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

AGENDA ITEM NO. 8

DATE: June 10, 2020

TO: Fresno Local Agency Formation Commission

FROM: David E. Fey, Executive Officer 

SUBJECT: Final Budget and Work Plan for Fiscal Year 2020-2021

RECOMMENDATIONS:

1. Adopt the attached resolution approving a final budget and work plan for fiscal year 2020-2021 (Attachment "A");
2. Adopt the attached resolution amending the LAFCo salary resolution to add the position of LAFCo bookkeeper (Attachment "B").

Executive Summary

The adopted fiscal year ("FY") 2019-20 budget is \$587,979. Staff anticipates that FY 2019-20 revenue will close above expenses and expenses are projected to close below the approved budget.

Staff estimates a final FY 2020-21 budget of \$602,358. The final budget continues the Commission's practice of maintaining an operational reserve of \$100,000.

The resolution approving LAFCo's FY 2020-21 budget and work plan is presented as Attachment "A." Pursuant to Commission direction, a resolution amending the LAFCo salary resolution to add the position of LAFCo bookkeeper presented as Attachment "B."

In accordance with Government Code ("GC") sec. 56381, the final budget was distributed to the Fresno County Board of Supervisors, all local agencies in the County, and the County Administrative Officer on May 8, 2020. The final budget will likewise be distributed to these parties prior to the Commission's June hearing.

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." Commissioners will recall that the March meeting was cancelled due to the declared COVID-19 emergency with all items moved to the April meeting.

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 LAFCo's operational expenses to be allocated 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 independent 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 section 56381(b)(4).

The gross County/cities' allocation is reduced by application fee revenue established by the Commission in accordance with GC sec. 56383 for services rendered to process applications for annexations, detachments, sphere of influence amendments, as well as other LAFCo actions, and by a fund balance contribution authorized with each budget by the Commission.

Summary of FY 19-20 Budget to Close

Revenue

The FY 19-20 budget anticipated \$587,979 in revenue comprised of \$198,912 from both the County and the 15 cities, \$70,000 in application fees, and an authorized fund balance contribution of \$120,155.

Projected application fee revenue is expected to close at \$150,610. Though higher than the adopted budget, this projection is lower than presented in the preliminary budget in April due to the disruption of fee-generating development activity brought on by local and state COVID-19 shelter-in-place orders.

\$362 that was identified as "miscellaneous revenue" in the preliminary budget was has been moved to the application fee revenue account. These funds were provided by the Firebaugh Canal Water District for noticing expenses associated with the re-activation of the Silver Creek Drainage District and the Firebaugh Resource Conservation District.

Expense - Office Operations

FY 19-20 budgeted \$98,481 for office operations. The final budget estimates that this category will close at \$84,316.

The reduction is attributed to reduced expenditures from not having held several LAFCo hearings, cancellation of the CALAFCO staff workshop, no contingency expenses requiring Commission authorization, and reduced postage expenses.

Expense - Personnel

FY 19-20 personnel expenses were budgeted for \$413,623 and are estimated to close at \$415,307.

Most of the overage is attributed to the Executive Officer's compensation being negotiated after the budget was adopted, though some savings were found by updating the calculations for workers compensation and unemployment insurance.

Expense - Consultant Services

FY 19-20 Consulting services expenses were budgeted for \$75,874 and are estimated to close at \$58,675.

Most of the reduction is attributed to reduced billing from various County departments.

Final FY 20-21 Budget (Attachment "A," Exhibit 1)

Revenue

The final FY 2020-21 revenue estimate is \$602,358 with an estimated County and cities' respective contribution of \$175,054, \$70,000 in application fees, and a fund balance contribution of \$182,250.

Expenses – Personnel

The final personnel expense estimate is \$436,056.

This figure reflects merit-based step increases for staff pursuant to the Commission's 2019 Salary Resolution and the recommendation of the Executive Officer performance evaluation committee presented at the Commission's May hearing for a 5% salary increase for the Executive Officer.

Approval of the budget resolution by the Commission will constitute a corresponding amendment of the Executive Officer's employment agreement.

The final personnel estimate also reflects additional expenses of a bookkeeper as a LAFCo employee pursuant to the Commission's April 2020, direction given in response to the implications of AB 5. A resolution amending the LAFCo 2019 Salary Resolution to include a position description and expense for the bookkeeper is attached as **Attachment "B."**

Expense - Office Operations

The final office operations expense estimate is \$100,651.

This figure reflects the contracted increase of LAFCo's office lease and increase of the annual CALAFCO dues.

Expense - Consultant Services

The final consulting services expenses estimate is \$65,650.

The overall decrease from last year reflects an anticipated decrease in billing for services by the Auditor-Controller, Assessor's staff, and Environmental Health and by the transition of LAFCo's bookkeeper from contractor to part-time employee. The final budget includes partial funding for the biennial financial audit to be performed in FY 2021-2022 for the year ending June 30, 2020 in conformance with LAFCo's financial and accounting policies.

Final FY 2020-21 Work Plan (Attachment "A," Exhibit "2")

The final work plan advances 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 budget represents the funding to accomplish projects important to the Commission.

The final FY 2020-21 work plan has been prepared with an emphasis on identifying the Commission's core services and preparing a schedule of activities that fulfill these services.

A "core service" is defined as an activity of the Fresno LAFCo which puts into effect the Commission's responsibilities as established by the Legislature in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH):

- to encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the state;
- to provide for the logical formation and modification of the boundaries of local agencies; and
- to promote orderly development, and balance that development with competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services.

Additional information on the Commission's work plan is presented at the end of Attachment "B."

Individuals and Agencies Receiving this Report

- Ken Price, LAFCo Counsel
- Fresno County Board of Supervisors
- Jean Rousseau, Fresno County CAO
- All cities and special districts in Fresno County of Fresno