



## AGENDA ITEM 8A

**MEETING:** March 20, 2019

**TO:** Humboldt LAFCo Commissioners

**FROM:** Colette Metz, Executive Officer

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

The Commission will consider approving a proposed Fiscal Year 2019-20 budget and authorizing circulation to local funding agencies for review in anticipation of final budget adoption at a public hearing in May.

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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. 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 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 30<sup>th</sup> - November 1<sup>st</sup>.

**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)
<b>Cities</b>	36,567	39,500.00	40,685.00	\$42,100
<b>Special Districts</b>	36,567	39,500.00	40,685.00	\$42,100
<b>County</b>	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 fiscal year 2019-20 Proposed Budget includes the following work plan:

Activity	Priority	Time Frame
<b>Planning and Regulatory Activities</b>		
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
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
<b>Administrative Activities (Priority 1)</b>		
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

<b>Activity</b>	<b>Priority</b>	<b>Time Frame</b>
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
<b>Administrative Activities (Priority 2)</b>		
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.

## **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. 19-01, approving the proposed budget for fiscal year 2019-20, 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 15, 2019."*

## **Attachments**

Attachment A: Proposed FY 2019-20 Budget

Attachment B: Resolution No. 19-01

# Humboldt LAFCo Operating Budget

# ATTACHMENT A

Revenues:		FY 2018-19		FY 2019-20	
		ADOPTED	8 MONTH ACTUAL	PROPOSED	
<u>Account</u>	<u>Revenue Category</u>				
671181	Cities	\$40,685	\$40,685	\$42,100	
671182	Special Districts	\$40,685	\$39,747	\$42,100	
671183	County	\$40,685	\$40,685	\$42,100	
<b>Agency Cost Share Total</b>		<b>\$122,055</b>	<b>\$121,117</b>	<b>\$126,300</b>	3.5% increase
631100	Professional Services	\$30,000	\$63,736	\$55,000	
	Application Fees	-	-	\$55,000	
401000	Interest	\$800	\$618	\$1,310	
<b>REVENUE SUBTOTAL</b>		<b>\$152,855</b>	<b>\$185,471</b>	<b>\$182,610</b>	

Operating Expenses:		FY 2018-19		FY 2019-20	
		ADOPTED	8 MONTH ACTUAL	PROPOSED	
<u>Account</u>	<u>Expense Category</u>				
2106	Communications	\$160	\$104	\$160	
2107*	Duplicating	\$300	\$137	-	
2110	Insurance	\$2,200	\$2,375	\$2,500	
2115	Memberships	\$4,100	\$4,182	\$4,750	
2116*	Postage	\$100	\$0	-	
2117	Office Supplies	\$0	\$0	\$600	
	Printing/Copies	-	-	\$300	Previous 2107
	Postage	-	-	\$300	Previous 2116
	Supplies	-	-	\$0	
2118	Professional & Special Services	\$134,000	\$129,287	\$160,900	
	Legal Services	-	-	\$5,000	Previous 2255
	Basic Services-EO/Clerk	\$55,000	\$31,714	\$55,000	
	MSRs/SOIs	\$49,000	\$42,124	\$45,000	
	Application Processing	\$30,000	\$55,449	\$55,000	
	Website Services	-	-	\$200	Previous 2147
	Meeting Exp/Stipends	-	-	\$700	Previous 2123
2119	Publications & Legal Notices	\$1,000	\$809	\$1,500	
2121	Rents & Leases - Structures	\$5,400	\$3,600	\$5,400	
2123	Special Departmental Expense	\$700	\$360	\$2,500	
	Conference Registration/Training	-	-	\$2,500	Previous 2614
2125	Transportation & Travel	\$800	\$404	\$4,300	
	Mileage/Travel (In-County)	-	-	\$800	
	Mileage/Travel (Out-of-County)	-	-	\$3,500	Previous 2225
2147*	Media	\$200	\$121	-	
2225*	Transportation Out of County	\$6,200	\$1,304	-	
2255*	Legal Fees	\$5,000	\$1,851	-	
2614*	Staff Development & Training	\$2,600	\$1,090	-	
<b>EXPENSE SUBTOTAL</b>		<b>\$ 162,760.00</b>	<b>\$ 145,624.14</b>	<b>\$ 182,610.00</b>	

**Operating Difference** \$ (9,905.00) \$ 39,846.86 \$ -  
*(Negative Balance Indicates Use of Reserves)*

Unreserved/Unrestricted Fund Balance		FY 2018-19
Beginning		\$ 49,957.32
Ending		

\*Accounts to be closed



**RESOLUTION NO. 19-01**

**ADOPTING A PROPOSED 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 for the next fiscal year no later than May 1; and

WHEREAS, the Executive Officer prepared a report concerning the proposed budget and work plan, 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 a public hearing on the proposed budget on March 20, 2019; 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 2019-20 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 20<sup>th</sup> day of March, 2019, by the following roll call vote:

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

Attest:

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Estelle Fennell, Chair  
Humboldt LAFCo

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Colette Metz, Executive Officer  
Humboldt LAFCo