



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

6b

AGENDA REPORT
 Public Hearing

May 3, 2021

TO: Commissioners
FROM: Keene Simonds, Executive Officer
SUBJECT: Adoption of a Final Workplan and Budget for 2021-2022

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider recommendations from the Executive Officer in adopting a final workplan and budget for 2021-2022. These documents return following their adoption in draft-form in March and subsequent public review. The final workplan is identical to the draft and outlines 30 specific project goals ranging in priority from “high” to “low” and comprises both continued and new activities with the latter category marked by policy work on environmental justice and island annexations. The final budget is substantively identical to the draft with revisions limited to internal adjustments with overall expenses remaining at \$1.941 million, which is 1.3% higher than the current fiscal year and tied to rises in employee benefit costs. A matching amount of revenues are also budgeted with one internal distinction to set agency apportionments at current levels with the remaining difference being covered by additional reserves.

BACKGROUND

Annual Budget Process

San Diego LAFCO is responsible under State law to adopt a proposed (draft) budget by May 1st and a final budget by June 15th. A mandatory review by all local funding agencies is required between the two adoption periods. State law also specifies the draft and final budgets shall be equal to the budget adopted for the previous fiscal year unless LAFCO

Administration 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	Vice Chair Jim Desmond County of San Diego Nora Vargas County of San Diego Joel Anderson, Alt. County of San Diego	Mary Casillas Salas City of Chula Vista Bill Wells City of El Cajon Paul McNamara, Alt. City of Escondido	Chris Cate City of San Diego Marni von Wilpert, Alt. City of San Diego	Jo MacKenzie Vista Irrigation Barry Willis Alpine Fire Protection Vacant, Alt. Special District	Chair Andy Vanderlaan General Public Harry Mathis, Alt. General Public
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formally finds any reduced costs will allow the membership to meet its regulatory and planning duties. Details on LAFCO’s prescriptive funding sources in statute are footnoted.¹

DISCUSSION

This agenda item is for San Diego LAFCO to consider recommendations from the Executive Officer in adopting a final (a) workplan and (b) budget for the upcoming fiscal year. Both items return to the Commission from their initial presentation and adoption in draft-form on March 1st and subsequent 45-day public review period. This included providing direct notice to all 77 local funding agencies as required under statute as well as presenting to both the Cities and Special Districts Advisory Committees. No formal comments on either document have been received as of the date – April 23rd – of this agenda report. A summary discussion of the main components underlying both items and any revisions made since March follows.

Summary | Final Workplan in 2021-2022

The final workplan as proposed remains entirely intact from the draft approved by the Commission in March and outlines 30 specific projects divided between statutory (legislative directives) and administrative (discretionary) activities. This includes incorporating the adjustments made by the Commission in approving the draft to elevate a policy action to address environmental justice from a moderate to high priority.² All high priority projects are identified below with the entire list provided as part of Attachment One (Exhibit A).

Top Ten: High Priority Projects

1	Municipal Service Review on the Fallbrook-Rainbow Region
2	Ad Hoc Committee on the Fallbrook and Rainbow Reorganizations
3	Office Needs and Possible Relocation
4	Municipal Service Review on the Escondido Region – Part II
5	Legislative Proposal to Government Code Section 56133(e)
6	Policy Review and Update to Rule 4 (Special District Functions and Classes)
7	Municipal Service Review on the Oceanside-Carlsbad Regions
8	Municipal Service Review on the Encinitas Region
9	English to Spanish Translation
10	Policy Establishment to Guide Environmental Justice Considerations

Summary | Final Budget in 2021-2022

The final operating budget as proposed remains substantively intact from the draft adopted by the Commission in March and continues to set expenses at \$1.941 million; a net increase of \$25,048 or 1.3% over the current fiscal year. Most of the expense increase ties to employee benefits and led by employer pension contributions rising by 10% as independently

1 State law mandates operating costs for LAFCOs shall be annually funded among their represented agency membership categories. San Diego LAFCO’s operating costs, accordingly, are divided among four distinct membership categories with the largest apportionment assigned to the County of San Diego at 28.6%. The independent special districts and cities less the City of San Diego are also apportioned funding percentages of 28.6% with individual amounts divided thereafter based on total revenue shares. The City of San Diego is responsible for the remaining 14.3% of annual operating costs.

2 To accommodate the elevation of the policy establishment on environmental justice, the Commission concurrently moved the 2020-2021 audit project from a high to moderate-high project.

determined by the San Diego County Employee Retirement Association or SDCERA. Notwithstanding the overall increase, several cost-savings measures continue to be reflected in the budget to curb costs given COVID-19 impacts and highlighted by suspending a previously planned 2.0% cost-of-living adjustment as well as purposeful cuts in travel and training accounts. Expense revisions following the draft approval in March are limited to off-setting adjustments within several non-labor line-item accounts and done so to reflect updated budget needs without changing bottom-line unit totals. A matching amount of revenues is budgeted with one notable internal distinction. The distinction was set by the Commission in adopting the draft in March to fix apportionments at current levels with the remainder being covered by drawing down on reserves by 5.0%. A summary of budgeted expenses and revenues follows and detailed as part of Attachment One (Exhibit B).

	FY 2021 Adopted	FY 2022 Proposed	Difference
Expenses...			
Salaries-Benefits	1,249,712	1,292,364	3.4%
Services-Supplies	661,588	643,984	(2.7%)
Capital Depreciation	5,000	5,000	0.0%
	1,916,300	1,941,348	1.3%
Revenues...			
Agency Apportionments	1,693,700	1,693,700	0.0%
Applicant Fees	130,000	150,000	15.4%
Interest Earnings	20,000	15,000	(25.0%)
Transfer from Reserves	72,600	82,648	13.8%
	1,916,300	1,941,348	1.3%
	<u>Unrestricted Fund Balance</u>		
		End of FY 2021 (projected)	1,643,499
		End of FY 2022 (projected)	1,560,851

ANALYSIS

The proposed final workplan and budget for 2021-2022 generally serve as status quos for San Diego LAFCO in continuing to advance the Commission's growth management duties and interests while also controlling for new costs with added sensitivity due to COVID-19 impacts. This includes expanding the workplan's volume to accommodate several current and meritorious projects that are expected to extend past June 30th as well as adding numerous new projects. The latter category includes high-priority projects to sponsor a legislative proposal to clarify LAFCOs' authority in overseeing extraterritorial services (No. 5), establishing practices to translate key documents for Spanish-speaking residents (No. 9), and developing policies to guide environmental justice considerations (No. 10). The budget supports the workplan and maintains core resources and preserves staffing levels at 8.0 fulltime employees. This core resource retention underlies overall expenses increasing by 1.3% from \$1.916 million to \$1.941 million and largely attributed to changes in contracted benefit costs. Cost controls to limit the overall increase include suspending a 2.0% cost-of-living adjustment and reducing training and travel expenses. A matching amount of revenues is also

budgeted with an internal distinction to freeze agency apportionments – LAFCO’s largest revenue source – at current levels with additional reserves to cover the expense increase.

RECOMMENDATION

It is recommended San Diego LAFCO approve the final workplan and budget as presented with any desired changes. This recommendation is consistent with taking the actions identified in the proceeding section as Alternate One with ancillary.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

Alternative One (recommended):

- (a) Adopt the attached resolution provided as Attachment One approving the final workplan (Exhibit A) and budget (Exhibit B) for 2021-2022 with any changes.
- (b) Authorize the Executive Officer to request the Auditor-Controller’s Office to apportion \$1,693,700 to the funding agencies consistent with the allocation amounts billed in 2020-2021.

Alternative Two:

Continue consideration of the item to its next regular meeting.

PROCEDURES FOR CONSIDERATION

This item has been placed on the agenda for action as part of a noticed public hearing. The following procedures, accordingly, are recommended in the Commission’s consideration.

- 1) Receive verbal report from staff unless waived.
- 2) Invite initial questions or clarification requests from the Commission.
- 3) Open the hearing and invite comments from the public.
- 4) Close the public hearing, discuss item, and consider recommendation.

Respectfully,



Keene Simonds
Executive Officer

Attachments:

- 1) Draft Resolution
 - Exhibit A: Final Workplan
 - Exhibit B: Final Budget

RESOLUTION No. ____

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

**ADOPTING A FINAL WORKPLAN AND BUDGET
FISCAL YEAR 2021-2022**

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires the San Diego County Local Agency Formation Commission (“Commission”) to perform certain regulatory and planning duties in facilitating efficient and accountable local government; and

WHEREAS, the Commission is required to annually adopt proposed and final budgets by May 1st and June 15th, respectively; and

WHEREAS, the Executive Officer prepared a written report and recommendations on a proposed draft workplan and budget for 2021-2022 that was adopted by the Commission on March 1, 2021 and subsequently circulated for review and comment by all funding agencies; and

WHEREAS, the Commission has heard and fully considered all the evidence on a proposed final workplan and budget for 2021-2022 presented at a public hearing held on May 3, 2021;

WHEREAS, the adoption of a workplan and budget are not projects under the California Environmental Quality Act.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The final workplan for 2021-2022 shown as Exhibit A is APPROVED.
2. The final budget for 2021-2022 shown as Exhibit B is APPROVED.

The foregoing resolution was duly and regularly adopted by the Commission at a public hearing held on May 3, 2021 by the following vote:

Yes: _____

No: _____

Abstain: _____

Attest:

Keene Simonds
Executive Officer

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San Diego County Local Agency Formation Commission

Subdivision of the State of California | Regional Service Planning

2021-2022 Workplan

Introduction:

Local Agency Formation Commissions' (LAFCOs) operate under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2001 ("CKH") and are delegated regulatory and planning responsibilities by the Legislature to oversee the formation and subsequent development of local government agencies and their municipal service areas. Common regulatory functions include approving jurisdictional changes (annexations, detachments, etc.) and outside service requests. Common planning functions include preparing studies to independently evaluate the availability, performance, and need for municipal services and establishing and updating spheres of influence – which are the Legislature's version of urban growth boundaries and gatekeepers to future jurisdictional changes – for all cities and special districts. All regulatory and planning activities undertaken by LAFCOs may be conditioned and must be consistent with policies and procedures.

Objective:

This document represents San Diego LAFCO's ("Commission") formal 2021-2022 Workplan. The Workplan is divided into two distinct categories – statutory and administrative – with sequential priority rankings from high to low. The underlying intent of the Workplan is to serve as a management tool to allocate Commission resources in a transparent manner over the 12-month period. Further, while it is a stand-alone document, the Workplan should be reviewed in relationship to the adopted operating budget given the planned goals and activities are facilitated and or limited accordingly. Additionally, and as needed, the Commission reserves discretion to amend the Workplan during the fiscal year.

Executive Summary:

The 2021-2022 Workplan continues to guide the Commission to prioritize resources in addressing statutory duties and responsibilities and supplemented by administrative activities. The Workplan includes continuing work on existing projects established – but not yet completed – from earlier fiscal years and marked by completing municipal service reviews in north and coastal communities. Several new projects are also included in the Workplan and highlighted by sponsoring and/or otherwise facilitating amendments to existing statutes to clarify LAFCOs' responsibilities in authorizing outside service extensions as well as to streamline and modernize the principal act for resource conservation districts. Other new projects include policy reviews on environmental justice and city island annexations.

Priority	Level	Type	Project	Description and Key Issues
Ongoing	...	Statutory	Applicant Proposals and Requests	LAFCO will prioritize its available resources to address proposals involving boundary changes and outside service requests
Ongoing	...	Administrative	Targeted LAFCO Presentations	LAFCO will prioritize public outreach and agency interactions; emphasis on informing stakeholders ahead of MSR work
1	High	Statutory	MSR Fallbrook-Rainbow Region	Complete the scheduled review of Fallbrook PUD, Rainbow MWD, San Luis Rey MWD, & North County FPD
2	High	Administrative	Fallbrook and Rainbow Ad Hoc Committee	Complete the work of the Ad Hoc Committee in assisting in the administrative review of the associated reorganization proposals
3	High	Administrative	Office Space Needs and Possible Relocation	Review long-term office space needs and options and make appropriate accommodations ahead of current lease expiring in September 2021
4	High	Statutory	MSR Escondido Region Part II	Complete the scheduled review of the City of Escondido; follows completion of Part I (Rincon del Diablo MWD and Deer Springs FPD) in 2019-2020
5	High	Administrative	Legislative Proposal G.C. 56133(e)	Sponsor and/or facilitate an amendment to clarify LAFCOs' responsibility to determine when local agencies require formal approval to provide contract services
6	High	Statutory	Policy Review Commission Rule No. 4	Complete a comprehensive update to Rule No. 4 and its provisions to identify and establish special districts' service functions and classes
7	High	Statutory	MSR Oceanside and Carlsbad Region	Complete scheduled reviews of the Cities of Oceanside and Carlsbad as well as Carlsbad MWD and Morro Hills CSD (coordinate with Encinitas region)
8	High	Statutory	MSR Encinitas Region	Initiate and complete scheduled reviews of the City of Encinitas and Leucadia WWD, Olivenhain MWD, and San Dieguito WD (coordinate with Oceanside region)
9	High	Administrative	English to Spanish Translation	Establish procedures to translate key documents for Spanish language residents; baseline enhancement with intent to expand into other languages
10	High	Statutory	Policy Establishment Environmental Justice	Consider policy options to address environmental justice in regulatory and planning activities consistent with statutory intent; coordinate with County and cities
11	High-Moderate	Administrative	2020-2021 Audit	Complete outside audit of financial statements for 2020-2021 for and ensure consistency with accounting standards by December 2021
12	High-Moderate	Statutory	2022-2023 Workplan and Budget	Adopt proposed and final workplan and budgets documents by March and May 2022, respectively with direct input from Cities and Districts Advisory Committees
13	High-Moderate	Statutory	MSR San Marcos Region	Complete the scheduled reviews of the City of San Marcos, San Marcos FPD, & Vallecitos WD (coordinate with Vista region)
14	High-Moderate	Statutory	MSR Vista Region	Complete the scheduled reviews of the City of Vista, Vista ID, Vista FPD, & Buena SD (coordinate with San Marcos region)
15	High-Moderate	Administrative	Special Districts Advisory Committee	Provide administrative support to the Special Districts Advisory Committee and hold no less than three formal meetings in FY
16	High-Moderate	Administrative	Cities Advisory Committee	Provide administrative support to the Cities Advisory Committee and hold no less than two formal meetings in FY
17	Moderate	Administrative	RCD Ad Hoc Committee	Coordinate work of the Ad Hoc Committee in implementing recommendations included in the final MSR on RCDs in San Diego County (Feb 2021)
18	Moderate	Administrative	Legislative Proposal RCDs	Facilitate and/or participate in a comprehensive rewrite of RCD law and – among other priorities – clarify service function powers
19	Moderate	Statutory	Policy Review Island Annexations	Consider options to define “substantially surrounded” and provide related mapping to inform update to existing island annexation policies
20	Moderate	Administrative	SALT Grant Agricultural Trends	Implement two-year grant project to identify and track agricultural trends in San Diego County with periodical updates to the Commission
21	Moderate-Low	Statutory	MSR Pauma Valley Region	Complete the scheduled review of Pauma MWD, Pauma CSD, Yuima MWD, Mootamai MWD, and Rincon Ranch CSD
22	Moderate-Low	Statutory	Informational Report Mutual Water Companies	Prepare a report identifying private mutual water companies in San Diego County and key service characteristics consistent with AB 54
23	Moderate-Low	Administrative	Social Media	Establish a guidelines manual in conjunction with expanding social media presence in communicating information
24	Moderate-Low	Administrative	SANDAG	Participate in SANDAG's Technical Working Group (TWG) and provide annual update to the Commission on shared agency interests
25	Moderate-Low	Administrative	Application Procedures	Streamline existing application packet to be more user-friendly; address new statutory requirements
26	Low	Administrative	GIS Mapping Outside Utility Services	Establish a new GIS layer to identify existing outside wastewater and water services approved by the Commission
27	Low	Administrative	Website Enhancement SGMA	Add a dedicated page to the LAFCO website addressing SGMA and related GSA activities in San Diego County
28	Low	Administrative	Website Enhancement Video Discussions	Add video discussions on current LAFCO projects and key duties on the website and cross-connected to social media
29	Low	Administrative	Annual Local Agency Directory	Update and publish a 2022 local agency directory building on the inaugural version published in 2021
30	Low	Administrative	SOI/MSR Annual Report	Update and publish an annual report documenting all recorded municipal service review and sphere of influence actions in San Diego County



San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

Exhibit B

OPERATING EXPENSES

Salaries and Benefits Unit

Account No.	Description
51110-51310	Salaries and Wages
51410	Retirement - SDCERA
51415	Retirement - Post Employment Benefits
51421	Retirement - Post Employment Benefits - Bonds
51450	Payroll Taxes: Social Security and Medicare
51510-51550	Group Insurance: Health and Dental Coverage
51560	Unemployment Insurance

Services and Supplies Unit

Account No.	Description
52074	Telecommunications
52138	General Liability Insurance
52178	Vehicle - Maintenance
52182	Vehicle - Fuel
52270	Memberships
52304	Miscellaneous
52330	Office: General
52332	Office: Postage
52334	Office: Printing
52336	Office: Books and Guidelines
52338	Office: Drafting/Engineering
52344	Office: Supplies and Furnishings
52354	Office: County Mail Services
52370	Professional Services: Consultants
52490	Publications and Legal Notices
52504	Leases: Equipment
52530	Leases: Office Space
52550	Special Expenses: County Overhead
52562	Special Expenses: New Hire Backgrounds
52566	Special Expenses: Minor Equipment
52602	Computer Training
52610	Travel and Training In County
52612	Employee Auto
52622	Travel and Training Out of County
52704-52722	Reimbursements: Network
52723	Reimbursements: Data Center
52725	Reimbursements: Financial Systems
52726-52732	Reimbursements: Desktop Computing
52734	Reimbursements: Help Desk
52750-52754	Reimbursements: Catalog Equipment
52758	Reimbursements: Vehicle Lease

		FY 2019-2020		FY 2020-2021		FY 2021-2022		
		Adopted	Actuals	Adopted	Estimates	Proposed Final	Prior FY Difference \$	Prior FY Difference %
		1,189,184	1,153,901	1,249,712	1,287,770	1,292,364	42,652	3.4%
		3,600	3,829	3,636	5,126	6,336	2,700	74.3%
		-	3,419	-	10,576	10,787	10,787	
		1,500	1,309	980	763	980	-	0.0%
		1,000	245	1,000	181	500	(500)	-50.0%
		28,139	18,049	25,412	18,455	25,510	98	0.4%
		50	10	50	50	50	-	0.0%
		7,420	4,781	7,420	4,001	6,420	(1,000)	-13.5%
		500	275	500	250	250	(250)	-50.0%
		10,000	1,199	10,000	7,500	8,000	(2,000)	-20.0%
		2,000	4,112	2,000	937	2,000	-	0.0%
		50	-	50	-	50	-	0.0%
		17,800	8,145	15,800	11,418	14,300	(1,500)	-9.5%
		10,000	8,514	10,000	6,260	10,000	-	0.0%
		234,505	226,762	190,094	215,800	199,740	9,646	5.1%
		4,650	8,088	4,650	9,661	4,650	-	0.0%
		6,600	5,915	6,600	6,600	6,600	-	0.0%
		82,657	81,877	84,764	84,264	89,764	5,000	5.9%
		100,896	48,613	91,507	83,808	75,346	(16,161)	-17.7%
		-	-	-	1,112	-	-	
		1,000	641	1,000	-	500	(500)	-50.0%
		2,000	-	2,000	-	500	(1,500)	-75.0%
		4,500	7,367	4,500	2,484	3,000	(1,500)	-33.3%
		9,700	8,779	9,700	7,850	8,700	(1,000)	-10.3%
		23,550	13,271	19,925	-	5,000	(14,925)	-74.9%
		30,000	29,065	30,000	24,245	30,000	-	0.0%
		45,000	29,233	45,000	38,821	40,000	(5,000)	-11.1%
		20,000	23,320	20,000	20,000	20,000	-	0.0%
		25,000	51,246	25,000	43,000	25,000	-	0.0%
		3,000	2,689	3,000	2,300	3,000	-	0.0%
		45,000	38,602	45,000	21,000	45,000	-	0.0%
		2,000	1,986	2,000	2,000	2,000	-	0.0%
		722,117	631,341	661,588	628,463	643,984	(17,604)	-2.7%

OPERATING EXPENSES CONTINUED...

Other Units

Account No. Description

53585 Equipment Depreciation

54955-54961 Fixed Assets

EXPENSE TOTALS

FY 2019-2020	
Adopted	Actuals
2,500	2,500
2,500	-
5,000	2,500
1,916,300	1,787,742

FY 2020-2021	
Adopted	Estimates
2,500	2,500
2,500	-
5,000	2,500
1,916,300	1,918,733

FY 2021-2022		
Proposed Final	Prior FY Difference \$	Prior FY Difference %
2,500	-	0.0%
2,500	-	0.0%
5,000	-	0.0%
1,941,348	25,048	1.3%

OPERATING REVENUES

Intergovernmental Unit

Account No. Description

45918.1 Apportionments | County

45918.2 Apportionments | Cities (less SD)

45918.3 Apportionments | City of San Diego

45918.4 Apportionments | Special Districts

Service Charges Unit

Account No. Description

46234 Application Fees

Earnings Unit

Account No. Description

44105 Interest and Dividends

Miscellaneous Unit

Account No. Description

47540 Transfer from Fund Balance

REVENUE TOTALS

FY 2019-2020	
Adopted	Actuals
486,771	486,771
486,771	486,771
243,386	243,386
486,771	486,771
1,703,700	1,703,700
125,000	201,419
125,000	201,419
15,000	25,812
15,000	25,812
72,600	-
72,600	-
1,916,300	1,930,931

FY 2020-2021	
Adopted	Estimates
483,914	483,914
483,914	483,914
241,957	241,957
483,914	483,914
1,693,700	1,693,700
130,000	225,000
130,000	225,000
20,000	13,795
20,000	13,795
72,600	72,600
72,600	72,600
1,916,300	2,005,095

FY 2021-2022		
Proposed Final	Prior FY Difference \$	Prior FY Difference %
483,914	-	0.0%
483,914	-	0.0%
241,957	-	0.0%
483,914	-	0.0%
1,693,700	-	0.0%
150,000	20,000	15.4%
150,000	20,000	15.4%
15,000	(5,000)	-25.0%
15,000	(5,000)	-25.0%
82,648	10,048	13.8%
82,648	10,048	13.8%
1,941,348	25,048	1.3%

OPERATING NET	-	143,189	86,361	-
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FUND BALANCE (unrestricted)	FY2020 audited	FY2021 projected	FY2022 projected
Committed			
... Stabilization	250,000	250,000	250,000
... Opportunity	300,000	300,000	300,000
Assigned by EO	125,000	125,000	125,000
Unassigned	954,738	968,499	885,851
	1,629,738	1,643,499	1,560,851