

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

AGENDA ITEM No. 6

DATE: March 8, 2017
TO: Local Agency Formation Commission
FROM: David E. Fey, AICP, Executive Officer 
SUBJECT: Preliminary Budget and Work Plan for Fiscal Year 2017-18

RECOMMENDATION: Receive and Provide Direction

Executive Summary

The fiscal year (FY) 2017-18 LAFCo preliminary budget estimates are summarized in Exhibit "A" and the preliminary 2017-18 Work Plan is presented in Exhibit "B" for the Commission's consideration, comment, and direction to staff with respect to any recommended changes that the Commission may choose to incorporate into the proposed budget and work plan that will be presented to the Commission on April 12, 2017. Staff will present a final budget to the Commission at its May 10, 2017 hearing.

Staff anticipates that the FY 2016-17 budget will close at or below the approved budget of \$571,336, largely due to lower personnel expenses. Application fee revenue is expected to close approximately \$28,000 lower than projected.

The preliminary budget continues the Commission's practice of maintaining an operational reserve of \$100,000. Staff estimates a preliminary FY 2017-18 budget of approximately \$546,830, a potential decrease of \$24,500 from FY 2016-17.

This preliminary estimate will be further refined based on continuing staff analysis and Commission direction.

Staff will present a "Proposed Budget" that reflects the Commission's comments and direction at its April hearing, and a "Final Budget" for Commission approval in May.

Overview of Budget Process

California Government Code 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 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 section 56381(b)(4) of the California Government Code.

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

Summary of FY 16-17 Budget to Close

Revenue

FY 16-17 anticipated \$571,336 in revenue, comprised of \$200,779 from both the County and the 15 cities, \$68,500 anticipated in application fees, and an available fund balance contribution of \$99,778. Staff anticipates that FY 16-17 fee revenue will close \$28,000 lower than projected.

Expense - Office Operations

FY 16-17 budgeted office operations for \$93,045 and are estimated at this point to close at \$85,048, less \$7,997. In addition to not having used the \$3,000 contingency fund, other line items projected to close under budget are postage, staff mileage, and commission and staff education.

Expense - Personnel

FY 16-17 personnel expenses were budgeted for \$380,936 and are estimated to close at \$328,939, under by \$51,997. Contributing factors included a budget position for an intern was not filled (\$16,500) and the retirement of the Clerk to the Commission (\$32,000).

Expense - Consultant Services

Consulting services expenses were budgeted for \$97,354 and are estimated to close approximately \$15,000 below that amount, generally attributable to lower than anticipated expenses of the Fresno County GIS services for LAFCo mapping services.

Summary of Preliminary FY 17-18 Budget and Work Plan

Revenue

The preliminary FY 2016-2017 revenue forecast is \$546,830, with a preliminary estimate of County and cities’ contribution of \$201,387, respectively, and \$40,000 in application fees. The preliminary revenue includes a fund balance contribution of \$104,056 as well.

Expenses – Personnel

The preliminary personnel expense forecast is \$372,224.

Expense - Office Operations

The preliminary office operations expense forecast is \$92,252.

Expense - Consultant Services

The preliminary consulting services expenses forecast is \$82,354.

Preliminary FY 2017-18 Work Plan

The preliminary budget supports the Commission's role as an independent planning and regulatory agency whose purposes are to encourage the orderly formation of local governmental agencies, preserve agricultural land resources, and discourage urban sprawl. The Commission's work plan represents projects and activities that fulfill its goals and objectives. The budget represents the funding to accomplish projects important to the Commission.

A preliminary FY 2017-18 Work Plan is attached as Exhibit "B," consistent with the analysis presented in this report. It contains ongoing assignments such as the MSR program, application processing and consultation and facilitation to local agencies and the public. Three projects from FY 15-16 that were started but not completed are recommended for the FY 17-18 Work Plan: a comprehensive examination and update of Fresno LAFCo's current Policies and Procedures manual, an application fee analysis, and the Ag preservation policy committee.

Individuals and Agencies Receiving this Report

- Ken Price, LAFCo Counsel

Note: The distribution of the preliminary budget is limited. However, in accord with CKH sec. 56381, the April 2017 proposed budget would be distributed to a larger number of local agencies and County departments.

FRESNO LAFCo PRELIMINARY FY17-18 BUDGET SUMMARY
03/08/17

#	REVENUE SUMMARY	Approved FY 16/17 Budget	Actual to date	Preliminary Estimate to Close FY 16/17	Preliminary FY 17/18 Budget
10100	ALLOCATION COUNTY	200,779	200,779	200,779	201,387
10200	ALLOCATION CITIES	200,779	200,779	200,779	201,387
10300	APPLICATION FEES	68,500	31,050	40,000	40,000
10700	MSR CONTRACT ADMINISTRATION	1,000	0	1,000	0
10800	SPECIAL HEARINGS	0	0	0	0
10900	MISC. RECEIPTS	500	0	0	0
	AUTH. FUND BALANCE CONTRIBUTION	99,778	0	72,831	104,056
	Total	571,336	432,608	516,289	546,830
EXPENDITURE SUMMARY					
51000	EXPENDITURE - OFFICE OPERATIONS	93,045	53,590	85,048	92,252
52000	EXPENDITURE - PERSONNEL	380,936	192,894	328,939	372,224
53000	EXPENDITURE - CONSULTING SERVICES	97,354	38,942	82,354	82,354
	Total	571,335	285,425	496,341	546,830

PRELIMINARY 2016-17 LAFCO WORK PLAN
April 8, 2017

Introduction

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 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.

This work plan reflects the Fresno LAFCo's policies, procedures, 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 state's interests, the Commission's issues and goals.

I. The scope of the work plan is developed to be 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 effected 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. 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. 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 issues have emerged since that time:

11. District board lacks quorum.
12. Board members lack T/M/F expertise.
13. Board members continue to serve after terms expire.

III. The work plan is refined to conform to Commission 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.

2017-18 Work Plan Items

Continue the Municipal Service Review Program

Summary: the MSR Program is currently the most important function of the Fresno LAFCo; LAFCo exercises a unique statutory authority in the implementation of its MSR Program.

Municipal Service Reviews are the only independent 'governance audit' performed locally, regularly, and intended to coordinate services among and between local agencies. The MSR program

supports the respective missions of local agencies, improves service delivery efficiencies, and enhances accountability of local agencies.

Pursuant to Commission direction and policy for an assertive MSR program, staff developed an ambitious schedule of MSR updates for all local agencies. Given the effects of the more complex and in depth MSRs 2.0, this schedule has been amended and is now a sequence of MSR updates.

The program has resulted in increasing order and efficiencies for LAFCo, the subject local agencies, and allied local and state agencies. Nearly all of the current MSRs have revealed one or more issues of local agency operation that warrants determinations and supportive recommendations. The issues raised have included lack of compliance with Principal Acts, lack of compliance with Brown Act, inconsistent boundaries, and other things that can negatively influence service delivery efficiencies.

Application Processing (Pre-applications / Applications)

Annexations, detachments, extensions of service, spheres of influence updates, and other district modifications that are requested by local agencies and the public, as well as any activities initiated by the Commission will be processed in accordance with statute and policy.

Staff may engage in incidental changes to the LAFCo website and documents presented therein to increase application processing efficiencies.

Consultation and facilitation to local agencies and the public

This accounts for the many requests for information, interpretation, advice, and project facilitation that arise.

Local Agency Outreach

Staff will contact all local agencies and offer to attend council and board meetings to explain the role of LAFCo, Spheres of influence, Reorganizations, MSRs, and Annexations. In addition, pursuant to the adopted Annexation Program Guidelines, staff will offer an Annexation Program Workshop to local agency staff and the development community. This work item includes continued participation with the emerging local chapter of the California Special District Association.

This work item is proposed to replace the spring "LAFCo 101" workshops.

Application Fee Analysis

This project will evaluate the Commission's application fees: do the current fees balance expenses associated with application processing; the state of subsidiary expenses (such as services provided through the Professional Services Agreement with Fresno County). This work item will also collect and analyze data to determine the fiscal implications of waiving application fees.

Water Policy Development and Ad Hoc Committee

This work item was added by the Commission in 2016.

Agricultural Preservation Policy Development and Ad Hoc Committee

This project began in FY 15-16 and has been in abeyance until the completion of the water policy development work item.

G:\LAFCO WORKING FILES\000 HEARINGS\2017\MARCH 8, 2017\Work Plan Exhibit B.docx