



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: APRIL 18, 2024

SUBJECT: PROPOSED FISCAL YEAR 2024-2025 BUDGET AND WORK PLAN

RECOMMENDATION

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

Action 1: Approve, by roll call vote, the Proposed Fiscal Year 2024-2025 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 Government Code requirements and set the Final Budget and Work Plan hearing for May 16, 2024.

INTRODUCTION

The Government Code 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 the Government Code. 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 financial transaction conducted by LAFCO is processed through the County Auditor. This ensures financial transparency, accuracy, and accountability.

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Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

FY 24-25 BUDGET AND WORK PLAN SUMMARY

LAFCO is in a healthy budgetary and operational state. Staff continue to bring positive, effective, and efficient changes to the organization. Numerous improvements to processes, operations, technology, communication, and budgeting have occurred. We expect to continue to provide a high level of service to agencies and the public.

The Fiscal Year 2024-2025 (FY 24-25) budget will remain balanced and represents an overall increase of 2% of expenditures, totaling \$727,856.

LAFCO staff workload continues to be larger than at any other point in time. With over 35 Municipal Service Reviews (MSR) in need of updating, multiple large-scale annexations in process, proposals 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 designed to minimize fiscal impacts. Because the budget represents a modest increase, 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 other LAFCOs with a similar number of cities, districts, and staff, we have the lower 33rd percentile in terms of budget-to-staff ratio. 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.

WORK PLAN

Work Plan. The Commission established the following workload prioritization:

1. Process proposal applications as mandated by statute and conduct critical operations necessary for organizations to function.
2. Update agency Spheres of Influence (SOIs) and Municipal Service Reviews (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 the mandated timeframes in which an application must be processed. SOIs and MSRs are also mandated by law; however, the timeframe associated with updating an SOI is longer. SOIs must be updated every 5 years, though we are not able to keep pace with updating them every 5 years as we must prioritize applications and other matters. The attached Work Plan is consistent with this mandate because it lists MSRs that need updating based on which is the 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 and prioritize another agency's MSR should the commission decide to do so. Nonetheless, MSRs will be generally updated based on which is the oldest.

For FY 23-24, pursuant to the Commission's top priority, staff prioritized the processing of various applications, including:

- Oceano Community Services District Divestiture of Fire Authority
- Dana Reserve Specific Plan
- CSA 18 Annexation – Windmill Way Time Extension and Post-Approval Items
- Cayucos Sanitary District – Valley and Stanley Projects
- CSA 12 Annexation – Weldon
- City of Pismo Beach Outside Agency Agreement
- Shandon San Juan Water District Annexation
- CSA 23 Annexation – Santa Margarita Ranch
- Froom Ranch Specific Plan Time Extensions and Post Approval Items

In addition to the above proposal applications, staff provided preliminary consultation for on the radar applications, various legislative updates, quarterly reports, various closed session items, and study sessions.

Pursuant to the Commission's second priority and identified to be initiated in FY 23-24, staff initiated and /or completed Municipal Services Reviews for the following agencies:

- Heritage Ranch Community Services District (completed)
- Templeton Community Services District (completed)
- San Miguel Community Services District (completed)
- Cambria Community Services District (completed)
- Avila Beach Community Services District (completed)
- Cambria Healthcare District (initiated)
- City of Paso Robles (initiated)
- Los Osos Community Services District (initiated)
- San Simeon Community Services District (initiated – paused pending dissolution action)

Pursuant to the Commission's third priority, Commission Initiatives, in FY 23-24 staff was to conduct the following organizational work items.

- Financial Audit (in progress)

The audit is ongoing and is expected to be presented to the Commission in Spring 2024. The audit has consumed a considerable amount of staff time, which has impacted other work efforts such as MSRs. Nonetheless, this is an infrequent work assignment and is not expected to have a long-term impact on staff capacity once completed.

The proposed Work Plan for FY 24-25 is included in Attachment A. For FY 24-25, it is recommended that Priorities #1 and #2 remain the same, that is, staff will continue to process applications and prepare Municipal Services Reviews as efficiently as possible. No new Commission Initiatives are proposed by staff at this time.

Staffing. LAFCO staffing is currently comprised of three permanent staff; one Executive Officer, one Analyst, and one Clerk Analyst, as well as one contract legal counsel. No changes to the number of permanent staff are proposed at this time. Because we are anticipating several more large and complex proposal applications, it is expected that capacity to prepare Municipal Service Reviews will decrease over the coming year. Staff will continue to work diligently on the Municipal Service Review program and continue to provide updates to the Commission with each quarterly report.

FISCAL YEAR 2024/2025 BUDGET

Expenditures. Overall, FY 24-25 expenditures when compared to the previous fiscal year are proposed to increase by **2%** to \$727,856. The budget will remain balanced based on anticipated revenue, as discussed further below. Expenditure details are as follows.

Service and Supplies. Overall, FY 24-25 Service and Supplies expenditures are proposed to decrease by **-11%** to \$160,650. The majority of expenditures remain constant from the previous fiscal year; however, increases do occur in certain line items. Increases can be seen in the following line items.

- Computer software
- Office equipment
- LAFCO Insurance Liability Policies
- County Auditor Services
- Legal Counsel Services
- Professional Memberships
- Travel (training, conferences, etc.)

Any contract amendments or new contracts 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 24-25 this category is proposed to increase by **7%** to \$567,206. Increases in this category relate to the following factors.

- Pension Liabilities
- Health Insurance
- Consumer Price Index and salary adjustments for Analyst and Clerk Analyst positions

Revenues. Commensurate with the increase in expenditures discussed above, revenues will be **2%** higher for FY 24-25 when compared to the previous fiscal year. Further details are below.

Application / Interest Revenue. It is always difficult to predict how many applications will be received. We have assumed that application / interest revenue will increase by **21%** to \$39,000.

Agency Contributions. Agency contributions for cities, districts, and the county are anticipated to increase by **6%**, to \$219,619 per category. This is a typical average annual increase that has been seen over the last decade. This amount is proportionately divided among cities/districts based on an agency's total revenue 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 proportionate basis, and as such it is important to note that agencies do not necessarily see an increase of 6%.

Reserves. As with past practice, LAFCO uses transfers of reserves to offset agency contributions and/or carry forward any budget surplus from the preceding year. The amount transferred typically coincides with unanticipated revenue or budget surplus. For FY 23-24, LAFCO planned to use \$60,000 of reserves. Currently, we anticipate using approximately \$30,000 of reserves by year-end, as such we expect the expenditures to be under budget by \$30,000, i.e. we will have a budget surplus of \$30,000. Therefore, for FY 24-25 we recommend using a transfer of \$30,000 of reserves.

The Commission has adopted a reserve/fund balance policy of maintaining at least a 15% reserve fund balance. It is anticipated that the year-end reserve fund balance for FY 24-25 will be \$220,419. This remaining amount exceeds the 15% contingency policy of LAFCO and would result a reserve of approximately 30%.

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 21 in advance of the hearings.

Attachment A: Proposed FY 24-25 Budget & Work Plan

Attachment A

Proposed FY 24-25 Budget & Work Plan



Proposed FY 24-25 Budget and Work Plan

Considered April 18, 2024

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ABOUT US

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Vice Chair: Steve Gregory, City Member

Debbie Arnold, County Member

Jimmy Paulding, County Member

Robert Enns, Special District Member

Ed Waage, City Member

Heather Jensen, Public Member

Alternates

Carla Wixom, City Member

Dawn Ortiz-Legg, County Member

Ed Eby, Special District Member

David Watson, Public Member

Staff

Rob Fitzroy, Executive Officer

Imelda Marquez-Vawter, Analyst

Morgan Bing, Clerk Analyst

Brian Pierik, Legal Counsel

Introduction

This document represents the Fiscal Year 2024-2025 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	In Progress, Financial Audit - ETA 2024
Los Osos CSD MSR	Aug-14	Aug-19	In Progress, ETA 2024
San Simeon CSD MSR	Aug-14	Aug-19	In Progress, ETA 2024 (pending dissolution)
Cambria Healthcare District MSR	Aug-14	Aug-19	In Progress, ETA 2024
City of Paso Robles MSR	Feb-13	Feb-18	In Progress, ETA 2025
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 2025
Garden Farms Water District	Nov-14	Nov-19	Initiate 2024, ETA 2025
Port San Luis Harbor District	Nov-14	Nov-19	Initiate 2024, ETA 2025
Cayucos Sanitary District	Jan-15	Jan-20	Initiate 2025, ETA 2025
Cal Valley CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2025
Independence Ranch CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2025
Linne CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2025
Squire Canyon CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2025
Ground Squirrel Hollow CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2026
City of San Luis Obispo MSR	Oct-16	Oct-21	Initiate 2025, ETA 2026
Shandon-San Juan Water District MSR	Oct-16	Oct-21	Initiate 2025, ETA 2026
City of Morro Bay MSR	Mar-17	Mar-22	Initiate 2025, ETA 2026
Estrella-El Pomar-Creston Water District MSR	Apr-17	Apr-22	Initiate 2026, ETA 2026
County Service Area 1 - and Nipomo Lighting District MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 7 - Oak Shore MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 9 - Los Osos MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 10 - Cayucos MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 12 - Lopez Water MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 16 - Shandon MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 18 - SLO Country Club MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 21 - Countywide Roads MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 22 - Airport Area MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 23 - Santa Margarita MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
Adelaida Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Arroyo Grande Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Atascadero Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Cambria Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Cayucos-Morro Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Pleasant Valley Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Paso Robles Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
San Miguel Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Santa Margarita Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Shandon Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Templeton Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Nipomo CSD MSR	May-18	May-23	Initiate 2027, ETA 2027
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
City of Grover Beach	Jul-20	Jul-25	Up to Date
South County Sanitation District	Jul-20	Jul-25	Up to Date
Oceano CSD	Jul-20	Jul-25	Up to Date
Heritage Ranch CSD MSR	May-23	May-28	Up to Date
Templeton Community Services District (CSD) MSR	Nov-13	Nov-18	Up to Date
Avila Beach CSD MSR	Aug-23	Aug-19	Up to Date
Cambria CSD MSR	Aug-14	Aug-19	Up to Date
San Miguel CSD MSR	Nov-13	Nov-18	Up to Date

SLO LAFCO
FY 24-25 Budget & Work Plan

BUDGET

	Adopted FY 23-24	Projected Year End FY 23-24	Proposed FY 24-25	Increase / Decrease From FY 23-24
Expenditures Summary	\$711,653	\$691,037	\$727,856	2%
Revenues Summary	\$711,653	\$691,037	\$727,856	2%
<i>Services and Supplies Expenditure Details</i>				
Computer Software	\$500	\$456	\$1,000	100%
Copying-Printing	\$300	\$11	\$300	0%
Commission Meeting Expenses	\$600	\$600	\$600	0%
LAFCO Insurance Policies	\$20,000	\$18,675	\$20,000	0%
Maintenance-Equipment	\$30	\$125	\$300	900%
Maintenance-Software	\$50	\$50	\$500	900%
CALAFCO/ SDRMA / Other Memberships	\$8,800	\$7,223	\$9,000	2%
Employee Mileage Reimbursement	\$200	\$200	\$200	0%
Commissioner Mileage Reimbursement	\$1,500	\$800	\$1,500	0%
Office Supplies	\$2,500	\$1,200	\$2,500	0%
Custodial Services	\$1,800	\$1,800	\$1,800	0%
County Auditor Services	\$9,619	\$9,619	\$10,000	4%
Legal Counsel	\$32,400	\$32,400	\$33,600	4%
Postage	\$1,000	\$500	\$1,000	0%
General / Commissioner Stipends	\$39,000	\$27,674	\$15,000	-62%
Publication & Legal Notices	\$1,000	\$500	\$1,000	0%
Training	\$5,000	\$4,000	\$5,000	0%
Office Lease	\$42,000	\$42,000	\$42,000	0%
Large Equipment	\$1,500	\$1,500	\$2,000	33%
Small Equipment	\$400	\$400	\$600	50%
Telephone / Internet	\$3,000	\$3,000	\$3,000	0%
Travel Expenses	\$2,500	\$1,700	\$3,000	20%
IT Support	\$850	\$0	\$850	0%
Vehicle Allowance	\$5,400	\$0	\$5,400	0%
Vehicle Rental	\$500	\$5,400	\$500	0%
<i>Services/ Supplies Subtotal</i>	<i>\$180,449</i>	<i>\$159,833</i>	<i>\$160,650</i>	<i>-11%</i>
<i>Salary, Benefits and Taxes Expenditures</i>				
Salaries	\$326,000	\$326,000	\$342,000	5%
Federal Taxes - FICA Social Security	\$20,212	\$20,212	\$21,204	5%
Federal Taxes - Medicare	\$4,727	\$4,727	\$4,959	5%
SLOCPT Pension Rate	\$102,882	\$102,882	\$112,440	9%
SLOCPT Pension Obligation Bond	\$17,882	\$17,882	\$19,303	8%
SDI/SUI Employer Contribution	\$1,500	\$1,500	\$1,500	0%
Health Insurance	\$48,000	\$48,000	\$55,800	16%
Deferred Compensation	\$10,000	\$10,000	\$10,000	0%
<i>Salary, Benefits and Taxes Subtotal</i>	<i>\$531,204</i>	<i>\$531,204</i>	<i>\$567,206</i>	<i>7%</i>
Total Expenditures	\$711,653	\$691,037	\$727,856	2%
<i>Revenues</i>				
Interest Earned	\$4,000	\$8,884	\$9,000	125%
Environmental Review Fees	\$3,000	\$3,500	\$3,000	0%
Sphere of Influence Fees	\$2,000	\$6,000	\$3,000	50%
Application Processing Fees	\$23,000	\$23,000	\$24,000	4%
Other Revenue (Transfer of Reserves)	\$60,000	\$30,000	\$30,000	-50%
<i>Agency Contributions</i>				
Cities	\$206,551	\$206,551	\$219,619	6%
County	\$206,551	\$206,551	\$219,619	6%
Special Districts	\$206,551	\$206,551	\$219,619	6%
Total Revenue	\$711,653	\$691,037	\$727,856	2%
Reserves Fund Balance	\$220,419	\$250,419	\$220,419	0%