



AGENDA ITEM 9B

MEETING: September 18, 2019

TO: Humboldt LAFCo Commissioners

FROM: Colette Metz, Executive Officer

SUBJECT: CALAFCO Dues Structure Proposed Changes

The Commission will receive a report regarding CALAFCO's proposed new dues structure, and provide direction to their appointed voting delegate to take action at 2019 Annual Business Meeting.

BACKGROUND

Humboldt LAFCo is a member of the California Association of Local Agency Formation Commissions (CALAFCO), a nonprofit public benefit corporation representing the collective interests of California's LAFCos. Membership dues to CALAFCO are paid annually, as determined by the organizations' bylaws. The CALAFCO Board has unanimously approved presenting a proposed new dues structure for consideration by the CALAFCO membership. Voting will occur at the October 31, 2019, Annual Business Meeting. Humboldt LAFCo's appointed voting delegate will represent Humboldt LAFCo in this decision.

DISCUSSION

Currently, membership dues are determined by a straight 3-category population-based model. CALAFCO is proposing to move to a more complex population-based model, noting that county populations vary enough that 3 categories do not accurately capture the broader population picture. With the proposed model, the gap in the amount paid between the more populated rural LAFCos and their suburban colleagues has been reduced, as has the gap between the higher populated suburban LAFCos and the urban LAFCos. No LAFCo will pay less than its current dues based on the baseline dues of fiscal year 2018-2019. See table below for current and proposed Humboldt LAFCo membership dues:

<i>Fiscal Year</i>	<i>Dues Paid</i>
2018-19	\$2,805
2019-20	\$3,261
2020-21	\$2,901 (proposed)

CALAFCO has provided background and informational materials regarding this dues restructure proposal, including a dues calculation table, which are provided here as Attachment A.

PROCEDURES FOR CONSIDERATION

The following procedures are recommended with respect to the Commission's consideration of this item:

- 1) Receive verbal report from staff
- 2) Open the item to Public Comment and invite testimony.
- 3) Discuss item and – if appropriate –direct the appointed Humboldt LAFCo Voting Delegate and Alternate to support or not support the proposed dues restructuring at the 2019 CALAFCO Business Meeting vote:

“I move to direct the appointed Humboldt LAFCo Voting Delegate and Alternate to (support/not support) the CALAFCO Dues Restructuring proposal when brought to a vote at the 2019 CALAFCO Business Meeting.”

Attachments

Attachment A: CALAFCO Dues Restructure Estimation and Informational Materials

August 12, 2019

Agenda Item 9B Attachment A

TO: Member LAFcos
SUBJECT: Proposed new dues structure for approval at 2019 Annual Business Meeting

Dear Member LAFcos:

The CALAFCO Board of Directors continues to develop services to meet the evolving needs of our members, yet we find ourselves continually challenged to meet those needs with limited resources.

At the CALAFCO Annual Meeting in Yosemite last fall, the Board explained that additional revenues must be raised to close the ongoing structural deficit, which the association has operated with since its inception. As many of you heard, CALAFCO has had an unhealthy reliance on Conference revenue to balance the budget which is not a sound fiscal practice. After receiving your feedback during the roundtable discussions at that Conference and after process of almost 18 months, the Board took a two-phase approach to addressing the ongoing structural deficit.

First, as a short-term strategy to address this structural deficit in FY 2019-20, the Board approved a one-time cost sharing option in which member LAFco dues were increased by 16.25% and the Board used one-time Conference net profits to close the deficit (\$33,452 raised through the 16.25% increase and \$31,138 coming from Conference net profit). As we move into FY 2019-20, the adopted budget has a structural deficit of \$37,980.

The Board was also committed to a long-term strategy of revising the current dues structure into a more sustainable model. As a result, at their May 10, 2019 meeting, the Board considered several options for a new dues structure brought forward from the Finance Ad Hoc Committee. This Committee undertook a lengthy and detailed process, considering eleven (11) different options before deciding on the two brought to the Board.

After much discussion and careful consideration, the Board unanimously approved presenting the proposed new dues structure to you, the membership, for a vote at the October 31, 2019 Annual Business Meeting. A new dues structure requires the approval of the membership as it is a change in the Bylaws.

The structure is population based with a number of variables including an annual base rate, population threshold and a per capita rate. Population data will be updated annually.

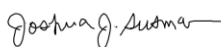
The first step to changing the dues structure is for the membership to discuss it at the Annual Business Meeting and vote. Should the membership approve the new structure, the Board will adopt policies relating to the three variables. To help you better understand the process up to this point in time, a Q&A document has been created and included with this letter. It provides details and answers to the questions we know many of you have. Additionally we are including a matrix of what the new dues structure looks like for the first year of implementation (FY 2020-21) should the membership approve.

Also the Annual Business Meeting Agenda and meeting packet will contain a full staff report with details and the proposed changes to the Bylaws associated with the new dues structure. This will be published early August.

We understand raising dues at any time is a difficult proposition. Our work at CALAFCO strives to support the success and meet the needs of all member LAFcos, large and small. We are committed to continually enhancing the services of CALAFCO and fulfilling our mandate "to assist member LAFcos with educational and technical resources that otherwise would not be available." We hope you will agree when we discuss this at our Annual Business Meeting at this year's Conference.

We and the rest of the Board are available to answer any questions you may have. You are encouraged to seek out the feedback of your regional Board members.

On behalf of the CALAFCO Board of Directors,



Josh Susman
Chair of the Board



Pamela Miller
Executive Director

Cc: CALAFCO Board of Directors
enclosures

CALAFCO BULLETIN

Proposed LAFCo Membership New Dues Structure

To be presented to the Membership for consideration and vote at the
2019 Annual Business Meeting in Sacramento, California on
October 31, 2019



Questions & Answers

Question: *How did the Board come up with the proposed dues structure?*

Answer: The Board spent over a year deliberating the structural deficit and dues structure through their Finance Ad Hoc Committee. They considered feedback received from the membership at the 2018 Annual Conference from the regional roundtable discussions and the message to work towards a more sustainable dues structure model. The Board discussed at length options presented to them by the Ad Hoc Committee in February and May.

Question: *Why was this structure selected over other options considered?*

Answer: After extensive research and discussion by the Ad Hoc Committee, and after considering a variety of possible structures including those based on LAFCo budget, County category (urban-suburban-rural), flat rate increases and population, ultimately it was a population-based structure that was favored. The Ad Hoc Committee presented two options to the Board with this population-based structural model and the Board agreed the population-based structure created the fewest irregularities to resolve and created a more sustainable funding formula. Ultimately this structure was unanimously approved by the Board.

Question: *What are the variables in the formula?*

Answer: The formula includes: (1) A flat annual fee or base rate (each LAFCo will pay the same flat rate); (2) Population threshold number; and (3) A per capita rate.

Question: *How will these variables be determined each year as CALAFCO considers member LAFCo dues?*

Answer: Should the membership approve the new structure, the Board will create policies to support the new structure. These policies will include the consideration of each of these variables and possible future adjustments. These policies will include keeping the Board's discretion to increase the dues by the CPI annually.

Question: *Where will the population data come from?*

Answer: The population data will be updated annually as the Board considers the next fiscal year dues. The data source to be used for updates is the California Department of Finance population estimates.

Question: *Is CALAFCO still budgeting for a net profit for the Annual Conference and how does that impact the annual budget?*

Answer: Yes. The Board has given clear direction that each year the annual budget should have a 15% net profit built into the budget for the Annual Conference (pursuant to Board Policy 4.2). CALAFCO's current FY 2019-20 budget calls for a 15% (or \$20,817) net profit. This net profit is still used to help balance the budget. However, the goal is for CALAFCO to move away from the unhealthy and unsustainable reliance on any higher net profit assumptions to balance the budget and fill the structural deficit.

The Ad Hoc Committee and the Board discussed at length using sponsorships to boost revenue and the Board continues to feel this revenue is unreliable and unpredictable and therefore unrealistic to use as a reliable revenue source.

Question: *How were the proposed base rate, population threshold and per capita rate selected?*

Answer: First, the Board committed to using the FY 2018-19 dues as the baseline from which to work, which they did (the FY 2018-19 dues are lower than the FY 2019-20 dues). The Board anticipated the FY 2020-2021 operational costs to be close to \$300,000, which was the baseline budget number from which they worked. The Ad Hoc Finance Committee considered eleven (11) different options before deciding on the population-based model with the three variables. To narrow that further, after looking at several (three) options with different variable numbers, the Board selected the current formula (\$1,000 base rate, 700,000 population threshold, per capita rate of 0.013802199 and population estimates for 2020 given that is the year the new dues structure would take effect, should it be approved). While this and other formulas realized the \$300,000 anticipated operational budget, these particular variables created dues for each LAFCo that the Board felt were the most equitable at this time.

Question: *How is this structure different than the current structure?*

Answer: The straight 3-category model no longer effectively serves the Association's member LAFcos. County populations vary enough that 3 categories just did not accurately capture the broader population picture. With the proposed model, the gap in the amount paid between the more populated rural LAFcos and their suburban colleagues has been reduced, as has the gap between the higher populated suburban LAFcos and the urban LAFcos.

Question: *Are LAFcos in counties with a population over 700,000 exempt from any future increase based on population growth?*

Answer: The proposed changes call for the Board to set the population threshold annually. Should the membership approve this proposed structure, the Board will set policies around the variables of population threshold, base rate and per capita rate. This means that population threshold can change based on Board discretion.

Question: *What if our LAFCo has a financial hardship? Is that still addressed in the Bylaws?*

Answer: Yes. The Board unanimously agreed to keep the provision of allowing any LAFCo with a financial hardship to bring that to the Board for consideration. (Please refer to Bylaws Section 2.2.4).

Question: *What will the dues be for my LAFCo if the membership approves this new structure?*

Answer: The spreadsheet accompanying this bulletin details what the first year will look like with this formula. As a starting point, the Bylaws will reflect the formula used to get at these rates and the rate chart itself. That detailed information will be contained in the meeting packet for the October 31, 2019 Annual Membership meeting.

Question: *When will the membership vote on this proposed structure?*

Answer: The proposed structure is being presented to member LAFcos for voting at the Annual Business meeting on October 31, 2019 during the Annual Conference in Sacramento. The Annual Business Meeting agenda and meeting packet will be distributed in early August, allowing approximately three months for discussion prior to the vote.

Question: *Can we vote by proxy or absentee ballot if we are not attending the Annual Business meeting?*

Answer: No, all member LAFcos must be present to vote at the Annual Business meeting pursuant to Bylaws Section 3.7. **For purposes of voting, each member LAFCo must be in good standing – which means all dues are current and paid in full by September 30, 2019. Further, each member LAFCo shall submit to CALAFCO the name of their voting delegate by September 30, 2019.**

Question: *What happens if the membership does not approve the proposed new dues structure?*

Answer: The Association will continue to have a structural deficit and may need to rely on accessing Fund Reserves to balance the budget. Further, in order to have a balanced budget, without additional sustainable and reliable revenues, expenses will need to be reduced which will equate to a reduction in services offered.

Question: *Who can I talk to if I have questions?*

Answer: If you have questions you are encouraged to contact Pamela Miller, CALAFCO's Executive Director at pmiller@calafco.org or 916-442-6536. You can also contact the CALAFCO Board Chair Josh Susman at jsusman@calafco.org. You are highly encouraged to reach out to any of your regional Board members and/or your regional staff representatives. All of their names and contact information can be found on the CALAFCO website at www.calafco.org.

CALAFCO
Proposed member LAFCo dues structure and dues beginning FY 2020-21

County	Population Estimate 2020	Population For Dues Calculation	Base Dues	Per Capita Dues	Base + Per Capita Dues	Total Per Capita Rate
ALAMEDA	1,703,660	700,000	1,000	9,662	10,662	0.0063
ALPINE	1,107	1,107	1,000	15	1,015	0.9171
AMADOR	37,560	37,560	1,000	518	1,518	0.0404
BUTTE	230,701	230,701	1,000	3,184	4,184	0.0181
CALAVERAS	44,953	44,953	1,000	620	1,620	0.0360
COLUSA	23,144	23,144	1,000	319	1,319	0.0570
CONTRA COSTA	1,178,639	700,000	1,000	9,662	10,662	0.0090
DEL NORTE	26,997	26,997	1,000	373	1,373	0.0508
ELDORADO	189,576	189,576	1,000	2,617	3,617	0.0191
FRESNO	1,033,095	700,000	1,000	9,662	10,662	0.0103
GLENN	29,691	29,691	1,000	410	1,410	0.0475
HUMBOLDT	137,711	137,711	1,000	1,901	2,901	0.0211
IMPERIAL	195,814	195,814	1,000	2,703	3,703	0.0189
INYO	18,724	18,724	1,000	258	1,258	0.0672
KERN	930,885	700,000	1,000	9,662	10,662	0.0115
KINGS	154,549	154,549	1,000	2,133	3,133	0.0203
LAKE	65,302	65,302	1,000	901	1,901	0.0291
LASSEN	30,626	30,626	1,000	423	1,423	0.0465
LOS ANGELES	10,435,036	700,000	1,000	9,662	10,662	0.0010
MADERA	162,990	162,990	1,000	2,250	3,250	0.0199
MARIN	265,152	265,152	1,000	3,660	4,660	0.0176
MARIPOSA	18,031	18,031	1,000	249	1,249	0.0693
MENDOCINO	90,175	90,175	1,000	1,245	2,245	0.0249
MERCED	286,746	286,746	1,000	3,958	4,958	0.0173
MODOC	9,422	9,422	1,000	130	1,130	0.1199
MONO	13,986	13,986	1,000	193	1,193	0.0853
MONTEREY	454,599	454,599	1,000	6,274	7,274	0.0160
NAPA	143,800	143,800	1,000	1,985	2,985	0.0208
NEVADA	99,548	99,548	1,000	1,374	2,374	0.0238
ORANGE	3,260,012	700,000	1,000	9,662	10,662	0.0033
PLACER	397,368	397,368	1,000	5,485	6,485	0.0163
PLUMAS	19,374	19,374	1,000	267	1,267	0.0654
RIVERSIDE	2,500,975	700,000	1,000	9,662	10,662	0.0043
SACRAMENTO	1,572,886	700,000	1,000	9,662	10,662	0.0068
SAN BENITO	60,067	60,067	1,000	829	1,829	0.0305
SAN BERNARDINO	2,230,602	700,000	1,000	9,662	10,662	0.0048
SAN DIEGO	3,398,672	700,000	1,000	9,662	10,662	0.0031
SAN FRANCISCO	905,637	700,000	1,000	9,662	10,662	0.0118
SAN JOAQUIN	782,662	700,000	1,000	9,662	10,662	0.0136
SAN LUIS OPISPO	284,126	284,126	1,000	3,922	4,922	0.0173
SAN MATEO	792,271	700,000	1,000	9,662	10,662	0.0135

CALAFCO
Proposed member LAFCo dues structure and dues beginning FY 2020-21

County	Population Estimate 2020	Population For Dues Calculation	Base Dues	Per Capita Dues	Base + Per Capita Dues	Total Per Capita Rate
SANTA BARBARA	460,444	460,444	1,000	6,355	7,355	0.0160
SANTA CLARA	2,011,436	700,000	1,000	9,662	10,662	0.0053
SANTA CRUZ	282,627	282,627	1,000	3,901	4,901	0.0173
SHASTA	180,198	180,198	1,000	2,487	3,487	0.0194
SIERRA	3,129	3,129	1,000	43	1,043	0.3334
SISKIYOU	44,186	44,186	1,000	610	1,610	0.0364
SOLANO	453,784	453,784	1,000	6,263	7,263	0.0160
SONOMA	515,486	515,486	1,000	7,115	8,115	0.0157
STANISLAUS	572,000	572,000	1,000	7,895	8,895	0.0156
SUTTER	101,418	101,418	1,000	1,400	2,400	0.0237
TEHAMA	65,119	65,119	1,000	899	1,899	0.0292
TRINITY	13,389	13,389	1,000	185	1,185	0.0885
TULARE	487,733	487,733	1,000	6,732	7,732	0.0159
TUOLUMNE	53,976	53,976	1,000	745	1,745	0.0323
VENTURA	869,486	700,000	1,000	9,662	10,662	0.0123
YOLO	229,023	229,023	1,000	3,161	4,161	0.0182
YUBA	79,087	79,087	1,000	1,092	2,092	0.0264

As proposed, the formula described below is used to create the proposed FY 2020-21 dues as noted above.

Notwithstanding the foregoing, Member LAFCO annual membership dues shall be levied based upon a formula that includes the following components:

1. Dues are population based. The fiscal year 2020-2021 dues uses a 0.013802199 per capita rate and 2020 population estimates based on data from the California Department of Finance.
2. A base charge as set by the Board of Directors, which shall be the same for each LAFCO. The base charge for fiscal year 2020-2021 is \$1,000 per LAFCO.
3. A population threshold as set by the Board of Directors.
4. Population estimates per County updated annually based on data provided by the California Department of Finance.
5. The per capita rate shall be set by the Board of Directors.
6. No LAFCO will pay less than its current dues based on the baseline dues of fiscal year 2018-2019.