



Local Agency Formation Commission  
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**May 20, 2021 (Agenda)**

**EXECUTIVE OFFICER'S REPORT  
FINAL FISCAL YEAR 2021/2022 LAFCO BUDGET  
(AGENDA ITEM VI.A.)**

**Introduction**

The Commission adopted the Proposed Budget in the total amount of \$152,767 at the April 15, 2021 Public Hearing. In accordance with Section 56381(a) of the Cortese-Knox-Hertzberg Act of 2000, the Proposed Budget was forwarded to each city and the County. In addition, all special districts were sent a notice of the budget process with a link to the LAFCO website containing the budget and attachments. The only comment/information received in response was a copy of the proposed Cost Allocation Plan which involves charges for County overhead costs in support of LAFCO which will lower the requested final budget amount by \$3,922 as discussed in the next section of this Report "Total Proposed Budget Cost. Therefore, the Final Budget is presented to the Commission with one change from the Proposed Budget to a revised amount of \$148,845.

Following adoption of the Final Budget, a copy must be sent to the County and cities within the county, and the special districts. The following is a brief summary of the budget and work program.

**Total Final Budget Cost Recommendation**

As referenced above, the 2021/22 Fiscal Year Budget is recommended to be reduced by \$3,922 from the amount identified in the Proposed Budget resulting in a new total request of: \$148,845. The reduction in the "Cost Allocation Plan" (Account No. 22327) reflects charges by Merced County for overhead costs in support of LAFCO and other outside agency operations, such as the Merced County Association of Governments.

Staff is recommending that the reduction in Account No. 22327 be the only modification to the Budget from the Proposed Budget level. This includes keeping the "Appropriations for Contingencies" in Account No. 74000 at \$5,876.00 which would be slightly above the recent practice of maintaining a 4% reserve. This proposed budget is approximately \$2,600 less than the current 2020/21 fiscal year's budget of \$151,438.

**Work Program Priorities**

The primary component of the work program continues to involve governmental reorganization application processing (annexations, detachments, reorganizations, out of boundary service extensions), along with related sphere of influence amendments. Application activity has remained at a slow pace as in recent years which is reflected in the attached *Final Budget Workload Statistics Form* identifying historic application history back to FY 2017/18.

Another special activity in the coming fiscal year involves the potential dissolution of “inactive” special districts identified annually by the State Controller’s office in noncompliance with State legislation in SB 448. Depending on the list generated by the Controller’s Office by October 31, 2021, Merced LAFCO may be required to process additional dissolutions in the coming fiscal year.

Work will be completed this year on the Agricultural Irrigation District Service Providers Municipal Service Review (MSR) Update under contract with Economic and Planning Systems (EPS) in association with Berkson Associates.

In the Proposed Budget, Staff is recommending the allocation of \$20,000 in Account No. 21810 “Professional and Special Services” for a potential consultant contract for an MSR update if prioritized by the Commission during the coming fiscal year.

In terms of revenue, one city and one special district-initiated MSR update are anticipated in the next fiscal year, which would be paid for by the jurisdiction requesting it.

### **Training**

The other component of the work program involves costs for Commissioner and staff training through attendance at conferences sponsored by the California Association of LAFCOs (CALAFCO). While these conferences and workshops were cancelled in the current fiscal year due to the COVID-19 Pandemic, CALAFCO is anticipating they will be held as planned in the coming fiscal year with the Fall Annual Conference in Newport Beach, and the Spring Staff Workshop planned for Orange County.

### **Staff Support**

Staff support is proposed to be relatively the same as in the current fiscal year. Executive Officer costs are budgeted in Account 21810 “Professional and Special Services -Contractual Agreements.” An increase in the hourly pay rate of the Executive Officer will occur in July based on the increase in the Consumer Price Index (which has been estimated at 1.7%) as the Commission approved through a contract amendment in July 2017. The current billable rate is \$119.37 per hour, and with an estimated 1.7% increase, the budgeted amount is \$48,520.00.

In terms of staff support through the Memorandum of Understanding with the County, the cost is proposed to remain the same as the current fiscal year. The “LAFCO Planner” position will continue to be supported by Tiffany Ho, however, Clerk duties will transition from Kim Zinke to a new person following a recent reorganization in the Community and Economic Development Department. The total hours and costs remain the same as the current fiscal year: \$18,113 in Account No. 21810.

A Memorandum of Understanding between LAFCO and Merced County (scheduled on today's Agenda as Item VII.C.) serves as the formal agreement with the Board of Supervisors for the County staff support function and use of County facilities.

Legal support will continue under contract with the law firm of Best, Best & Krieger, with Malathy Subramanian as our lead Attorney. The total amount budgeted is not changing: \$25,920.

**Total Budget Revenues**

Revenue for LAFCO comes from application processing fees and the state mandated subsidy from the County and six cities within the County. In terms of application fees, approximately 26 % of the anticipated revenue of \$26,988 has been received in Account No. 96920, three-quarters of the way into the fiscal year.

The amount of cash retained in the Treasury for LAFCO at the end of each fiscal year is monitored by staff in consultation with the County Auditor's Office. As an independent agency, any revenue received in excess of expenditures by the Commission is retained in interest bearing Account No. 94200, and is available for the following fiscal year. Interest in the first three quarters of the Fiscal Year totaled \$410.39.

In the Final Budget, without consideration of any cash balance, the City and County share of LAFCO operation costs is estimated to be approximately \$62,266, as identified in the enclosed "Line Item Justification Form for Revenue" in Account Numbers 95636 and 95637. This amount is \$545 lower than anticipated in the current fiscal year. Estimated application fee revenue is \$24,288.

**Recommendation**

Staff recommends the Commission adopt the Final Fiscal Year 2021/22 Budget and direct the Executive Officer to forward this budget to the County, the six cities within the County, and notify all special districts in conformance with the Cortese-Knox-Hertzberg Act.

Respectively submitted,

LOCAL AGENCY FORMATION  
COMMISSION OF MERCED COUNTY



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Bill Nicholson, Executive Officer

Enclosures - Final Fiscal Year 2021/22 Budget and Final Budget Statistics & Revenue summary

# Final Budget May 20, 2021

## LINE ITEM JUSTIFICATION FORM FOR APPROPRIATIONS LOCAL AGENCY FORMATION COMMISSION

**BUDGET UNIT # 76800**

**FUND # 1220**

Account Number, Description & Justification

Amount Requested 2021-22

### 21500 MEMBERSHIPS

California Association of LAFCOs Annual Dues \$4,970

### **TOTAL MEMBERSHIPS**

**\$4,970**

### 21700 - OFFICE EXPENSE-GENERAL

a. Postage (Metered Mail) 12 x \$30 = \$360  
b. Supplies 12 x \$30 = \$360  
c. Copies/Departmental 12 x \$25 = \$300  
\$1,020

### **TOTAL OFFICE EXPENSE-GENERAL**

**\$1,020**

### 21810 - PROFESSIONAL & SPECIAL SERVICES - CONTRACTUAL AGREEMENTS

A. Contract with Executive Officer \$121.30/hr X 400 hrs \$48,520  
B. Professional consultant costs for updating  
municipal service review as mandated by the  
Cortese-Knox-Hertzberg Act with Economic  
& Planning Systems or other Consultant \$20,000  
\$68,520

### **TOTAL PROFESSIONAL & SPECIAL SERVICES - CONTRACTUAL AGREEMENTS**

**\$68,520**

### 21812 - INFORMATION SERVICES

Cost to televise and broadcast LAFCO meetings  
(\$519.45 x 10 meetings) \$5,195

### **TOTAL INFORMATION SERVICES**

**\$5,195**

**21834 - PROFESSIONAL & SPECIAL SERVICES - LEGAL SERVICES**

LAFCO Legal Counsel Support (Best, Best & Krieger)

Total Contract Amount \$25,920

**TOTAL PROFESSIONAL & SPECIAL SERVICES - LEGAL SERVICES**

**\$25,920**

**21840 - PROFESSIONAL & SPECIAL SERVICES - ADMINISTRATIVE SERVICES**

Allocation of County Planning Department Staff  
Time to Support Application Processing  
SOI/MSR Updates and Administration

Personnel Allocation:		Hourly Rate x Hours	Salaries & Benefits
LAFCO Planner	Planner III	\$49.82/hr x 150 hours =	\$7,473
LAFCO Secretary	Office Supervisor	\$67.38/hr x 150 hours =	\$10,107
Planning Technician	Planning Technician	\$53.38/hr x 10 hours =	\$533
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			\$18,113

**TOTAL PROFESSIONAL & SPECIAL SERVICES - ADMINISTRATIVE SERVICES**

**\$18,113**

**21873 - PROFESSIONAL & SPECIAL SERVICES - ENGINEERING SERVICES**

Costs for County Surveyor to review and approve boundary maps and legal descriptions

7 applications x \$300 (est. at \$53.51.hr rate)	<u>\$2,100</u>
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**TOTAL PROFESSIONAL & SPECIAL SERVICES - ENGINEERING SERVICES**

**\$2,100**

**21900 PUBLICATIONS & LEGAL NOTICES**

Estimated 14 notices x \$50 = \$700

**TOTAL PUBLICATIONS & LEGAL NOTICES**

**\$700**

**22327 - SPECIAL DEPARTMENT EXPENSE - COST ALLOCATION PLAN**

Distributed overhead for County Support Costs (payroll, accounts payable, etc.) \$1,707

**TOTAL INDIRECT COSTS**

**\$1,707**

**22500 - TRANSPORTATION & TRAVEL**

**Part I - Conferences and Training**

76800 - 1 Calif. Assn of LAFCOs Annual Commissioner Conf. (Hyatt Regency - Newport Beach) - 5 attendees

Transportation:	
3,170 mi. x .58 x 5 vehicles =	\$1,839
Meals:	
\$37/day x 2 days x 5 =	\$370
Lodging:	
\$170/ni. + 14% tax x 3 ni. X 5 =	\$2,910
Parking:	\$0
Registration:	
\$425 x 5 =	\$2,125
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	\$7,244

76800-2 Calif. Assn. of LAFCOs Annual Staff/Clerk Workshop (Southern California) - 2 attendees

Transportation:	
530 mi. x .58 x 2	\$614
Meals:	
\$37/day x 1 day x 2 =	\$74
Lodging:	
\$125/ni. + 14% tax x 2 ni. x 2 =	\$570
Parking:	
\$10/day Parking x 2 x 1 ni.	\$20
Registration:	
\$225 x 2 =	\$450
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	\$1,728

**TOTAL PART I** **\$8,972**

**PART II - Boards, Commissions & Reimbursements**

Commissioner reimbursement per meeting (assumes 2 Commissioners absent)

\$75/meeting x 7 Commissioner x 10 meetings =	
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	\$5,250

**\$5,250**

**TOTAL PART II**

**PART IV - Other Travel Expenses**

One-day Conference & seminars:	
1 trip - Sacramento x 2 people	\$300
Registration:	\$40
Meals: Lunch Only	\$13

Parking: \$10  
Transportation: 240 Mi. x .580 x 1= \$139

**TOTAL PART IV** \$502

**\$502**

**TOTAL TRANSPORTATION & TRAVEL**

**\$14,724**

TOTAL BUDGET SUBTOTAL

74000 - APPROPRIATIONS FOR CONTINGENCIES (4% TOTAL BUDGET AMOUNT)

Contingency for unanticipated expenses ( $\$146,891 \times 0.04\% = \$5,876$ )

**TOTAL APPROPRIATIONS FOR CONTINGENCIES**

**\$5,876**

**LAFCO BUDGET TOTAL**

**\$148,845**

## FINAL BUDGET STATISTICS & REVENUE

### LOCAL AGENCY FORMATION COMMISSION

### WORKLOAD STATISTICS FY 2021/22

Application processing workload projections:

<u>APPLICATIONS PROCESS</u>	<u>2017-18 ACTUAL</u>	<u>2018-19 ACTUAL</u>	<u>2019-20 ACTUAL</u>	<u>2020-21 EXTENDED</u>	<u>2021-22 ESTIMATED</u>
Annexations	2	2	2	3	3
Detachments	1	0	1	0	1
Formations	0	1	0	1	0
Reorganizations	1	0	0	1	1
Sphere of Influence	4	2	2	2	2
Consolidations	0	0	0	0	1
Out of Boundary Service Reviews	2	4	5	2	2
Dissolutions	0	2	0	0	1
<u>Municipal Service Reviews</u>					
Cities	1	1	1	0	1
Other Special Districts	1	1	15	15*	1*
Special Studies	0	0	0	1	1

\*Agricultural Irrigation District MSR Updates initiated in April 2020 to be completed in FY 2021-22 (LAFCO sponsored). No comprehensive multi-district MSR Updated anticipated in FY 2021-22, just district sponsored effort.



LOCAL AGENCY FORMATION COMMISSION – PROPOSED BUDGET

LINE ITEM JUSTIFICATION FORM FOR REVENUE

BUDGET UNIT #76800  
Fund #1220

<u>Account Number</u>	<u>Amount</u>	<u>Description and Justification</u>	<u>Requested 2021-22</u>
<u>94200 – INTEREST</u>			\$1,500
<u>95636 – COUNTY REVENUES</u>			
		Represents County share (50%) of non-application supported costs for LAFCO functions.	\$61,518
<u>95637 – CITY REVENUES</u>			
		Represents the 50% share of non-application supported costs for LAFCO functions to be provide by the six cities within Merced County (based on Auditor’s formula for each city’s individual share).	\$61,517
<u>96920 – APPLICATION REVENUE<sup>1</sup></u>			
Annexations	3 x \$2,700 =		\$8,100
Detachments	1 x \$2,700 =		\$2,700
Formations	0 x \$4,370 =		\$0
Reorganizations	1 x \$2,700 =		\$2,700
Sphere of Influence	2 x \$2,700 =		\$5,400
Consolidations	1 x \$1,832 =		\$1,832
Municipal Service Reviews	1 x \$2,000 =		\$2,000
<u>Out of Boundary Services</u>	<u>2 x \$778 =</u>		<u>\$1,556</u>
<b>Total</b>			<b>\$24,288</b>
<b>TOTAL REVENUE:</b>			<b>\$148,845</b>

<sup>1</sup> Fees are collected for various LAFCO applications, such as annexations, detachments, reorganizations and Sphere of Influence revisions. LAFCO Sponsored Municipal Service Reviews are not included in revenue projections.