

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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DATE: FEBRUARY 2, 2008

**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8: Mid-Year Budget Review and Fee Schedule Update

RECOMMENDATION:

1. For the Mid-Year Budget Report -- note report and file.
2. For the Schedule of Fees and Charges:
 - a. Amend the Schedule to reflect the increase in Department of Fish and Game Fees, effective January 1, 2008.
 - b. Direct staff to notify the Cities, Special Districts and existing applicants that Department of Fish and Game Fees have increased, effective January 1, 2008, and will be applied to all active applications and future submittals.

BACKGROUND:

Staff is presenting the Commission with its mid-year budget review for FY 2007-08. Included within this review is information regarding forecasts for the balance of the fiscal year. The spreadsheet that accompanies this report includes information which summarizes expenditures and revenues for the period from July 1, 2007 to December 31, 2007 and provides a forecast of anticipated expenditures and revenues to the end of the fiscal year (Attachment #1). The calculation of mid-year totals indicates that 51% of expenditures have been incurred and 75% of revenues have been received. The following provides a discussion of these expenditures and revenues as well as the basis for forecasting expenditures and revenues to the end of the Fiscal Year.

EXPENDITURES:

Through mid-year, 51% of anticipated expenditures have been incurred. This is slightly more than half of the yearly appropriations but includes a series of one-time and full year

costs paid during the first half of the fiscal year. Those amounts are identified by expenditure type in the narrative which follows:

Salaries and Benefits

Expenditures within the 1000 series of accounts (Salaries and Benefits) through the end of December 2007 are at 48% of budget authority. The first half of the year included activity related to the retiring Clerk which included termination payments totaling \$13,220 (Account 1045 - one-time payment that was budgeted) and three weeks of salaries and benefits payments. The mandatory administrative leave balance cash-out in pay period 26 for staff also occurred in the first half. Additionally, a Dental Health Subsidy went into effect this fiscal year. At the time of the budget adoption, the County did not have a dedicated dental health account and the LAFCO budget planned for this benefit with funding from Account 1000 (Salary Reserve). The payments are now reflected in Account 1215 (Dental Insurance).

The Salaries and Benefits series also includes unbudgeted benefit increases for auto allowance, portable communication device allowance, and retirement medical trust fund contributions. The Commission, at the July 2007 hearing, approved these increases to mirror changes in the County's Exempt Compensation Plan. Although the Salaries and Benefits series is at 48% of budget authority, the first pay period of the year did not include the above increases and did not include a full staffing salary for the period since the official start date for the Deputy Clerk was the last pay period in July and Clerk to the Commission was first pay period in August.

In the second half of the fiscal year the annual accrual/reversal for salaries and benefits payable will take place (increase of \$4,000 over last year) and there is the potential for additional administrative leave cash outs. For the second half of the year, staff projects \$370,807 in Salaries and Benefits payments. This amount includes the step increases anticipated for three employees and a set aside for merit increases to be discussed with the Commission during budget considerations. No other changes in the Salaries and Benefits categories are anticipated to occur during the balance of the fiscal year.

The year-end total for the Salaries and Benefits categories is projected to be \$738,132, or 96% of budget authority.

Services and Supplies

The 2000 Series for Services and Supplies expenditures are sensitive to activity levels (postage, printing, and legal counsel). Mid-year expenditures, including processing one-time payments, have brought total expenditures within the series of accounts to 55% of total budget authority. The expenditures identified within the spreadsheet accounts include:

- Full year payments totaling \$39,786, with no additional costs anticipated for the balance of the Fiscal Year, for the following Accounts:

- Account 2075 (Memberships) for membership in professional organizations (\$6,176).
- Account 2245 (Other Insurance) for property liability purchased through Special Districts Risk Management Authority (SDRMA) (\$9,382).
- Account 2415 (COWCAP - Countywide cost allocation plan) for costs incurred from FY 05-06 (\$24,228).
- One-time costs approved by the Commission in its Budget consideration or other public hearing discussions totaling \$16,210 for:
 - Purchase of a color printer and ink totaling \$4,108 (Account 2315-General Office Expense).
 - Employment contract with Debby Chamberlin, former LAFCO Clerk, totaling \$5,000 (Account 2445 – Other Professional Services) for the purpose of training the new Clerk to the Commission and closure of documents for archiving.
 - Travel expenses related to the CALAFCO conference totaling \$7,102 (Account 2935-Other Travel).
- CEQA litigation related to LAFCO 3076 – Consolidation of the San Bernardino Valley Municipal Water District and the San Bernardino Valley Water Conservation District (Account 2400 Legal Counsel) totaling \$6,827. Pursuant to the Commission’s existing policies, all these costs are reimbursable.
- Current costs totaling \$28,377 for activities related to the processing of the County Fire Reorganization and the formation of the Phelan/Pinon Hills CSD in FY 07-08 are identified as follows:
 - Account 2085 (Legal Notices) - \$11,863 for legal advertisement
 - Account 2323 (Printing) - \$1,491
 - Account 2400 (Legal Counsel) - \$3,397
 - Account 2424 (Environmental) - \$7,307
 - Account 2445 (Other Professional Services) - \$4,319 identified as \$1,819 for Registrar of Voters Charges and \$2,500 for independent auditor analysis for the CSD formation related to the assumption of the CIEDB Loan
- Costs attributable to FY 06-07 but paid in FY 2007-08 totaling \$11,607.

Acknowledging these one-time, full year, and reimbursable costs, expenditures on the whole are generally on target for the fiscal year.

However, significant legal advertisement, publication, printing, and postage costs are anticipated for the upcoming months as the remaining costs for completion of the County Fire Reorganization are received and the Commission completes its consideration of the municipal service reviews of the North Desert agencies. The staff's forecast shows that a total of \$157,761 will be expended in the second half of the Fiscal Year which includes such items as:

- Legal Notices -- \$18,054 of which \$5,109 is for the protest hearing for the County Fire Reorganization
- Other Professional Services -- \$17,754 which includes \$10,000 for Commissioner Stipends; \$3,600 to County Surveyor for map and legal review
- The full reserve budget (Account 6025) of \$52,198 will be carried forward to the new fiscal year.

Based upon the information outlined above, staff anticipates a year-end total expenditure within the Services and Supplies categories of \$381,879, or 94% of budget authority.

REVENUES:

The Commission is well aware of the downturn in proposal submission activity. This circumstance is due to economic factors which include the mortgage problems currently being experienced and the corresponding downturn in housing development activity. The staff's projections for activity for Fiscal Year 2007-08 are impacted by this circumstance.

Outside the apportionment of LAFCO costs to the County, Cities and Independent Special Districts, filing fees and deposits are the most significant source of revenue to the Commission. Attachment #2 charts the Commission's proposal-type activity through December 31, 2007. The chart indicates that there were four proposals for the first half of the year. One of the four proposals is the Commission-initiated sphere of influence establishment for the Helendale CSD. In response to LAFCO staff inquiry, the Helendale CSD has indicated that it will be proposing a sphere of influence larger than its existing boundaries. Therefore, the District will be required to pay the appropriate fees and deposits for processing of this application. Eight municipal service reviews were completed during the first half of the year. They are: Yucca Valley Fire Protection District, Central Valley Fire Protection District, Forest Falls Fire Protection District, Lake Arrowhead Fire Protection District, and County Services Areas 9, 38, 42, and 56. Since January 1, 2008, LAFCO has received two proposals – an annexation to the City of Rialto and a sphere expansion for CSA 42. This brings the total number of proposals for the fiscal year to six, four (4) less than the ten (10) total anticipated.

For the remainder of the year, staff is projecting the receipt of:

- one development related serviced contract,
- an application addressing seven separate areas within a reorganization

In addition, staff anticipates reimbursements for litigation related to LAFCO 3076, receipt of outstanding payments for environmental review, landowner and registered voter notice, and legal costs for applications processed during the year which includes the balance of costs for the County Fire Reorganization, and the second payment for the EIR as well as the processing of the costs for this document. The Revenue projections also account for refunds to the City of Fontana for processing of the City's 32 islands (\$11,735). At year-end, staff projects that 96% budgeted revenues will be received.

Excluding revenue payments for the contracted EIR identified below, the Commission has to-date received 87% of its anticipated revenues. At mid-year, revenue receipts included 99.5% of the mandatory apportionment payments from the County, the cities, and independent special districts billed by the County Auditor. Since the mid-year, the Commission has received all of the mandatory apportionment payments – two of those through transfer from the first distribution of property tax proceeds.

Staff is projecting a fund balance forward to Fiscal Year 2008-09 of \$88,967 comprised of \$36,769 in cash carryover and \$52,198 in reserves.

Environmental Impact Report for LAFCO 3076:

At the November hearing, the Commission approved the contract with RBF Consulting to prepare an environmental impact report for LAFCO 3076 – Consolidation of San Bernardino Valley Water Conservation District and San Bernardino Valley Municipal Water District (SBVMWD). The contract is between RBF Consulting and LAFCO for the not-to-exceed amount of \$299,533. As required by Commission policy, this cost is to be reimbursed to the Commission by the applicant for the proposal, SBVMWD. To date, the Commission has received a deposit of \$149,766 toward payment for the EIR while an additional \$149,767 from SBVMWD will be necessary to fulfill the Commission's contract obligation of \$299,503. To date, no request for payment for the EIR have been received or processed. Revenues received for the EIR by SBVMWD have been deposited into Account 9660 (Environmental Deposits). Payments for the contract will be withdrawn from Account 9990 (Trust Transfer).

UPDATE OF STATE DEPARTMENT OF FISH AND GAME FEES:

On January 3, 2008, staff received notification from the County Clerk of the Board office that the Department of Fish and Game Fees and document handling charges for filing environmental documents would increase in two categories (copy included as Attachment #3). The updated fees are:

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|--|-------------------------------------|
| 1. Negative Declaration and Mitigated Negative Declaration | \$1,926.75 (increased from \$1,850) |
| 2. Environmental Impact Report | \$2,656.75 (increased from \$2,550) |

As our adopted Fee Schedule acknowledges that our environmental fees are deposits against direct costs so that the increased costs can be recovered for Notices of Determination filed since January 1, 2008. However, it also includes under Item #4 an outline of each of these fee categories. Staff is recommending that the Commission modify its Schedule of Fees and Charges to reflect the State Department of Fish and Game increases (indicated in bold italic on page 3 in Attachment #4) and direct staff to notify the cities, special districts, and applicants that as of January 1, 2007 these charges increased.

Staff will be glad to address any questions on the information provided in this report prior to or at the hearing.

KRM/MT

Attachments:

1. Mid-Year Status Report Spreadsheet – Expenditures and Revenues
2. Chart Illustrating Proposal Activity through December 31, 2007
3. January 3, 2008 Notification of Increase in State Fish and Game Fees and Clerk of the Board Documentary Handling Fees
4. Schedule of Fees and Charges – Section D, Environmental Review Processing