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

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**AGENDA ITEM NO. 10**

**DATE:** May 11, 2016

**TO:** Local Agency Formation Commission

**FROM:** David E. Fey, AICP, Executive Officer 

**SUBJECT:** Consider Adoption: Final Budget and Work Plan for Fiscal Year 2016-2017

**RECOMMENDATION:** Adopt Final Budget and Work Plan for Fiscal Year 2016-2017;  
Amend Professional Services Agreement with Fresno County to  
include contract for GIS services

**Executive Summary**

The Fiscal Year (FY) 2016-2017 LAFCo final budget estimates (Exhibit "A") and draft 2016-2017 Work Plan (Exhibit "B") are presented for the Commission's approval.

The Commission's budget is based on a July 1st to June 30th fiscal year.

Staff anticipates that the FY 2015-2016 budget will close above the approved budget of \$447,603, largely due to higher than anticipated personnel expenses that included increased Executive Officer compensation (\$5,500) approved by the Commission and resolution of underpayment by LAFCo to the County pursuant to its Professional Service Agreement with the County of Fresno (\$31,733). However, application fee revenue is expected to close approximately \$70,000 higher than projected and is expected to balance expenditures.

The FY 2015-2016 operational budget (not including reserve funds) was the lowest in at least eight years; it included an operational reserve of \$100,000 and legal reserve of \$52,000. Staff's final FY 2016-2017 budget of \$571,336 is an increase of \$123,733 from FY 2015-2016. The final budget will increase staffing by adding a LAFCo Analyst I position, increase the size of LAFCo's offices to account for the additional staff, and increase consulting services via an amendment of the LAFCo/County Professional Services Agreement to accommodate the increased workload of the Municipal Service Review Program.

**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’s 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 2015-2016 Budget to Close**

#### **Revenue**

FY 2015-2016 revenue of \$447,602 was comprised of \$186,206 contributed respectively by the County and the 15 cities, \$40,000 anticipated in application fees, and an available fund balance contribution of \$35,190.

Fee revenue is expected to close \$70,000 higher than projected.

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

Office operations were budgeted for \$99,845 and are estimated at this point to close at \$90,925, less \$8,920. Accounts projected to close under budget include liability insurance (-\$1,723), commission hearing expenses (-\$1,631), and commission and staff education (-\$3,500).

#### **Expense - Personnel**

Personnel expenses were budgeted for \$289,958 and are estimated to close at \$333,804, over by \$43,846. Personnel accounts projected to close over budget are:

- An adjustment to the Executive Officer’s compensation was approved after the budget was adopted (\$5,500);
- Balance due the County under the Professional Services Agreement for underpaid invoices for County employees from July, 2012–September, 2014 (\$31,733); and
- Incidental expenses associated with COLA increases to LAFCo staff (\$4,300).

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

Consulting services expenses were budgeted for \$57,800 and are estimated to close at \$47,200, under by \$10,600.

## Conclusion

FY 2015-2016 is anticipated to close with unanticipated expenses balanced by additional fee revenue.

## Summary of Final FY 2016-2017 Budget and Work Plan

### Discussion

The final 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 deemed important by the Commission.

The Commission's current MSR Program produces a more informative and useful analysis of local agencies than past service reviews has accomplished, and as a result, the local agencies reviewed have become more accountable and transparent. Using the MSR process as a template for improvement, staff has also reached out to agencies in advance of their scheduled MSR to support them as they seek to improve their operations.

Local agencies are more aware of the MSR program and the Commission's interest in their performance and have sought to make improvements in anticipation of or during the MSR process.

Nonetheless, as staff has frequently reported to the Commission, not all agencies participate in the MSR process. To some extent, the lack of participation has become an indicator of a local agency's compliance with its own principal act, the Brown Act, and/or the Public Records Act.

Staff seeks to assist and support an agency's improvement when the agency is motivated to cooperate, but the time it takes to work with the agency and collect the necessary data is impacting the MSR schedule.

### Emerging Issues to Address with the FY 2016-2017 Budget and Work Plan

#### *MSR Constraint*

The volume of work associated with the MSR Program is due to a variety of causes, including the unanticipated time to identify and resolve local agency issues that were not sufficiently addressed during the first round of MSRs in 2007; additional time spent supporting a district's development of a durable resolution to the issue(s) and assisting the special district to be an active participant in working on this resolution.

Commissioners have expressed their interest in thorough MSRs and timely completion of the reviews. Given these comments and the MSR schedule impacts since the MSR Program was initiated, staff has evaluated several ways to address this situation:

A *status quo approach* is likely to continue the backlog of MSRs, though there will be efficiencies gained as staff gains more experience with MSRs in general and with the different types of special districts in particular.

Another approach is *reduce the number of MSRs to be performed annually*, that is, maintain the current level of effort and continue to produce “MSR 2.0” products but restrict them to a relatively small number per year, perhaps 7-10 annually. This would extend the completion of the second round MSRs by several years.

Time can be gained by *performing more restricted reviews* of municipal services. The effect would reduce the scope of the MSR to a local agency’s compliance with its principal act, adoption of an annual budget, and so forth, but would not assume the level of effort that may be necessary to address issues raised in the MSR.

*MSRs on request only* would reduce their number to only a few each year. This is not consistent with Fresno LAFCo’s MSR program, however, nor would it likely result in improvements to district performance, boundary accuracy, and interagency efficiencies that the MSR Program has produced.

One approach is to *hire consultants to perform many or all* of the MSRs. An appropriate scope of work generated by LAFCo will permit consultants to propose budgets that result in MSR 2.0 deliverables. Santa Cruz LAFCo recently requested consultant expenses and distributed the data (Exhibit C). Table A presents the responses; Table B presents the average cost per each MSR and develops a range of estimates used in Table C where projected consultant expenses are compared with total MSRs to be performed under the current schedule (staff’s consultant management expenses would approach 15% of the contract amounts and are not included in Table C estimates). Table C presents consultant-only MSR expenses for four fiscal years of the current MSR schedule: 14-15 through 17-18.

#### *MSR Constraint – Recommendation*

Based on this analysis, staff concludes that the *best value* for Fresno LAFCo continues to be staff-generated MSRs, and supports maintaining the MSR Program and schedule by adding an additional analyst staff member to assist with the workload. This action would also require additional office space and furnishings as LAFCo’s current office is nearly at its maximum occupancy.

#### *GIS Constraint*

Another emerging issue is the necessity to update LAFCo’s maps. LAFCo’s existing local agency maps are saved in the LAFCo server and do not reflect the County’s ongoing maintenance of geographic data. LAFCo’s PDF maps are essentially a 2007 version of the local agency boundaries and need to be updated regularly. In addition, the MSR Program includes verification of a special district’s service area. Data from the special districts are frequently not consistent with LAFCo’s 2007 maps which have to be updated. For example, LAFCo’s 2007 MSR maps do not show the entire service area of multi-county districts. Then there is the need to reconcile data among multiple agencies including Fresno County Elections, Fresno County Public Works and Planning, the special district, and often another regulatory agency that manages a resource of the special districts (such as the Department of Water Resources or the U.S. Bureau of Reclamation).

Not all boundary data is maintained by the County. For example, the County Assessor does not maintain landowner-voter district boundaries because these special districts do not participate in the County’s Tax Rate Exchange program. In fulfilling its MSRs for these special districts, LAFCo

is responsible for determining the accurate district boundary as a fundamental step to complete the review. Each of these activities is accomplished by the LAFCo Analyst who is also working on the MSR Program.

#### *GIS Constraint – Recommendation*

Staff initially considered recommending hiring a GIS technician but determined that efficiency can be gained by using the LAFCo/County Professional Services Agreement to contract with a Public Works and Planning GIS specialist to perform this work under the direction of the LAFCo Analyst. Staff estimates expenses for 80 hours per month.

#### Final FY 2016-2017 Work Plan

The final FY 2016-2017 Work Plan consistent with the analysis presented in this report is attached as Exhibit “B.” 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 2015-2016 that were started but not completed are recommended for the FY 2016-2017 Work Plan: a comprehensive examination and update of Fresno LAFCo’s current Policies and Procedures, an application fee analysis, and the ag preservation policy committee. As reported during the mid-year budget report, staff recommends that the fire transition policy review and assessment be performed with the Fresno County Fire Protection District’s MSR anticipated in 2018.

#### Final FY 2016-2017 Budget

Based on the recommendations in this report, the final FY 2016-2017 budget is presented:

##### Revenue

Final FY 2016-2017 revenue is forecast as \$471,557, consisting of an estimate of County and cities’ contribution of \$200,779 each and \$68,500 in application fees. Fee revenue is projected based on the analysis of a worksheet (Exhibit “D”) based on a 10-year analysis that anticipates ten applications averaging \$6,700 each.

Revenue is augmented by a \$99,778 fund balance contribution.

##### Expenses – Personnel

Personnel expenses are forecast as \$333,804 and include a new LAFCo Analyst I position.

##### Expense - Office Operations

Office operations are forecast as \$93,045, and include additional office space, furniture, and telecommunications for the proposed new LAFCo Analyst I position. Certain “Office Operation” expenses associated with the Professional Services Agreement with Fresno County will be accounted for under the “Consultant Services” budget.

##### Expense - Consultant Services

Consulting services expenses are forecast as \$97,354, including \$30,000 for an amendment of the Professional Service Agreement with Fresno County to fund work by County GIS staff to assist LAFCo’s MSR program.

### **Individuals and Agencies Receiving this Report**

- Ken Price, LAFCo Counsel
- Steve White, Director of Fresno Co. Public Works and Planning
- John Hays, Principal Administrative Analyst, Fresno County CAO's office
- In accordance with Government Code sec. 56381, the proposed budget has been distributed to Fresno County's cities, independent special districts, and specified County departments.

FRESNO LAFCO FINAL FY16-17 BUDGET SUMMARY						
4/18/16; Inclusive of March 2016 Financial Statement						
#	REVENUE SUMMARY	Approved FY 15/16 Budget	Estimate to Close FY 15/16	Difference	Final FY 16-17 Budget	
10100	ALLOCATION COUNTY	186,206	186,206	0	200,779	
10200	ALLOCATION CITIES	186,206	186,206	0	200,779	
10300	APPLICATION FEES	40,000	110,000	70,000	68,500	
10700	MSR CONTRACT ADMINISTRATION	0	0	0	1,000	
10800	SPECIAL HEARINGS	0	0	0	0	
10900	MISC. RECEIPTS	0	547	547	500	
	AUTH. FUND BALANCE CONTRIBUTION	35,190	2,993	-32,197	99,778	
	<b>Total</b>	<b>447,603</b>	<b>485,952</b>	<b>38,350</b>	<b>571,336</b>	

#	EXPENDITURE SUMMARY	Approved FY 15/16 Budget	Estimate to Close FY 15/16	Difference	Final FY 16-17 Budget	
51000	EXPENDITURE - OFFICE OPERATIONS	99,845	90,925	-8,920	93,045	
52000	EXPENDITURE - PERSONNEL	289,958	333,804	43,846	380,936	
53000	EXPENDITURE - CONSULTING SERVICES	57,800	47,200	-10,599	97,354	
	<b>Total</b>	<b>447,603</b>	<b>471,928</b>	<b>24,326</b>	<b>571,336</b>	

FRESNO LAFCO FINAL FY16-17 BUDGET SUMMARY					
REVENUE					
4/18/16; Inclusive of March 2016 Financial Statement					
10000	REVENUE - DESCRIPTION	Approved FY 15/16 Budget	Actual to Date	Estimate to Close FY 15/16	Final FY 16-17 Budget
10100	ALLOCATION COUNTY	186,206	186,206	186,206	200,779
10200	ALLOCATION CITIES	186,206	186,206	186,206	200,779
10300	APPLICATION FEES	40,000	102,870	110,000	68,500
10400	MSR PREPARATION	0	0	0	0
10600	MSR CONSULTANT CONTRACTS	0	0	0	0
10700	MSR CONTRACT ADMINISTRATION	0	0	0	1,000
10800	SPECIAL HEARINGS	0	0	0	0
10900	MISC. RECEIPTS	0	547	547	500
	AUTH. FUND BALANCE CONTRIBUTION	35,190	2,993	2,993	99,778
	Total Revenue	447,602	478,822	485,952	571,336



# FRESNO LAFCO FINAL FY16-17 BUDGET SUMMARY

## EXPENDITURE - OFFICE OPERATIONS

4/18/16; Inclusive of March 2016 Financial Statement

51000 EXPENDITURE - OFFICE OPERATIONS	Approved FY 15/16 Budget	Actual to date	Estimate to Close FY15-16	ATD/ETC Difference	Appvd / ETC Difference	Preliminary 16-17 Budget
51010 Office Operations Expense	5,200	3,653	5,200	1,547	0	5,200
51020 Office Lease	32,290	23,298	33,023	9,725	733	40,606
51030 Fr Co Telecommunications	3,005	213	3,005	2,792	0	0
51040 Liability Insurance	13,500	11,777	11,777	0	-1,723	13,000
51060 Copier Maintenance-Equipment	600	97	250	153	-350	600
51080 Postage	3,500	1,022	1,500	478	-2,000	3,500
51100 Fr Co PeopleSoft Financial Charges	600	147	150		-450	
51110 Fr Co Data Processing Charges	11,844	9,674	11,844		0	
51120 Publication & Legal Notices	2,000	1,238	2,000	762	0	2,000
51130 Postage Equipment Rental	312	224	312	88	0	312
51140 Staff Mileage	540	471	540	69	0	864
51150 Commission Hearing Expenses	6,000	3,921	4,369	448	-1,631	6,000
51160 Commission and Staff Education	6,000	2,128	2,500	372	-3,500	6,000
51170 Contingency Fund Expenses	3,000	1,001	3,000	1,999	0	3,000
51180 Professional Memberships	7,454	7,368	7,454	86	0	7,963
51190 Fixed Assets (Office Furniture)	3,000	0	3,000	3,000	0	3,000
51195 Fixed Asset (Office Furniture) Depreciation	1,000	0	1,000	1,000	0	1,000
<b>Total Office Operations</b>	<b>99,845</b>	<b>66,234</b>	<b>90,925</b>	<b>22,518</b>	<b>-8,920</b>	<b>93,045</b>

Highlighted "Fr Co" expenses are associated with the Professional Services Agreement between LAFCo and Fresno County. They are shown as approved in the FY 15-16 budget but will be accounted for under Expenditure - Consulting Services" in FY 16-17.

**FRESNO LAFCO FINAL FY16-17 BUDGET SUMMARY**

**EXPENDITURE - PERSONNEL**

4/18/16; Inclusive of March 2016 Financial Statement

<b>52000</b>	<b>EXPENDITURE - PERSONNEL</b>	<b>Approved FY 15/16 Budget</b>	<b>Actual to Date</b>	<b>Estimate to Close FY 15/16</b>	<b>Final FY 16-17 Budget</b>
<b>52100</b>	<b>Executive Officer</b>				
52110	Salary	100,000	85,449	105,000	110,000
52120	Car Allowance	6,000	4,250	6,000	6,000
52130	Worker's Comp	600	55	600	600
52140	Unemployment Insurance	460	253	460	500
52150	Retirement Contribution	10,000	9,562	10,500	11,000
52160	SS & Medicare	5,595	5,979	5,595	6,000
52170	Health Insurance Contribution	8,430	6,774	8,430	9,273
52180	Life Insurance	93	72	93	100
52195	Benefit Administration	120	0	120	120
	<b>Subtotal</b>	<b>131,298</b>	<b>112,394</b>	<b>136,798</b>	<b>143,593</b>
<b>52200</b>	<b>Clerk</b>				
52210	Salary	62,000	48,050	63,860	65,000
52215	Outstanding Balance Due County	0	31,733	31,733	0
52230	Workers Comp Contribution	600	55	600	600
52240	Unemployment Insurance	363	-63	363	363
52250	Retirement Contribution	6,200	4,663	6,200	6,500
52260	SS & Medicare	3,087	3,455	3,087	3,087
52270	Health Insurance Contribution	8,300	7,190	8,300	9,130
52280	Life Insurance	93	103	93	100
52295	Benefit Administration	120	0	120	120
	<b>Subtotal</b>	<b>80,763</b>	<b>95,187</b>	<b>114,356</b>	<b>84,900</b>
<b>52300</b>	<b>LAFco Analyst II</b>				
52310	Salary	55,000	42,892	56,375	60,000
52330	Workers Comp Contribution	600	55	600	600
52340	Unemployment Insurance	151	260	151	151
52350	Retirement Contribution	5,500	4,139	5,638	5,500
52360	SS & Medicare	658	3,172	2,000	658
52370	Health Insurance Contribution	5,820	4,904	5,820	6,402
52380	Life Insurance	48	43	48	50
52395	Benefit Administration	120	0	120	120
	<b>Subtotal</b>	<b>67,897</b>	<b>55,464</b>	<b>70,752</b>	<b>73,481</b>

52000	EXPENDITURE - PERSONNEL [Page 2]	Approved FY 15/16 Budget	Actual to Date	Estimate to Close FY 15/16	Proposed FY 16-17 Budget
52400	LAFCo Analyst I (Proposed FY 16-17)				
52410	Salary				47,000
52420	Overtime				0
52430	Workers Comp Contribution				118
52440	Unemployment Insurance				309
52450	Retirement Contribution				4,700
52460	SS & Medicare				3,313
52470	Health Insurance Contribution				6,402
52480	Life & Disability Insurance				50
52500	Benefit Administration				120
	Subtotal				62,012
52500	Extra Help	10,000	0	0	
52600	Intern				
52610	Salary	0	6,530	10,530	15,000
52640	Unemployment Insurance	0	322	526	750
52660	SS & medicare	0	501	842	1,200
52670	Health Insurance Contribution	0	0	0	0
52680	Life and Disability Ins.	0	0	0	0
52690	Benefit Admin	0	0	0	0
52600	Other	0	0	0	0
	Subtotal	0	7,352	11,898	16,950
	Total Personnel	289,958	270,398	333,804	380,936

# FRESNO LAFCO FINAL FY16-17 BUDGET SUMMARY

## Expenditure - Consulting Services

4/18/16; Inclusive of March 2016 Financial Statement

53000 SERVICES	EXPENDITURE - CONSULTING	Approved FY 15/16 Budget	Actual to Date	Estimate to Close FY 15/16	Appvd v ETC Difference	Final FY 16-17 Budget
53100	Payroll Services	3,000	1,091	2,000	-1,000	2,000
53200	Independent Financial Audit	10,000	7,700	9,000	-1,000	5,000
53300	Bookkeeping Service	2,500	1,681	2,250	-250	2,250
53310	Fr Co Accounting/Auditor	3,000	3,102	3,500	500	3,500
53400	Fr Co Assessor/Recorder	4,500	5,525	6,000	1,500	6,000
53500	LAFCo Counsel	30,000	16,275	22,000	-8,000	22,000
53600	Fr Co Elections	1,000	0	250	-750	250
53700	Fr Co Env Health	1,800	1,936	2,200	400	1,800
53800	Special Counsel	2,000	0	0	-2,000	2,000
51030	Fr Co Telecommunications					5,549
51100	Fr Co PeopleSoft Financial Charges					1,200
51110	Fr Co Data Processing Charges					15,805
53900	Fr Co GIS Consultant					30,000
<b>Total Consultant Expenses</b>		<b>57,800</b>	<b>37,311</b>	<b>47,200</b>	<b>(10,600)</b>	<b>97,354</b>

All "Fr Co" expenses associated with the Professional Services Agreement between LAFCo and Fresno County and will be accounted for as "Expenditure - Consulting Services" in FY 16-17.

## DRAFT 2016 LAFCO WORK PLAN April 13, 2016

### Introduction

Fresno LAFCo's Financial and Accounting Procedures specify that before July 1st, 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 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 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 leap frog 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, 2015* 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 with Commission goals:

1. Encouraging Orderly Formation and Development of Agencies;
2. Encouraging Consistency with Spheres of Influence and Recommended Reorganization Of Agencies;
  - a. 102-04 Transition Agreements
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.

## **Preliminary 2016-17 Work Plan**

### **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.

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.

The complication is that these problems also resulted in an unanticipated workload for LAFCo staff, primarily the LAFCo analyst, who is responsible for the day-to-day progress of the MSR program. In addition to the additional work, many agencies rely on the LAFCo GIS database which should be updated as new information is developed.

This is not to say that the MSR Program is flawed—it is doing what the Commission intended for it to accomplish. But the initial MSR Program schedule assumption of staff-hours to complete an "average" MSR under-estimated the effort to acquire effective communication with local agencies and the time to identify and resolve issues related to service delivery efficiency.

In adopting the FY 16-17 budget, the commission will have taken action to address the current challenges of the MSR Program.

### **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 Spring Workshop**

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. The workshop will describe the application process, critical timelines, and the public hearing and conducting authority process. We will also walk through the sphere of influence update process to put it in proper perspective, and describe the function of Municipal Service Reviews.

In addition, pursuant to the adopted Annexation Program Guidelines, staff will offer an Annexation Program Workshop to local agency staff and the development community. Staff is in discussion with the California Special District Association to facilitate a special district workshop.

**Update of LAFCo Policies and Procedures**

This project began in FY 15-16 as a comprehensive examination and update of Fresno LAFCo's current Policies and Procedures manual. The goal is to clarify procedural and policy language, and bring the manual into full conformance with CKH. In consultation with the Commission, this project will also strive to make the document more easily understandable by local agencies and the general public.

**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); and the fiscal implications of waiving application fees.

**Assess Agricultural Preservation Policies**

This project began in FY 15-16 and is recommended to continue in FY 16-17 with the goal to conclude by May, 2017.

Preserving open-space and prime agricultural lands is of paramount importance to the Commission. LAFCo's statutory foundation puts it in a position to develop policies that permit it to influence orderly growth without being involved in actual land uses.

This project will evaluate the effectiveness of past LAFCo policy efforts, efforts of other agencies in Fresno County, and provide recommendations on an appropriate level of commission policy, whether project-by-project or on a sphere of influence basis.



**Table A - Consultant Cost of Municipal Service Reviews 2013-2016**

Compiled by Pat McCormick, Santa Cruz LAFCo Executive Officer February, 2016

LAFCO	Cost	\$ per agency	\$ per city	\$ per district	Description
Alameda	\$75,000	\$3,800		\$3,800	21 special districts including 12 CSAs
Santa Clara	\$75,000	\$5,000	\$5,000		15 cities
Yolo	\$80,000	\$5,300		\$5,300	15 fire protection districts
San Mateo	\$67,000	\$8,400			8+ agencies (4 cities, 4 districts, plus a few small districts)
Nevada	\$43,000	\$8,600			5 water agencies (2 cities, 3 districts)
Nevada	\$40,000	\$10,000			4 wastewater agencies (2 cities, 2 districts)
Sonoma	\$60,000	\$10,000		\$10,000	6 fire agencies (1 city, 2 districts, county, tribe, and CAL Fire)
Napa	\$62,000	\$12,400	\$14,000	\$7,000	5 agencies (3 cities, 2 districts)
Yolo	\$40,000	\$11,500			\$40,000 for typical MSR for 3-4 agencies
Fresno	\$35,000	\$30,000	\$30,000		1 large city
San Mateo	\$38,000	\$38,000		\$38,000	1 complicated and contentious district

EO McCormick estimated consultant expense of \$10,000 for a moderately complex MSR

**Table B - Fresno LAFCo Analysis**

LAFCO	# of MSRs	Avg \$/MSR	
Alameda	21	\$3,571.43	< Figure used for "Low" estimate in Table C
Santa Clara	15	\$5,000.00	
Yolo	15	\$5,333.33	
San Mateo	10	\$5,153.85	< Figures used for "Moderate" estimate in Table C
Nevada	5	\$8,600.00	
Nevada	4	\$10,000.00	
Sonoma	6	\$10,000.00	
Napa	5	\$12,400.00	
Yolo	3.5	\$11,428.57	< Figure used for "Average" in Table C
Fresno	1	\$35,000.00	
San Mateo	1	\$38,000.00	
Average Cost of MSR		\$13,135.20	

**Table C - Fresno LAFCo MSR Program Estimated Consultant Expenses**

Fiscal Year	# of MSRs	Low	Median	"Moderate" Per Table A	Average
FY 14-15	19	\$67,857	\$176,700	\$190,000	\$249,569
FY 15-16	33	\$117,857	\$306,900	\$330,000	\$433,462
FY 16-17	39	\$139,286	\$362,700	\$390,000	\$512,273
FY 17-18	24	\$85,714	\$223,200	\$792,000	\$315,245

# Exhibit D 10-Year Application Data Analysis

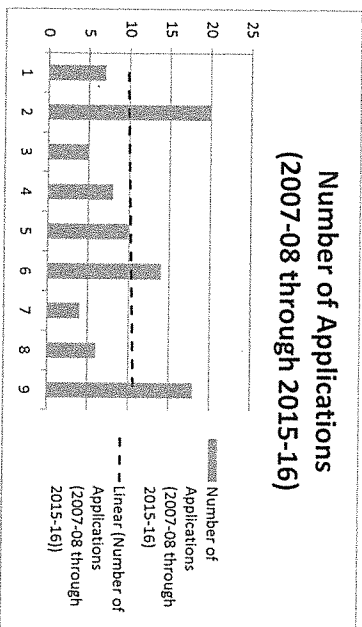
## Application Data Analysis

Fiscal Year	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07 (3)		
	Total	Annual Average										
Number of Applications (2007-08 through 2015-16)	92	10.2	7	20	5	8	10	14	4	6	18	39
Fee Revenue	\$ 830,902	\$ 66,572	\$53,000	\$127,692	\$39,600	\$64,860	\$33,000	\$77,000	\$36,000	\$34,875	\$133,125	\$231,750
Avg Fee/App	\$ 6,693	\$ 7,571	\$ 6,385	\$ 7,920	\$ 8,108	\$ 3,300	\$ 5,500	\$ 9,000	\$ 5,813	\$ 7,396	\$ 5,942	

### Notes

- (1) Applications are counted when fee revenue exceeds \$1K or isn't waived.
- (2) Outside Service Requests are not counted because: they generate de minimus fee revenue; the time spent is similar to response for comments which are not funded by fees; and there are a small number of total requests during a fiscal year.
- (3) 2006-07 applications and fee revenue are not included in the average as that year is excessively above 'normal'. The chart below/left includes the 2006-2007 data and generates a recessionary trendline. In contrast, the chart below/right does not include the 2006-07 data and presents a more representative trendline.

Applications not counted (1)(2)	4.8	6	8	3	2	5	1	0	7	11	5
Fee Revenue not counted	\$0	\$0	0	750	1050	0	\$500	0	1000	1500	1500

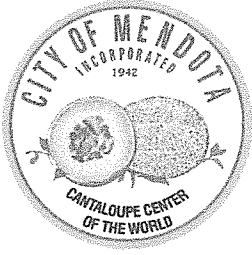


### Conclusion

Anticipated # of apps in 2016-17	10
Average fee per application	\$ 6,693
Projected Application Fee	\$ 66,934

Average "hard" expenses per application	
51120 Publication & Legal Notices	\$150
Fresno Bee, Fresno Business Journal	\$1,500
Notices of Determination	\$100
53700 Fr Co Env Health	\$180
51100 Fr Co Peoplesoft Financial Charges	\$1,800
53400 Fr Co Assessor/Recorder	\$130
53310 Fr Co Accounting/Auditor	\$425
53600 Fr Co Elections	\$0
	\$3,000
	\$1,000
	*
<b>Total</b>	<b>\$985 \$13,850</b>

\* These expenses are shown as cumulative expenses because while they may not be associated individual applications, they would most likely only be incurred with application processing.



# CITY OF MENDOTA

*"Cantaloupe Center Of The World"*

April 13, 2016

Fresno County Local Agency Formation Commission  
2607 Fresno Street, Suite B  
Fresno, CA 93721

Chairman Silva and Members of the Commission,

Please allow me to take this opportunity to comment on the proposed 2016-2017 Budget and Work Plan.

As you'll note in the staff report, the proposed budget for 2016-2017 is \$133,233 higher than the previous fiscal year's budget. That represents roughly a 25% increase over the previous year. This proposed budget increase is apparently due to a need to increase staffing, increase office size, and increase the use of consultant services. As you know, under Cortese-Knox-Hertzberg, the cities are responsible to provide LAFCO's budget on a pro rata basis.

Executive Director Fey was kind enough to provide me with information showing that Mendota's share of the proposed increased budget would constitute a *de minimus* impact to our budget. While not a significant impact to our budget, I simply want to raise a point of concern. Mendota seldom needs to approach LAFCO as we rarely amend our Sphere of Influence, municipal service plans, or annex land. And as a former 3-term Monterey County LAFCO Commissioner myself, I understand the importance of adequate staffing to carry out LAFCO's mission. Nevertheless, the small Westside cities have limited financial resources and I would only ask that the Commission remain judicious in their approach to any proposed budget increases.

Sincerely,

Vince DiMaggio  
City Manager

c:/desktop/letters/2016/02

**OFFICE OF THE CITY MANAGER**

John Kunkel

**Mayor** – Stephen B. Hill

**Council Members**

Rhonda Armstrong

Nathan Fox

Bill Nijjer

Gary Yep



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April 13, 2016

David Fey

Executive Officer

Local Agency Formation Commission of Fresno County

Dear David

I have received and read the proposed LAFCO budget for next year. It is concerning to note a nearly 25% increase in the budget. As you know the Cities will have to bear the cost of such an increase. Many of the cities in Fresno County are just now starting to see recovery from the recent recession. This additional impact will greatly affect smaller cities in our county.

I respectfully ask that the Commission continue this item to a later meeting and give the Commission and Cities an opportunity to analyze the proposed budget and perhaps have some dialogue regarding such a dramatic increase

Sincerely

John Kunkel

Kerman City Manager