

DATE: March 7, 2008

TO: Members, Local Agency Formation Commission

FROM: Peter Banning, Executive Officer  
Candice Bozzard, Commission Clerk

SUBJECT: Preliminary Budget and Work Program for Fiscal Year 2008-09

### **Summary**

As directed by the Commission on February 1<sup>st</sup>, staff generated three preliminary budget scenarios for the coming fiscal year, with each scenario offering different staffing levels for the Assistant Planner position. Staff met with the Budget Committee (Commissioners Heller, McGlashan and Rodoni) to review the preliminary drafts on February 21<sup>st</sup>. The following scenarios were presented and discussed:

Scenario 1 - Status Quo Staffing (EO full time; Clerk  $\frac{3}{4}$  time; AP  $\frac{3}{4}$  time): Continuation of the Commission's current staffing (2.5 FTE) with a work program including completion of all MSR/SOI updates and new programs for in-house electronic archiving and knowledge management would result in increased total expenditures of 5.6% and an increase in city, county and special district contributions of 16.3%.

Scenario 2 - Reduced Staffing (EO full time; Clerk  $\frac{3}{4}$  time; AP  $\frac{3}{4}$  time for half year): Reduction of the Commission's staffing (from 2.5 to 2.13 FTE) with a work program including completion of all MSR/SOI updates and limited new programs for electronic archiving would result in a decrease in total expenditures of 3% and an increase in city, county and special district contributions of 6%.

Scenario 3 - Reduced Staffing (EO full time; Clerk  $\frac{3}{4}$  time; AP position eliminated): Continuation of the Commission's current staffing with a work program including completion of all MSR/SOI updates would result a decrease in total expenditures of 11.7% and a decrease in city, county and special district contributions of 4.5%.

The recommended preliminary budget was developed in a meeting of staff and the Budget Committee on February 21<sup>st</sup>. It calls for a modified version of Scenario 2 with the addition of an appropriation from reserves of approximately \$20,000. The recommended budget

would retain the Commission's Assistant Planner position for the first half of the coming fiscal year only. The appropriation from reserves will eliminate any increase in the contributions of the County, cities and special districts.

The Budget Committee's proposal includes total expenditures of \$390,090, a decrease of 3% over last year's budget. Personnel costs show a reduction of 7.5%. Supplies, Services and Facilities expenses were reduced by 1.2%. Contributions by the County, cities and special districts required to fund the proposed budget will remain unchanged. The budget proposal anticipates and assumes approximately \$60,000 in projected reserves for unrealized revenues, equipment replacement and, to a limited extent, un-programmed special studies and legal expenses.

### **Budget Development Assumptions**

The beginning point of the Budget Committee discussion on February 21<sup>st</sup> was a "status quo" budget prepared by staff that included the following assumptions:

- Application processing fees are assumed to meet or exceed \$35,000 for the current fiscal year as budgeted.
- Staffing at current levels including full-time Executive Officer,  $\frac{3}{4}$  time Clerk and  $\frac{3}{4}$  time Assistant Planner.
- Salary amounts include a projected 4% Cost of Living increase for all staff and 5% merit increase for the Clerk to the Commission and Assistant Planner positions if approved by the Commission.
- An appropriation of \$10,000 for replacement of obsolete computers and updated networking capabilities.

Under these assumptions, a status quo budget alternative would result in a net cost increase of \$22,682 and a 5.6% cost increase to contributing local government agencies. The Committee concluded that increasing the budget was not warranted, taking into account the reduction in mandated special study activity at the completion of the Commission's MSR/SOI program. The Committee accordingly developed a recommendation combining reduction in staff mid-way in fiscal year 2008-09 and appropriation from reserves.

The Budget Committee noted a projected balance of \$15,000 in unspent funds allocated to the Professional Services account in the current fiscal year and that the upcoming cost of

environmental review for the Tomales MSR/SOI study would not require an appropriation from reserves as had been previously expected.<sup>1</sup>

In the previous fiscal year, the Commission appropriated \$32,006 from reserves to offset the increase in costs allocated to contributing local government agencies. For this fiscal year the Budget Committee proposes appropriating \$19,992 from the reserve to maintain the costs to contributing agencies at the existing level. The amount proposed to be appropriated from reserves is less than, or approximately equal to, the amount that would flow into the reserve at the end of the current fiscal year, barring unforeseen expenditures.

The Commission's MSR/SOI program is expected to be complete in late 2008. Under the Committee's proposed budget, the Assistant Planner position would be eliminated at the end of the calendar year. Under the Budget Committee's recommended budget, the Commission's staff would be reduced from the present 2.5 full-time equivalent positions (FTE) to 2.125 FTE in Fiscal Year 2008-09 and to 1.75 thereafter.

The draft budget developed by the Budget Committee and staff is attached to this memo.

### **Proposed Work Program**

Staff activity and workload are best described by category under the headings below.

#### **Administration**

In operating as an independent agency, LAFCO staff must perform normal management and administrative tasks such as program planning, budgeting, hiring, purchasing, payroll, contract management, commissioner elections, meeting management, maintenance of records and office machines, etc. Staff takes advantage of administrative services available from the County and other outside vendors whenever it is most efficient to do so. Administrative activities account for approximately 5% of the Executive Officer's time, 55% of the Clerk's time and 5% of the Assistant Planner's time on an ongoing basis. These estimates reflect enhancement of the capabilities of the Commission Clerk. Administrative costs also include consultant services for website enhancement and facilitator services for the Commission's annual strategic planning retreat.

Strategic Plan objectives related to administrative activities are found under the Commission's goals for aligning the work plan and budget process with the strategic plan (Goal #2). Other administrative objectives in the Draft Strategic Plan include developing

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<sup>1</sup> After conferring with staff and the general manager of Tomales CSD, the Commission's consultant submitted a proposal for environmental analysis of \$16,271, an amount within the typical appropriation for contract services.

in-house electronic files of Commission agendas and minutes and an assessment of office computer needs.

Administrative costs by position are shown in the following table:

### **Administration**

	Hours		Rate	Cost
Executive Officer	104	\$	73.23	\$ 7,615
Commission Clerk	858	\$	45.57	\$ 39,099
Assistant Planner	39	\$	45.31	\$ 1,767
Consultant Services		\$	-	\$ 2,560
Assigned Overhead		\$	25.19	\$ 25,213
<b>Total</b>	1001			<b>\$ 76,254</b>

### Proposal Processing

Proposal volume during the present fiscal year continues at a moderately increased level. Processing fee revenue is expected to reach or exceed the proposed \$35,000 level budgeted for the current year. Proposal processing, including pre-application consultations and routine response to proposal-related questions is expected to require approximately 30% of Executive Officer's time including adjustments made for reduced staff and extended pre-application effort for annexations in the Tiburon area.

Staff's practice continues to utilize a proactive approach to complex and/or contentious proposals. Staff will engage the Commission or appropriate committees for planning optimal approaches to specific proposals as they arise, as requested by Commissioners at the Strategic Planning Retreat earlier this year.

Costs of anticipated proposal processing activity are shown in the following table:

### **Proposal Processing**

	Hours		Rate	Cost
Executive Officer	624	\$	73.23	\$ 45,693
Commission Clerk	312	\$	45.57	\$ 14,218
Assistant Planner	78	\$	45.31	\$ 3,534
Consultant Services	0			\$ -
Assigned Overhead		\$	25.19	\$ 25,540
<b>Total</b>	1014			<b>\$ 88,985</b>

### Service Reviews, Sphere of Influence Updates & Other Special Projects

Under the goal of compliance with AB2838 mandates, the Commission's Strategic Plan objectives include completion of all MSR/SOI studies in 2008, including those for Tomales, Marin Municipal and North Marin Water Districts, Marin Healthcare and Resource Conservation districts. Following completion of the Commission's service review and sphere of influence studies, the Commission's costs for special studies is expected to decline.

The Commission's costs in this category this year will include the cost of environmental review for the Tomales CSD MSR/SOI study, listed below under Consultant Services.

Budgeted Special Studies costs are shown in the following table:

#### **Special Studies**

	<u>Hours</u>		<u>Rate</u>	<u>Cost</u>
Executive Officer	624	\$	73.23	\$45,693
Commission Clerk	78	\$	45.57	\$3,554
Assistant Planner	507	\$	45.31	\$22,972
Consultant Services				\$15,000
Assigned Overhead		\$	25.19	\$ 30,452
<b>Total</b>	1209			<b>\$ 117,671</b>

#### Communications

As in recent years, the Commission has included goals and objectives that place emphasis on further development of LAFCO's communications with the public and with other government agencies (See Draft Strategic Plan, Goals 4 & 5). At the Commission's strategic planning retreat, the Commission directed further internal discussion of LAFCO's role in sub-regional planning issues (population projections, housing and transportation) and the linkage between such issues and LAFCO's core mandates. The objectives, as interpolated by staff, focus on outreach to other organizations, public presentations, progress reporting, improvement of the Commission's website, and exchanging information with other agencies.

The costs of communications-related activities in the proposed budget are shown in the following table:

### Communications

	<u>Hours</u>		<u>Rate</u>	<u>Cost</u>
Executive Officer	416	\$	73.23	\$30,462
Commission Clerk	78	\$	45.57	\$3,554
Assistant Planner	39	\$	45.31	\$1,767
Consultant Services				\$2,460
Assigned Overhead		\$	25.19	\$ 13,425
<b>Total</b>	<b>533</b>			<b>\$ 51,668</b>

### Training

The Commission's Clerk continues to expand her contacts with their counterparts in other agencies. The County's SAP accounting system, new computer networking software and the need to better manage the Commission's records will require intermittent additional training activity. Staff continues to participate in CALAFCO conferences and courses which entail both providing and receiving training.

The costs of estimated training-related activities in the proposed budget are shown in the following table:

### Training

	<u>Hours</u>		<u>Rate</u>	<u>Cost</u>
Executive Officer	104	\$	73.23	\$7,615
Commission Clerk	78	\$	45.57	\$3,554
Assistant Planner	39	\$	45.31	\$1,767
Consultant Services	0			\$0
Assigned Overhead		\$	25.19	\$ 5,567
<b>Total</b>	<b>221</b>			<b>\$ 18,504</b>

**Recommendation:** Staff recommends that the Commission review the attached Preliminary Budget and the Draft Work Program above and direct modifications as necessary to implement the objectives of its Strategic Plan. Under the adopted Policies, Procedures and Guidelines, the Commission should then continue action on the Budget and Work Program until its regular meeting on May 8, 2008 and direct staff to circulate the preliminary budget to the County, cities and special districts for comment.

Respectfully submitted,

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Peter Banning  
Executive Officer

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Candice Bozzard  
Commission Clerk