



**Inyo Local Agency Formation Commission**  
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## LAFCO STAFF REPORT

**AGENDA ITEM No.**            **9 (Action Item & Public Hearing)**

**DATE OF MEETING:**        **May 8, 2017**

**SUBJECT:**                    **Inyo LAFCO Fiscal Year 2017-2018 Preliminary Budget**

### EXECUTIVE SUMMARY

This report presents the Executive Officer's budget recommendations for adoption of a preliminary budget for the Fiscal Year (FY) 2017-2018. The proposed preliminary budgeted expenditures for FY 2017-2018 are **\$56,392** a decrease of \$107,131 from the FY 2016-2017 amended budget. The Inyo LAFCO Preliminary Budget for FY 2017-2018 proposes funding from the County of Inyo and the City of Bishop in the amount of \$15,000 each, for a total contribution of \$30,000.

The total preliminary budget recommended by staff reflects revenues of **\$58,485** and expenditures of **\$56,392**. A cash fund balance of \$(16,358) is projected to remain from FY 2016-2017 reducing funds available for the FY 2017-2018 budget. The total projected cash fund balance through previous FY is projected to be \$12,859, funding for the FY 2017-2018 Preliminary Budget will not utilized fund balance as in previous years.

**Recommended Action:**        Conduct a public hearing and adopt the attached preliminary budget as recommended by staff for FY 2017-2018 and 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.

**Alternatives:**            1)     Amend and adopt a preliminary budget for FY 2017-2018.

                                  2)     Continue the public hearing and provide direction to staff regarding changes to the preliminary budget for FY 2017-2018; this is not recommended as the preliminary budget is required to be adopted by May 1<sup>st</sup>, and another hearing has not been included in the FY 2016-2017 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.

### **Inyo LAFCO Accomplishments for FY 2016-2017**

- 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 annual CALAFCO conference and staff workshop.
- Working to update the Independent Special District information.
- Provided a high level of customer service.
- Conducted recruitment for an Public Member.
- Continued to lead efforts regarding the litigation with Southern Mono Healthcare District (SMHD).
- Continued<sup>1</sup> studying healthcare regionalization issues.
- Monitored the challenges being experienced by the Southern Inyo Healthcare District.

### **Inyo LAFCO Goals for FY 2017-2018**

- 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 assist the 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 2017-2018**

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 \$12,860 from previous FY to be utilized for the FY 2017-2018 Budget. During FY 2016-2017 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 requesting \$15,000 in contributions from the County of Inyo and the City of Bishop for FY 2017-2018 each. The projected fund balance at the end of FY 2017-2018 will be approximately \$14,953, which is a \$2,093 increase to the projected FY 2016-2017 fund balance. Budgeted expenses for FY 2016-2017 exceeded revenues. Expenses for FY2017-2018 are slightly below revenues and provide a more cost neutral budget.

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 **\$3,000**. Last year the audit cost \$2,500, but the audit contract is being renegotiated, and costs may rise; staff recommends budgeting slightly higher next year to account for any cost increases. Several years ago the audit costs were \$4,000; staff requested a reduced cost of the audit due to low levels of activity, which request was granted.

### LAFCO Meetings

The FY 2017-2018 budget assumes five Inyo LAFCO meetings, with participation by the Executive Officer, staff, Counsel, and commissioners. Staff budgeted approximately **\$6,662** in FY 2017-2018 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 2017-2018. The FY 2017-2018 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 **\$9,679** in FY 2017-2018 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 2017-2018**

1. Advertising (Object Code 5263)  
The recommended amount in this object code is **\$300** which is an increase from the FY 2016-2017 Budget to reflect two applications. For FY 2017-2018 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 **\$45,114**, which is approximately \$110,680 lower than the FY 2016-2017 Budget. The amount is lower for this FY to reflect decrease in legal costs associated with the Meyers-Nave contract. 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 two projects

(3,385), staff time to accomplish the miscellaneous goals stated above (\$28,709), and the FY 2016-2017 audit (\$3,000).

3. General Operating Expense (Object Code 5311)

The recommended amount in this object code is **\$1,125**, which increased \$60 from the FY 2016-2017 Budget. This category of expenditures includes purchases of supplies, miscellaneous supplies, and the CALAFCO Membership dues. The slight increase from FY 2016-2017 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 **\$3,458**, which increased \$2,868 from FY 2016-2017 Budget. This category is the suggested amount by the County Auditor to cover expenses from that department. This substantial increase is due to increased transactions processed by the County Auditor in FY 2016-2017, which is expected to continue into FY 2017-2018.

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 **\$4,480**, which decreased \$48 from the FY 2016-2017 Budget due to slight changes 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 \$520 from the FY 2016-2017 Budget. This increase was due mostly movement of between Motor Pool and Travel to reflect personal use vehicle or County vehicle to attend the annual conference and/or staff workshop.

7. Contingencies (Object Code 5901)

The recommended amount in this object code is **\$0**. In the past, LAFCO has budgeted contingencies in case of unexpected costs. However, since a budget amendment is required to access these funds, fund balance may be utilized in case such funds are required.

## 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. LAFCO Fees (Object Code 4817)

The recommended amount in this revenue code is **\$8,385**, which decreased by \$8,680 from the FY 2016-2017 Budget. Staff is recommending this amount for FY 2017-2018 because cost associated with the SMHD may end and an application may be submitted. If an application is not submitted, neither the expenditures nor the revenues will be realized. Should additional applications be received or SMHD activity increases, staff will prepare a budget amendment to adjust accordingly.

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

The recommended amount in these revenue codes is **\$35,000**, which decreased \$90,000 from the FY 2016-2017 Budget. Staff recommends requesting \$15,000 in additional revenues from both the County of Inyo and the City of Bishop in FY 2017-2018. This level of funding is cost neutral and does not utilize fund balance as was done in FY 2016-2017.

3. Interest form Treasury (Object Code 4301)

The recommended amount in this revenue code is **\$100.00**, unchanged from the FY 2016-2017 Budget.

### **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 preliminary FY 2017-2018 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 of the FY 2017-2018 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 \$12,860.

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 preliminary budget for FY 2017-2018 by taking the following action:

***"Move to approve the preliminary Inyo Local Agency Formation Commission budget for fiscal year 2017-2018 as recommended by the Executive Officer and 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."***

Respectfully Submitted,



Cathreen Richards, Executive Officer

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

EXHIBIT "A"

**COUNTY OF INYO  
ACT001A - 6 YEAR ACTUALS COMPARISON**

Drilldown is based on ENTIRE fiscal year availability

Report Date:04/26/2017

**451001 LOCAL AGENCY FORMATION COMMISS**

	<u>ACTUAL</u> 6/30/2012	<u>ACTUAL</u> 6/30/2013	<u>ACTUAL</u> 6/30/2014	<u>ACTUAL</u> 6/30/2015	<u>ACTUAL</u> 6/30/2016	<u>ACTUAL</u> 6/30/2017
REVENUES						
4301 INTEREST FROM TREASURY	152.57	87.00	80.71	85.54	258.59	165.12
<b>REV USE OF MONEY &amp; PROPERTY</b>	152.57	87.00	80.71	85.54	258.59	165.12
4562 COUNTY CONTRIBUTION	0.00	10,000.00	11,000.00	5,000.00	5,000.00	0.00
4599 OTHER AGENCIES	0.00	10,000.00	11,000.00	14,332.44	151,126.27	68,488.35
<b>AID FROM OTHER GOVT AGENCIES</b>	0.00	20,000.00	22,000.00	19,332.44	156,126.27	68,488.35
4817 LAFCO FEES	0.00	0.00	0.00	0.00	1,600.00	0.00
<b>CHARGES FOR CURRENT SERVICES</b>	0.00	0.00	0.00	0.00	1,600.00	0.00
4998 OPERATING TRANSFERS IN	0.00	0.00	0.00	0.00	0.00	6,876.51
<b>OTHER FINANCING SOURCES</b>	0.00	0.00	0.00	0.00	0.00	6,876.51
<b>TOTAL REVENUES</b>	<u>152.57</u>	<u>20,087.00</u>	<u>22,080.71</u>	<u>19,417.98</u>	<u>157,984.86</u>	<u>75,529.98</u>
EXPENSES						
5001 SALARIED EMPLOYEES	100.00	250.00	150.00	290.00	250.00	100.00
5021 RETIREMENT & SOCIAL SECURITY	7.65	19.67	12.42	22.09	18.77	7.52
5022 PERS RETIREMENT	0.00	6.79	12.93	23.72	24.59	8.86
5031 MEDICAL INSURANCE	1.05	4.42	0.00	0.00	2.12	0.00
5043 OTHER BENEFITS	0.00	7.05	12.33	0.00	0.00	0.00
<b>SALARIES &amp; BENEFITS</b>	<u>108.70</u>	<u>287.93</u>	<u>187.68</u>	<u>335.81</u>	<u>295.48</u>	<u>116.38</u>
5263 ADVERTISING	56.10	130.40	163.00	64.65	168.40	0.00
5265 PROFESSIONAL & SPECIAL SERVICE	8,798.34	12,764.36	9,072.45	24,326.43	139,951.41	79,658.77
5311 GENERAL OPERATING EXPENSE	754.95	770.95	858.00	799.02	895.23	840.00
5331 TRAVEL EXPENSE	3,778.20	4,003.43	1,039.27	3,506.73	1,099.77	3,139.05
<b>SERVICES &amp; SUPPLIES</b>	<u>13,387.59</u>	<u>17,669.14</u>	<u>11,132.72</u>	<u>28,696.83</u>	<u>142,114.81</u>	<u>83,637.82</u>
5125 FINANCIAL SYSTEM CHARGES	248.00	0.00	0.00	0.00	0.00	0.00
5315 COUNTY COST PLAN	484.00	585.00	30.96	167.00	108.96	442.49
5333 MOTOR POOL	90.46	1,095.52	416.77	957.56	355.46	450.92
<b>INTERNAL CHARGES</b>	<u>822.46</u>	<u>1,680.52</u>	<u>447.73</u>	<u>1,124.56</u>	<u>464.42</u>	<u>893.41</u>

User: DFORTNEY

Report: ACT001A - ACTUAL COMPARISON

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**COUNTY OF INYO**  
**ACT001A - 6 YEAR ACTUALS COMPARISON**

Drilldown is based on ENTIRE fiscal year availability

	<u>ACTUAL</u> <u>6/30/2012</u>	<u>ACTUAL</u> <u>6/30/2013</u>	<u>ACTUAL</u> <u>6/30/2014</u>	<u>ACTUAL</u> <u>6/30/2015</u>	<u>ACTUAL</u> <u>6/30/2016</u>	<u>ACTUAL</u> <u>6/30/2017</u>
5801 OPERATING TRANSFERS OUT	0.00	0.00	0.00	0.00	0.00	20,667.57
OTHER FINANCING USES	0.00	0.00	0.00	0.00	0.00	20,667.57
TOTAL EXPENSES	<u>14,318.75</u>	<u>19,637.59</u>	<u>11,768.13</u>	<u>30,157.20</u>	<u>142,874.71</u>	<u>105,315.18</u>
451001 NETLOCAL AGENCY FORMATION COMMISS	<u>-14,166.18</u>	<u>449.41</u>	<u>10,312.58</u>	<u>-10,739.22</u>	<u>15,110.15</u>	<u>-29,785.20</u>

Report Date:04/26/2017

## FY 2017-2018 Prelim Budget

Object Code			
<b>Revenues</b>			
	4301 - Interest from Treasury	\$	100
	4562 - County Contributions	\$	15,000
	4599 - Other Agencies	\$	35,000
	4817 - LAFCO Fees	\$	8,385
	Total	\$	58,485
<b>Expenses</b>			
	5001 - Salaried Employees	\$	500 *
	5021 - Retirement & Social Security	\$	38
	5022 - PERS Retirement	\$	41
	5031 - Medical Insurance	\$	11
	5043 - Other Benefits	\$	100
	5263 - Advertising	\$	300
	5265 - Professional & Special Services	\$	45,114 *
	5311 - General Operating Expense	\$	1,200 *
	5331 - Travel Expense	\$	4,480 *
	5315 - County Cost Plan	\$	3,458
	5333 - Motor Pool	\$	1,152 *
	Total	\$	56,392
	Projected FY 2017-2018 Balance	\$	2,093
	Projected FY 2016-2017 Balance	\$	12,860
	Projected Balance 6/30/2018	\$	<b>14,953</b>

\* See attached Worksheets for details

### FY 2017-2018 Prelim Budget

Description-Salary #5001		\$
5 meetings w/ 2 Commissioners *	= \$	500
	\$	500

\* Board Of Supervisor Members are paid through regular payroll

## FY 2017-2018 Prelim Budget

Description-Prof Service #5265		\$
5 meetings w/ 4 Commissioners	= \$	1,000
Staff Time for meetings	= \$	2,904 *
County Counsel for meetings	= \$	1,470
Staff Conference	= \$	1,728 *
Annual Conference	= \$	2,918 *
Special District Update	= \$	432 *
Prep of prelim annual budget	= \$	432 *
Prep of annual budget	= \$	432 *
Staff time for the Audit	= \$	324 *
Staff time for Sm Project	= \$	3,385 *
Staff time for Lrg Proect (NIH)	= \$	5,000 *
Audit cost (Gallina)	= \$	<b>3,000</b> *
Misc. acct	= \$	648 *
Various public inquiries	= \$	1,440 *
Meyers Nave Contract	= \$	20,000
	\$	45,114

\* Includes 20% Overhead charge

### FY 2017-2018 Prelim Budget

Description-Gen Op #5311		\$
CALAFCO Membership	= \$	900
Misc. materials	= \$	300
	\$	1,200

## FY 2017-2018 Prelim Budget

Description-Travel #5331		\$
3 meetings w/ 6 Commissioners	= \$	315
Staff Conference registration	= \$	400
Staff Conference per diem	= \$	256
Staff Conference hotel	= \$	700
Annual Conference registration	= \$	1,000
Annual Conference per diem	= \$	384
Annual Conference hotel	= \$	1,050
Annual Conference mileage	= \$	375
	\$	4,480

Exhibit "B"

FY 2017-2018 Prelim Budget

Description-Motor Pool #5333		\$
5 meetings in Bishop	= \$	284
Annual Conference	= \$	434
Staff Conference	= \$	434
	\$	1,152

Exhibit "B"

FY 2017-2018 Prelim Budget

LAFCO Meetings

5 meetings w/ 6 commissioners	\$ 1,689	Object 5265 plus Salary object codes
Staff Time for meetings	\$ 2,904	
County Counsel for meetings	\$ 1,470	
Commissioner Travel	\$ 315	
Staff Travel	\$ 284	
	\$ 6,662	



Exhibit "B"

FY 2017-2018 Prelim Budget

LAFCO Conference	
Staff time for Annual Conf	\$ 2,918
Travel for Annual Conf (Reg, PD, Hotel, MP)	\$ 3,243
Staff time for Staff Conf	\$ 1,728
Travel for Staff Conf (Reg, PD, Hotel, MP)	\$ 1,790
	<hr/>
	\$ 9,679

Exhibit "B"

## FY 2017-2018 Fund Balance

Object Code	Budgeted FY1617	Actual as of 4/24/2017	Projected 6/30/2017
<b>Revenues</b>			
4301 - Interest from Treasury	\$ 100	\$ 165	\$ 100
4562 - County Contributions	\$ 5,000	\$ -	\$ 5,000
4599 - Other Agencies	\$ 65,000	\$ 68,488	\$ 125,000
4817 - LAFCO Fees	\$ 17,065	\$ -	\$ 17,065
Total	\$ 87,165	\$ 68,653	\$ 147,165
<b>Expenses</b>			
5001 Salaried Employees	\$ 500	\$ 100	\$ 500
5021 - Retirement & Social Security	\$ 38	\$ 8	\$ 38
5022 - PERS Retirement	\$ 41	\$ 9	\$ 41
5031 - Medical Insurance	\$ 11	\$ -	\$ 11
5043 - Other Benefits	\$ 100	\$ -	\$ 100
5263 - Advertising	\$ 225	\$ -	\$ 225
5265 - Professional & Special Services	\$ 93,294	\$ 72,782	\$ 155,794
5311 - General Operating Expense	\$ 1,065	\$ 840	\$ 1,065
5331 - Travel Expense	\$ 3,675	\$ 3,139	\$ 4,528
5315 - County Cost Plan	\$ 590	\$ 442	\$ 590
5333 Motor Pool	\$ 1,152	\$ 400	\$ 632
Total	\$ 100,690	\$ 77,720	\$ 163,523
Est. Ending Balance Budget FY16/17	\$ (13,524)	\$ (9,067)	\$ (16,358)
Beg. Fund Balance FY16/17	\$ 29,217	\$ 18,103	\$ 29,217
Est. Fund Bal Aval. FY17/18	\$ <b>15,693</b>	\$ <b>9,036</b>	\$ <b>12,860</b>