



## AGENDA ITEM 7A

**MEETING:** March 15, 2017  
**TO:** Humboldt LAFCo Commissioners  
**FROM:** George Williamson, Executive Officer  
**SUBJECT:** **Proposed Fiscal Year 2017-18 Budget**  
The Commission will consider approving a proposed Fiscal Year 2017-18 budget and authorizing circulation to local funding agencies for review in anticipation of final budget adoption at a public hearing prior to June 1.

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### **BACKGROUND**

Local Agency Formation Commissions (LAFCOs) are responsible under State law for annually adopting a proposed budget by May 1<sup>st</sup> and a final budget by June 15<sup>th</sup>. State law specifies the proposed and final budgets shall – at a minimum – be equal to the budget adopted for the previous fiscal year unless LAFCo finds the reduced costs will nevertheless allow the agency to fulfill its prescribed regulatory and planning duties.

### **DISCUSSION**

#### ***LAFCo Funding Sources:***

Humboldt LAFCo's annual operating expenses are principally funded through appropriations from the county, cities and independent special districts, in addition to application fees and interest earnings. Each fiscal year after the Commission adopts the final budget, the County Auditor apportions the net operating expenses in the following manner: the County pays 1/3 of the net operating costs; the cities, as a whole, pay 1/3 of the net operating costs; and the independent special districts, as a whole, pay 1/3 of the net operating costs. Statutory authority provides mechanisms for the County Auditor to collect the amounts apportioned.

#### ***Proposed Operating Expenses:***

The proposed operating expenses reflect the anticipated staffing services for day-to-day operations and for conducting municipal service reviews and sphere of influence updates. The operating expenses are projected to stay the same apart from an increase in Account 2116 (Postage) in anticipation of conducting a special district mailed ballot election in spring 2018. Conference registration and travel expenses are being budgeted to allow up to four (4) Commissioners/staff to attend the 2017 CALAFCO Annual Conference in San Diego on October 25-27<sup>th</sup>.

#### ***Proposed Operating Revenues:***

Last fiscal year the Commission approved an increase in operating expenses in recognition of the higher costs of providing LAFCo services in Humboldt County. This reflects efforts to expand the scope of regional municipal service reviews and working with agencies to identify shared trends relating to the adequacy, capacity, and cost of providing essential governmental services.

There has been a noticeable increase in inquiries about LAFCo processes, and requests for information from the public and member organizations. Where these inquiries and information requests appear to be in anticipation of an application, LAFCo staff tracks those costs separately as a pending application, and/or requests a pre-application agreement, for cost recovery.

LAFCo staff is also tracking a growing amount of state legislation that has a direct bearing on LAFCo activities, and a corresponding amount of CALAFCO activities relevant to the Commission's functions. While this results in more staff time, it has had a positive effect in that there is a better understanding of the commission functions and authority in the community, and with our member organizations.

Last year, the increased staffing costs were drawn from unexpended funds without increasing member contributions (intergovernmental revenue accounts: 671181 County; 671182 Special Districts; and 671183 Cities). The Commission's unrestricted/unexpended fund balance had grown, from \$0 to almost \$100,000 over the last 9 years, by consistently operating under budget. Staffing services cost increases over the prior three-five years had been minimal. Staff anticipates FY 2017-18 operating expenses to remain consistent with last year.

To reduce the use of reserves, staff is recommending an 8% increase in member contributions, from \$109,700 to \$118,500. This would be apportioned to the seven cities, 58 special districts, and the County by the County Auditor. By comparison, the member contributions have increased by less than 7% in the previous five years, from \$102,495 to \$109,700. The remaining expenses not covered by member contributions would be drawn from reserves (approximately \$10,460).

## **A. RECOMMENDATION**

This item has been agendaized for consideration as part of a noticed public hearing. The following procedures are recommended with respect to the Commission's consideration of this item:

- 1) Receive verbal report from staff;
- 2) Open the public hearing and invite testimony (mandatory); and
- 3) Discuss item and – if appropriate – close the hearing and consider action on recommendation:

*"I move to: 1) adopt Resolution No. 17-05, approving the proposed budget for fiscal year 2017-18, as provided in Attachment A, and 2) direct the Executive Officer to distribute the proposed budget to cities, special districts and the County and schedule the final budget for a public hearing on May 17, 2017."*

## **Attachments**

Attachment A: Proposed FY 2017-18 Budget

Attachment B: Resolution No. 17-05

# Humboldt LAFCo Operating Budget

# ATTACHMENT A

Revenues:		FY 2015-16		FY 2016-17		FY 2017-18
		ADOPTED	YEAR END ACTUAL	AMENDED	8 MONTH ACTUAL	PROPOSED
<b>Account</b>	<b>Title</b>					
<b>Intergovernmental</b>						
671181	Cities	36,567.00	36,567.01	36,567.00	36,567.00	39,500.00
671182	Special Districts	36,567.00	36,587.44	36,567.00	36,567.00	39,500.00
671183	County	36,566.00	35,684.00	36,566.00	36,566.00	39,500.00
<b>Intergovernmental Total</b>		<b>\$ 109,700.00</b>	<b>\$ 108,838.45</b>	<b>\$ 109,700.00</b>	<b>\$ 109,700.00</b>	<b>\$ 118,500.00</b>
<b>Service Charges</b>						
631100	Professional Services (Application Fees)	25,000.00	46,166.18	30,000.00	8,703.00	30,000.00
682238	Charges for Services	-	-	-	-	-
707010	Miscellaneous	-	-	-	-	-
<b>Service Charges Total</b>		<b>\$ 25,000.00</b>	<b>\$ 46,166.18</b>	<b>\$ 30,000.00</b>	<b>\$ 8,703.00</b>	<b>\$ 30,000.00</b>
<b>Investments</b>						
401000	Interest	600.00	759.76	600.00	522.94	600.00
<b>Interest Total</b>		<b>\$ 600.00</b>	<b>\$ 759.76</b>	<b>\$ 600.00</b>	<b>\$ 522.94</b>	<b>\$ 600.00</b>
<b>Revenue Total</b>		<b>\$ 135,300.00</b>	<b>\$ 155,764.39</b>	<b>\$ 140,300.00</b>	<b>\$ 118,925.94</b>	<b>\$ 149,100.00</b>

Expenses:		FY 2015-16		FY 2016-17		FY 2017-18
		ADOPTED	YEAR END ACTUAL	AMENDED	8 MONTH ACTUAL	PROPOSED
<b>Account</b>	<b>Title</b>					
<b>Staffing</b>						
2255	Legal Fees	5,000.00	3,360.00	5,000.00	3,324.00	5,000.00
2118	Professional & Special Services (Task Order 1 - MSRs/SOIs)	32,000.00	32,727.00	49,000.00	40,121.00	49,000.00
2118	Professional & Special Services (Task Order 2 - Staffing)	55,000.00	54,185.00	55,000.00	37,398.00	55,000.00
2118	Professional & Special Services (App Review)	25,000.00	37,342.43	30,000.00	24,906.22	30,000.00
2323	Special Dept Expense	-	587.55	-	732.00	-
2325	Contract Services	-	100.00	-	-	-
<b>Staffing Total</b>		<b>\$ 117,000.00</b>	<b>\$ 128,301.98</b>	<b>\$ 139,000.00</b>	<b>\$ 106,481.22</b>	<b>\$ 139,000.00</b>
<b>Services and Supplies</b>						
2106	Communications	300.00	155.40	160.00	103.60	160.00
2107	Duplicating	300.00	187.86	300.00	193.42	300.00
2110	Insurance	2,200.00	-	2,000.00	1,917.90	2,000.00
2115	Memberships	3,600.00	3,537.00	3,800.00	3,779.00	3,800.00
2116	Postage	100.00	429.17	50.00	-	300.00
2117	Office Supplies	100.00	6.06	-	-	-
2119	Publications & Legal Notices	1,000.00	585.51	1,000.00	696.61	1,000.00
2121	Rents & Leases - Structures	5,400.00	5,400.00	5,400.00	3,600.00	5,400.00
2123	Special Departmental Expense (Honorariums)	500.00	660.00	600.00	300.00	600.00
2125	Transportation & Travel	400.00	523.01	600.00	379.08	600.00
2147	Media	400.00	148.26	400.00	171.20	400.00
2225	Transportation Out of County	3,000.00	1,602.96	6,000.00	5,526.01	4,000.00
2614	Staff Development & Training (Conference Registration)	1,000.00	1,295.52	3,200.00	2,890.00	2,000.00
<b>Services and Supplies Total</b>		<b>\$ 18,300.00</b>	<b>\$ 14,530.75</b>	<b>\$ 23,510.00</b>	<b>\$ 19,556.82</b>	<b>\$ 20,560.00</b>
<b>Contingency/ Carryover</b>						
2020	Contingency	-	-	-	-	-
<b>Contingency Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expense Total</b>		<b>\$ 135,300.00</b>	<b>\$ 142,832.73</b>	<b>\$ 162,510.00</b>	<b>\$ 126,038.04</b>	<b>\$ 159,560.00</b>

**Operating Difference** \$ - \$ 12,931.66 \$ (22,210.00) \$ (7,112.10) \$ (10,460.00)  
*(Negative Balance Indicates Use of Reserves)*

Unreserved/Unrestricted Fund Balance		FY 2015-16	
Beginning		\$ 83,727.61	\$ 96,659.27
Ending		\$ 96,659.27	

# Humboldt LAFCo Operating Budget - DESCRIPTION

## Revenues:

<u>Account</u>	<u>Title</u>	<u>Description</u>
<b>Intergovernmental</b>		
671181	Cities	Contributes 1/3 of Commission's operating expenses
671182	Special Districts	Contributes 1/3 of Commission's operating expenses
671183	County	Contributes 1/3 of Commission's operating expenses
<b>Service Charges</b>		
631100	Professional Services	Application Deposits per Fee Schedule
682238	Charges for Services	Accrued at hourly staff rates (i.e., mapping service fees)
707010	Miscellaneous	Available for one-time (nothing above \$5,000)
<b>Investments</b>		
401000	Interest	Earnings on the fund balance invested by the County Treasurer

## Expenses:

<u>Account</u>	<u>Title</u>	<u>Description</u>
<b>Staffing</b>		
2255	Legal Fees	Contract Legal Counsel staffing services related to attending LAFCo meetings and providing other legal services as needed
2118	Professional & Special Services (Task Order 1)	Contract Executive Officer and Administrator staffing services related to preparing sphere of influence updates and municipal service reviews
2118	Professional & Special Services (Task Order 2)	Contract Executive Officer and Administrator staffing services related to reviewing or preparing agendas, staff reports, policies and procedures, and other written correspondence; attending LAFCo meetings; conducting environmental review; and maintaining GIS mapping database for city and special district boundaries and SOIs
2118	Professional & Special Services (Application Review)	Contract Executive Officer and Administrator staffing services related to reviewing, noticing, preparing and presenting reports, including alternatives and recommendations to the Commission regarding annexations, district formations, out-of-agency service applications, detachments, consolidations or other changes of organization or reorganization
2325	Contract Services	For other potential contracts
<b>Services and Supplies</b>		
2106	Communications	Telephone
2147	Media	Website
2121	Rents & Leases - Structures	Office space
2117	Office Supplies	Office supplies
2107	Duplicating	Printing costs (primarily agenda packets and mailings)
2116	Postage	Stamps for mailings to member agencies and other correspondence
2119	Publications and Legal Notices	Includes costs associated with the legal noticing of LAFCo public hearings
2110	Insurance	SDRMA Liability Insurance
2115	Memberships	CALAFCO and CSDA memberships
2123	Special Departmental Expense	Honorarium reimbursement for Commissioner expenses incurred as a result of attending LAFCo meetings
2125	Transportation & Travel	Commissioner travel reimbursement to regular and special meetings
2225	Transportation Out of County	Conference travel, lodging, meals and related expenses
2614	Staff Development and Training	Conference registration costs associated with attendance of Commissioners/staff at CALAFCO-sponsored conferences and workshops
<b>Contingency/ Carryover</b>		
2020	Contingency	Appropriation for contingencies reduced to \$0 in past years

**RESOLUTION NO. 17-05**

**ADOPTING A PROPOSED BUDGET  
FOR FISCAL YEAR 2017-18**

WHEREAS, the Humboldt Local Agency Formation Commission ("Commission") is required by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 to adopt a proposed budget for the next fiscal year no later than May 1; and

WHEREAS, the Executive Officer prepared a report concerning the proposed budget, including recommendations thereon; and

WHEREAS, the Executive Officer's report was presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at its public hearing on the proposed budget held on March 15, 2017; and

WHEREAS, the Commission determined the proposed budget projects the staffing and program costs of the agency as accurately and appropriately as is possible.

**NOW, THEREFORE, BE IT RESOLVED** by the Commission as follows:

1. The proposed budget for fiscal year 2017-18 as outlined in Exhibit A is approved.
2. The overall operating costs provided in the proposed budget will allow the Commission to fulfill its regulatory and planning responsibilities as required under Government Code Section 56381(a).

**PASSED AND ADOPTED** at a meeting of the Humboldt Local Agency Formation Commission on the 15<sup>th</sup> day of March, 2017, by the following roll call vote:

AYES:           Commissioners:  
NOES:           Commissioners:  
ABSENT:        Commissioners:  
ABSTAIN:       Commissioners:

Attest:

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Virginia Bass, Chair  
Humboldt LAFCo

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George Williamson, Executive Officer  
Humboldt LAFCo