

**LOCAL AGENCY FORMATION COMMISSION
OF COLUSA COUNTY**

MEMORANDUM

April 9, 2008

TO: Local Agency Formation Commission Commissioners

FROM: John Benoit, Executive Officer

RE: Proposed Budget for FY 2008-2009

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 A87 plan for LAFCO. Interest received this year exceeds \$6,000.00.

The legislature has 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 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.

The deadline for completion of Sphere of Influence updates set fourth in the law is January 1, 2008. Colusa as most other LAFCO's has not completed 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, substantial special funding will become necessary.

We have retained an independent consultant to meet statutory deadlines for the City of Colusa MSR and SOI update. This is being paid by developer contributions. In addition, the Commission may wish to utilize consultants to handle more controversial MSR/SOI updates as the need arises. This may take a substantially higher budget than is requested in this budget memo. A decision should be made after approval of a final budget depending upon the beginning fund balance.

Mapping is difficult and expensive in Colusa County since the County does not have a GIS parcel layer. The Assessor's Office is considering the use of a firm called CD Data

for its system. This data has the potential if enhanced to be used in map making. The purpose of the Assessor's program is to digitize the Assessor's parcel maps and provide relevant property and assessment data. Go to www.parcelquest.com to view this information. 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 Liability Insurance (unless this is undertaken by the County), Calafco dues have increased to \$725.00, Travel up \$1000 since the CALAFCO conference is in Los Angeles County, A-87 as a result of County operational increases and \$15,000.00 set aside for a fee study for MSR/SOI fees and fees for LAFCO hourly operational costs. 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 2008-2009 and to fund the Contingency and Reserve Funds.

As a result, the proposed budget is higher since many items are being re-budgeted into FY 2008-2009 including the cost of a consultant for the Colusa MSR/SOI, which is to be paid for by developers. **The amount to be apportioned between the Cities and the County remains the same as the past five budget years.**

Insurance: LAFCO is required to have insurance as an independent agency. A final determination has been made by the Board of Supervisors that LAFCO could be covered under the County's insurance program. This results in a substantial cost savings to both the Cities and the County. LAFCO's insurance costs need to be budgeted at \$2,500 until such a determination is made.

Office Expense This covers copy costs, postage, office supplies, and publications. Between FY 2004-05 and 07-08, \$3,250 was budgeted for this item. Expenses for FY 2008-09 are expected to remain the same albeit in 3 categories: postage, copies and office exp. I am recommending this 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 2006-07 \$650.00 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 2007-08 are \$675.00, and in FY 2008-2008 725.00, an increase of \$50.00.

Legal Services I am 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 will be billed to the project proponent through LAFCO's fee structure.

Clerk Services I am 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 I am recommending \$48,000 for this item. This is the same as the last five previous years. 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 \$8,500 for this item, An increase of \$1000 from the previous year. Estimated costs for each Commissioner to attend the Calafco Annual Conference on September 2-5 in Los Angeles is approximately \$1,250 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 be offered training at the Annual 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 as last year.

Note: A decision as to the actual number of Commissioners anticipating attendance at the conference is needed. Last year four Commissioners attended. This budget includes enough funds for four or five 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 \$1,500 to cover communications costs. 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 \$51,920 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 \$15,000 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 2008-2009 is proposed to be \$18,000 and the reserve fund to be \$36,734 depending upon expenditures for the remainder of the 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 these funds.

Colusa County A-87 Estimated A-87 costs include costs for the County Treasurer/Auditor's functions. Their costs requirement is \$3,500.00. The County's A-87 program allocates costs among county departments from two years ago. This is an increase from previous years.

Annual Audit/financial review As an independent agency LAFCO may choose to do an annual audit and (or) financial review. Due to the low budget, a financial review would suffice until the state controller's office requires such audits. The County manages LAFCO's funds and will not pay out any funds unless authorized in writing by the Commission with adequate detail provided.

SUMMARY OF ANTICIPATED REVENUE

LAFCO may need to increase appropriations in various budgets if unanticipated revenue is realized. In addition I am estimating \$43,750 from developers to fund the Colusa MSR/SOI project in anticipated revenue.

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 \$120,000 is anticipated. Approximately, \$55,000 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 2008-0011 approving a proposed budget for FY 2008-2009.