

8b

AGENDA REPORT Business | Discussion

October 7, 2019

TO: Commissioners

FROM: Keene Simonds, Executive Officer

SUBJECT: CALAFCO Proposed New Dues Structure

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will discuss a new dues structure and associated bylaw changes proposed by the California Association of LAFCOs (CALAFCO) ahead of a membership vote on October 31st. The proposed new dues structure is intended to eliminate an ongoing structural deficit and would collectively increase contributions by nearly one-half from \$0.205 to \$0.300 million. A secondary aim is to revise the contribution formula to provide improved parity in the amounts paid between LAFCOs and in doing so respond to concerns by – and among others – San Diego. Approval would increase the Commission's annual dues by 19% from \$8,926 to \$10,662.

BACKGROUND

CALAFCO is a non-profit organization formed in 1971 and provides educational, technical, and legislative resources on behalf of all LAFCO members. CALAFCO is governed by a 16-member Board of Directors elected by region – northern, central, coastal, and southern – with administration provided by a fulltime contract Executive Director. CALAFCO's current annual budget totals \$0.450 million with 46% drawn from membership dues and the remainder mainly generated from conference proceeds as well as excess reserves.

Keene Simonds, Executive Officer County Operations Center 9335 Hazard Way, Suite 200 San Diego, California 92123 T 858.614.7755 F 858.614.7766 www.sdlafco.org Jim Desmond
County of San Diego
Dianne Jacob, Vice Chair
County of San Diego
Greg Cox, Alternate
County of San Diego

Mary Casillas Salas City of Chula Vista Bill Wells City of El Cajon

Paul McNamara, Alternate City of Escondido Mark Kersey City of San Diego Chris Cate, Alternate City of San Diego

Vista Irrigation

Alternate
Diego
Alpine Fire Protection
Erin Lump, Alternate

Jo MacKenzie, Chair

Rincon del Diablo MWD

General Public

Harry Mathis, Alternate
General Public

Andy Vanderlaan

DISCUSSION

This item is for San Diego LAFCO to discuss a proposed new CALAFCO dues structure and bylaw changes ahead of a membership vote on October 31st scheduled as part of the Annual Conference in Sacramento. It is similarly requested the Commission consider baseline interests – including a maximum increase in its annual dues – given the possibility an alternative motion from the floor may be proposed. The resulting feedback will help inform Commissioners Vanderlaan and MacKenzie as the delegate and alternate delegate, respectively, representing the Commission at the Annual Conference. Summary descriptions of the current dues structure and the proposed new dues structure follows.

Current Dues Structure

The current dues structure was established by membership vote in 2006 as part of a CALAFCO reorganization that focused on transitioning the Board from at-large to regional elections. The current structure divides all 58 LAFCOs into one of three population-based categories – rural, suburban, and urban – with their own dues' assignment. Annual dues are adjusted to the consumer price index and presently total \$925 for rural, \$2,805 for suburban, and \$8,926 for urban LAFCOs with limited variations. The Commission is assigned to the urban category and paid the referenced \$8,926 amount for 2019-2020 along with an emergency one-time \$1,450 charge as detailed in the accompanying footnote.¹

Proposed Dues Structure | Eliminating a Structural Deficit and Other Budget Changes

The proposed dues structure eliminates the three population-based categories (rural, suburban, and urban) and transitions to assigning all LAFCOs a base charge of \$1,000 plus a per capita charge of 0.0138 up to 700,000 beginning in 2020-2021. The proposal takes aim at eliminating an existing structural deficit of approximately \$40,000 paired with implementing a budget change to no longer rely on conference revenues beyond collecting a minimum 15% profit. The substantive result of the proposal is the minimum annual due resets to \$1,015 for the least populated LAFCO (Alpine) and incrementally increases by the per capita charge for the next 42 LAFCOs with populations below 700,000. The remaining 15 LAFCOs – including San Diego – with populations above 700,000 pay the maximum annual due rate of \$10,662. Additionally, it is proposed the Board of Directors have the authority to adjust the per capita rate and the maximum population threshold.

A listing of current and proposed membership dues is provided as Attachment One.

¹ The one-time emergency charge added to the 2019-2020 due total was approved by the Board to help mitigate an existing budget deficit and parallel a matching contribution from reserves.

ANALYSIS

The proposed new dues structure would produce a 19.4% increase in the Commission's annual CALAFCO charge without any additional services. The proposed new dues structure, nonetheless, follows an extended review by the CALAFCO Board to remedy a structural deficit and reconcile policy interests between smaller and larger LAFCOs with the former concerned about cost-increases and the latter concerned about cost-equity. The Commission has been particularly engaged in this latter category through Commissioners Vanderlaan and Mackenzie's advocacy on the Board (past and present) in seeking a more equitable rate structure to reduce the considerable gap in annual dues between LAFCOs and irrespective of receiving the same level of services.² The proposed new dues structure modestly improves equity by redistributing CALAFCO's costs among the entire membership as measured by the portion of the 14 largest LAFCOs collective funding share for the association decreasing from 56% to 51%. The parallel changes proposed to the bylaws to allow the Board to adjust the per capita charge and the minimum population threshold is also worth noting with both merits (flexibility) and demerits (uncertainty). Staff defers to the Commission in determining if the proposed new dues structure and bylaw changes merit support as well as considering thresholds should alternative proposals come forward.

RECOMMENDATION

It is recommended San Diego LAFCO consider the preceding analysis on CALAFCO's proposed new dues structure and associated bylaw changes and provide feedback ahead of the scheduled membership vote on October 31, 2019.

ALTERNATIVES FOR ACTION

No formal actions required; discussion and feedback only.

PROCEDURES

This item has been placed on the agenda for discussion as part of San Diego LAFCO's business calendar. The following procedures are suggested:

- 1) Receive verbal report from staff unless waived; and
- 2) Discuss and provide feedback.

Respectfully,

Keene Simonds Executive Officer

Attachments:

- 1) Recent and Current CALAFCO Dues
- 2) CALAFCO QA on Dues and Bylaw Changes

² To this end, the Commission and specifically through Commissioners MacKenzie and Vanderlaan worked with other LAFCOs in the region to effectively oppose an earlier recommendation by a Board subcommittee to increase annual dues among all members by 32.5% beginning in 2019-2020. (This earlier proposal would not have required a membership vote.)

San Diego LAFCO
October 7, 2019 Regular Meeting
Agenda Item No. 8b | CALAFCO Proposed Dues Increase

Page is Blank for Photocopying

CALAFCO ANNUAL DUES | Recent and Proposed

COUNTY	CATEGORY	REGION	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	\$ Difference	% Difference
Alameda	Urban	Coastal	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
Alpine	Rural	Central	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,015	90	9.7%
Amador	Rural	Central	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,518	593	64.1%
Butte	Suburban	North	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$4,184	1,379	49.2%
Calaveras	Rural	Central	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,620	695	75.1%
Colusa	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,319	394	42.6%
Contra Costa	Urban	Coastal	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
Del Norte	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,373	448	48.4%
El Dorado	Suburban	Central	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$3,617	812	28.9%
Fresno	Urban	Central	\$6,185	\$6,321	\$6,466	\$6,563	\$6,694	\$7,163	\$7,664	\$7 , 887	\$7,887	\$10,662	2,775	35.2%
Glenn	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,410	485	52.4%
Humboldt	Suburban	North	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$2,901	96	3.4%
Imperial	Suburban	Southern	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$3,703	898	32.0%
Inyo	Rural	Central	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,258	333	36.0%
Kern	Urban	Central	\$5,271	\$5,387	\$5,511	\$5,594	\$5,706	\$6,105	\$6 , 532	\$6,722	\$ 6, 722	\$10,662	3,940	58.6%
Kings	Suburban	Central	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$3,133	328	11.7%
Lake	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,901	976	105.5%
Lassen	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,423	498	53.8%
Los Angeles	Urban	Southern	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
Madera	Suburban	Central	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2 , 726	\$2,805	\$2,805	\$3,250	445	15.9%
Marin	Suburban	Coastal	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$4,660	1,855	66.1%
Mariposa	Rural	Central	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,249	324	35.0%
Mendocino	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$2,245	1,320	142.7%
Merced	Suburban	Central	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2 , 726	\$2,805	\$2,805	\$4,958	2,153	76.8%
Modoc	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,130	205	22.2%
Mono	Rural	Central	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,193	268	29.0%
Monterey	Suburban	Coastal	\$2,976	\$3,041	\$3,111	\$3,158	\$3,221	\$3,446	\$3,687	\$3,794	\$3,794	\$7,274	3,480	91.7%
Napa	Suburban	Coastal	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$2,985	180	6.4%
Nevada	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$2,374	1,449	156.6%
Orange	Urban	Southern	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
Placer	Suburban	Central	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2 , 726	\$2,805	\$2,805	\$6,485	3,680	131.2%
Plumas	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,267	342	37.0%
Riverside	Urban	Southern	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
Sacramento	Urban	Central	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
San Benito	Rural	Coastal	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,829	904	97.7%
San Bernardino	Urban	Southern	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
San Diego	Urban	Southern	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
San Francisco	Urban	Coastal	\$5,595	\$5,718	\$5,850	\$5,937	\$6,057	\$6,481	\$6,935	\$7,136	\$7,136	\$10,662	3,526	49.4%
San Joaquin	Suburban	Central	\$4,573	\$4,674	\$4,781	\$4,853	\$4,950	\$5,297	\$5,668	\$5,832	\$5,832	\$10,662	4,830	82.8%
San Luis Obispo	Suburban	Coastal	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$4,922	2,117	75.5%
San Mateo	Urban	Coastal	\$5,064	\$5,175	\$5,294	\$5,374	\$5,480	\$5,864	\$6,274	\$6,456	\$6,456	\$10,662	4,206	65.1%
Santa Barbara	Suburban	Coastal	\$2,935	\$3,000	\$3,069	\$3,115	\$3,177	\$3,399	\$3,637	\$3,742	\$3,742	\$7,355	3,613	96.6%
Santa Clara	Urban	Coastal	\$7,000	\$7,154	\$7,319	\$7,428	\$7,577	\$8,107	\$8,674	\$8,926	\$8,926	\$10,662	1,736	19.4%
Santa Cruz	Suburban	Coastal	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$4,901	2,096	74.7%

CALAFCO ANNUAL DUES | Recent and Proposed

TOTAL			\$147,806	\$151,054	\$155,292	\$157,615	\$160,773	\$172,030	\$184,066	\$189,406	\$189,406	\$272,432	83,026	43.8%
Yuba	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$2,092	1,167	126.2%
Yolo	Suburban	Central	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$4,161	1,356	48.3%
Ventura	Urban	Coastal	\$5,691	\$5,816	\$5,950	\$6,039	\$6,160	\$6,591	\$7,052	\$7,257	\$7,257	\$10,662	3,405	46.9%
Tuolumne	Rural	Central	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,745	820	88.6%
Tulare	Suburban	Central	\$2,869	\$2,932	\$3,000	\$3,045	\$3,106	\$3,323	\$3,556	\$3,659	\$3,659	\$7,732	4,073	111.3%
Trinity	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,185	260	28.1%
Tehama	Rural	North	\$0	\$O	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,899	974	105.3%
Sutter	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$2,400	1,475	159.5%
Stanislaus	Suburban	Central	\$3,531	\$3,609	\$3,692	\$3,747	\$3,822	\$4,090	\$4,376	\$4,503	\$4,503	\$8,895	4,392	97.5%
Sonoma	Suburban	Coastal	\$3,349	\$3,423	\$3,501	\$3,554	\$3,625	\$3,879	\$4,151	\$4,271	\$4,271	\$8,115	3,844	90.0%
Solano	Suburban	Coastal	\$2,952	\$3,017	\$3,086	\$3,133	\$3,195	\$3,419	\$3,658	\$3,764	\$3,764	\$7,263	3,499	93.0%
Siskiyou	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,610	685	74.1%
Sierra	Rural	North	\$725	\$741	\$758	\$769	\$785	\$840	\$899	\$925	\$925	\$1,043	118	12.8%
Shasta	Suburban	North	\$2,200	\$2,248	\$2,300	\$2,335	\$2,381	\$2,548	\$2,726	\$2,805	\$2,805	\$3,487	682	24.3%

CALAFCO BULLETIN

Proposed LAFCo Membership New Dues Structure

To be presented to the Membership for consideration and vote at the 2019 Annual Business Meeting in Sacramento, California on October 31, 2019



Questions & Answers

Question: How did the Board come up with the proposed dues structure?

Answer: The Board spent over a year deliberating the structural deficit and dues structure through their Finance Ad Hoc Committee. They considered feedback received from the membership at the 2018 Annual Conference from the regional roundtable discussions and the message to work towards a more sustainable dues structure model. The Board discussed at length options presented to them by the Ad Hoc Committee in February and May.

Question: Why was this structure selected over other options considered?

Answer: After extensive research and discussion by the Ad Hoc Committee, and after considering a variety of possible structures including those based on LAFCo budget, County category (urban-suburban-rural), flat rate increases and population, ultimately it was a population-based structure that was favored. The Ad Hoc Committee presented two options to the Board with this population-based structural model and the Board agreed the population-based structure created the fewest irregularities to resolve and created a more sustainable funding formula. Ultimately this structure was unanimously approved by the Board.

Question: What are the variables in the formula?

Answer: The formula includes: (1) A flat annual fee or base rate (each LAFCo will pay the same flat rate); (2) Population threshold number; and (3) A per capita rate.

Question: How will these variables be determined each year as CALAFCO considers member LAFCo dues?

Answer: Should the membership approve the new structure, the Board will create policies to support the new structure. These policies will include the consideration of each of these variables and possible future adjustments. These policies will include keeping the Board's discretion to increase the dues by the CPI annually.

Question: Where will the population data come from?

Answer: The population data will be updated annually as the Board considers the next fiscal year dues. The data source to be used for updates is the California Department of Finance population estimates.

Question: Is CALAFCO still budgeting for a net profit for the Annual Conference and how does that impact the annual budget?

Answer: Yes. The Board has given clear direction that each year the annual budget should have a 15% net profit built into the budget for the Annual Conference (pursuant to Board Policy 4.2). CALAFCO's current FY 2019-20 budget calls for a 15% (or \$20,817) net profit. This net profit is still used to help balance the budget. However, the goal is for CALAFCO to move away from the unhealthy and unsustainable reliance on any higher net profit assumptions to balance the budget and fill the structural deficit.

The Ad Hoc Committee and the Board discussed at length using sponsorships to boost revenue and the Board continues to feel this revenue is unreliable and unpredictable and therefore unrealistic to use as a reliable revenue source.

Question: How were the proposed base rate, population threshold and per capita rate selected?

Answer: First, the Board committed to using the FY 2018-19 dues as the baseline from which to work, which they did (the FY 2018-19 dues are lower than the FY 2019-20 dues). The Board anticipated the FY 2020-2021 operational costs to be close to \$300,000, which was the baseline budget number from which they worked. The Ad Hoc Finance Committee considered eleven (11) different options before deciding on the population-based model with the three variables. To narrow that further, after looking at several (three) options with different variable numbers, the Board selected the current formula (\$1,000 base rate, 700,000 population threshold, per capita rate of 0.013802199 and population estimates for 2020 given that is the year the new dues structure would take effect, should it be approved). While this and other formulas realized the \$300,000 anticipated operational budget, these particular variables created dues for each LAFCo that the Board felt were the most equitable at this time.

Question: How is this structure different than the current structure?

Answer: The straight 3-category model no longer effectively serves the Association's member LAFCos. County populations vary enough that 3 categories just did not accurately capture the broader population picture. With the proposed model, the gap in the amount paid between the more populated rural LAFCos and their suburban colleagues has been reduced, as has the gap between the higher populated suburban LAFCos and the urban LAFCos.

Question: Are LAFCos in counties with a population over 700,000 exempt from any future increase based on population growth?

Answer: The proposed changes call for the Board to set the population threshold annually. Should the membership approve this proposed structure, the Board will set policies around the variables of population threshold, base rate and per capita rate. This means that population threshold can change based on Board discretion.

Question: What if our LAFCo has a financial hardship? Is that still addressed in the Bylaws?

Answer: Yes. The Board unanimously agreed to keep the provision of allowing any LAFCo with a financial hardship to bring that to the Board for consideration. (Please refer to Bylaws Section 2.2.4).

Question: What will the dues be for my LAFCo if the membership approves this new structure?

Answer: The spreadsheet accompanying this bulletin details what the first year will look like with this formula. As a starting point, the Bylaws will reflect the formula used to get at these rates and the rate chart itself. That detailed information will be contained in the meeting packet for the October 31, 2019 Annual Membership meeting.

Question: When will the membership vote on this proposed structure?

Answer: The proposed structure is being presented to member LAFCos for voting at the Annual Business meeting on October 31, 2019 during the Annual Conference in Sacramento. The Annual Business Meeting agenda and meeting packet will be distributed in early August, allowing approximately three months for discussion prior to the vote.

Question: Can we vote by proxy or absentee ballot if we are not attending the Annual Business meeting?

Answer: No, all member LAFCos must be present to vote at the Annual Business meeting pursuant to Bylaws Section 3.7. For purposes of voting, each member LAFCo must be in good standing – which means all dues are current and paid in full by September 30, 2019. Further, each member LAFCo shall submit to CALAFCO the name of their voting delegate by September 30, 2019.

Question: What happens if the membership does not approve the proposed new dues structure?

Answer: The Association will continue to have a structural deficit and may need to rely on accessing Fund Reserves to balance the budget. Further, in order to have a balanced budget, without additional sustainable and reliable revenues, expenses will need to be reduced which will equate to a reduction in services offered.

Question: Who can I talk to if I have questions?

Answer: If you have questions you are encouraged to contact Pamela Miller, CALAFCO's Executive Director at pmiller@calafco.org or 916-442-6536. You can also contact the CALAFCO Board Chair Josh Susman at jsusman@calafco.org. You are highly encouraged to reach out to any of your regional Board members and/or your regional staff representatives. All of their names and contact information can be found on the CALAFCO website at www.calafco.org.