



LAFCO - San Luis Obispo - Local Agency Formation Commission  
SLO LAFCO - Serving the Area of San Luis Obispo County

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**TO: MEMBERS, FORMATION COMMISSION**

**FROM: DAVID CHURCH, AICP, EXECUTIVE OFFICER** 

**DATE: APRIL 21, 2011**

**SUBJECT: CONSIDERATION OF PROPOSED FISCAL YEAR  
2011-12 LAFCO BUDGET**

**Recommendation:** It is respectfully recommended that the Commission approve the proposed 2011-12 LAFCO budget, as set forth in Exhibit A.

### Summary

The Commission's proposed 2011-12 budget is attached as Exhibit A. To assist the Commission in its deliberations, attached in Exhibit B is the work program reviewed by the Commission in January 2011.

The budget approved by the Commission last fiscal year (FY 2010-2011) decreased expenditures by 15%. This 15% reduction was reflected in the agency shares charged to the cities, County and special districts. The reduction was largely a result of hiring the EO and Analyst positions at substantially lower salaries than previously paid. This year's LAFCO budget continues to consider the severe financial distress facing local governments around the State and within San Luis Obispo County. The charges to the agencies that fund LAFCO will decrease only slightly from last year.

The proposed FY 2011-12 budget is \$465,019, a 1.6% increase from last year's budget of \$457,691. This year's budget reduces expenditures for services and supplies by -3.6%. Last year, services and supplies expenditures were reduced by -2%. We continue to carefully monitor and reduce where possible the services and supplies expenditures. Salaries are budgeted to increase by a total of 4%. The increase consists of 2% merit increases and 2% cost of living increases. Revenues from an anticipated grant and a transfer of reserves are expected to offset the proposed budget increase. A grant from the Council of Governments (COG) is expected to help fund an analysis regarding a jurisdictions resources, service capability and infrastructure. Reserves are proposed to be transferred as revenues to slightly reduce the charges to agencies.

## Budget Details

**Agency Shares.** Charges to each of the funding agencies (County, cities and special districts) are proposed to be slightly reduced (-.3%). The one-third agency share in this year's budget is proposed at \$146,673 because of the transfer of reserves recommended in this year's budget and the anticipated grant from COG. These shares are allocated to the various jurisdictions based on total revenues. The County Auditor uses the most recent Cities and Special Districts Annual Report prepared by the State Controller to allocate the charges to the agencies in the County.

**Revenues.** Revenues from application processing fees and interest are estimated to decrease to \$12,000, down from \$16,500 last year. Interest earned on revenues is anticipated to decrease (\$2,500 to 1,000) in next year's budget. This is caused by lower interest rates on funds held in account with the County. The Strategic Growth Council has awarded the Council of Governments a grant that will be administered by the State Department of Conservation. It is anticipated that LAFCO Staff time will be reimbursed for work completed preparing a comprehensive inventory of resources, infrastructure, and services related to jurisdictions in the County. It is projected that \$5,000 in revenues will be realized from this grant in the coming fiscal year. This work program is consistent with LAFCO's Municipal Services Review program. Also, to reduce the charges to agencies it is recommended that \$8,000 be transferred from reserves to fund the LAFCO budget next fiscal year. This is discussed in more detail below.

**Reserves.** The Commission adopted a reserve guideline in April 2008 indicating that the projected fund balance in the fiscal year would be added to reserves until the 15% level is reached. At the beginning of this fiscal year (FY 2010-11) LAFCO had a 20% reserve fund, or \$90,835. Based on projected year end expenditures for this fiscal year, reserves and fund balance are estimated to be \$93,100. By transferring \$8,000 into the budget it reduces reserves to \$85,100 or 18% of the current budget. This also leaves enough reserves to cover potential application refunds or litigation. Also, these reserves may be used in next year's budget to decrease the charges to agencies.

**Salaries.** Salaries are proposed to increase by 4% over last year's budget. A merit increase of 2% was previously approved for the Executive Officer. The same limit on merit increases is also proposed for the Analyst and Clerk positions. To calculate the cost of living adjustment (COLA), San Luis Obispo LAFCO averages the Los Angeles and San Francisco Consumer Price Indexes (CPI). The annual Consumer Price Index (CPI) for Los Angeles Area ending February 2011 was 2.3%. The San Francisco CPI for the same time period was 1.7%. The average for the two CPIs is 2%.

Total benefit costs are estimated to increase based on the proposed salary increases. Health premiums charged by insurers are likely to increase, however; the monthly cafeteria amount paid by LAFCO (\$850) is recommended to remain unchanged. To calculate the cost of living adjustment (COLA), San Luis Obispo LAFCO averages the Los Angeles and San Francisco Consumer Price Indexes (CPI).

**Pension Costs.** Pension rates are not anticipated to increase in this year's budget. Total Pension costs are estimated to increase by about \$2,900 based on salary increases. The San Luis Obispo Pension Trust is in the process of completing the actuarial study that would consider any adjustments to the pension rates. This study will not be complete until April or May, possibly later. However, increases, if any, will be reflected in the 2012-13 budget. Another contributing factor is that the Pension Obligation Bond (POB) interest rate was increased because it changed from a variable rate to a fixed rate. The fixed rate is a bit higher interest but involves less volatility.

**Services and Supplies.** Recommended services and supplies are proposed to decrease by about \$4,200 (-3.6%). The Services and Supplies category contains a number of line items that are fixed costs, such as the County Auditor, Legal Counsel services, insurance, phones and rent. The County Auditor increased its costs this year by \$100 and workers compensation and liability insurance rates remained stable. Legal Counsel's services have not been increased for several years, but will again remain unchanged. Additionally, the Special District Risk Management Association has estimated that workers compensation coverage is likely to decrease. The current lease for the LAFCO office runs to June 30, 2013. In accordance with the lease agreement, rent will increased this year by 2% based on the average L.A. and San Francisco CPIs. Travel costs are proposed to be reduced again this year.

**Distribution.** As required by Government Code Section 56381, the Commission's proposed Fiscal Year 2011-12 budget has been transmitted to the Board of Supervisors, each City Manager, and each Independent Special District.

Proposed LAFCO Budget Fiscal Year 2011-2012  
Expenditures - Exhibit A

4/12/2011

EXPENDITURES SUMMARY	Current Year	Exp YTD	Proj. Yr End	Proposed 11-12	Inc/Dec	% Inc/Dec
Salaries	196,707	142,977	196,000	203,345	6,638	3.4%
Benefits	145,371	104,251	144,026	150,261	4,890	3.4%
Services and Supplies	115,613	75,337	110,500	111,413	-4,200	-3.6%
<b>Total Expenses</b>	<b>457,691</b>	<b>322,566</b>	<b>450,526</b>	<b>465,019</b>	<b>7,328</b>	<b>1.6%</b>

EXPENDITURES DETAIL	Current Year	Exp YTD	Proj. Yr End	Proposed 11-12	Inc/Dec	% Inc/Dec
<b>Salaries and Benefits</b>						
Salaries	196,707	142,977	196,000	203,345	6,638	3.4%
Benefits	145,371	104,251	144,026	150,261	4,890	3.4%
<b>Subtotal Salaries &amp; Benefits</b>	<b>342,078</b>	<b>247,229</b>	<b>340,026</b>	<b>353,606</b>	<b>11,528</b>	<b>3.4%</b>
<b>Variable Costs (%):</b>						
FICA -Employer Match	12,196	9,673	12,159	12,607	412	3.4%
Medicare - Employer Match	2,852	2,262	4,090	2,949	96	3.4%
Retirement-Employer Contribution	49,684	36,298	49,265	51,605	1,921	3.9%
Retirement-Added Employer Cont	26,364	18,666	26,490	27,390	1,027	3.9%
Retirement - Employee Contribution	2,209			2,284	75	3.4%
Pension Obligation Bond Payment	8,561	6,586	9,669	9,883	1,322	15.4%
SDI/SUI-Employer Contribution	2,577	1,640	2,568	2,664	87	3.4%
Fed Unemploy Tax-Employer Cont	787	230	784	813	27	3.4%
<b>Fixed Costs (\$):</b>						
Health Plan/Café Cash	30,600	22,896	30,600	30,600	0	0.0%
Life Insurance	750	0	400	750	0	0.0%
Def Comp - EO Employer Match	11,000	6,000	8,000	11,000	0	0.0%
<b>Total Benefits</b>	<b>145,371</b>	<b>104,251</b>	<b>144,026</b>	<b>150,261</b>	<b>4,890</b>	<b>3.4%</b>

Services and Supplies	Current Year	Exp YTD	Proj. Yr End	Proposed 11-12	Inc/Dec	% Inc/Dec
Food	1,000	716	1,000	1,000	0	0.0%
Maintenance - Equipment	500	491	650	500	0	0.0%
Maintenance - Software	400	0	470	400	0	0.0%
CALAFCO/Other Memberships	3,750	3,781	3,781	3,750	0	0.0%
Office Supplies	2,700	1,791	2,750	2,700	0	0.0%
Commissioner/Consultant Exp	10,000	5,001	8,000	9,000	-1,000	-10.0%
Publication/Legal Notices	1,000	141	800	1,000	0	0.0%
Rent	38,500	27,508	37,000	38,000	-500	-1.3%
Small Equipment	250	0	250	250	0	0.0%
Large Equipment	500	0	1,536	500	0	0.0%
Computer Software	250	0	1,900	250	0	0.0%
Employee Mileage	700	308	350	600	-100	-14.3%
Commissioner Mileage	2,000	1,206	1,800	1,800	-200	-10.0%
Airfare/Public Transportation	1,000	0	800	500	-500	-50.0%
Accommodations/Travel	4,000	953	3,500	3,000	-1,000	-25.0%
Auto Allowance	5,400	3,946	5,400	5,400	0	0.0%
Training/Conf Registration	4,000	2,821	4,000	4,000	0	0.0%
Utilities	3,250	2,034	3,250	3,250	0	0.0%
Car/Vehicle Rentals	1,000	257	600	750	-250	-25.0%
Postage	1,500	581	1,000	1,000	-500	-33.3%
Custodian	910	650	910	910	0	0.0%
Copying	1,250	157	1,000	1,000	-250	-20.0%
ITD-SAP/Board Chambers	850	469	850	850	0	0.0%
Phones	1,450	759	1,450	1,450	0	0.0%
County Auditor	6,453	6,453	6,453	6,553	100	1.5%
Insurance	8,000	5,001	7,000	8,000	0	0.0%
Legal Counsel/Other Co Billings	15,000	10,312	14,000	15,000	0	0.0%
<b>Subtotal Services &amp; Supplies</b>	<b>115,613</b>	<b>75,337</b>	<b>110,500</b>	<b>111,413</b>	<b>-4,200</b>	<b>-3.6%</b>

<b>Total Expenditures</b>	<b>457,691</b>	<b>322,566</b>	<b>450,526</b>	<b>465,019</b>	<b>7,328</b>	<b>1.6%</b>
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Proposed LAFCO Budget Fiscal Year 2011-2012  
Revenues - Exhibit A

**REVENUES**

REVENUE DETAIL	Current Year	Realized YTD	Proj Yr End	Proposed 11-12	Inc/Dec	% Inc/Dec
Interest	2,500	699	1,000	1,000	-1,500	-60.0%
Environmental Fees	2,000	1,000	2,000	2,000	0	0.0%
Sphere of Influence Fee	2,000	0	0	1,000	-1,000	-50.0%
LAFCO Processing Fees	9,000	8,600	8,600	8,000	-1,000	-11.1%
Refunds	0	0	0	0	0	0.0%
Other Revenue/Strat. Growth Grant	1,000	50	0	5,000	4,000	400.0%
Transfer of Reserves	0	0	0	8,000	8,000	
<b>Sub-Total w/out Agency Charges</b>	<b>16,500</b>	<b>10,349</b>	<b>11,600</b>	<b>25,000</b>	<b>8,500</b>	<b>51.5%</b>
LAFCO Charge to Agencies	441,191	441,191	441,191	440,019	-1,172	-0.3%
<b>Total Revenue</b>	<b>457,691</b>	<b>451,540</b>	<b>452,791</b>	<b>465,019</b>	<b>7,328</b>	<b>1.6%</b>

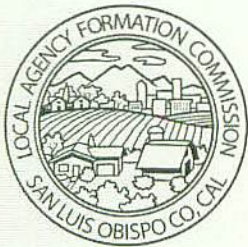
**CHARGES TO AGENCIES**

Agency Share	2010-11	2011-12	Inc/Dec	% Inc/Dec
Cities	147,064	146,673	-391	-0.3%
County	147,064	146,673	-391	-0.3%
Special Districts	147,064	146,673	-391	-0.3%
<b>Total</b>	<b>441,191</b>	<b>440,019</b>	<b>-1,172</b>	<b>-0.3%</b>

**RESERVES/FUND BALANCE**

Projected Fund Balance, FY 10/11: 2,265


	FY 10/11	% of Budget	Proj. Year end	Proposed 11-12	% of Budget
Revenues	90,835	20%	93,100	86,100	18%



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**EXHIBIT B**

**TO: MEMBERS, FORMATION COMMISSION**

**FROM: DAVID CHURCH, AICP, EXECUTIVE OFFICER** 

**DATE: JANUARY 20, 2011**

**SUBJECT: 2010 ANNUAL REPORT AND WORK ACTIVITIES  
2011 UPCOMING PROPOSALS AND ACTIVITIES**

**RECOMMENDATION.** It is respectfully recommended that the Commission receive and file.

**DISCUSSION.** This report is to update the Commission with regard to the proposals and work completed in 2010 by LAFCO and what's on the horizon in the coming year. The following activities and programs have been accomplished:

### **ANNEXATIONS**

**Gap/Madonna.** In January 2010, LAFCO conditionally approved Annexation No. 74 to the City of San Luis Obispo. The project approval required that one acre of prime agriculture land be permanently preserved for each acre of prime agricultural land being converted. Approximately 19 acres of prime agricultural land was preserved.

**Pearwood.** In April 2010, the Commission conditionally approved Annexation No. 30 to the City of Arroyo Grande. The City approved a four-lot subdivision on half the site, with the other half (3.6 acres) remaining in Public Facilities zoning to be used as a drainage basin for the area with an open space easement placed on the deed.

**Los Ranchos.** In July 2010, the Commission approved Sphere of Influence Amendment and Annexation No. 10 to County Service Area No. 18. This allowed two residential parcels to receive wastewater service once these are developed.

### **SPHERE OF INFLUENCE UPDATES/MSRs**

**Nipomo Community Services District.** The Commission adopted the SOI/MSR in July 2010. The Sphere was reduced by 1000 acres in two areas; one at the northern end that is under Williamson Act contract, and a second at the southern end that is being used to grow strawberries. The NCSD, County, and San Luis Obispo LAFCO

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received the Government Leadership Award from CALAFCO for their work on the MOA.

The **City of Pismo Beach** Sphere of Influence Update and Municipal Service Review is underway. The MSR is nearing completion and discussions regarding the City-County Memorandum of Agreement are underway. More information is provided in the Status Report included on today's agenda.

**Cemetery Districts.** The Commission adopted the SOI/MSR in November 2010. The Spheres for all eleven Public Cemetery Districts were unchanged. The MSR has been updated and evaluates the delivery services for each district.

## **OTHER ACTIVITIES 2010**

- Advertised, interviewed and selected new LAFCO Analyst
- Prepared and submitted comments regarding the Price Canyon Specific Plan EIR-Coordinated with the Public, City and other agencies
- Worked with City of Pismo Beach and Los Robles Del Mar representatives regarding future consideration of this annexation
- Completed the process of selecting the LAFCO Commission Special District Member and Alternate Special District Member
- Participated in the CALAFCO Staff Workshop, April 2010 - presenting a session with SLOCOG staff regarding the SB 375
- Participated in the CALAFCO Annual Conference in October 2010, EO presented the LAFCO 101 session
- Mapping/GIS – Updated all maps using the latest GIS data, updated maps and information for the BAS Census Survey, coordinated with SLO/CALPOLY regarding a history of SLO Annexations
- Executive Officer participated in orientation for the Grand Jury, made presentations at the Agriculture Liaison Committee and other groups
- Took action supporting CALAFCOs proposal to regionalize the organization
- Prepared and adopted Budget for Fiscal Year 2010/11 which included a 15% decrease from the previous year
- Prepared LAFCO Quarterly and Year-end Budget Reports-prepared and paid bills including payroll on a regular basis

- Updated LAFCO Directory Maps and collected District and City water and sewer rates
- Regularly updated the website with information

## **UPCOMING 2011**

In the upcoming year San Luis Obispo LAFCO will evaluate proposals and projects, prepare Staff Reports and comments, complete Sphere of Influence Updates and Municipal Service Reviews, participate in CALAFCO program activities and work on a number of other issues. These include:

## **ANNEXATIONS**

**Orcutt Specific Plan – City of San Luis Obispo.** The City Council has submitted a Resolution of Application to LAFCO for annexation. The Specific Plan was approved by the City on March 2, 2010. The proposed annexation is approximately 231 acres and is identified as an expansion area for the City in both the City and County General Plans. More detailed information is provided in the Status Update report on this agenda.

**Broad Street – City of San Luis Obispo.** A minor annexation to adjust a lot line so an entire parcel can be annexed into the City of San Luis Obispo. The area is to be annexed is less than one acre and is within the City's Sphere of Influence in the area located across from the airport on Broad Street. It is zoned commercial.

**Los Robles Del Mar/Coastal Christian Annexation – City of Pismo Beach.** An application for this may be submitted when the City and proponent work out the water service question. Discussions between LAFCO staff, the City and proponent have been conducted and it has been made clear that the water issue needs to be plainly addressed. Also the City is reviewing the CEQA documentation to ensure that it is still adequate for the project.

## **SOI UPDATES/MSRs**

**CITIES.** The 2010 work plan was approved by the Commission in September 2010 and focuses on those Cities which have passed, or are approaching the five-year requirement for update. Staff is working on updating the MSRs for Pismo Beach, Atascadero, Paso Robles, Arroyo Grande, and Grover Beach at this time.

The **City of Pismo Beach** is working on preparing the Price Canyon Specific Plan which includes the existing SOI and additional parcels in the area. The City is working to finalize the EIR for the area and this effort could result in an SOI update

and an annexation proposal. Updating the Municipal Service Review provides LAFCO with the information needed to make a decision regarding the SOI.

The **City of Atascadero** is working on the Eagle Ranch Specific Plan which should be complete in about two years. The information in the MSR has been updated and is ready for Administrative review. The current sphere boundary is not expected to change and staff intends to move forward with the Update in the next few months.

The **City of Paso Robles** Sphere Update is scheduled to begin in 2011. Staff is discussing the timing of the Sphere and possible study areas.

Below are the Cities and the five year update schedule.

Jurisdiction	Completion Date	5-Year Date	Status/Action
<b>CITIES</b>			
Pismo Beach	April 2002	April 2007	SOI/MSR Update is underway; delayed by release of the Price Cyn SP EIR
Atascadero	September 2003	September 2008	MSR information is being updated. Start update in 2011.
Arroyo Grande	February 2003	February 2008	MSR information is being updated. Start update in 2011.
Grover Beach	February 2003	February 2008	MSR information is being updated. Start update in 2011.
Paso Robles	September 2004	September 2009	MSR information is being updated. Start update in 2011.
San Luis Obispo	January 2006	January 2011	Process proposals
Morro Bay	October 2007	October 2012	Process proposals

It is also recommended that the Memorandum of Agreements between the Cities and County be reviewed and amended to reflect any changes to the Sphere of Influence or the terms of the agreement.

**DISTRICTS.** Oceano CSD's five-year SOI update was due in 2008. Staff is in the process of updating the MSR information. No change in the SOI is anticipated for the Oceano CSD. The North County CSDs are scheduled to start the update process in 2011.

Jurisdiction	Completion Date	Update Due	Status/Action
<b>COMMUNITY SERVICES DISTRICT</b>			
Oceano	February 2003	Feb 2008	MSR is being updated
Nipomo	July 2010	May 2015	Completed in 2010
Templeton	April 2006	April 2011	Start update in 2011
San Miguel	April 2006	April 2011	Start update in 2011
Heritage Ranch	April 2006	April 2011	Start update in 2011
Avila Beach	Dec 2007	Jan 2013	Start update in 2013
Cambria	July 2008	July 2013	Start update in 2013
Los Osos	Dec 2007	Dec 2012	Start update in 2012
San Simeon	Dec 2007	Dec 2012	Start update in 2012
Cal Valley	Dec 2007	Dec 2012	Start update in 2012
Independence Ranch	Dec 2007	Dec 2012	Start update in 2012
Linne	Dec 2007	Dec 2012	Start update in 2012
Creston Hills Ranch	Dec 2007	Dec 2012	Start update in 2012
Squire Cyn	Dec 2007	Dec 2012	Start update in 2012
Ground Squirrel Hollow	Dec 2007	Dec 2012	Start update in 2012

## **Other Activities 2011**

- Participating on the CALAFCO Staff Workshop Program Committee and coordinating sessions on Public Records and Ethics
- Executive Officer will be presenting SLO LAFCO's Memorandum of Agreement process at CALAFCO University "LAFCOs as a Catalyst" course in Sacramento
- Continue to facilitate discussions regarding the Memorandums of Agreement between Cities and County
- Respond to information requests regarding a variety of issues: forming a Fire Protection District, merging Districts, election of LAFCO representatives, annexation process, outside user agreements, complaints about jurisdictional services and other questions about government