



AGENDA ITEM 7B

MEETING: May 15, 2019

TO: Humboldt LAFCo Commissioners

FROM: George Williamson, Senior Advisor

SUBJECT: **Final Budget for Fiscal Year 2019-20**

The Commission will consider approving a final budget for Fiscal Year 2019-20. The recommended final budget is identical to the proposed budget adopted in March and subsequently circulated to local funding agencies for which no comments were received.

BACKGROUND

Local Agency Formation Commissions (LAFCo) are responsible under State law for annually adopting a proposed budget by May 1st and a final budget by June 15th. 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

The recommended final budget, included as Attachment A, is identical to the proposed budget adopted in March and subsequently circulated to local funding agencies for which no comments were received. In preparation of this budget, LAFCo staff reviewed the current fiscal year budget and expenditures, and the anticipated or projected cost that LAFCo would incur during the next fiscal year. Details of the recommended final budget can be found in the following sections.

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. Several expenditure accounts have been combined and reorganized as requested by the Auditor's Office as part of recent efforts to realign expenditure object codes for Humboldt County consistent with the State Controller's Office Manual.

Staffing services are organized into three categories: 1) Basic services, including the day-to-day administrative functions provided by the Executive Officer and Clerk, 2) Municipal Service Reviews and Spheres of Influence updates, which continues in fiscal year 2019-20 by in-house staff, and 3) Application Processing activities, which occurs on a full cost-recovery basis. While staffing expenses have remained the same over the last three years, staff is proposing a reduction in the MSR/SOI expense category in order to balance the budget without relying on the available fund balance. LAFCo staffing for Application Processing activities is proposed to be increased (yet balanced with Application Fees in associated revenue category).

There are budgeted increases to the following accounts: 2110 (Insurance) to account for a 5% increase in SDRMA Board-approved liability rates; and 2115 (Memberships) to account for a 16% increase in CALAFCo dues and 6% increase in CSDA dues. In addition, conference registration and travel expenses are being budgeted to allow up to four (4) commissioners/staff to attend the 2019 CALAFCO Annual Conference in Sacramento on October 30th - November 1st.

Proposed Operating Revenues:

Over the last three fiscal years, LAFCo has budgeted \$47,375 in cost savings and general reserves be carried forward to reduce agency contributions. During this same three-year period, total agency contributions have been increased by approximately 10%. To maintain a fund balance of over \$50,000, staff is recommending a 3.4% increase in member contributions, from \$122,055 to \$126,300 (see table below). This would be apportioned to the seven cities, 53 special districts, and the county by the County Auditor.

	2016-17	2017-18	2018-19	2019-20 (proposed)
Cities	36,567	39,500.00	40,685.00	\$42,100
Special Districts	36,567	39,500.00	40,685.00	\$42,100
County	36,566	39,500.00	40,685.00	\$42,100
<i>Total</i>	<i>109,700</i>	<i>118,500</i>	<i>122,055</i>	<i>126,300</i>
<i>% increase (from prior year)</i>	<i>(0%)</i>	<i>(7.4%)</i>	<i>(2.9%)</i>	<i>(3.4%)</i>

WORK PLAN

The recommended final budget for fiscal year 2019-20 includes the following work plan:

Activity	Priority	Time Frame
Planning and Regulatory Activities		
City of Arcata MSR/SOI Update	1	Sept 2019 Hearing
Jacoby Creek CWD MSR/SOI Update	2	Sept 2019 Hearing
City of Trinidad MSR/SOI Update	1	Jan 2020 Hearing
Westhaven CSD	2	Jan 2020 Hearing
City of Fortuna MSR/SOI Update	1	Mar 2020 Hearing
Palmer Creek CSD	2	Mar 2020 Hearing

Activity	Priority	Time Frame
Change of Organization/Reorganization Proposals (5-8/yr)	1	Ongoing
Out of Agency Service Requests (1-2/yr)	1	Ongoing
Agency Pre-application Meetings	1	Ongoing
Planning for Sustainable Fire Services in Humboldt County	1	Ongoing
Administrative Activities (Priority 1)		
2019-20 budget, claim forms, tracking	1	Ongoing
2019 CALAFCO Annual Conference (Sacramento)	1	Oct 30-Nov 1, 2019
2020 CALAFCO Staff Workshop	1	April 2020
Expiring Commissioner Terms in 2020	1	Jan-June 2020
Strategic Planning Session for LAFCo Commissioners	1	Jan 2020
CSDA Area Chapter Coordination, Trainings and Meetings	1	Ongoing
SB 929 Website Requirements - Supporting Special Districts	1	Fall 2019
LAFCo Website Agency Boundary Mapping Tool	1	TBD
Administrative Activities (Priority 2)		
Public Records Requests	2	As needed
Respond to Grand Jury Reports	2	As needed
LAFCo Policy Review and Revisions	2	As needed
State Legislation Monitoring and Position Letters	2	As needed
Comment on LAFCo-related local government proceedings	2	As needed
Respond to public inquiries re. LAFCo activities/requirements	2	As needed
Public information /communications	2	Ongoing
Website Maintenance and Updates	2	Ongoing
Geographic Information System Boundary Mapping Updates	2	Ongoing

The budget and work plan provide for completion of the remaining city-specific MSR/SOI updates. Project applications have remained steady in recent years. Staff will continue to provide technical assistance to countywide fire services coordination efforts, which are expected to result in annexation/consolidation applications. Staff will continue to maintain and update the LAFCo website, as needed, with emphasis on providing additional educational and resource documents for special districts. There is also an opportunity to work with CSDA Humboldt Area Chapter on SB 929 implementation (special district website legislation that goes into effect on January 1, 2020), as well as providing for additional special district training and events locally.

Schedule of Fees and Deposits:

As part of the budget review process in 2013, the Commission adopted a schedule of fees (Attachment B) for the costs of processing boundary change proposals, outside agency service requests, sphere of influence amendments, and other applications that come before LAFCo. No changes to the fee schedule were made as part of the budget review process in 2014, 2015, 2016 and 2017. In 2018, the fee schedule was updated to include a new section related to processing Fire Protection Contracts or Agreements pursuant to Government Code Section 56134. The use of deposits collected at the time of application submittal and tracking of actual time spent by staff in processing the application allows for full cost recovery. This way, the applicant is

reimbursed if the full deposit isn't used or billed for any additional time not covered by the deposit.

The annual budget process includes review and if necessary, a Fee Schedule update. With the possible filing of an incorporation application, staff recommends the Incorporation Filing Deposit be increased to \$25,000.

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. 19-02, approving the final budget *and updated fee schedule* for fiscal year 2019-20, as provided in Attachment A."."

Attachments

Attachment A: Final FY 2019-20 Budget

Attachment B: Fee Schedule

Attachment C: Resolution No. 19-02



SCHEDULE OF FEES AND DEPOSITS

Deposits: Where indicated in the Fee Schedule, deposits toward the actual cost of processing proposals must be paid at the time an application is submitted. Applicants must sign an At-Cost Fee Agreement, consenting to reimburse LAFCo for all costs incurred in processing, including pre-application assistance. Staff work time on applications, which includes overhead costs, is tracked on an hourly basis. Periodic invoicing of costs is provided. If actual costs exceed the deposit amount, LAFCo will invoice the applicant for the additional costs. Processing of the application may be suspended until payment is received. Any portion of the deposit not used for processing is refunded.

Outside Assistance Fees: If the Executive Officer determines that the processing of an application requires LAFCo to contract with another agency, private firm, or individual for services that are beyond the normal scope of LAFCo staff work (e.g., drafting of an Environmental Impact Report or Comprehensive Fiscal Analysis), the applicant shall be responsible for all costs associated with that contract or service. The applicant shall provide LAFCo with a deposit sufficient to cover the cost of the contract or an amount determined by the Executive Officer to be a reasonable estimate of the costs.

Legal Counsel Fees: Applicants will be charged the actual costs of fees associated with legal consultation or review. While most applications do not require legal review, occasionally a proposal will develop significant legal issues that require considerable legal counsel involvement. In the event the Executive Officer identifies significant legal issues associated with the application, the applicant will be assessed, from that point forward, an additional minimum fee equivalent to two hours of legal counsel time at the current rate and any additional cost accrued above the minimum fee amount. Legal fees must be paid in full prior the final processing of an application.

Refunds of Fees: Except for unused portions of deposits, all fees paid to Humboldt LAFCo are non-refundable. Payment of fees is not a guarantee of approval of the submitted proposal.

Waiver of Fees: The Commission may waive a fee in special circumstances or if it finds that payment would be detrimental or contrary to the public interest. Fees may be waived or reduced for applications filed in response to a condition imposed by or a recommendation made by the Commission. A request for waiver, including an explanation for the request, must be submitted in writing to the Commission. Staff will present the request to the Commission, along with analysis and recommendation, for its determination.

HUMBOLDT LAFCo FEE SCHEDULE
(All fees are deposits, unless otherwise noted)

Boundary Changes – City or District Annexation, Detachment or Combination	
With 100% landowner consent - all owners within the affected territory have provided written consent to the proposed action	\$5,000 + CEQA fees + BOE fees
Without 100% landowner consent - all owners within the affected territory have not provided written consent to the proposed action	\$6,000 + CEQA fees + BOE fees
Complex proposal, as determined by EO, including but not limited to, the potential for substantial development (50 or more residential units or 10,000 square feet of non-residential development), significant effect on the community, and/or sphere of influence amendment	\$7,000 + CEQA fees + BOE fees
Sphere of Influence Amendments or Updates	
Sphere Amendment concurrent with annexation, detachment, or reorganization	+\$500
Sphere Update (not initiated by LAFCo)	\$2,500
Municipal Service Review Preparation	Actual cost
Other Changes of Organization	
District Formations or Consolidations	\$10,000
District Dissolution, Merger or Establishment of Subsidiary District(s)	\$5,000
District Activation or Deactivation of Latent Powers	\$1,000
City Incorporation or Disincorporation	\$25,000
Outside Agency Service Agreements/Contracts	
Nondevelopment-related agreements/contracts	\$2,000
Development-Related agreements/contracts	\$3,000
Fire Protection Contracts pursuant to G.G. Section 56134	\$3,000
Request for Exemption from G.C. Section 56133 or 56134	\$500
Environmental Document (CEQA) Fees – LAFCo as Lead Agency	
Environmental Document Preparation	
...Statutory/Categorical Exemption	\$40
...Negative Declaration/Mitigated Negative Declaration	\$2,000
...Environmental Impact Report	\$4,000
Fish and Wildlife Environmental Filing Fees	
...Negative Declaration/Mitigated Negative Declaration	\$2,280.75
...Environmental Impact Report	\$3,168.00
County Recorder Processing Fee (for all applications)	\$50

Other Application Fees

Pre-Application Fees	No charge limited to one half-hour of staff time, then actual cost
Petition Signature Verification by Registrar of Voters	Actual cost
Request for Reconsideration	\$1,000
Request for Extension of Time to Complete Proceedings	\$500
Special Meeting or Hearing	\$1,000
Special or Supplemental Studies	Actual cost

Miscellaneous Service/Duplication Fees

Copies of documents	\$.10 per page (after 10 pages)
Copies of Audio Recording	\$10 per CD
Staff Research/Archive Retrieval	No charge limited to one half-hour of staff time, then actual cost

State Board of Equalization Fees

Less than 1 acre	\$300
At least 1 acre up to including 5 acres	\$350
At least 6 acres up to including 10 acres	\$500
At least 11 acres up to including 20 acres	\$800
At least 21 acres up to including 50 acres	\$1,200
At least 51 acres up to including 100 acres	\$1,500
At least 101 acres up to including 500 acres	\$2,000
At least 501 acres up to including 1000 acres	\$2,500
At least 1001 acres up to including 2000 acres	\$3,000
At least 2001 acres and above	\$3,500



**RESOLUTION NO. 19-02
ADOPTING A FINAL BUDGET
FOR FISCAL YEAR 2019-20**

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 no later than May 1st and a final budget no later than June 15th for the next fiscal year; and

WHEREAS, the Commission adopted a proposed budget at a noticed public hearing on March 20, 2019; and

WHEREAS, at the direction of the Commission, the Executive Officer circulated the adopted proposed budget to each member agency for review and comment; and

WHEREAS, the Executive Officer prepared a report with recommendations for a final budget; 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 final budget held on May 15, 2019; and

WHEREAS, the Commission determined the final 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 Commission hereby approves the final budget and fee schedule for fiscal year 2019-20 as outlined in Exhibit A.
2. The overall operating costs provided in the final 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 15th day of May, 2019, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Attest:

Estelle Fennell, Chair
Humboldt LAFCo

George Williamson, Senior Advisor
Humboldt LAFCo