

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: SEPTEMBER 10, 2019
FROM: SAMUEL MARTINEZ, Executive Officer 
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #12: Report on Proposed CALAFCO New Dues Structure

RECOMMENDATION:

Staff recommends that the Commission support the new dues structure proposed by the CALAFCO Board and direct its voting delegate to cast San Bernardino LAFCO's vote in support of the new dues structure.

INTRODUCTION:

In May 2019, the CALAFCO Board unanimously approved a proposed new dues structure, which will be presented to the entire CALAFCO membership at the annual membership Business Meeting during the CALAFCO Conference in October 2019. Since the new dues structure is a change in the CALAFCO Bylaws, it requires approval of majority of the membership present at the meeting. The Commission will consider whether it will support the new dues structure.

Current Dues Structure

The current dues structure, as outlined in the bylaws, was presented to the membership at the 2005 annual Business Meeting, subsequently approved, and adopted by the membership at the 2006 annual Business Meeting. The current structure is population-based using three categories: urban, suburban, and rural, which was modeled after the California State Association of Counties (CSAC) membership structure. The formula uses a per capita rate that includes a maximum rate and minimum rates for both the rural and suburban categories. In addition, dues can be increased by the CALAFCO Board on an annual basis to reflect the Consumer Price Index (CPI).

BACKGROUND

In 2017, the CALAFCO Board identified concern that its core expenses¹ continue to increase at a rate higher than its core revenue². CALAFCO relies on the Annual Conference net profit as well as carryover funds from prior years to help close the gap between member dues and operating expenses. Based on the financial analysis made relative to CALAFCO's expenses and revenues, the following determinations were made:

On Expenses:

1. Overall, the cost of doing business is increasing and CALAFCO is not accounting for the additional inflow of revenue to keep up with rising costs. As a result, the deficit grows;
2. The net core deficit grew in FY 2014-15 as a result of \$17,000 in Contingency expenses for administrative purchases, special projects, a one-time bonus the CALAFCO Board approved for the CALAFCO Executive Director, and the need for additional legal services; and,
3. The net core deficit grew in FY 2015-16 as a direct result of several decisions made by the CALAFCO Board in July 2015. Those included:
 - Doubling the stipends for CALAFCO volunteer staff (EO/DEOs)
 - Allowing for partial comps for a certain number of Conference registrations for volunteers; and,
 - Increasing the hours of the CALAFCO Executive Director to 32 hours/week.

On Revenues:

1. Core revenue is not increasing at the same rate as core expenses;
2. The amount of the Annual Conference net profit is inconsistent -- therefore unreliable; and,
3. The Conference/Workshop/training events net surplus is connected to the amount of sponsorship revenue received that year, the costs of the facility (whether high or low), and the number of attendees.

In response to the ongoing challenges, the CALAFCO Board formed an Ad Hoc Committee to find ways to close the structural deficit and propose a plan that would fully cover the core operational expenses of CALAFCO.

¹ Core expenses are defined as operational expenses – those not relating to educational events such as the Conferences, workshops, or training events

² Core revenue is defined as member dues – revenue that is reliable and sustainable.

At the Annual Conference in October 2018, the Board also sought feedback from the membership on the dues structure issue. At that time, the Southern Region members collectively agreed to continue to support CALAFCO and agreed with the CALAFCO Board's assessment of generating additional revenues for the necessary resources that CALAFCO needs. However, the Southern Region members stated that CALAFCO should continue to explore sponsorship opportunities as an important revenue resource and that the potential changes to the dues should be appropriately structured that improves equity among the members.

Expenses

The Ad Hoc Committee conducted a line-by-line review of CALAFCO's expenses to determine possible reductions without reducing the level of service provided to the membership. Ultimately, the Ad Hoc Committee determined there were no potential substantial savings in any particular line item. It was noted that CALAFCO staff had been reducing costs where possible with no direct impact to the service level provided to the membership.

Revenue

The Ad Hoc Committee then determined a need for a two-fold approach to addressing the ongoing structural deficit. The first was a short-term strategy to close the structural deficit for FY 2019-20. The second was to look into a sustainable dues structure for the long-term.

- Short-term strategy

For FY 2019-20, the deficit was projected at \$67,489. In order to bridge that gap, the Ad Hoc Committee provided the Board with a number of options including a flat rate of \$1,163 and one option that included a percentage increase of 32%. The Board ended up adopting a hybrid option that increased the LAFCO member dues by 16.25% and used \$36,447 of carryover funds to cover the remaining gap. For San Bernardino LAFCO, the dues for FY 2019-20 amounted to \$10,376.

- Long-term strategy

The Ad Hoc Committee discussed a number of long-term options including dues structure based on population as well as LAFCO budget based structures. The Ad Hoc Committee discussed the need to expand beyond the existing three categories to better reflect the diversity of the population numbers and the diversity of CALAFCO member LAFCOs.

The Ad Hoc Committee again provided the Board with a number of options. After much discussion and consideration, the Board unanimously adopted a dues

structure that is population based with a number of variables including an annual base rate (for FY 2020-21, the base is \$1,000), a population threshold, plus a per capita rate. For San Bernardino LAFCO, the dues for FY 2020-21 are \$1,000 (base rate) + [700,000 (population threshold) x 0.013802199 (per capita rate)] for a total of \$10,662.

Other options that were evaluated included one that proposed an increase for many urban LAFCOs, including San Bernardino LAFCO, resulting in dues greater than \$14,000.

CALAFCO provided a letter to the membership dated August 12, 2019, which outlines the new dues structure that will require a vote from the membership at the annual Business Meeting (see Attachment #1). A Q&A document was also provided which provides additional information regarding the new dues structure (see Attachment #2), as well as a matrix of what the new dues structure looks like for FY 2020-21 (see Attachment #3).

CONCLUSION:

The new dues structure provides for some equity across the entire membership and includes a population ceiling to the benefit of the larger LAFCOs such as ours. Therefore, LAFCO staff recommends that the Commission support the new dues structure and direct its voting and alternative voting delegate to vote in favor of the new dues structure at the 2019 Annual Business Meeting.

Attachment:

1. [Letter from CALAFCO on Proposed New Dues Structure](#)
2. [Proposed LAFCO Membership New Dues Structure Questions & Answers](#)
3. [Proposed LAFCO Dues Structure and Dues Beginning FY 2020-21](#)
4. [LAFCO Dues for FY 2019-20 \(including FY 2016-17 to FY 2018-19\)](#)