No services.
3. District board nonfeasance.
4. Special district is the subject of a Grand Jury reports.
5. Lack of staff or staff lacks technological/managerial/financial (T/M/F) expertise.

6. Board members fulfill both policy and operational functions.
7. Lack of coordination of similar services between and among different special districts.
8. Lack of transparency and/or Brown Act compliance.
9. Changing demographics, antiquated mission.
10. The special district does not cooperate with LAFCo on the MSR.

Other special district issues have since emerged:

11. The district board frequently lacks a quorum.
12. Board members lack technical, managerial, and/or financial expertise.
13. Board members continue to serve after terms expire (though frequently permitted by the district's principal act).
14. District does not file annual financial statements with County Auditor Controller Treasurer Tax Collector.

### III. WORK PLAN CONFORMITY WITH FRESNO LAFCo GOALS

The work plan is refined annually to conform to Commission's adopted goals:

1. Encouraging orderly formation and development of agencies;
2. Encouraging consistency with spheres of influence and recommended reorganization of agencies;
3. Encouraging orderly urban development and preservation of open space patterns;
4. Encouraging conservation of prime agricultural lands and open space areas;
5. Providing public access to the Commission via the internet; and
6. LAFCo disadvantaged communities' policy.