



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

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Analyst

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: APRIL 21, 2022

SUBJECT: PROPOSED FISCAL YEAR 2022-23 BUDGET AND WORK PLAN

RECOMMENDATION

It is respectfully recommended that the Commission consider taking the following actions:

Action 1: Approve, by roll call vote, the Proposed Fiscal Year 22-23 Budget and Work Plan (Attachment A).

Action 2: Direct the Executive Officer, by roll call vote, to distribute the Proposed Budget and Work Plan to contributing agencies per the Cortese, Knox Hertzberg Act, and set the Final Budget and Work Plan hearing for May 19, 2022.

INTRODUCTION

The Cortese, Knox, Hertzberg Act (CKH) requires that Local Agency Formation Commissions (LAFCO) consider a proposed annual budget by May 1st and adopt a final annual budget by June 15th and transmit the budget to each contributing agency. After adoption of the final budget by LAFCO, the County Auditor is required to apportion the share of the budget to each contributing agency represented on the Commission based on the formulas specified in CKH. Upon collection of the apportioned share from each contributing agency, the County Auditor retains the funds within its accounting system for use by LAFCO. Every single financial transaction conducted by LAFCO is processed through the County Auditor. This ensures financial transparency, accuracy and accountability.

WHAT WE DO

The primary purpose of LAFCO is to ensure that government agencies provide efficient services, foster orderly growth and development, preserve agricultural lands and open space, and discourage urban sprawl. SLO LAFCO currently serves 53 local government agencies, including 7 cities and 35 special districts and 11 dependent special districts within the county. LAFCOs are responsible for, in part, establishing spheres of influence, evaluating annexations, approving the formation of districts, activating or divesting district powers, and the incorporation of cities.

2022/2023 BUDGET AND WORK PLAN MESSAGE

LAFCO is in a healthy budgetary and operational state. New staff and leadership will continue to bring positive, effective and efficient changes to the organization. Since onboarding of the new Executive Officer in May 2021, numerous improvements to processes, operations, technology, communication, and budgeting have led the organization in a positive direction, with more to come in Fiscal Year (FY) 22-23.

The FY 22-23 budget will remain balanced and represents an overall increase of 6%, with expenditures totaling \$649,615, an increase of \$36,936 from FY 21-22. Budgetary expenditure increases relate to inflation, as well as other factors discussed further below. The proposed budget does not exceed the range of the annual budgets of the last five years, with a budgetary high of \$671,625 in FY 19-20 and a budgetary low of \$588,658 in FY 20-21. FY 19-20 represented a year of normal staffing and operations, while FY 20-21 represented a year of vacancies and significant staffing changes, as well as uncertainties associated with Covid-19.

FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
\$628,086	\$668,090	\$671,625	\$588,658	\$612,679	\$649,615

We anticipate that FY 22-23 will bring further stability to the organization as we fill a key vacancy, train staff and implement ongoing improvements to the organization. We expect to continue to provide a high level of service to contributing agencies and the public.

LAFCO staff workload is currently and projected to be larger than any other point in time. With 25 Municipal Service Reviews (MSR) in need of updating, multiple large-scale annexations on the horizon, and an overall increase in application activity, we anticipate the next several years to be very busy for staff. With that said, we have crafted a budget and work plan that is commensurate with budgetary realities of local agencies and districts, and one that was designed to minimize fiscal impacts. Because the budget is within the range of budgets proposed within the last five years, contributing agencies can expect rates to be similar to previous years with some variance.

When budgeting and work planning, not only is it important to analyze the organization but to also conduct a comparison to other similar organizations. When comparing our LAFCO to that of LAFCOs with a similar number of cities, districts and staff, we have the lowest or a lower-

percentile budget per staff when compared to other similar coastal or inland LAFCOs, respectively. This information tells us that we are able to accomplish a lot relative to our available budget and staff. Moving forward, we will continue to evaluate our organizational needs. Regardless of our staffing levels or budget, it is your Executive Officer's priority to set clear expectations for our contributing agencies and the public so that we can provide the highest level of service relative to the resources available.

2022/2023 WORK PLAN AND STAFFING

Work Plan. On January 20, 2022, at a regular meeting, the Executive Officer proposed various changes in the way in which we prioritize, communicate and execute our workload planning and budget. The Commission supported the recommended changes. To improve and clearly communicate our Work Plan, you will find our revised FY 22-23 Budget & Work Plan in Attachment A. The work plan has been revised with the intent to simplify the prioritization of our work efforts, meet statutory obligations, as well as meet other Commission priorities. Our work prioritization is as follows:

1. Process proposal applications as mandated by statute, and conduct critical operations necessary for organizations to function.
2. Prepare MSRs every five years, as mandated by statute, based on the date an MSR was last updated.
3. Execute special work efforts as directed by the Commission.

These priorities are established in the manner listed above for a few key reasons. Processing proposal applications is by default our top priority because of mandated timeframes in which an application must be processed. MSRs are also mandated by law; however, the timeframe associated with updating an MSR is longer. MSRs must be updated every 5 years or as deemed necessary. The attached Work Plan is consistent with this mandate because it lists MSRs that need updating based on that which is oldest. While prioritizing the oldest MSR is a logical approach, there may be instances where it is necessary to delay an update for a particular reason. For example, a City may have an update that is needed because their MSR is older than 5 years; however, they may also be embarking on a comprehensive General Plan update. If this is the case, it would not make sense to update a MSR when the City is in the process of determining how it will grow over the next 20 years, since the MSR evaluates future growth and Spheres of Influence. Generally speaking, nonetheless, MSRs will be updated based on that which is oldest.

For FY 22-23, we have included proposal applications as our top priority, MSRs as secondary priorities, with some variance based on need and timing, and other organizational efforts that are critical to our operations as approved by the Commission. Newly added organizational work efforts include the following:

- New website launch
- Application update and procedure improvements
- Policy and Procedures manual updates

We recommend adding these items for several reasons. The website is in need of updating to meet ADA requirements, meet modern day expectations for usability, and increase efficiency. We have identified a website provider that specializes in preparing websites for LAFCOs and special districts, all at a significantly reduced cost when compared to our current service. This effort will ensure we meet all legal mandates pertaining to websites, as well as significantly improve communication to users and increase efficiencies for noticing and agenda packet releases. With regard to our application, we currently have one application for the many services we offer. We are in need of updates to our application so that each application is better tailored to each proposal. Lastly, the Policies and Procedures manual, we are in need of both major and minor updates. One such policy in need of updating are policies related to indemnification.

Staffing. LAFCO staffing is currently comprised of three permanent staff; one Executive Officer, one Analyst, and one Commission Clerk (currently vacant), as well as one contract legal counsel. Based on your Executive Officer's evaluation of the organization over the last 9 months with regard to staffing and workload, no changes to the number of permanent staff are proposed at this time though a need for workload capacity for proposal application processing and MSR preparation has been identified. To address this need, a conservative approach is proposed by slightly augmenting the existing Commission Clerk position. Due to the nature of our ongoing workload and efficiencies gained over the last 9 months regarding some of the clerking responsibilities due to process improvement changes, thereby increasing the workload capacity of the position, the Executive Officer has proposed to amend the "Commission Clerk" position to a "Clerk Analyst" position. This change will allow the Clerk to complete all necessary clerk functions and responsibilities, as well as fulfill the need by providing workload support to the Analyst and Executive Officer so that we can continue to complete proposal applications and MSRs in a timely manner in light of observed increased demand. While the workload of Clerk Analyst would still predominately be comprised of clerking responsibilities, the efficiencies gained would allow the Clerk analyst to take on a few new responsibilities including research, data collection, special assignments, and assisting with application processing. Clerk Analyst positions are commonly found in other LAFCOs and the Executive Officer believes this will be a beneficial yet moderate change to staffing. Should the Commission wish to approve the change, we will report back to Commission after one year as to how the change has impacted the organization.

FISCAL YEAR 2022/2023 BUDGET

Expenditures. Overall, expenditures when compared to the previous FY are proposed to increase by **6%**, from \$612,679 to \$649,615. The budget will remain balanced based on anticipated revenue, as discussed further below. Expenditure details are as follows.

Service and Supplies. Overall, FY 22-23 Service and Supplies expenditures are proposed to increase by **9%**, from \$136,547 to \$148,761, a net increase of \$12,214. The majority of expenditures remain constant from the previous FY; however, increases do occur in certain line items, mostly those which relate to inflation. Increases can be seen in the following line items.

- LAFCO Insurance Liability Policies
- Legal Counsel Services
- Custodial Services
- County Auditor Services
- Professional Memberships
- General Professional Services
- Utilities
- Trainings
- General Office Equipment / Supplies

Any contract amendments required for the above services will be brought back to the Commission for approval once the budget is approved.

Salaries, Taxes and Benefits. Overall, FY 22-23 Salaries, Benefits and Taxes are proposed to increase by **5%**, from \$476,132 to \$500,854. Increases in this category relate to the following factors.

- Augmented annual salary for the currently vacant Commission Clerk position that is proposed to be changed to a “Clerk Analyst” position from \$50,000 to \$65,000
- Consumer Price Index salary adjustments
- Increased pension contribution rate
- Merit based salary increase for the Analyst position

Revenues. Commensurate with the increase in expenditures discussed above, revenues will be **6%** higher than the previous FY, which will result in a balanced budget for FY 22-23. Further details are below.

Application Revenue. It is always difficult to predict how many applications will be received, so we have estimated a 25% increase in application revenue based on known information at this time. We anticipate with certainty that the “Dana Reserve” project will be coming forward soon. This project is currently in process at the County and is the largest residential and commercial project the County has seen in decades. There are other projects, including significant annexations, on the horizon that are anticipated to come in during FY 22-23.

Transfer of Reserves. As with past practice, LAFCO uses transfers of reserves to offset agency contributions. The amount transferred typically coincides with unanticipated revenue or under budget expenditures. For FY 21-22, LAFCO planned to use \$35,000 of reserves. We anticipate projected year-end expenditures to be approximately \$577,633, roughly \$35,000 under expected expenditures due to salary savings from position vacancies. As such, we recommend, as with last FY, using a transfer of \$35,000 of reserves.

Agency Contributions. Agency contributions for cities, districts and the county are anticipated to increase by 5%, from \$185,560 to \$195,538. This is a typical average annual increase that has

been seen over the last 10 years. In addition, as noted above, because the budget is within the range of budgets proposed within the last five years, contributing agencies can expect charges to be similar to previous years. These shares are allocated to the cities and districts based on their total revenues as reported to the State Controller. The County Auditor uses the most recent Cities and Special Districts Annual Report prepared by the State Controller to allocate the charges to each of the agencies in the County on a prorated basis.

Reserves. In April 2008, the Commission adopted a reserve/fund balance guideline of maintaining at least a 15% contingency or reserve. These funds have been used in the budget to reduce the costs to agencies by transferring reserves into the revenues side of the budget, particularly if expenditures are less than anticipated revenue. Current year end projections for reserves are \$262,579. As noted above, we anticipate projected year-end expenditures to be approximately \$577,633, roughly \$35,000 under expected expenditures due to salary savings. As such, we recommend, as with last FY, using \$35,000 of reserves if needed at year end. If used at the year end, this would leave a reserve fund balance of approximately \$227,579, which exceeds the 15% contingency policy of LAFCO, and would result a reserve of approximately 35%.

Distribution. As required by Government Code Section 56381, the proposed budget has been transmitted to the Board of Supervisors, each City Manager, and each Independent Special District. The budget has also been sent to the County Administrative and Auditor's Offices. A legal notice was published in advance of the hearings and the agencies were notified via email 21 days in advance of the budget hearing.

STAFF RECOMMENDATION

The Commission may approve or modify the proposed budget. Staff recommends the following actions:

Action 1: Approve, by roll call vote, the Proposed Fiscal Year 22-23 Budget and Work Plan (Attachment A).

Action 2: Direct the Executive Officer, by roll call vote, to distribute the Proposed Budget and Work Plan to contributing agencies per the Cortese, Knox Hertzberg Act, and set the Final Budget and Work Plan hearing for May 19, 2022.

Attachment A: Proposed FY 22-23 Budget & Work Plan

Attachment A

Proposed FY 22-23 Budget & Work Plan



Proposed FY 22-23 Budget and Work Plan

The San Luis Obispo Local Agency Formation Commission's public budget hearings are scheduled for April 21, 2022, and May 19, 2022, as required by government code section 56381.

Approved _____, 2022

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ABOUT US

Commissioners

Chair: Ed Waage, City Member

Vice Chair: Debbie Arnold, County Member

Lynn Compton, County Member

Marshall Ochylski, Special District Member

Robert Enns, Special District Member

Steve Gregory, City Member

Heather Jensen, Public Member

Alternates

Charles Bourbeau, City Member

Dawn Ortiz-Legg, County Member

Ed Eby, Special District Member

David Watson, Public Member

Staff

Rob Fitzroy, Executive Officer

Brian Pierik, Legal Counsel

Imelda Marquez, Analyst

Vacant, Commission Clerk

Introduction

This document represents the Fiscal Year 2022-2023 Budget and Work Plan for the San Luis Obispo Location Agency Formation Commission.

Mission

Our mission is to serve the residents of San Luis Obispo County and the State of California by discouraging urban sprawl and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

Goals

LAFCO's goals are to:

- Serve the Commission, Cities, Districts, the County, and the public by providing accurate, objective, clear, and well-organized information for decision making purposes
- Process proposal applications efficiently; consistent with the Cortese-Knox-Hertzberg Act, Local Policies and Procedures, CEQA and other applicable state laws
- Prepare Sphere of Influence/Municipal Service Review updates as necessary, while working on applications and other work efforts simultaneously
- Provide the Commission with regular status reports regarding upcoming proposals, Sphere of Influence Updates, Legislative Activities, and the Budget
- Participate in CALAFCO events to improve Commission and Staff expertise
- Inform the Commission and Public regarding various local governance issues and processes by providing regular status reports and study sessions
- Monitor the new legislation that may affect LAFCO

Priorities

Our workload prioritization is as follows:

1. Process proposal applications as mandated by statute and conduct critical operations necessary for organization to function.
2. Prepare Municipal Service Reviews every five years, as mandated by statute, based on the date a Municipal Service Review was last updated.
3. Execute special work efforts as directed by the Commission.

WORK PLAN

Project	Latest MSR Adopted	MSR Update Due Date	Status
Application Processing	N/A	N/A	Ongoing, Highest Priority
Commission Initiatives	N/A	NA	<i>Website Launch - ETA 2022</i> <i>Policies & Procedures Update - ETA 2022</i> <i>Application Update - ETA 2023</i>
City of Paso Robles MSR	Feb-13	Feb-18	Initiate 2022, ETA 2023
Templeton Community Services District (CSD) MSR	Nov-13	Nov-18	Initiate 2022, ETA 2023
San Miguel CSD MSR	Nov-13	Nov-18	Initiate 2022, ETA 2023
Heritage Ranch CSD MSR	Nov-13	Nov-18	Initiate 2022, ETA 2023
Avila Beach CSD MSR	Nov-13	Aug-19	Initiate 2022, ETA 2023
Cambria CSD MSR	Aug-14	Aug-19	Initiate 2023, ETA 2024
Los Osos CSD MSR	Aug-14	Aug-19	Initiate 2023, ETA 2024
San Simeon CSD MSR	Aug-14	Aug-19	Initiate 2023, ETA 2024
Cambria Healthcare District MSR	Aug-14	Aug-19	Initiate 2023, ETA 2024
Coastal San Luis Resource Conservation District (RCD) MSR	Nov-14	Nov-19	Initiate 2024, ETA 2024
Upper Salinas/Las Tablas RCD MSR	Nov-14	Nov-19	Initiate 2024, ETA 2024
Santa Margarita Fire District	Nov-14	Nov-19	Initiate 2024, ETA 2024
Garden Farms Water District	Nov-14	Nov-19	Initiate 2024, ETA 2024
Port San Luis Harbor District	Nov-14	Nov-19	Initiate 2024, ETA 2024
Cayucos Sanitary District	Jan-15	Jan-20	Initiate 2024, ETA 2025
Cal Valley CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
Independence Ranch CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
Linne CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
Squire Canyon CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
Ground Squirrel Hollow CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
City of San Luis Obispo MSR	Oct-16	Oct-21	Initiate 2025, ETA 2025
Shandon-San Juan Water District MSR	Oct-16	Oct-21	Initiate 2025, ETA 2025
City of Morro Bay MSR	Mar-17	Mar-22	Initiate 2025, ETA 2025
Estrella-El Pomar-Creston Water District MSR	Apr-17	Apr-22	Up to Date
County Service Area 1 - and Nipomo Lighting District MSR	Aug-17	Aug-22	Up to Date
County Service Area 7 - Oak Shore MSR	Aug-17	Aug-22	Up to Date
County Service Area 9 - Los Osos MSR	Aug-17	Aug-22	Up to Date
County Service Area 10 - Cayucos MSR	Aug-17	Aug-22	Up to Date
County Service Area 12 - Lopez Water MSR	Aug-17	Aug-22	Up to Date
County Service Area 16 - Shandon MSR	Aug-17	Aug-22	Up to Date
County Service Area 18 - SLO Country Club MSR	Aug-17	Aug-22	Up to Date
County Service Area21 - Countywide Roads MSR	Aug-17	Aug-22	Up to Date
County Service Area 22 - Airport Area MSR	Aug-17	Aug-22	Up to Date
County Service Area 23 - Santa Margarita MSR	Aug-17	Aug-22	Up to Date
Adelaida Cemetery District MSR	Mar-18	Mar-23	Up to Date
Arroyo Grande Cemetery District MSR	Mar-18	Mar-23	Up to Date
Atascadero Cemetery District MSR	Mar-18	Mar-23	Up to Date
Cambria Cemetery District MSR	Mar-18	Mar-23	Up to Date
Cayucos-Morro Cemetery District MSR	Mar-18	Mar-23	Up to Date
Pleasant Valley Cemetery District MSR	Mar-18	Mar-23	Up to Date
Paso Robles Cemetery District MSR	Mar-18	Mar-23	Up to Date
San Miguel Cemetery District MSR	Mar-18	Mar-23	Up to Date
Santa Margarita Cemetery District MSR	Mar-18	Mar-23	Up to Date
Shandon Cemetery District MSR	Mar-18	Mar-23	Up to Date
Templeton Cemetery District MSR	Mar-18	Mar-23	Up to Date
Nipomo CSD MSR	May-18	May-23	Up to Date
City of Pismo Beach MSR	Sep-19	Sep-24	Up to Date
City of Atascadero MSR	Nov-19	Nov-24	Up to Date
City of Arroyo Grande MSR	Jul-20	Jul-25	Up to Date

BUDGET

	Adopted FY 21-22	Projected FY 21-22 Year End	Proposed FY 22-23	Increase / Decrease From FY 21-22
Expenditures Summary <i>(Services, Supplies, Salaries, Benefits, Taxes)</i>	\$612,679	\$577,633	\$649,615	6%
Revenues Summary <i>(Processing Fees, Reserves, Agency Contributions)</i>	\$612,679	\$617,180	\$649,615	6%
Services and Supplies Expenditure Details				
Computer Software	\$500	\$500	\$500	0%
Copying-Printing	\$300	\$300	\$300	0%
Meals	\$600	\$250	\$600	0%
LAFCO Insurance Policies	\$16,500	\$14,376	\$17,500	6%
Maintenance-Equipment	\$30	\$30	\$30	0%
Maintenance-Software	\$50	\$50	\$50	0%
CALAFCO/ Other Memberships	\$8,000	\$6,406	\$8,800	10%
Employee Mileage Reimbursement	\$200	\$200	\$200	0%
Commissioner Mileage Reimbursement	\$1,200	\$1,200	\$1,500	25%
Office Supplies	\$2,500	\$2,500	\$2,500	0%
Custodial Services	\$1,100	\$1,100	\$1,800	64%
County Auditor Services	\$8,817	\$8,817	\$8,931	1%
Legal Counsel	\$26,400	\$26,400	\$31,200	18%
Postage	\$1,000	\$1,000	\$1,000	0%
Prof. Services/General/Commissioner Stipends	\$10,000	\$8,000	\$12,000	20%
Publication & Legal Notices	\$1,000	\$1,000	\$1,000	0%
Training	\$3,500	\$3,500	\$5,000	43%
Office Lease	\$37,000	\$37,000	\$37,000	0%
Large Equipment	\$1,000	\$1,000	\$1,500	50%
Small Equipment	\$400	\$400	\$400	0%
Telephone	\$3,000	\$3,000	\$3,000	0%
Travel Expenses	\$2,500	\$1,000	\$2,500	0%
Utilities	\$4,200	\$4,400	\$4,700	12%
Board Chambers - IT Support	\$850	\$850	\$850	0%
Vehicle Allowance	\$5,400	\$5,400	\$5,400	0%
Vehicle Rental	\$500	\$125	\$500	0%
Services and Supplies Subtotal	\$136,547	\$128,804	\$148,761	9%
Salary, Benefits and Taxes Expenditures				
Salaries	\$289,892	\$272,703	\$315,000	9%
Taxes - FICA SS Employer Match	\$17,972	\$16,908	\$19,530	9%
Taxes - Medicare Employer Match	\$4,261	\$3,954	\$4,568	7%
Pension Employer Contribution	\$87,657	\$84,702	\$88,698	1%
Pension Obligation Bond	\$18,850	\$16,362	\$16,558	-12%
SDI/SUI Employer Contribution	\$1,500	\$1,500	\$1,500	0%
Health Insurance	\$45,000	\$41,700	\$45,000	0%
Deferred Compensation	\$10,000	\$10,000	\$10,000	0%
Life Insurance	\$1,000	\$1,000	\$0	-100%
Salary, Benefits and Taxes Subtotal	\$476,132	\$448,829	\$500,854	5%
Total Expenditures	\$612,679	\$577,633	\$649,615	6%
Revenue Details				
Interest Earned	\$4,000	\$2,000	\$4,000	0%
Environmental Review Fees	\$1,000	\$3,000	\$3,000	200%
Sphere of Influence Fees	\$2,000	\$4,500	\$2,000	0%
Application Processing Fees	\$14,000	\$16,000	\$19,000	36%
Other Revenue (Transfer of Reserves)	\$35,000	\$35,000	\$35,000	0%
Agency Contributions				
Cities	\$185,560	\$185,560	\$195,538	5%
County	\$185,560	\$185,560	\$195,538	5%
Special Districts	\$185,560	\$185,560	\$195,538	5%
Total Revenue	\$612,680	\$617,180	\$649,615	6%
Reserves Fund Balance	\$262,579	\$262,579	\$227,579	-13%