



Inyo Local Agency Formation Commission
168 North Edwards Street
Post Office Drawer L
Independence, California 93526

Phone: (760) 878-0263
FAX: (760) 872-0382
E-Mail: inyolafco@inyocounty.us

LAFCO STAFF REPORT

AGENDA ITEM No. 7 (Action Item & Public Hearing)
DATE OF MEETING: June 13, 2016
SUBJECT: Inyo LAFCO Fiscal Year 2016-2017 Final Budget

EXECUTIVE SUMMARY

This report presents the Executive Officer's budget recommendations for adoption of a final budget for the Fiscal Year (FY) 2016-2017. The proposed final budgeted expenditures for FY 2016-2017 are **\$100,690**, a decrease of \$92,931 from the FY 2015-2016 budget. The Inyo LAFCO Final Budget for FY 2016-2017 proposes funding from the County of Inyo and the City of Bishop in the amount of \$5,000 each, for a total contribution of \$10,000.

The total final budget recommended by staff reflects revenues of **\$87,165** and expenditures of **\$100,690**. Approximately \$(5,081) in fund balance is projected to be required for FY 2015-2016 operations, reducing funds available for the FY 2016-2017 budget. The total projected cash fund balance through previous FY is projected to be \$26,644, and a portion of which is proposed to be utilized for the Executive Officer's recommended final budget for FY 2016-2017.

Recommended Action: Conduct a public hearing and adopt the attached final budget as recommended by staff for FY 2016-2017, find that reduced staffing and program costs will allow the Commission to fulfill the purposes and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and authorize the chair to sign and order to reflect the fiscal year 2016-2017 budget.

Alternatives: 1) Amend and adopt a final budget for FY 2016-2017.
 2) Continue the public hearing and provide direction to staff regarding changes to the final budget for FY 2016-2017; this is not recommended as the final budget is required to be adopted by June 15th, and another hearing has not been included in the FY 2015-2016 budget.

BACKGROUND INFORMATION

The Inyo Local Agency Formation Commission (LAFCO) is a state-mandated program funded jointly by the City of Bishop and Inyo County pursuant to Government Code 56381(b). The Commission's five members include one public representative, two Board of Supervisors representatives, and two Bishop City Council representatives. The objectives of LAFCO include the encouragement of orderly growth and development, the preservation of prime agricultural lands, discouragement of sprawl through coordination of local governmental boundaries, and establishment of spheres of influence and community service priorities that reflect local circumstances, conditions, and financial resources.

Presently, the Commission contracts with the Inyo County Planning Department for the services of LAFCO Executive Officer and support staff. The Commission contracts with the Inyo County Office of the County Counsel for legal services. A single contract between LAFCO and Inyo County covers both staff and counsel services.

The Inyo County Auditor has requested a Commission Order to reflect the Final FY2016/2017 Budget

Inyo LAFCO Accomplishments for FY 2015-2016

- Entered into a contract with the Inyo County Planning Department/Inyo County Office of the County Counsel that provided staff and legal services to the Commission.
- Maintained the Inyo LAFCO website in compliance with Government Code Section 56661.
- Maintained membership and participation in the California Association of LAFCOs (CALAFCO) and attended the staff workshop.
- Updated the Independent Special District information.
- Provided a high level of customer service.
- Processing an Annexation Application.
- Conducted recruitment for an Alternate Public Member.
- Continued to lead efforts regarding the litigation with Southern Mono Healthcare District (SMHD).
- Began studying healthcare regionalization issues.
- Monitored the challenges being experienced by the Southern Inyo Healthcare District.

Inyo LAFCO Goals for FY 2016-2017

- Enter into a contract with the Inyo County Planning Department/Office of County Counsel to provide staff and legal services to the Commission.
- Maintain Inyo LAFCO membership and participation in CALAFCO, which provides training to LAFCO Commissioners and staff at annual and staff conferences.
- Replace any vacant seats on LAFCO as necessary to keep LAFCO active.
- Process and consider applications for special district formations, annexations, reorganizations, out-of-area service agreements, and others in compliance with the provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act.
- Continue to maintain the Inyo LAFCO website in compliance with Government Code Section 56661.
- Continue to update the Independent Special District information.
- Continue to lead the lead efforts regarding the litigation with SMHD.
- Continue to work on healthcare regionalization issues.
- Address liability issues to allow other public agency employees to accompany County personnel in County vehicles.
- Provide a high level of customer service.

EXECUTIVE OFFICER'S BUDGET REQUEST FOR FY 2016-2017

Under the Cortese-Knox-Hertzberg Act, LAFCO budgets have a *floor*: at a minimum, the budget must be equal to that adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill its responsibilities [Government Code Section 56381(a)]. In this instance, the proposed budget is reduced, and therefore staff recommends that the Commission make the required findings that reduced staffing and program costs will allow the Commission to fulfill the purposes and programs of the Act because the reduction is primarily related to the litigation with SMHD and will not impact staff or programs.

There is a projected available cash fund balance in the amount of \$26,644 from previous FY to be utilized for the FY 2016-2017 Budget. During FY 2015-2016 the final adopted LAFCO budget proposed \$5,000 funding contributions from the City of Bishop and the County of Inyo each, for a total of \$10,000. Staff recommends again requesting \$5,000 in contributions from the County of Inyo and the City of Bishop for FY 2016-2017 each. The projected fund balance at the end of FY 2016-2017 will be approximately \$13,120, which is a \$13,524 reduction to the

projected FY 2015-2016 fund balance. Budgeted expenses for FY 2015-2016 and FY 2016-2017 exceed revenues.

As with budgets adopted by a county or city government, adoption of the annual preliminary and final budgets for Inyo LAFCO requires adoption at a noticed public hearing by a three-fifths vote. Amendment of the adopted budget requires a four-fifths vote of the Commission.

Expenditures

Applications

General interest has been expressed in several projects for the coming year. To work to avoid any need for a special meeting to amend the budget for any of these projects, staff recommends including funding in case one is submitted. If no applications are submitted, these funds will not be utilized – no revenues or expenses will be incurred.

Annual Audit

Inyo LAFCO's cost for the annual mandated agency audit is project to be **\$2,500**. Inyo LAFCO has entered into a letter of engagement with Gallina LLP to provide this service, which is \$500 less than projected in the Preliminary Budget.

LAFCO Meetings

The FY 2016-2017 budget assumes five Inyo LAFCO meetings, with participation by the Executive Officer, staff, Counsel, and commissioners. Staff budgeted approximately **\$6,473** in FY 2016-2017 for Commissioners' attendance fees, Commissioners' travel expenses, staff attendance, and staff transportation to Commission meetings.

CALAFCO Conferences

Participation in the CALAFCO annual conference and staff workshop for Inyo LAFCO Commissioners and staff is a goal for 2016-2017. The FY 2016-2017 budget assumes one annual conference, with one commissioner and one staff member attending, and one staff workshop, with one staff member attending. Staff budgeted approximately **\$8,874** in FY 2016-2017 for both staff time and staff and commissioner travel expenses, which includes: registration, transportation, hotel, mileage and per diem.

Proposed expenditures by Object Code for FY 2016-2017

1. Advertising (Object Code 5263)

The recommended amount in this object code is \$225 which is the same as the FY 2015-2016 Budget to reflect one application. For FY 2016-2017 this cost includes required public notices for the three LAFCO meetings.

2. Professional and Special Service (Object Code 5265)

The recommended amount in this object code is \$93,294 which is approximately \$96,306 lower than the FY 2015-2016 Budget. The amount is lower for this FY to reflect lower costs for litigation. The recommended amount includes: meeting commissioner payments (\$1,000); Inyo LAFCO staff time for the meetings (\$4,374); annual conference and staff workshop

staff time (\$4,646); staff time to process one project and NIH Litigation (17,065); staff time to accomplish the miscellaneous goals stated above (\$3,708); outside counsel (\$60,000) and the FY 2015-2016 audit (\$2,500).

3. General Operating Expense (Object Code 5311)

The recommended amount in this object code is **\$1,065**, which increased \$55 from the FY 2015-2016 Budget. This category of expenditures includes purchases of supplies, miscellaneous supplies, and the CALAFCO Membership dues. The slight increase from FY 2015-2016 is for a corresponding increase in the CALAFCO membership dues.

4. County Cost Plan (Object Code 5315)

The recommended amount in this object code is **\$590**, which increased by \$480 from the FY 2015-2016 Budget. This category is the suggested amount by the County Auditor to cover expenses from that department.

5. Travel Expenses (Object Code 5331)

This object code includes expenses for CALAFCO annual conference travel, CALAFCO staff workshop travel, and travel mileage for the Inyo LAFCO meetings. The recommended amount in this object code is **\$3,675**, which decreased \$228 from the FY 2015-2016 Budget due to slight decrease in travel and conference/staff workshop costs.

6. Motor Pool (Object Code 5333)

Expenditures in this object code include Motor Pool travel to LAFCO Meetings in Bishop, and the CALAFCO conference and staff workshop. The recommended amount in this object code is **\$1,152**, which increased by \$263 from the FY 2015-2016 Budget. This increase was due mostly to the location of the annual conference and staff workshop.

Revenues

All revenues received are the result of LAFCO fees for services and payments from the County of Inyo and City of Bishop. LAFCO's fee schedule provides for the recovery of actual costs in processing applications for changes in organization under the Cortese-Knox-Hertzberg Act and environmental review and processing under the California Environmental Quality Act. Beyond the recovery of fees for services, Government Code Section 56381(b)(2) provides "in counties where there is no special district representation on the commission, the county and its cities shall each provide a one-half share of the commission's operational costs."

Details for each revenue category are as follows:

1. Interest from Treasury (Object Code 4301)

The recommended amount in this revenue code is **\$100**, unchanged from the FY 2015-2016 Budget. Interest rates remain exceptionally low.

2. Aid from Other Governmental Agencies (Object Code 4562 and 4599)

The recommended amount in these revenue codes is \$70,000 which is an increase of the FY 2015-2016 Budget this includes \$60,000 in revenue for Northern Inyo Hospital. Staff

recommends requesting \$5,000 in additional revenues from both the County of Inyo and the City of Bishop in FY 2016-2017. This level of funding reduces the fund balance similar to FY 2015-2016.

3. LAFCO Fees (Object Code 4817)

The recommended amount in this revenue code is \$17,065, which is an increase from the FY 2015-2016 Budget. Staff is recommending this amount for FY 2016-2017 because of continued reimbursement of staff cost for litigation and an application may be submitted. If an application is not submitted or litigation ends, neither the expenditures nor the revenues will be realized. Should additional applications be received, staff will prepare a budget amendment to adjust accordingly.

Alternatives

Government Code Section 56425(g) requires that the Commission, **as necessary**, review and update spheres of influence every five years. Government Code Section 56425 indicates that the Commission shall conduct Municipal Service Reviews (MSR) to prepare and update spheres of influence. In 2007 Inyo LAFCO updated spheres of influence, including conducting MSRs. More than five years have passed since the last round of sphere updates and MSRs were completed, and if the Commission finds it necessary to review and update any spheres of influence, another round of sphere studies and/or MSRs could be undertaken. Fund for such investigation would need to be provided from the fund balance and/or the City and County.

The final FY 2016-2017 budget includes expected revenues and expenses for an anticipated application. The Commission could choose to not include these funds in its budget; this is not recommended because it may increase costs to process the application if a budget amendment becomes necessary.

The Commission may choose to request less or more of a contribution from the City of Bishop and the County of Inyo and utilize Fund Balance for a portion or all of the FY 2016-2017 budget. Staff recommends retaining some Fund Balance in the event of an unexpected need for resources. The projected Fund Balance from previous FY is approximately \$26,644.

The Commission could allocate funds for a regional healthcare study. Staff anticipates that this study would cost approximately \$100,000 for a consultant and approximately \$20,000 in Commission expenses (e.g., staff, materials, etc.). Staff recommends not allocating funds at this time and reconsidering this issue upon further discussions with regional healthcare stakeholders.

STAFF RECOMMENDATION

Staff recommends following the public hearing the Commission approve the final budget for FY 2016-2017 by taking the following action:

"Move to approve the final Inyo Local Agency Formation Commission budget for fiscal year 2016-2017 as recommended by the Executive Officer, find that reduced staffing

and program costs will allow the Commission to fulfill the purposes and programs of the Cortese-Knox-Hertzberg Local Government Local Government Reorganization Act of 2000 and authorize the chair to sign an order to reflect the fiscal year 2016-2017 budget."

Respectfully Submitted,

Joshua Hart, AICP, Executive Officer

Attachments: Exhibit A – Actual Expenditures for the 5 previous years
 Exhibit B – Budget Worksheets