

LAFCO

Santa Barbara Local Agency Formation Commission
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March 7, 2002 (Agenda)

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

Proposed LAFCO Budget for FY 2002-2003

RECOMMENDATION

It is recommended that the Commission:

1. Receive this staff report, accept any public testimony and approve the Proposed Budget for Fiscal Year 2002-03.
2. 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.
3. Schedule a public hearing to adopt the Final Budget on Thursday, May 2.
4. Direct the staff to advise the Commission of any changed conditions that could adversely affect LAFCO's ability to fulfill its responsibilities 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. The Cortese/Knox/Hertzberg Act establishes the specific funding method and process.

The Commission is funded in equal thirds by the County, cities and independent special districts. The County Auditor, after crediting projected processing fee income and the year-end available fund balance, will allocate and charged LAFCO's net budget to all participating local agencies.

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Adopting the LAFCO budget is the responsibility of the Commission. The statute governing LAFCO and directing its operation does not require approval of the financial program by the County or other 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 LAFCO is a separate Operating Fund within the County's financial system and participates in the County Treasurer's investment pool. The relationship between the County and LAFCO is cooperative and the LAFCO staff complies with the County's budgetary and accounting procedures for ease of processing LAFCO payments and deposits.

Current Budget - FY 2001-02

The current budget represents a significant departure from budgets in prior years. Changes were made due to the fact that the Commission is now supported by cities and special districts as well as by the County. Office space, accounting, legal services and a contingency were added that were not in previous budgets. The budget also reflects the fact that LAFCO has gained many new functions and responsibilities as a result of AB 2838.

Proposed Budget – FY 2002-03

Few changes are proposed in next year's budget. We are still gaining experience in levels of funding for specific functions. It is recommended that most line items remain at or near current levels. The major recommendation for the fee schedule is that it should be adjusted to recover conducting authority expenses.

Appropriations that are not expended this year will become an available financing source for next year and will reduce contributions needed from cities, special districts and the County.

Next year's Proposed Budget is similar to the current year. Following is a *summary* of the proposed budget; a detailed line-item budget is attached.

LAFCO Proposed Budget - Summary for 2002-2003

	<u>Adjusted</u> <u>2001-02</u>	<u>Proposed</u> <u>2002-03</u>	<u>Variance</u>
Services & Supplies	426,650	426,650	0
Other Charges	850	850	0
Designations	<u>20,000</u>	<u>0</u>	<u>- 20,000</u>
Total Expenditures	447,500	427,500	-20,0000
Cost to local agencies	425,000	298,000	- 127,000
Other Revenues	22,500	29,500	7,000
Proj. Avail. Fund Balance	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Total Financing Sources	447,500	427,500	- 20,000

Performance Measures

It is estimated that in the coming year the Commission will evaluate and make determinations on 12 to 18 proposed governmental changes, some more complex than others. The staff will complete all required filings, notices, coordination, analysis, reports, certificates and recordings.

The workload for the coming year includes continuing the process of reviewing and readopting spheres of influence for special districts and cities, in concert with overseeing the preparation of Municipal Service Reviews, which are required by AB 2838.

In addition, as time permits it is proposed that the Commission comprehensively review Chapter 7 of the Commissioner Handbook, "Policy Guidelines and Standards," to be consistent with the current State law and Commission policy.

Discussion of Individual Accounts

The budget consists of authorized expenditure and projected revenues. In the discussion below the current budget and proposed budget for each account are shown, with explanations if needed.

<u>SERVICES & SUPPLIES ACCOUNTS</u>	<u>Current Budget</u>	<u>Proposed Budget</u>	<u>Variance</u>
<u>7050 Communications</u>	1,900	1,900	0
Telephone and fax expenses. Account expenditures as of February 25 are \$1,168.			
<u>7324 Audit Fees</u>	2,000	2,000	0
Year-end audit of LAFCO fund.			
<u>7430 Memberships</u>	1,350	1,350	0
Membership in the California Association of LAFCOs.			
<u>7450 Office Expense</u>	21,000	21,000	0
Office expense supports Commission activities and public outreach regarding LAFCO items. Account expenditures as of February 25 are \$5,878.			
In the coming year, in addition to processing boundary changes, the Commission will update spheres of influence, prepare Municipal Service Reviews and revise written policies.			
<u>7451 Postage</u>	5,000	5,000	0
Postage and mailing expenses. Expenditures as of February 25 are \$7,722			
The account reflects workload activity. This year's experience may be unusual given the costs to distribute extensive notices for the Vector Control District Annexation.			
<u>7453 Copier Expense</u>	4,000	4,000	0
This account is available to duplicate notices, reports, resolutions and other printing. In the current year copying has been charged to the Office Expense account.			

<u>7460 Professional/ Specialized Services</u>	156,000	156,000	0
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This account is available to fund special studies. It includes the cost of televising LAFCO meetings. Expenditures as of February 25 are \$8,524.

The amount is budgeted to accommodate research and analysis directed by the Commission to update spheres of influence, prepare Municipal Service Reviews and prepare specialized studies of intergovernmental and/or reorganization issues.

<u>7506 Administration Fees</u>	3,000	3,000	0
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This account funds County cost allocation charges, comprised mostly County Auditor. Expenditures as of February 25 are \$1,500.

<u>7508 Legal Services</u>	42,100	42,100	0
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This account funds legal services for the Commission. It is based on estimates from the County Counsel's office to provide legal services during the coming year.

<u>7510 Contractual Services (staff)</u>	145,300	145,300	0
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Support to the Commission is provided by a professional services agreement that provides executive, administrative and clerical services. Legal services, outside vendors and special service studies are funded in other accounts.

No change in this account is proposed. Any changes will result from performance reviews and negotiations between the Commission and the Executive Officer.

<u>7580 Rents/Leases – Structure</u>	6,000	6,000	0
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This account funds office space, including utilities, for the Commission. The office located in a County building in Santa Barbara is adequate for the Commission's current needs.

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

<u>7650 Spec. Dept. Exp. – Per Diems</u>	18,000	18,000	0
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Commissioner stipends for attending LAFCO 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>7730 Transportation & Travel</u>	21,000	21,000	0
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Travel expenses and mileage reimbursement for Commissioners and staff. Expenditures as of February 25 are \$12,129.

The amount is based on experience and projections of future activity. Two members of the Commission are on the governing board of the California Association of LAFCOs, which requires travel to participate in CALAFCO activities.

OTHER CHARGES

<u>7895 Liability Insurance</u>	600	600	0
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Liability insurance of the Commissioners and staff. The amount is provided by the County General Services Agency and LAFCO remains within the County's insurance program.

<u>7897 Telephone Services</u>	250	250	0
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This account funds County telephones in the LAFCO office.

DESIGNATIONS

<u>9798 Designation for Contingencies</u>	20,000	0	- 20,000
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This contingency of approximately 5% of annual revenues for unforeseen expenses was created in the current year and is being held as a segregated portion of the fund balance available for unforeseen expenditures.

REVENUES

<u>3380 Interest Income</u>	0	8,000	8,000
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Interest from investing available LAFCO funds. Revenue as of February 25 is \$6,142.

<u>5738 Planning Studies Services</u>	20,000	20,000	0
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These revenues are received from LAFCO processing fees. As of February 25 revenues are \$6,365. Projections 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>4840 Other Governmental Agencies</u>	425,000	298,000	-127,000
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This is revenue from the County, cities and special districts to fund the Commission.

It appears the end-of-year fund balance will reduce this amount for the next fiscal year by about \$127,000. We will be able to further refine these figures for the Final Budget

<u>5909 Other Miscellaneous Revenue</u>	2,500	1,500	- 1,000
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These are miscellaneous revenues estimated from the sale of documents, maps etc. The amount projected for this year is overly optimistic and has been reduced by \$1,000.

Support from County Departments

County departments, notably the Assessor, Elections and Surveyor provide ongoing assistance and information for the Commission, the costs of which are not reflected in the LAFCO budget. The fee schedule provides for deposits directly to the County Surveyor for checking maps and legal descriptions. If these departments reduce their level of support given to your Commission, it may be necessary to fund these services 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 approved and distributed 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 Auditor's office, especially Theo Fallati for his assistance in helping to compile and administer the Commission's budget.

Very truly yours,

BOB BRAITMAN
Executive Officer

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cc: Bob Geis, County Auditor Controller