

LAFCO

Santa Barbara Local Agency Formation Commission
105 East Anapamu Street ♦ Santa Barbara CA 93101
805/568-3391 ♦ FAX 805/647-7647
www.sblafco.org ♦ lafco@sblafco.org

April 12, 2001 (Agenda)

Local Agency Formation Commission
105 East Anapamu Street, Room 403
Santa Barbara CA 93101

Proposed LAFCO Budget for FY 2001-2002

RECOMMENDATION

It is recommended that the Commission:

1. Receive this staff report and accept any public testimony.
2. Adopt this Proposed Budget for Fiscal Year 2001-02, together with any desired changes.
3. Direct the staff to distribute the Proposed Budget to the County, all cities, all independent special districts, the city selection committee and the independent special district selection committee as required by Government Code Section 56381.
4. Continue the public hearing to Thursday, June 7 to adopt the Final Budget.
5. Direct the staff to advise the Commission of any changes in County departmental support or other conditions that could adversely affect LAFCO's ability to fulfill its purposes in the coming fiscal year.

DISCUSSION

Authority for LAFCO to Develop and Adopt its Budget

LAFCO is an independent commission established by the legislature in each county. Since its creation in 1963 the County has funded LAFCO, with some revenue from processing fees.

Beginning next fiscal year (FY 2001-02), the Commission will be funded in equal thirds by the County, cities and independent special districts. The County Auditor will apportion LAFCO's net budget, after crediting projected processing fee income, to all contributing local agencies.

The Cortese/Knox/Hertzberg Act establishes the specific funding method and process. While the County, cities and special districts will fund Commission operations, the adoption of the LAFCO budget is the sole responsibility of the Commission. The statute that governs LAFCO and directs its operation does not require approval of the financial program by local agencies.

Section 56381 of the Government Code provides that:

(a) 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 shall transmit its proposed and final budgets to the board of supervisors; to each city; to the clerk and chair of the city selection committee, if any, established in each county pursuant to Article 11 (commencing with Section 50270) of Chapter 1 of Part 1 of Division 1; to each independent special district; and to the clerk and chair of the independent special district selection committee, if any, established pursuant to Section 56332.

For accounting purposes the LAFCO budget is included as part of the County General Fund. The relationship between the County and LAFCO is mutually cooperative and the LAFCO staff complies with the County's budgetary and accounting procedures for ease of processing LAFCO payments and revenues.

Performance Measurements

It is estimated that in the coming year the Commission will evaluate and make determinations on 12 to 18 proposed governmental changes. The staff will successfully complete the corresponding filings, notices, reports, certificates and recordings.

As a transition year to accommodate AB 2838 (Hertzberg), the anticipated workload will include reviewing and readopting spheres of influence for special districts, and possibly cities. This activity will be done in concert with overseeing the preparation of Municipal Service Reviews, which are a new requirement of AB 2838.

In addition, as time permits the Commission will comprehensively review its "Policy Guidelines and Standards," currently Chapter 7 of the Commissioner Handbook, so they are updated and consistent with any changes in State law and Commission policy.

Proposed Budget

The budget funds the Commission's operational costs. LAFCO is a very small part of local public finance, representing less than one-half of one percent of the County General Fund.

Next year's recommended budget represents an increase of \$161,584 or 65% due to legislative changes affecting all LAFCOs. This results from AB 2838 workload changes and allocating legal, office space and insurance costs which in prior years were not reflected in the LAFCO budget.

Following is a *summary* of the proposed budget. A detailed budget is attached.

LAFCO Proposed Budget - Summary for 2001-2002

	Adjusted Budget <u>2000-01</u>	Proposed Budget <u>2001-02</u>	Variance From <u>2000-01</u>
Salaries & Benefits	104,479	145,299	40,820
Services & Supplies	143,600	263,900	120,300
Other Charges	250	850	600
Intrafund Transfers	<u>136</u>	<u>0</u>	<u>- 136</u>
Total Expenditures	248,465	410,049	161,584
Total Revenues	<u>23,450</u>	<u>22,500</u>	<u>- 950</u>
Net Cost	225,015	387,549	162,534

Unexpended Funds will be Available for the Following Year

Funds that are appropriated in next year's budget but not expended will be available to finance the following year's budget, thereby reducing the amount that the Auditor-Controller will need to obtain from local agencies in the subsequent year.

Discussion of Individual Accounts:

The budget consists of expenditure accounts and revenue accounts. In the following discussion the current budget and proposed budget for each account are shown, with an explanation of any significant changes.

In the budget individual accounts are grouped into Salaries & Benefits, Services & Supplies, Other Charges, Intrafund Transfers and Revenues.

SALARIES & BENEFITS ACCOUNTS

	<u>Current</u>	<u>Proposed</u>	<u>Variance</u>
<u>6177 Contractor on Payroll</u>	98,254	140,000	41,746

Description:

LAFCO staffing is provided via a professional service agreement. Executive, administrative, and clerical services are provided in this account. Legal services and funds for special studies are included in other accounts.

Explanation:

The proposed increase is based on the anticipated workload, including expanded administrative and clerical duties that are mandated for LAFCO by the requirements of AB 2838.

Anticipated workload increases resulting from AB 2838 include:

- LAFCO serving as the Conducting Authority for all boundary changes
- Revising and updating the Commission’s written policies and procedures
- Reviewing and updating city and special district spheres of influence
- Preparing “master service elements” as part of adopting spheres of influence
- Performing special studies as directed by the Commission
- Participating extensively in legislative activities as a follow-up to AB 2838

<u>6550 FICA/Medicare</u>	1,442	2,100	672
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This account is 1.5% of the staff services contract.

<u>6575 Social Security Alternative</u>	1,470	2,100	630
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This account is 1.5% of the staff services contract.

<u>6900 Workers Compensation</u>	3,327	1,099	-2,228
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The County of Santa Barbara determines this employees benefit account.

SERVICES & SUPPLIES ACCOUNTS

<u>7050 Communications</u>	1,400	1,900	500
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Description:

Reimbursement of telephone expenses.

Explanation:

The budget is based on experience. Expenditures in this account as of April 30 are \$1,945.

<u>7101 Commissioner Per Diem</u>	9,600	18,000	8,400
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Description

Stipends payable to LAFCO Commissioners for attending LAFCO functions.

Explanation:

The Board of Supervisors has authorized city, public and special district members of LAFCO to receive stipends for participating in LAFCO meetings. The budget assumes these stipends will include county members next year and attendance at ad hoc committee meetings.

The budget is predicated on 11 Commissioners x 14 meetings x \$100 per meeting (\$15,400) and funds to attend ad hoc committee meetings (estimated at 26 days, or \$2,600).

<u>7430 Memberships</u>	600	600	0
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Membership in the California Association of LAFCOs.

<u>7450 Office Expense</u>	15,000	21,000	6,000
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Description

Office supplies support Commission activity and public interest in LAFCO items.

Explanation:

This account is directly affected by workload. The coming year, in addition to processing boundary changes and preparing special studies, will be occupied updating spheres of influence, adopting master service elements, revising and adopting written policies. Expenditures in this account as of April 30 are \$7,652.

<u>7451 Postage</u>	0	5,000	5,000
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Description

This account includes postage and mailing expenses. It reflects workload activity and the new broader notice requirements for LAFCO hearings and LAFCO's responsibility to serve as the conducting authority for processing boundary changes.

Explanation:

In the current year Postage is funded in Office Supplies but is assigned a separate account.

<u>7453 Copier Expense</u>	0	4,000	4,000
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Description

This account has costs to duplicate notices, reports, resolutions and other printing.

Explanation:

In the current year Copying is funded in Office Supplies but is assigned a separate account.

<u>7460 Professional/ Specialized Services</u>	15,000	150,000	135,000
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Description

This account funds studies. Funds are also budgeted here for televising LAFCO meetings.

Explanation:

The amount is intended to accommodate research and analysis directed by the Commission as necessary to update spheres of influence, prepare master service elements or secure specialized services for intergovernmental or reorganization studies.

Hourly costs to televise LAFCO meetings are \$40 for meetings at the Board of Supervisors hearing room and \$70 for meetings elsewhere, with videotape available for later broadcast.

<u>7508 Legal Services</u>	0	36,400	36,400
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Description

This account funds legal services for the Commission.

Explanation:

This expense was not previously reflected in LAFCO's budget. It is based on an estimate from the County Counsel's office to provide legal services during the coming year.

<u>7580 Rents/Leases – Structure</u>	0	6,000	6,000
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Description

This account funds office space, including utilities, for the Commission.

Explanation:

This expense was not previously reflected in LAFCO's budget. It is based on estimated costs for office space, including utilities. The 240 square foot LAFCO office located in the County Engineering Building in Santa Barbara is adequate for the Commission's current needs.

Space is not budgeted for Commission meetings. It is assumed they will continue to be held in the Board of Supervisors meeting rooms, except for special meetings held in other locations.

<u>7650 Special Departmental Expense</u>	90,000	0	- 90,000
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Description

Special Departmental Expense accounts can be created and used for specific purposes.

Explanation:

In the current year this account was used to fund the Goleta incorporation fiscal analysis and fiscal analysis of governmental options for Isla Vista and UCSB.

<u>7730 Transportation & Travel</u>	12,000	21,000	9,000
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Description

This account funds travel expenses and mileage reimbursement for Commissioner and staff.

Explanation:

The recommended amount is based on experience and projections of future activity. Expenses in this account as of April 30 are \$15,359.

Two Commissioners are on the governing board of the California Association of LAFCOs, which requires frequent travel to participate in CALAFCO activities.

OTHER CHARGES

<u>7895 Liability Insurance</u>	0	600	600
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Description

This account funds liability insurance of the Commissioners and staff.

Explanation:

The amount was provided by the County's General Services Agency since it is proposed that the Commission remain within the County's insurance program.

<u>7897 Telephone Services</u>	250	250	0
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This funds the telephones in the LAFCO office and was provided by the County.

REVENUES

<u>5739 Charges for Service</u>	18,450	20,000	1,550
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Description

These are revenues generated by LAFCO processing fees.

Explanation:

Projected fees are based on 18 boundary changes at an average of \$600 (\$16,200), two sphere of influence applications (\$1,650) and a formation or incorporation (\$2,125).

<u>5909 Other Miscellaneous Revenue</u>	5,000	2,500	- 2,500
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These are miscellaneous revenues estimated from the sale of documents, maps etc.

Support from County Departments

County departments provide ongoing assistance and information for the Commission, notably the County Assessor, Elections and Surveyor. These services are not reflected in the LAFCO budget. If

these departments were to reduce the level of support given to your Commission, it would be necessary to fund these services directly in the LAFCO budget or seek other alternatives.

We have requested County departments to advise us whenever it appears they may have to curtail the level of service provided and we will bring this information to the Commission's attention for an appropriate response.

Conclusion

It is the Commission's responsibility to adopt a financial program for the purposes described in the Cortese/Knox/Hertzberg Act.

In consideration of information contained in this letter, it is recommended the Proposed Budget be adopted and distributed to the County, all cities, all independent special districts, the city selection committee and the independent special district selection committee as required by Government Code Section 56381.

While we are recommending a specific financial program, we urge that flexibility be retained by the Commission to make adjustments in the Final Budget should this prove warranted.

The staff appreciates the support of the County Administrator's office, especially Jim McClure and Teresa Toomey for their assistance in helping to compile the Commission's budget.

Very truly yours,

BOB BRAITMAN
Executive Officer

cc: Bob Geis, County Auditor Controller