

**LOCAL AGENCY FORMATION COMMISSION
OF COLUSA COUNTY**

MEMORANDUM

April 7, 2005

TO: Local Agency Formation Commission Commissioners
FROM: John Benoit, Executive Officer
RE: Proposed Budget for FY 2005-2006

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 for the annual audit, 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 LAFCO's 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 services and central services.

The legislature have given the Commission discretion over it's 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.

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.

The deadline for completion of Sphere of Influence updates set fourth in the law is January 1, 2006. It is unlikely Colusa LAFCO will complete these on time for many reasons not limited to a late start, budget concerns and establishing LAFCO (Bylaws, Policies and Standards, CEQA Guides, Fees, etc.) To perform these updates with less time, special funding will become necessary. It is believed the Legislature will extend that deadline.

To keep costs at reasonable levels while working toward the unfunded mandate of developing the Sphere of Influence Updates and Municipal Service Reviews while processing proposals, I propose a program whereby the Commission may wish to use consultants or develop studies under the direction of the Executive Officer. This will alleviate the need to hire independent consultants thereby saving money and significant amounts of time.

The Commission may wish to utilize consultants to handle more controversial Municipal Service Reviews as the need arises. This will take a substantially higher budget than is requested in this budget memo.

SUMMARY OF PROPOSED EXPENSES:

Note: All budgets remain essentially the same as the previous year with the exception of Municipal Service Reviews, Spheres of Influence. Rollover funds will be used to fund these projects in FY 2005-2006 and the General Reserve.

As a result the proposed budget is higher since many items are being re-budgeted into FY 2005-2006. The amount to be apportioned between the Cities and the County remains the same as the past budget year.

Insurance: LAFCO is required to have insurance as an independent agency. No final determination has been made by the Board of Supervisors that LAFCO could be covered under the County's insurance program. This would result in a substantial cost savings to both the Cities and the County. In the range of \$4,000.00 per year. LAFCO's share of insurance costs need to be budgeted at \$5,500.00 until such a determination is made. LAFCO may be able to reduce its final budget for this item to less than \$1,500.00.

Office Expense This covers copy costs, postage, office supplies, and publications. In FY 2004-05, \$3,250 was budgeted for this item. Expenses for FY 2005-06 are expected to remain the same. I am recommending the Budget remain at \$3,250 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 2004-05 \$620.00 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 FY2005-06 are \$647.00.

Legal Services I am recommending \$18,000 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 will be billed to the project proponent through LAFCO's fee structure.

Clerk Services I am recommending \$2,000 for clerk services the same as last year. A LAFCO Clerk is necessary to record meetings to produce an accurate record and provide other miscellaneous duties.

Executive Officer - Staff Services I am recommending \$48,000 for this item. This is the same as the previous year. This translates to an average of \$4,000 per month for LAFCO administrative activities stated in the workplan. 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 will normally be fee supported if an augmentation is needed in this category as well as office expenses. All project related costs including legal costs will be paid by a project proponent.

Legal Notices/Publications I am recommending \$1,500 for this item as with this year. 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 I am recommending \$7,500 for this item, the same as this year. Estimated costs for each Commissioner to attend the Calafco Annual Conference in September 2005 in Monterey County is approximately \$1,000 including transportation, lodging, and conference registration. The justification for this expense is that LAFCO has recently been established as an agency autonomous from the County along with numerous procedural and substantive changes. 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. Training is necessary to remain informed of changes in LAFCO law and procedures. The Transportation/Travel and Training Budgets are proposed to remain at \$4,000 and \$3,500 respectively as last year.

Note: A decision as to the actual number of Commissioners anticipating attendance at the conference is needed. This budget includes enough funds for four Commissioners to attend the Annual Conference and Staff to attend the Annual Conference and staff workshop and provide monies for incidental mileage expenses related to LAFCO operations.

Communications I am recommending \$750 to cover a share of the cost of the phone in the Board of Supervisor's room. This phone costs about \$55.00 per month. This will provide local phone access to LAFCO by agencies and the public.

Sphere of Influence Updates and Municipal Service Reviews I am recommending a budget of \$20,000 to cover the costs of working on Municipal Service Reviews for Fire services and \$6,000 for the MSR for Maxwell and \$4,000 to cover the costs of Sphere of Influence update and \$5,000 for G.I.S. Mapping.

Approach

The recommended approach in light of the 2006 deadline is to focus first upon those agencies that provide growth-inducing services. In other words, the Cities and PUD's would be first since these entities provide water and (or) wastewater services. Services provided by these entities need to be reviewed individually by geographic area (areas of the County such as the Westside Area). The PUD's and Cities were initiated last year since they provide different services in distinct geographic areas.

Note: Some Spheres of Influence are not going to ever change or will need changing in the future. Costs for Sphere updates for these entities will be minimal. We need to cover the costs of mapping since good mapping does not exist at this time and a LAFCO updating resolution.

The goal of a MSR is to receive a credible independently prepared document of use to LAFCO while meeting the minimum requirements of state law.

Planning estimates and maintenance of effort based on the minimal time to prepare legally compliant MSR's in Colusa County without giving an unrealistic expectation are stated below (notwithstanding controversy or other issues beyond LAFCO's control). The level of difficulty in performing the Municipal Service Reviews and Sphere of Influence Updates varies significantly depending upon the function or number of functions of the

District, willingness of the district to cooperate in the process, public controversy, growth pressures, level of detail in the review and availability of adequate mapping and data. My recommendation is to combine as many as possible.

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.

Service Review and Municipal Service Review Setting:

A discussion of the Municipal Service Review and Sphere of Influence setting in Colusa County is below:

Colusa County has the following entities that provide a variety of services These entities will require a Sphere of Influence update. The detail in the update in some cases will be minimal such as the Colusa County RCD to more complex such as the Cities and the PUD's:

Sphere of Influence Updates will be needed for the following:

Cities	2	Williams and Colusa
Fire Districts	7	Arbuckle-College City, Bear Valley, Glenn Colusa Fire, Maxwell, Sac. River, Princeton, and Williams
Public Utility Districts	3	Arbuckle, Princeton and Maxwell
Water Districts	2	Davis Water, Grimes-Waterworks #1
County Service Areas	2	#1 Century Ranch, #2
Park and Recreation Districts	2	Stonyford, Maxwell
Drainage Districts	1	Knights landing
Irrigation Districts	3	Princeton-Codora, GCID, Westside
Levee Districts	1	Sac River westside
Reclamation District	2	2047 and 419
Mosquito Abatement	1	Colusa Mosquito Abatement
Cemetery Districts	9	Arbuckle, College City, Colusa, Cypress Hill, Grand Island, Maxwell, Princeton, Stonyford and Williams
Resource Conservation Dist	1	Colusa

Note: As a budget goal the average SOI update should cost about \$4,000. The Cities should be more and Drainage Districts and RCD, for example, should be much less.

Average annual cost for MSR's would be \$20,000 for fire and \$6,000 for Maxwell PUD. Hopefully, funds can be augmented by developer contributions increasing the rollover for the next year.

Note 1: These are funds to be requested over a 5 year period. Unanticipated costs will be placed upon individual developers or entities.

Note 2: If any of the above entities is uncooperative in this process, LAFCO will not spend a lot of resources and when a need for a change of organization takes place, the financial responsibility will fall on a developer or entity. In the meanwhile, LAFCO will consider a sphere which provides for the status quo or reduction to district boundaries.

Note 3: LAFCO will seek additional funding from developers and (or) entities whenever feasible.

Contingency 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. Therefore, I am recommending a contingency of \$5,000, the same as this year.

Budget to General Reserve I am recommending \$15,000 to be budgeted for LAFCO's general reserve (approximately 10%). 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. All appropriations from the general reserve require approval and budget of the Commission.

Note: The general reserve is proposed to be \$15,000. Carry-over funds will be re-budgeted for MSR's and SOI's and the General Reserve

Colusa County A-87 The County has provided me with a tentative cost figure for A-87 costs to include costs for the County Auditor's functions. Their costs requirement is \$1,000.00. The County's A-87 program normally allocates costs among county departments from two years ago. The A-87 program includes auditor services and central services.

Annual Audit As an independent agency LAFCO is required to have an annual audit performed. Typically, this type of audit costs approximately \$3,000 for a LAFCO such as Colusa LAFCO. The Commission may wish to have the audit performed as part of the overall county audit rather than seeking a private CPA. There is no money proposed to be budgeted for a separate audit as the County performs an overall audit. If it is determined an independent auditor is needed, an expenditure category will be established.

SUMMARY OF ANTICIPATED REVENUE

I am recommending anticipated revenue of \$3,000. This is very conservative estimate. LAFCO may need to increase appropriations in various budgets if unanticipated revenue is realized.

ROLLOVER

This year LAFCO will not expend its entire budget. Due to unanticipated revenues this year, an unexpended general reserve and unexpended funds in mainly the SOI and MSR categories, a rollover of approximately \$75,000 is anticipated. Approximately, \$15,000 of this amount will be dedicated to the General Reserve and the remainder to Spheres of Influence and Municipal Service Reviews currently underway within this year's work program.

RECOMMENDATION

1. Consider the above budget justification report, discuss and amend report and (or) the proposed budget as necessary.
2. Adopt LAFCO Resolution 2005-07 approving a proposed budget for FY 05-06.