



AGENDA ITEM 7B

MEETING: March 18, 2020
TO: Humboldt LAFCo Commissioners
FROM: Colette Metz Santsche, Executive Officer
SUBJECT: **Proposed Budget for Fiscal Year 2020-21**
The Commission will consider approving a proposed Fiscal Year 2020-21 budget and authorizing circulation to local funding agencies for review in anticipation of final budget adoption at a public hearing in May.

BACKGROUND

Local Agency Formation Commissions (LAFCOs) 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

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 Controllers Office Manual.

Staffing services are organized into three categories: 1) Basic services, including the day-to-day administrative functions provided by the Executive Officer, Clerk and in-house staff, 2) Municipal Service Reviews (MSR) and Sphere of Influence (SOI) updates, which continues in Fiscal Year 2020-21 by in-house staff, and 3) Application Processing activities, which occurs on a full cost-recovery basis. Staffing expenses have remained the same over the last three years and staff is proposing the same amounts for Fiscal Year 2020-21.

There are budgeted increases to the following accounts: 2110 (Insurance) for anticipated 5% increase in SDRMA Board-approved liability rates; and 2115 (Memberships) to account for increases in CALAFCO and CSDA dues. In addition, conference registration

and travel expenses are being budgeted to allow up to four (4) commissioners/staff to attend the October 21-23, 2020 CALAFCO Annual Conference in Monterey.

Proposed Operating Revenues:

Over the last three fiscal years, LAFCo has accumulated \$46,670 in cost savings and general reserves to be carried forward. During this same three-year period, total agency contributions have been increased as shown below. To help ensure a balanced budget with no further use of reserves, staff is recommending a 0.7% increase in member contributions, from \$126,300 to \$127,200 (see table below). This would be apportioned to the seven cities, 53 special districts, and the county by the County Auditor.

	2017-18	2018-19	2019-20	2020-21 (proposed)
Cities	\$39,500	\$40,685	\$42,100	\$42,400
Special Districts	\$39,500	\$40,685	\$42,100	\$42,400
County	\$39,500	\$40,685	\$42,100	\$42,400
<i>Total</i>	<i>118,500</i>	<i>122,055</i>	<i>126,300</i>	<i>127,200</i>
<i>% increase (from prior year)</i>	<i>(7.4%)</i>	<i>(2.9%)</i>	<i>(3.4%)</i>	<i>(0.7%)</i>

The budget provided for continuing 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.

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. 20-03, approving the proposed budget for fiscal year 2020-21, 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 20, 2020."

Attachments

- Attachment A: Proposed FY 2020-21 Budget
- Attachment B: Resolution No. 20-03

Humboldt LAFCo Operating Budget

Revenues:

		FY 2019-20			FY 2020-2021
Account	Revenue Category	Adopted	8 Month Actual	Difference Under/ (Over)	Proposed
671181	Cities	\$42,100	\$42,100	\$0	\$42,400
671182	Special Districts	\$42,100	\$42,100	\$0	\$42,400
671183	County	\$42,100	\$42,100	\$0	\$42,400
Intergovernmental Total		\$126,300	\$126,300		\$127,200
631100	Professional Services	\$55,000	\$42,246	\$12,754	\$55,000
	Application Fees	\$55,000	\$42,246		\$55,000
401000	Interest	\$1,310	\$369	\$941	\$960
REVENUE SUBTOTAL		\$182,610	\$168,915		\$183,160

Operating Expenses:

		FY 2019-20			FY 2020-2021
Account	Expense Category	Adopted	8 Month Actual	Difference Under/ (Over)	Proposed
2106	Communications	\$160	\$104	56.40	\$160
2110	Insurance	\$2,500	\$2,552	(51.73)	\$2,800
2115	Memberships	\$4,750	\$4,707	43.00	\$5,000
2117	Office Supplies	\$600	\$314	286.00	\$600
2118	Professional & Special Services	\$160,900	\$95,094		\$160,900
	Legal Services	\$5,000	\$1,836	3,164.00	\$5,000
	Application Processing	\$55,000	\$50,529	4,471.10	\$55,000
	Basic Services-EO/Clerk	\$55,000	\$29,589	25,411.50	\$55,000
	MSRs/SOs	\$45,000	\$12,004	32,996.50	\$45,000
	Website Services	\$200	\$637	(437.20)	\$200
	Meeting Exp/Stipends	\$700	\$500	200.00	\$700
2119	Publications & Legal Notices	\$1,500	\$306	1,193.75	\$1,500
2121	Rents & Leases - Structures	\$5,400	\$3,600	1,800.00	\$5,400
2125	Transportation & Travel	\$6,800	\$6,680		\$6,800
	Mileage/Travel (In-County)	\$800	\$538	261.91	\$800
	Mileage/Travel (Out-of-County)	\$3,500	\$2,725	\$775	\$3,500
	Conference Registration	\$2,500	\$3,417	-\$917	\$2,500
Contingency/ Carryover					
2020	Contingency	-	-		-
Contingency Total		-	-		-
EXPENSE SUBTOTAL		\$ 182,610.00	\$ 113,356.68		\$ 183,160.00

Operating Difference

(Negative Balance Indicates Use of Reserves)

\$ - \$ 55,557.82 \$ -

Unreserved/Unrestricted Fund Balance

Beginning	\$46,670.17
Ending	