

**LOCAL AGENCY FORMATION COMMISSION
OF COLUSA COUNTY**

MEMORANDUM

April 2, 2009

To: Local Agency Formation Commission Commissioners

From: John Benoit, Executive Officer

RE: Proposed Budget for FY 2009-2010

Attachment: Budget Worksheet

Since the passage of AB-2838 in 2000, LAFCO has become independent (as a result of legislative mandate) from the County. Before, operational costs of LAFCO were entirely paid by the County including costs staff time, legal services, miscellaneous office expenses, and insurance. The Legislature took the recommendation of the Commission on Local Governance for the 21st Century and concluded that LAFCO costs were to be paid by both the City and County and LAFCOs were to become entirely independent. Many costs have become more apparent since LAFCO is independent. Although in Colusa County LAFCO remains in the County's A-87 program, LAFCO's participation in this program is limited to accounting/auditing/financial services. LAFCO pays an administration fee for central services, which therefore excludes it from the County's A-87 plan for LAFCO. Interest received this year should exceed \$4,000.00.

The legislature has given the Commission discretion over its own budget including Legal Services (Attorney), Executive Officer Services, Office Expenses, and the amount of funds allocated for MSR's and SOI's.

In the attached sheet, I have provided a "Proposed" budget based on the costs to provide LAFCO in light of various mandates. The Budget Committee reviewed these costs and additional information has been included.

The overall goal of this budget is to conduct LAFCO business in a proactive manner involving the Community and to meet the overall requirements of the Cortese-Knox-Hertzberg Act at a reasonable cost.

Municipal Service Reviews and Sphere of Influence updates continue in the upcoming year. Colusa LAFCO as most other LAFCO's have not completed the reviews due to budget concerns. To perform these updates Colusa LAFCO is incrementally completing the MSR reports without the need for substantial special funding.

LAFCO retained an independent consultant to meet statutory deadlines for the City of Colusa MSR and SOI update. However, the funding for this project no longer exists. This project was to have been paid for by developer contributions. Therefore, funding to

prepare this update is included in the next year's budget as part of our regular operation. However, staff proposes to establish a MSR/SOI fee whereby annexation proponents will ultimately pay the costs of preparation of MSR's/SOI's. In addition, proposed policies require updating of the MSR/SOI to be paid for by project proponents.

Mapping is difficult and expensive in Colusa County since the County does not have a GIS parcel layer. Hopefully, the County will develop a comprehensive mapping system as part of the General Plan update. Much more data is needed to produce maps for LAFCO and District Planning purposes.

SUMMARY OF PROPOSED EXPENSES:

Note: All budgets remain essentially the same as the previous year with the exception of Office Supplies, Postage, Communications, MSR and SOI updates and GIS Mapping, which are proposed to be decreased and Memberships, Liability Insurance, A-87 are proposed to be increased. Calafco dues are \$725.00. As a requirement to receive SDRMA insurance, dues also need to be paid to the California Special District's association.

The CALAFCO annual conference is in Mariposa County costs assuming two nights lodging is anticipated to be approximately \$1,200.00 per person.

A-87 may be increased as a result of continuous County operational cost increases.

These items have been placed below the budget in the budget sheet. Rollover funds will be used to fund many of these projects in FY 2009-2010 and to fund the Contingency fund of \$14,736.50 and a Reserve Fund of \$50,000.00.

As a result, the proposed budget is lower since many items are being re-budgeted into FY 2009-2010, the cost of a consultant for the Colusa MSR/SOI has been eliminated and the work has been included with the MSR/SOI budget, which will also be used to fund other activities during the year. **The amount to be apportioned between the Cities and the County remains the same as in the past six budget years.**

Insurance: LAFCO is required to have insurance as an independent agency. The Board of Supervisors has made a final determination that LAFCO should have independent insurance. Therefore, LAFCO's insurance costs are higher at \$2,500 and the memberships category has been increased.

Office Expense This item covers copy costs, postage, office supplies, and publications. Expenses for FY 2009-10 are expected to remain slightly lower for postage, copies and office expenses at \$3,750. The Committee is recommending this budget remain to cover expenses related to MSR's and SOI studies and to process additional projects. Expenses for performing the MSR's and SOI's is included in that line-item budget.

Memberships In FY 2008-09 \$725.00 was budgeted for CALAFCO dues. It is important LAFCO remain in its statewide professional organization and participate in LAFCO issues of common concern for the benefit of Colusa LAFCO and its agencies. Dues for Calafco for rural LAFCO's in FY 2009-10 are the same at \$725.00.

Legal Services The Committee is recommending \$21,000 for this item. Since LAFCO has become independent, separate LAFCO Counsel is necessary to represent LAFCO's interest. This cost is fixed rate for normal legal services. LAFCO Counsel is needed to provide legal direction at meetings of the Commission and to protect LAFCO's interests where required. Project related legal costs would be billed to the project proponent through LAFCO's fee structure.

Clerk Services The Committee is recommending \$2,500 for clerk services, as was last year. A LAFCO Clerk is necessary to record meetings to produce an accurate record and provide other miscellaneous duties.

Executive Officer - Staff Services The Committee is recommending \$48,000 for this item. This is the same as the last six previous years. This translates to an average of \$4,000 per month for LAFCO administrative activities. Since the LAFCO set-up work is completed, costs of administering the MSR's and SOI's and environmental reviews for the SOI's will be included (unless an Environmental Impact Report is required necessitating an independent consultant). Notwithstanding a very complex reorganization (application), controversial service review, sphere of influence or incorporation project for Colusa LAFCO, this amount should cover LAFCO administration and potentially may allow time to work on the Municipal Services Reviews and Sphere Studies if project activity is lower than expected thereby possibly resulting in a larger rollover to the next fiscal year in those line-item budgets.

Note: project related cost overruns relating to an application would normally be fee supported if an augmentation is needed in this category as well as office expenses. A project proponent will pay all project related costs including legal costs.

Legal Notices/Publications The Committee is recommending \$1,500 for this item as with previous years. Legal notices are required by state law and must be prepared for Municipal Service Reviews and Sphere of Influence Updates, all public hearings before the Commission and protest hearings. Public hearing notices are required for many LAFCO actions. Cost overruns in this category will be fee supported.

Transportation/Travel & Training The Committee is recommending \$8,500 for this item. Estimated costs for each Commissioner to attend the Calafco Annual Conference in October in Mariposa County is approximately \$1,200 per person including transportation, lodging, and conference registration. The justification for this expense is that LAFCO is an agency autonomous from the County and examines several factors in evaluation of proposal, which are distinct from those of the County and Cities, and special districts. Commissioners need the tools to carry out their statutory responsibilities in a responsible manner. Training and interaction with Commissioners from other

LAFCO's will assist those Commissioners in attendance to bring back ideas to be shared with the remainder of the Commission. It is critical new commissioners or commissioners who have not attended a Calafco Conference be offered preference for training at the Annual Conference. This category includes also funding for Colusa's representative on the Calafco Executive Board, whose attendance is critical at the Calafco Conference. Training is necessary to remain informed of changes in LAFCO law and procedures. The Transportation/Travel and Training Budgets are proposed to be \$5,000 and \$3,500 respectively the same as last year.

Note: A decision as to the actual number of Commissioners anticipating attendance at the conference is needed. Last year two Commissioners attended. This budget includes enough funds for four or five Commissioners to attend the Annual Conference and for staff to attend the Annual Conference and staff workshop, provide funds for incidental mileage expenses related to LAFCO operations and allow the Calafco representative to attend Calafco activities.

Communications The Committee is recommending \$1,000 to cover communications costs being a reduction of \$500.00 from last year. This amount will provide local phone access to LAFCO by agencies and the public.

Sphere of Influence Updates and Municipal Service Reviews The Committee is recommending a budget of \$44,000 a reduction from this fiscal year to cover the costs of working on Municipal Service Reviews including initiating the MSR's and SOI's identified in the adopted work plan and \$10,000 to cover the costs of G.I.S. Mapping.

Note: Given budgetary and time constraints, this work will have to be completed by staff over several years. The use of consultants will require budget estimates significantly higher than stated. In addition, staff will have to review the consultant's work to ensure accuracy. It has been the experience of many LAFCO's that the Executive Officer had to re-write work prepared by consultants adding more cost.

Contingency The Contingency fund for FY 2009-2010 is proposed to be \$14,736.50 and the reserve fund to be \$50,000.00 depending upon expenditures for the remainder of this fiscal year. The justification of the General Reserve is to provide LAFCO with the funds necessary to initiate projects in accordance with its Bylaws and Policies for which funding does not exist. If, for some reason, LAFCO were to have a cost overrun or unanticipated expenses during the fiscal year, LAFCO would have to formally request a loan from the Board of Supervisors. The Board of Supervisors has no obligation to fund such a loan. It takes a 4/5 vote of the Commission to use funds from the contingency and general reserve.

Colusa County A-87 Estimated A-87 costs include costs for the County Treasurer/Technology/Auditor's functions. Their costs requirement is \$3,000.00. The County's A-87 program allocates costs among county departments from two years ago. This item was \$2,768.00 and is anticipated to increase.

SUMMARY OF ANTICIPATED REVENUE

LAFCO may need to increase appropriations in various budgets if unanticipated revenue is realized through project applications.

ROLLOVER

This year LAFCO will not expend its entire budget. Due to unanticipated revenues this year, an estimated unexpended general reserve and unexpended funds of approximately \$110,499 is anticipated at this time. Approximately, \$64,737 of this amount will be dedicated to the General Reserve and Contingency Fund.

RECOMMENDATION

1. Consider the above budget justification report, discuss and amend report and (or) the proposed budget as necessary.
2. Adopt LAFCO Resolution 2009-0008 approving a proposed budget for FY 2009-2010.