

AGENDA

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

**San Bernardino County Transportation Authority Board Room
SAN BERNARDINO SANTA FE DEPOT – 1ST FLOOR LOBBY
1170 WEST 3RD STREET, SAN BERNARDINO**

REGULAR MEETING OF APRIL 19, 2017

9:00 A.M. – CALL TO ORDER – FLAG SALUTE

1. Public Comments on Closed Session
2. **CONVENE CLOSED SESSION -- CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION – SUPER CHIEF ROOM**
Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: (one case)

10:00 A.M. – CALL TO ORDER-- REGULAR SESSION

ANNOUNCEMENT: Anyone present at the hearing who is involved with any of the changes of organization to be considered and who has made a contribution of more than \$250 in the past twelve (12) months to any member of the Commission will be asked to state for the record the Commission member to whom the contribution has been made and the matter of consideration with which they are involved.

3. Announcement of Actions from Closed Session

CONSENT ITEMS:

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter

4. Approval of Minutes for Regular Meeting of March 23, 2017
5. Approval of Executive Officer's Expense Report
6. Ratify Payments as Reconciled for Month of March 2017 and Note Cash Receipts

PUBLIC HEARING ITEMS:

7. Consent Items Deferred for Discussion
8. Preliminary Budget Review for Fiscal Year 2017-18:
 - a. Proposed Schedule of Fees, Charges and Deposits
 - b. Proposed Budget for Fiscal Year 2017-18:

- i. Mid-Year/Third Quarter Review for FY 2016-17
- ii. Proposed Budget for FY 2017-18

INFORMATION ITEMS:

9. Legislative Update Oral Report
10. Executive Officer's Oral Report
 - a. Update on Relocation/Renovation Progress at Santa Fe Depot
 - b. Continuing Education Opportunities – LAFCO 101 and Partnering on Public Engagement (*Continued from March 23, 2017 Hearing*)
 - c. New Proposals Received
11. Commissioner Comments
(This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on off-agenda items unless authorized by law.)
12. Comments from the Public
(By Commission policy, the public comment period is limited to five minutes per person for comments related to other items under the jurisdiction of LAFCO not on the agenda.)

The Commission may adjourn for lunch from 12:00 to 1:30 p.m. The Commission may take action on any item listed in this Agenda whether or not it is listed For Action. In its deliberations, the Commission may make appropriate changes incidental to the above-listed proposals.

Materials related to an item on this Agenda submitted to the Commission or prepared after distribution of the agenda packet will be available for public inspection in the LAFCO office at 215 N. D St., Suite 204, San Bernardino, during normal business hours, on the LAFCO website at www.sbclafco.org, and at the hearing.

Current law and Commission policy require the publishing of staff reports prior to the public hearing. These reports contain technical findings, comments, and recommendations of staff. The staff recommendation may be accepted or rejected by the Commission after its own analysis and consideration of public testimony.

IF YOU CHALLENGE ANY DECISION REGARDING ANY OF THE ABOVE PROPOSALS IN COURT, YOU MAY BE LIMITED TO RAISING ONLY THOSE ISSUES YOU OR SOMEONE ELSE RAISED DURING THE PUBLIC TESTIMONY PERIOD REGARDING THAT PROPOSAL OR IN WRITTEN CORRESPONDENCE DELIVERED TO THE LOCAL AGENCY FORMATION COMMISSION AT, OR PRIOR TO, THE PUBLIC HEARING.

The Political Reform Act requires the disclosure of expenditures for political purposes related to a change of organization or reorganization proposal which has been submitted to the Commission, and contributions in support of or in opposition to such measures, shall be disclosed and reported to the same extent and subject to the same requirements as provided for local initiative measures presented to the electorate (Government Code Section 56700.1). Questions regarding this should be directed to the Fair Political Practices Commission at www.fppc.ca.gov or at 1-866-ASK-FPPC (1-866-275-3772).

A person with a disability may contact the LAFCO office at (909) 388-0480 at least 72-hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.

**DRAFT – ACTION MINUTES OF THE – DRAFT
LOCAL AGENCY FORMATION COMMISSION
HEARING OF MARCH 23, 2017**

REGULAR MEETING

1:00 P.M.

March 23, 2017

PRESENT:

COMMISSIONERS:

Jim Bagley	Robert Lovingood
Larry McCallon, Chair	Steve Farrell
Diane Williams	Ryan McEachron

STAFF:

Kathleen Rollings-McDonald, Executive Officer
Paula De Sousa Mills, LAFCO Legal Counsel
Samuel Martinez, Assistant Executive Officer
Michael Tuerpe, Project Manager
Jeffrey Lum, LAFCO Analyst
La Trici Jones, Commission Clerk
Bob Aldrich, LAFCO Consultant

ABSENT:

Kimberly Cox	Janice Rutherford, Alternate
James Ramos	Acquanetta Warren, Alternate
Jim Curatalo	

**CONVENE REGULAR SESSION OF THE LOCAL AGENCY FORMATION COMMISSION
– CALL TO ORDER – 1:00 P.M. – NORTON REGIONAL EVENT CENTER**

Executive Officer, Kathleen Rollings-McDonald calls the regular session of the Local Agency Formation Commission to order and leads the flag salute.

ITEM 1(a) SELECTION OF ACTING CHAIR OF THE COMMISSION

Executive Officer Kathleen Rollings-McDonald announces that the first order of business for the proceedings is to select an acting Chair for this hearing. Chair Cox and Vice Chair Ramos are both out of the state. Commissioner Lovingood nominates Commissioner McCallon, Second by Commissioner Farrell and carried by the following roll call vote: Ayes: Bagley, Farrell, Lovingood, McCallon, Williams. Noes, None. Abstain: None. Absent: Cox (Commissioner Farrell voting in her stead), Curatalo, Ramos.

ANNOUNCEMENT OF CONTRIBUTIONS

Chair McCallon requests those present who are involved with any of the changes of organization to be considered today by the Commission and have made a contribution of more than \$250 within the past 12 months to any member of the Commission to come forward and state for the record their name, the member to whom the contribution has been made, and the matter of consideration with which they are involved.

There were none.

ITEM 1(b) Interview and Selection of Alternate Public Member

Executive Officer Kathleen Rollings-McDonald states that the Commission has received four applications of interest for the position of Alternate Public Member. It was noted that the selection process is to fill the unexpired term of Mr. Thurston Smith who resigned in November 2016 to take a position with the Mojave Water Agency. Ms. McDonald states that at today's hearing the Commission will conduct interviews of the four candidates who will be provided three minutes for presentation.

The candidates were present, each providing their presentations as follows: Mr. Charlie Johnson (Phelan resident), Mr. Matt LeVesque (Yucaipa resident), Mr. Ryan McEachron (Victorville resident) and Mr. Al Yoakum (Ontario resident)

Executive Officer Rollings-McDonald states that the statute requires that the successful candidate receive at least one vote from each category on the Commission; County, City and Special District. She further states that the public member may not participate in the vote. Ms. Rollings-McDonald notes that due to the absences at the hearing a unanimous vote of (4) is needed to select the Alternate Public Member.

Commissioner Lovingood moves the selection of Ryan McEachron, seconded by Commissioner Williams. Executive Officer Rollings-McDonald calls for further nominations; there being none nominations are closed. The motion passes with the following roll call vote: Ayes: Lovingood, McCallon, Williams, and Farrell. Noes: None.

Abstain: None. Absent: Cox (Commissioner Farrell voting in her stead), Curatalo, Ramos,

Commission Clerk LaTrici Jones administers the Oath of Office for Ryan McEachron, who takes his seat on the dais.

CONSENT ITEMS:

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter. Executive Rollings-McDonald states there is an amendment on the Executive Officer's Expense Report noting there was the addition of the expense for the Special District's Association meeting. An amended copy was provided to the Commissioners at the dais.

ITEM 2. Approval of Minutes for Regular Meeting of January 18, 2017

ITEM 3. Approval of Amended Executive Officer's Expense Report

ITEM 4. Ratify Payments as Reconciled for the Month of January and February 2017

Commissioner Lovingood moves approval of the Consent Calendar, second by Commissioner Williams. There being no opposition, the motion passes with the following roll call vote: Ayes: Bagley, Lovingood, McCallon, Williams and Farrell. Noes: None. Abstain: None. Absent: Cox (Commissioner Farrell voting in her stead), Curatalo, Ramos,

PUBLIC HEARING ITEMS

ITEM 5. CONSENT ITEMS DEFERRED FOR DISCUSSION -- None

ITEM 6. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3215 AND (2) LAFCO 3215 – SPHERE OF INFLUENCE AMENDMENT FOR SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT (CITY OF UPLAND AREA)

Executive Officer Kathleen Rollings-Mc Donald presents the staff report, a complete copy of which is on file in the LAFCO office and is made part of the record by its reference here. The item has been advertised in the Inland Valley Daily Bulletin, a newspaper of general circulation within the area and individual notice has been provided as required by statute.

She states that on November 28, 2016 the City of Upland adopted Resolution 6373 which initiated an application to expand the sphere of influence for the San Bernardino County Fire Protection District (hereafter shown as County Fire), which is the first step required prior to considering an annexation. On December 16, 2016 San Bernardino County Fire Protection District Board of Directors, which is the San Bernardino County Board of Supervisors, adopted its own resolution 2016-242, jointly initiating and supporting the City's resolution. The land area proposed to be included in the sphere of influence of County Fire includes the entirety of the City of Upland. The City, 10,016 acres (15.65 square miles) in size contains a full range of land uses including residential, commercial, industrial, public facilities and agriculture.

Executive Officer Rollings-McDonald further states that the City of Upland over the past few years has encountered significant financial distress and has been faced with the issue of funding its services with an ever reducing property tax revenue, increased pension and benefit costs and other general liability expenses. All of these have impacted the City's ability to provide its services. Despite the City's efforts to reduce its workforce by almost 25% there still is no significant change in its financial position.

Executive Officer Rollings-Mc Donald states that the City and County Fire has looked at ways to address this issue. LAFCO has been directed to look at questions regarding the delivery of those services. Ms. Rollings-McDonald indicates that the City has determined its best alternative is to move forward with inclusion in the San Bernardino County Fire and to achieve a return of revenue for other services for the City.

Executive Officer Rollings-McDonald outlines the mandatory determinations as required by Government Code Section 56425 as provided in the staff report on the item and shown on the PowerPoint presentation. She states that the Commission's environmental consultant, Tom Dodson of Tom Dodson and Associates, has reviewed this proposal and has determined that there will not be an adverse change to the environment through the approval of this sphere of influence expansion.

Chair McCallon asks for any Commissioner comments on the Executive Officer's report. There are none.

Chair McCallon calls upon the City of Upland, as the applicant, to make their presentation.

Jeanette Vagnozzi, Deputy City Manager, speaks on behalf of the City of Upland. She states that financial concerns have been a part of the City legacy for the past 14 years. The City tried to reduce costs, by deferring financial obligations. Ms. Vagnozzi says that if they do not make significant changes they will not be able to fully fund the 2018 budget.

She further states that the City Council, City Manager and staff believe that annexation is the best alternative for the City of Upland. It will not cure all that ails the City financially, but it is a very significant step forward towards financial stability. Equally important, it allows the City to continue and may even improve fire protection service for the community. The alternative to this would be to reduce the level of fire protection/emergency medical response service to the City. Ms. Vagnozzi states that the City supports the sphere expansion since it offers an alternative that is equal to or better in service capabilities and will assist the City in its financial goals at the same time.

Chair McCallon calls for questions from the Commission for the applicant, City of Upland.

Commissioner Bagley states that this item is pretty straight forward and there really is no opposition. The only contentious issue before us today is the status of San Antonio Heights. Many of the residents are here to express concern about being annexed beyond the question for receipt of fire service. Commissioner Bagley questions if there has been any history of Upland attempting to annex the community. Executive Officer Rollings-McDonald states that there has been discussions in the past regarding the potential for annexation of San Antonio Heights, but the sphere determination does not impact San Antonio Heights. San Antonio Heights has been in the sphere of influence of the City of Upland since 1972, but is not affected by this sphere proposal because it is also already within the sphere of influence and boundary of the San Bernardino County Fire Protection District. Commissioner Bagley requests further clarification that there is not an attempt for anything other than a fire service boundary adjustment, to which Executive Office Rollings-McDonald responds in the affirmative.

Chair McCallon asks if there are any more questions. There are none.

Chair McCallon calls for County Fire to provide their presentation.

County Fire Chief Mark Hartwig makes a brief presentation to the Commission. He states that the annexation proposal that you are looking at today and deliberating on really started as a conversation between neighbors. This was the City of Upland coming to County Fire to talk about whether or not we could improve the level of services and use tax dollars most effectively. County Fire reviewed the responsibilities and resources available and indicated there is an opportunity here for both the County of San Bernardino, the area of San Antonio Heights, as well as the City of Upland. Chief Hartwig states in his professional opinion, and after a lot of deliberation, County Fire supports agenda items number 6 and number 7. This is clearly stated in the Fire Board of Director's approval of the initiating resolution in support of the proposal made by the City of Upland.

Chair McCallon asks if there are any questions of Chief Hartwig. There are none.

Chair McCallon asks if there any speaker slips for this item.

One speaker slip was provided.

No further comments were provided.

Chair McCallon closes the public hearing.

Commissioner Bagley makes the staff recommendation for the expansion of the sphere of influence for the San Bernardino County Fire Protection District. Second by Commissioner Lovingood. There being no opposition, the motion passes with the following roll call vote:

Ayes: Bagley, Lovingood, McCallon, Williams and Farrell. Noes: None.

Abstain: None. Absent: Cox, Ramos, Curatalo

ITEM 7. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3216 AND (2) LAFCO 3216- REORGANIZATION TO INCLUDE ANNEXATIONS TO THE SAN BERNARDINO FIRE PROTECTION DISTRICT, ITS VALLEY SERICE ZONE AND SERCICE ZONE FP-5 AND FORMATION OF SERVICE ZONE FP-5 WEST VALLEY (CITY OF UPLAND)

Executive Officer Kathleen Rollings-McDonald presents the staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. Ms. McDonald states that notice of the Commission's consideration of this application was published in *The Inland Valley Daily Bulletin*, a newspaper of general circulation within the area and that individual notice has been provided to landowners within the area and registered voters and landowners surrounding the area as required by law. In addition, individual notice was provided to all landowners within the area proposed for inclusion with San Bernardino County Fire Protection Service Zone FP-5, as required by statutes.

Executive Office Rollings-McDonald states that this proposal comes about following a multi-year review of the financial position of the City of Upland. It was determined that the best option to alleviate on-going financial distress for the City was to transfer its fire protection and emergency medical response to the San Bernardino County Fire Protection District. At the November 28th hearing of the City Council a resolution was adopted initiating this process that was followed in December by a resolution of the San Bernardino County Board of Supervisors acting on behalf of County Fire to also initiate the proposal for annexation.

Executive Officer Rollings-McDonald further states that LAFCO staff's review of this proposal, its questions, its modification, its determinations, have all been about providing sustainable services and maintenance of fire protection and emergency medical response for this community. Ms. Rollings-McDonald states that the staff recommends that the Commission make the determinations to modify LAFCO 3216 to expand the proposed annexation to San Bernardino County Fire Protection District's Service Zone FP-5 to include the area commonly identified as the community of San Antonio Heights along with the City of Upland, and the formation of a "Zone FP-5 West Valley" to reflect the total annexation area of this special tax zone and isolate and restrict revenues to the territory in which it is generated. Ms. McDonald presents the staff report which identifies the specific determinations required for boundaries, land uses, service considerations and financial

determinations, and environmental consequences. The PowerPoint presentation identifies the specific determinations along with conditions of approval necessary to address all the issues related to the transition of service. Ms. Rollings-McDonald

Chair McCallon asks if there are any Commissioner comments.

Commissioner Bagley states that in the analysis of the budget of the Fire Department I'm always looking at fine tooth items and there is some things I don't understand. One of them is the ICEMA Service accounts, about \$28,000.00 is that an administrative fee for ICEMA? Executive Officer Rollings-McDonald states that it is. ICEMA is the Inland Counties Emergency Medical Agency and it is responsible for the EMS program and it is a contract with ICEMA to allow for the air ambulance.

Commissioner Bagley further declares that the second biggest question he has is the \$1.3 million assumption of unfunded pension liability that the city of Upland will take on. It is very difficult when we do these. We are literally having one agency continue the obligation for unfunded pension funds. My concern is that is there actually an amortization schedule to retire that debt? Or is that something the city will absorb in perpetuity?

Executive Officer Rollings-McDonald responds that the contract with CalPERS for safety, includes Fire and Police. The \$1.3 million includes the anticipated unfunded liability for Fire employees transitioning.

Commissioner Bagley affirms that this is the crux of why we are here. Municipalities and Special Districts are spending beyond their means. They have engaged in unrealistic pension obligations and it's literally bankrupting cities. So when you take on this \$1.3, my concern is not just for the tax payer, but for the people who are depending on this. Just this last week, we heard that CalPERS was defaulting on some pensions with unfunded obligations not being paid. And this is a red flag for everyone.

Commissioner Bagley proceeds to express that he wants Chief Hartwig to address the issue of deferred maintenance on Fire vehicles that will be obtained from the City of Upland. County fire is taking on this facility and that's always a concern to me.

Chair McCallon asks for other questions or comments of Staff.

Commissioner Farrell states that there are a lot of numbers and he is trying to make sense of it. On page 29, I'm seeing the City of Upland's summary of their budget and I'm seeing a total for salaries of benefits of eight million two hundred seventy seven. I go to the next page which seems to be the summary for what's being proposed; there is two of them. One with San Antonio and one without. But the staffing costs appear to be identical in both scenarios with forty-two point seven seven full time, but that number does not match what the city budget projection is for that same year. I'm just trying to balance those. The total budget is much higher, but the actual salary and benefits is significantly lower.

Executive Officer Rollings-McDonald states that the budget projection for salaries and benefits in the budget that was adopted prior to the beginning of the fiscal year and reflects the nine million. On this page the fiscal year 16/17 is the estimated year-end expenditures so this is what they are currently at mid-year projecting that the year will end with. So they will not spend their full budget appropriation.

Commissioner Farrell further states that the Fire prevention fees seem to be significantly increasing He questions what that represents and why those costs might be going up for County Fire?

Executive Officer Rollings-McDonald states that County Fire can answer that, but they have a far more aggressive fire prevention program and their fee structure that reflects those costs, Ms. Rollings-McDonald adds that the City will be required to adopt the County's ordinances and fee structures beginning the first of the fiscal year.

Chair McCallon asks for other questions and comments for staff. There is none.

Chair McCallon asks the City of Upland to come forward on this item and answer some of the Commissioners questions that have been brought forth.

Jeanette Vagnozzi, Deputy City Manager states that at this time we don't have anything further to add to our original comments. There was a question about pension costs and after the pension reform act there has been a change to public employee pensions. We have been paying close attention through the use of a consultant to our future costs and our unfunded liability and based on a very reliable consultant in this area, he has demonstrated that through the pension reform act and the changes that PERS has made, by the year 2044 we will be down to a much more acceptable level on our unfunded liability. The city has set money aside to buy down those costs when appropriate. This decision is a part of paying attention to our future pension costs as well.

Chair McCallon asks for additional questions for the City of Upland. There are none.

Chair McCallon calls upon the San Bernardino County Fire Protection District representative.

Fire Chief Mark Hartwig states that even though the proposal is to close the Station 162 and expand staffing at the San Antonio Heights station, a regional model of fire, rescue and EMS services would not plan three stations that close together. Chief Hartwig answers the questions of Commissioner Bagley regarding deferred maintenance of fire vehicles. Chief Hartwig answers the questions posed by Commissioner Farrell regarding the fee schedule and fire prevention.

Commissioner Farrell affirms with Chief Hartwig that San Antonio heights is currently being served by County Fire and the mutual aid service is with Fontana Fire Protection District served by County Fire through contract, questioning how this will change through the current

proposal to which Chief Hartwig responds reiterating that Fire calls draw on the closest resources and with the same dispatch service there really is no delay and with like staffing patterns mutual aid will apply.

Chair McCallon calls for further Commissioner questions; there are none.

Chair McCallon asks for the speaker slips.

Chair McCallon first calls those in favor of the recommendation.

Carolyn Anderson states that she has lived in the City of Upland for 44 years and is in support of the annexation and asks the Commission support and approve the annexation in front of them. In addition, Mr. Gavin, an Upland resident is in support of the annexation.

Jim Richardson states he is a lifelong resident of Upland and is in support of the annexation.

Gino Filippi, councilman, states he is a 50 year resident of the general area, of both Upland and San Antonio Heights and is in support of the annexation.

Steve Lambert, is a homeowner and business owner in Upland and is in support of the annexation into County Fire.

Chair McCallon now calls for that are in opposition of the annexation.

John Navarro is a resident of San Antonio Heights and is opposed to the portion of the application including San Antonio Heights in Service Zone FP-5. He is more than happy to see fire protection transfer from the City of Upland, but would like to stay independent of the City of Upland.

Becky Miller is the past president of the San Antonio Heights Association and states her opposition is that the time for communications were short and did not give enough time to understand the proposals. She outlines the concerns she has heard from other residents.

Glenn Bozar, former member of the Upland City Council and Mayor Pro Tem and chair of the finance committee, states he opposes the special tax and is against the annexation. Requests that the Commission deny the proposal presented to it.

Thomas McCarthy, 60 year resident of the Heights, does not understand why San Antonio has to be included. Mr. McCarthy is happy with his current fire service and is against the inclusion of San Antonio Heights in the annexation.

John Goss, 30 year resident of San Antonio Heights, state he is opposed to LAFCO 3216, as

amended and the imposition of the special tax.

Joseph Farrell, 2 year resident of the Heights, states that he is not getting anything from this but a bill; therefore, he is opposed to including San Antonio Heights in LAFCO 3216.

Francesca Zummo, resident of the Heights since 2000, states her opposition to the annexation is because she is already satisfied with the fire service she receives.

Bob Cable, business owner of Cable airport and resident of San Antonio Heights, states he believes there has not been enough communications and is against the annexation of San Antonio Heights based upon the imposition of the special tax associated with Service Zone FP-5. Mr. Cable expresses his concern with the mailer received from the Fire Union which intimates that this is a “done deal”.

Peter Cherbak, resident of San Antonio Heights since 1970, expresses his opposition to the annexation of San Antonio Heights into Service Zone FP-5 and the imposition of the special tax.

Loren Miles, second generation property owner in the city of Upland, states his position that as a stakeholder he is opposed to transferring the Upland Fire Department to another agency to manage this crucial service to the community.

John Hawthorne, a property owner in the City of Upland and a resident of San Antonio Heights, states his position that the notification that San Antonio Heights received has been short. He points out a flyer that the Heights residents has received regarding better fire service. He is against the annexation and wants the service to remain separate for there is no reason to involve San Antonio Heights with the City of Upland.

Chair McCallon asks the audience for additional speakers who have not spoken. There are none.

Chair McCallon asks if the City of Upland and County Fire if they would like to make any rebuttal comments. There are none.

Chair McCallon closes the public hearing and calls upon Commission members for further discussion and any questions of staff in response to the public testimony.

Commissioner Farrell states that he is sympathetic to the concerns of the timing and personally is struggling with the imperative that the Commission must deal with the issue today. Commissioner Farrell questions if there is an alternative for dealing with the funding shortfall for San Antonio Heights station. To which Executive Officer Rollings-McDonald responds that if the question is about the inclusion San Antonio Heights into FP-5, LAFCO's involvement in that, is through the overall reorganization. Staff has presented the option to include only the City of Upland territory, excluding San Antonio Heights. If San Antonio

Heights is excluded, any future consideration for expansion of FP-5 would be through County Fire and the Board of Supervisors only. Ms. Rollings-McDonald states that the City of Upland and San Antonio Heights were reviewed in the staff report as a matter of service and funding equity. If the action is to exclude San Antonio Heights, the Commission would have no further involvement in the discussion of financing its fire protection/emergency medical response service..

Commissioner Lovingood states that this is a very difficult decision, expressing his position that this “can was kicked down the road many times” before addressing the real issue on financing. Commissioner Lovingood states that issue does not make it any less of a decision that LAFCO must make today responsibly and so it’s a challenge. Commissioner Lovingood states he feels for both sides of the question, but at the same time, the costs of services have to be dealt with. This situation was not created by the people who serve today, it was created previously and the Commission’s responsibility is to make a decision on how to address that.

Commissioner Bagley asked Executive Officer Rollings-McDonald about the Municipal Service Reviews and whether they look at distinct communities such as San Antonio Heights as a separate entity; to which Ms. Rollings-McDonald states that we do not. We look at the whole of the community which is defined by a sphere of influence.

Commissioner Bagley further states that we are mandated by the state of California to do municipal service reviews where we look at service levels. Part of that responsibility is to find efficiencies in government and to consolidate when necessary. Commissioner Bagley states that he is very sensitive to the community of San Antonio Heights wanting to have an autonomous identity. But there’s also a reality about providing municipal service and sustainably funding that current level of services. Commissioner Bagley states the staff recommendation provides a solution to fix the question of financial sustainability.

Chair McCallon calls for further comments from the Commission. There are none.

Chair McCallon calls for the Commission’s action on the proposal.

Chair McCallon moves approval of the staff recommendation, second by Commissioner Williams. Chair McCallon calls for the roll call vote, which is: Ayes: Bagley, Lovingood, McCallon, Williams and Farrell. Noes: None. Abstain: None. Absent: Cox (Commissioner Farrell voting in her stead), Curatalo, Ramos. The motion passes unanimously.

Chair McCallon asks that if it is acceptable with Commission, he would like to defer the balance of the agenda except for item 9 to the April Hearing. There is concurrence by those present. Therefore the following items are deferred to the April 19, 2017 Hearing:

- ITEM 8. MID-YEAR BUDGET REVIEW FOR FISCAL YEAR 2016-17**
- ITEM 10. LEGISLATIVE UPDATE ORAL REPORT**
- ITEM 11. EXECUTIVE OFFICERS ORAL REPORT**

DISCUSSION ITEMS

ITEM 9. STATUS REPORT ON LAFCO 3189 – SPECIAL STUDY FOR MORONGO VALLEY COMMUNITY SERVICES DISTRICT

Project Manager Michael Tuerpe presents the staff report on this item, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Mr. Tuerpe states that a special study was conducted for the Morongo Valley CSD and it concluded that the financial obligations for its fire servicewere strained. As a follow-up to that review, the Commission required status updates every six months for the next five years, the current review is the third status update. He continues to state that the District's new audit shows positivity, the current year budget appeared to be stable, but the mid-year data is indicating a return to expenditures exceeding revenues. All that's needed from the Commission today is to receive this staff report and set the next staff update to August 2017.

Commissioner Bagley states that the only thing that is saving Morongo right now are the park and rec fees that have gone up. But we will look at everything when it comes back.

Chair McCallon asks if representatives from Morongo CSD would like to speak.

Johnny Tolbert, Finance Director for the District and Roxanne Rozell, General Manager state they have replaced a fire vehicle and the maintenance fees are much lower. Additionally they have filled the vacant Fire Chief position by promoting from within and leaving the other position vacant.

Chair McCallon asked for a motion to receive and file the report and come back in six months for another update.

Commissioner Lovingood moves that the Commission accept the report and looks forward to hearing back in six months, second by Commissioner Williams. There being no opposition, the motion passes with the following roll call vote: Ayes: Bagley, Lovingood, McCallon, Williams and Farrell. Noes: None. Abstain: None. Absent: Cox (Commissioner Farrell voting in her stead), Ramos, Curatalo

ITEM 12. COMMISSIONER COMMENTS

Commissioner Bagley states that he really likes this facility would like for staff to consider having future LAFCO meetings here.

Chair McCallon asks that the Executive Officer Rollings- McDonald sit on one side or the other so when she is talking, she can talk to us and we can see her.

ITEM 13. COMMENTS FROM THE PUBLIC

Chair McCallon asks for comments from the public. There are none.

THERE BEING NO FURHTER BUSINESS TO COME BEFORE THE COMMISSION, THE

HEARING IS ADJOURNED AT 4:38 P.M.

ATTEST:

LaTrici Jones, Clerk to the Commission

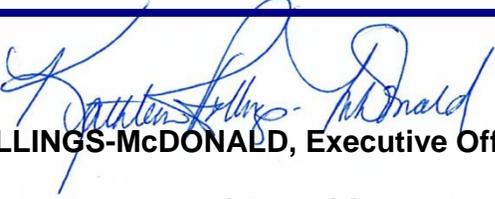
LOCAL AGENCY FORMATION COMMISSION

KIMBERLY COX, Chair

DRAFT

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

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE : APRIL 11, 2017 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #5 – APPROVAL OF EXECUTIVE OFFICER’S
EXPENSE REPORT

RECOMMENDATION:

Approve the Executive Officer’s Expense Report for Procurement Card Purchases from February 23, 2017 through March 22, 2017 as presented.

BACKGROUND INFORMATION:

The Commission participates in the County of San Bernardino’s Procurement Card Program to supply the Executive Officer a credit card to provide for payment of routine official costs of Commission activities as authorized by LAFCO Policy and Procedure Manual Section II – Accounting and Financial Policy #3(H). Staff has prepared an itemized report of purchases that covers the billing period of February 23, 2017 through March 22, 2017.

Staff recommends that the Commission approve the Executive Officer’s expense report as shown on the attachment.

KRM/LJ

Attachment



COUNTY OF SAN BERNARDINO
PROCUREMENT CARD PROGRAM

MONTHLY PROCUREMENT CARD PURCHASE REPORT

Card Number		Cardholder			Billing Period		
		Kathleen Rollings-McDonald			2/23/2017 to 3/22/2017		
Date	Vendor Name	Receipt/ Invoice No.	Item Description	Purpose	\$ Amount	Reconciled (R) Disputed (D)	Sales Tax Included on invoice (Yes or No)
2/23	Language Network	1	Payment	Spanish Translation of Proposal mail out	247.75	R	N
2/25	Marriott Irvine	2	Payment	CALAFCO Leg Committee Meeting – Irvine, Kathleen Rollings-McDonald	324.43	R	Y
2/27	State of the County	3	Payment	State of the County 2017 Event – K. Rollings-McDonld, S. Martinez, M. Tuerpe	150.00	R	N
2-27	Thomson West	4	Payment	Law Library Updates	190.47	R	Y
2-28	Frontier	5	Payment	Phone Line for Alarm and Fax	61.30	R	Y
3-01	Century Link	6	Payment	Conference Call Service	17.26	R	Y
2-28	Daisy IT	7	Payment	Office Supplies	19.31	R	Y
3-07	The Mexico Café	8	Payment	Lunch with LAFCO Legal Counsel – Clark, Alicia & Kathy	42.56	R	Y
3-09	Advanced Copy Systems	9	Payment	Monthly Copier Rental - 2/1/17 – 3/1/17	452.52	R	Y
3-13	Advanced Copy Systems	10	Payment	Monthly Copier Rental – 9/1/16-10/1/16, 11/1/16-12/1/16, 12/1/16-1/1/17, 1/1/17-2/1/17	1,816.65	R	Y
3-15	Sheraton Grand Sacramento Hotel Reservation Fee	11	Payment	CALAFCO Board Meeting in Sacramento, May 5, 2017 – James Curatalo	7.99	R	N
3-14	Southwest	12	Payment	CALAFCO Board Meeting in Sacramento, May 5m, 2017 – James Curatalo	202.87	R	Y
3-14	Southwest	13	Payment	CALAFCO Leg Committee Meeting in Sacramento, May 12, 2017 – James Curatalo	175.95	R	Y
3-16	Amazon Marketplace	14	Payment	Office Supplies – Water Filters	31.75	R	N

3-16	Sheraton Grand Sacramento Hotel	15	Payment	CALAFCO Board Meeting – James Curatalo	532.09	R	Y
3-17	Amazon Marketplace	16	Payment	Shipping for Office Supplies – Coffee Filters	13.64	R	N
3-17	Frontier	17	Payment	Phone Line for Alarm & Fax	56.91	R	Y
3-20	Daisy IT	18	Payment	Office Supplies	237.09	R	Y

The undersigned, under penalty of perjury, states the above information to be true and correct. If an unauthorized purchase has been made, the undersigned authorizes the County Auditor/Controller-Recorder to withhold the appropriate amount from their payroll check after 15 days from the receipt of the cardholder's Statement of Account.

Cardholder (Print & Sign)	Date
Kathleen Rollings-McDonald 	4/3/2017

Approving Official (Print & Sign)	Date
Kimberly Cox, Chair	4/19/2017

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

215 North "D" Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-mail: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE : April 11, 2017 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

**SUBJECT: AGENDA ITEM #6 - RATIFY PAYMENTS AS RECONCILED FOR
MONTH OF MARCH 2017 AND NOTE REVENUE RECEIPTS**

RECOMMENDATION:

Ratify payments as reconciled for the month of March 2017 and note revenue receipts for the same period.

BACKGROUND INFORMATION:

Staff has prepared a reconciliation of warrants issued for payments to various vendors, internal transfers for payments to County Departments, cash receipts and internal transfers for payments of deposits or other charges that cover the period of March 1, 2017 through March 31, 2017.

Staff is recommending that the Commission ratify the payments for March as outlined on the attached listings and note the revenues received.

KRM/LJ

Attachment

MONTHLY RECONCILIATION OF PAYMENTS

MONTH OF MARCH 2017 PAYMENTS PROCESSED					
VOUCHER ID	ACCOUNT	NAME	WARRANT NO.	WARRANT DATE	AMOUNT
PV8908716	2405	DAVIS FARR LLP	8009369	03/14/2017	\$ 1,600.00
PV8908717	2444	MIJAC ALARM	3302648	03/14/2017	\$ 102.00
PV8908718	2905	215 NORTH D STREET	3302757	03/14/2017	\$ 4,484.01
PV8908719	2445	ROBERT ALDRICH	3302686	03/14/2017	\$ 3,600.00
PV8908720	2335	KELLY SERVICES	3302626	03/14/2017	\$ 831.23
PV8908721	2085	DAILY JOURNAL	8009366	03/14/2017	\$ 3,025.11
PV8908722	2424	TOM DODSON & ASSOCIATES	3302724	03/14/2017	\$ 680.00
PV8908723	2945	CUCAMONGA VALLEY WATER DISTRICT	8014908	03/22/2017	\$ 839.40
PV8908724	2940	JAMES V CURATALO	8014973	03/22/2017	\$ 918.14
PV8908725	2445	ROBERT ALDRICH	3303659	03/24/2017	\$ 3,600.00
PV8908726	2424	TOM DODSON & ASSOCIATES	3303672	03/24/2017	\$ 425.00
PV8908727	NOT YET PROCESSED				
PV8908728	2445	ROBERT ALDRICH	3303823	03/27/2017	\$ 3,000.00
PV8908729	2445	CITY OF SAN BERNARDINO	8016596	03/27/2017	\$ 300.00
PV8908730	2400	BEST BEST & KRIEGER	3303705	03/27/2017	\$ 1,913.17
PV8908731	2905	215 NORTH D STREET	3303569	03/27/2017	\$ 4,484.01
PV8908732	2445	INLAND VALLEY DEVELOPMENT AGENCY	3304117	03/29/2017	\$ 455.00
PV8908733	NOT YET PROCESSED				
PV8908734	NOT YET PROCESSED				
PV8908735	2942	CUCAMONGA VALLEY WATER DISTRICT	8014908	3/22/2017	\$ 474.84
TOTAL					\$ 30,731.91
MONTH OF MARCH 2017 INTERNAL TRANSFERS PROCESSED					
JVIB 0707237D	2037	FEB 2017 COUNTY PHONE SYSTEM		3/7/2017	\$ 227.52
JV890RT13054	2305	COPIER LEASE		3/22/2017	\$ 3,378.30
JVATXRT12086	2308	CALCARD 2-2017		3/6/2017	\$ 708.20
JVPURRT12057	2310	COUNTY MAIL - 1ST-PRESCOT		3/3/2017	\$ 244.49
JVPURRT12060	2310	COUNTY MAIL - PACKAGING		3/3/2017	\$ 64.45
JVPURRT12061	2310	COUNTY MAIL - PRESORT FLATS		3/3/2017	\$ 4.37
JVPURRT12067	2310	COUNTY MAIL - BULK		3/3/2017	\$ 10,662.32
JVPURRT12072	2310	COUNTY MAIL - INTEROFFICE		3/3/2017	\$ 178.60
JVPURRT12334	2323	PRINTING SERVICES		3/20/2017	\$ 2,482.46
JVIB 08072410AB	2410	FEB 2017 DATA PROCESSING		3/7/2017	\$ 652.25
JVIB 08072420J	2420	FEB 2017 ISD OTHER		3/7/2017	\$ 17.47
JVIB 08072421D	2421	FEB 2017 ISD DIRECT		3/7/2017	\$ 743.94
JV890RT12141	2424	NOE FOR LAFCO SC 413		3/8/2017	\$ 50.00
JV890RT11514	2445	REGISTRAROF VOTERS		3/2/2017	\$ 150.90

MONTHLY RECONCILIATION OF PAYMENTS

JV890RT12850	2445	COUNTY AUDITOR FEE FOR LAFCO APPORTIONMENT		3/17/2017	\$ 4,254.50
TOTAL					\$ 23,819.77

MONTH OF MARCH 2017 CASH RECEIPTS

DEPOSIT DOCUMENT ID	ACCOUNT	DESCRIPTION		DEPOSIT DATE	AMOUNT
CR890A11689	9545	ELECTION SERVICE		3/17/17	\$ 1,000.00
	9555	LEGAL		3/17/17	\$ 1,200.00
	9800	LAFCO FEES		3/17/17	\$ 35,000.00
	9660	EINVIROMENTAL		3/17/17	\$ 750.00
CR890A11527	9660	ENVIRONMENTAL		3/15/17	\$ 50.00
	9800	FILING FEE		3/15/17	\$ 450.00
CR890A12354	9800	LAFCO FEES		3/31/17	\$ 500.00
	9930	COPY OF CD		3/15/17	\$ 10.00
TOTAL					\$ 38,960.00

MONTH OF MARCH 2017 INTERNAL TRANSFERS RECEIVED

TRANSFER DOCUMENT ID	ACCOUNT	NAME		TRANSFER DATE	AMOUNT
		NONE			
TOTAL					\$ -

 LA TRICI JONES, Clerk to the Commission	4/11/2017 DATE
RECONCILIATION APPROVED BY:	
 KATHLEEN ROLLINGS-McDONALD, Executive Officer	4/11/2017 DATE

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215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: APRIL 12, 2017 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8(a): Proposed Schedule of Fees, Charges and Deposits for FY 2017-18

RECOMMENDATION:

Staff recommends that the Commission:

1. Note receipt of this report and file.
2. Provide direction to staff.

BACKGROUND:

Pursuant to Government Code Section 56383, the Commission has established a Schedule of Fees, Deposits and Charges to recoup the costs of proceedings. Section 56383 includes the stipulation that the fees shall not exceed the estimated reasonable cost of providing the service for which it is charged.

Staff began the required budget review by considering potential changes to the Schedule and determined that no changes for Fiscal Year 2017-18 would be proposed. Therefore no action will be required from the Commission other than to receive and file this report. The current Schedule is attached to this report for reference.

However, should the Commission have any changes, corrections, or additions to the Schedule, staff will include the amendments and forward the revised Schedule to the County, the Cities/Towns, and the Independent Special Districts for their review and comment as required by statute. Any comments received would be reviewed with the Commission at the final Budget hearing scheduled for May 17, 2017.

KRM/

Attachment – Schedule of Fees, Deposits, and Charges

LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

SCHEDULE OF FEES, DEPOSITS AND CHARGES
EFFECTIVE JUNE 1, 2016

The submission of a proposal to the Local Agency Formation Commission (hereinafter LAFCO) is not officially accepted for processing until the filing fees and deposits have been received (Gov't. Code Section 56383). These fees and deposits ordinarily involve the appropriate LAFCO filing fee and deposits for the recovery of the Commission's direct costs for such items as LAFCO Legal Counsel, environmental review, individual notification costs, and protest proceedings, etc. In addition, certain fees and charges are required at the conclusion of the application process and must be received prior to its official completion. Refer to [Policy and Procedure Manual, Section II, Chapter 2](#) for the Commission's policy related to waivers and reductions of processing fees.

PROCESSING FEES

A. Processing Fees:

1. Annexation, Detachment, Reorganization – involving solely annexations and/or detachments:

Valley and Mountain Region

	Under 20 acres	20 – 150 acres	151 – 275 acres	Over 275 acres
City	\$5,500	\$7,000	\$9,000	\$9,000 plus \$1 per acre over 275 acres
District	\$5,000	\$6,000	\$7,500	\$7,500 plus \$1 per acre over 275 acres

Desert Region (North and South Desert)

	Under 100 acres	100 – 640 acres	641 – 1,920 acres	Over 1,920 acres
City	\$5,500	\$7,000	\$9,000	\$9,000 plus \$1 per acre over 1,920 acres
District	\$5,000	\$6,000	\$7,500	\$7,500 plus \$1 per acre over 1,920 acres

2. Reorganization

(For a reorganization that involves changes other than annexations and detachments, the fee will be based upon the components of the reorganization.

Sum of
Component
Fees

*San Bernardino LAFCO
Schedule of Fess, Deposits, and Charges
June 1, 2016*

3. Sphere of Influence Amendment \$5,000

The fees identified above for Items A-1 through A-3 shall be assessed for each area of consideration within the proposal. A single area means any separate geographical area requiring a legal description. A "single area" does not include two areas that are contiguous only at a point, or two or more areas that are contiguous to an existing boundary of a city or district but not to each other.

4. Dissolution, Merger, or Establishment of Subsidiary District(s) \$5,000

5. Formation or Consolidation of Special District(s) \$15,000

6. Incorporation or Disincorporation of a City or Consolidation of Cities

a. Processing Fee \$20,000

b. Comprehensive Fiscal Analysis for Incorporation or Disincorporation Proposal Actual Cost

(A \$50,000 deposit is required at the time the application is submitted. Applicants shall be required to reimburse the Commission for all costs associated with the preparation of the Comprehensive Fiscal Analysis in excess of the deposit prior to the scheduling of the Commission hearing. If the charges billed to LAFCO for the preparation of the required document are less than the amount of the deposit, the balance will be refunded to the applicant or applied to other categories where excess charges have been incurred.)

c. State Controller's Fiscal Review for Incorporations Actual Cost

(A \$25,000 deposit is required at the time a Request for State Controller Review is submitted. All costs in excess of this amount will be the responsibility of the Requestor for payment. Any balance remaining after payments are made to the State will be refunded to the Requestor of Review.)

7. Activation/Divestiture of Functions and/or Services for Special Districts \$7,500 each

(The fee shall be assessed for each function or service proposed for change.)

8. Verification of Petition Signatures by Registrar of Voters Office Actual Cost

(A \$200 deposit from the applicants is required at the time of petition submission. This amount will be refunded upon certification of the petition and determination of billable charges. The charges assessed by the Registrar of Voters Office to verify petition signatures shall be payable by the affected entity in the same manner as the verification of initiative petition signatures is billed.)

9. Request for Reconsideration of LAFCO Decision/
Environmental Determination \$1,100

(Should a reconsideration request require individual notice due to the extension of a special tax, then the proponent will be required to submit a deposit for the direct costs to produce and mail the individual notices.)

10. Request for Extension of Time to Complete Change of Organization Proceedings (Gov't. Code Section 57001) \$1,100

11. Workshop Fees Actual Cost

(Proponents of actions pending Commission review may request that a Commission workshop be held in their area. If the Commission agrees to conduct such a workshop session, the Commission may require reimbursement of all costs associated with that session by the proponents, subject to a \$1,000 deposit.)

**B. Processing Fee for Out-of-Agency Service Contract Review
(City or District):**

The following service contracts require a noticed Commission hearing and environmental review:

1.	Contracts involving developments such as: subdivisions/tracts as defined by the Subdivision Map Act (five or more units), Specific Plans	\$5,000
2.	Contracts involving the development of units requiring only a parcel map as defined by the Subdivision Map Act (up to four units)	\$1,000 per connection
3.	Any contract for fire protection services outside a public agency's jurisdictional boundaries pursuant to Govt. Code Section 56134	\$5,000
4.	Contracts to provide services outside a sphere of influence pursuant to Govt. Code Section 56133.5	\$1,000
5.	Service Contract Requiring Approval Pursuant to Govt. Code Section 56133, Subsection (c)	\$750

The following service contracts request an exemption by the Commission or Administrative Review:

6.	Development Related Request for Exemption from Govt. Code Section 56133, requires noticed Commission hearing	\$2,250
7.	Administrative Review of Non-development-related Out-of-Agency Service Contract (City or District) or Non-development Related Exemption from Govt. Code Section 56133 as Authorized by Commission Policy	\$500

PROCESSING DEPOSITS

Applicants shall be required to reimburse the Commission for all charges and costs in excess of the deposits outlined below. Reimbursement to LAFCO shall be required prior to issuance of the Certificate of Completion for jurisdictional changes or issuance of the Commission’s resolution for service contracts or sphere of influence amendments/updates. If charges billed to LAFCO are less than the amount of deposit, the balance of the fee will be refunded to the applicant or applied to other categories where excess charges have been incurred.

A. Legal Counsel:

1. Legal Counsel Deposit

- a. Jurisdictional Change or Sphere of Influence Change (applicable to actions listed under Item A, #1 through #7)

\$200 non-refundable LAFCO fee	\$1,000 Deposit for LAFCO Legal Counsel costs	\$1,200 Total Deposit required upon application submission
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- b. Service Contracts Item B #1 through #5

\$200 non-refundable LAFCO fee	\$450 Deposit for LAFCO Legal Counsel costs	\$650 Total Deposit required upon application submission
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(It is the policy of this Commission that the costs for Special Counsel due to a representation conflict shall be the responsibility of the applicant. Refer to [Policy and Procedure Manual, Section II, Chapter 2.](#))

2. Legal Defense Actual Cost

(As a condition of approval of any action taken by LAFCO, the proponents shall be required to defend, indemnify and hold harmless LAFCO or its agents, officers, and employees from any claim, action, or proceeding against LAFCO or its agents, officers, and employees to attack, set aside, void, or annul the approval of LAFCO concerning the proposal or any action relating to, or arising out of, such approval when such action is brought within the applicable statute of limitations. Refer to [Policy and Procedure Manual, Section II, Chapter 2.](#))

B. Environmental Review:

1. Environmental Review Deposit

- a. Jurisdictional Change or Sphere of Influence Change (applicable to actions listed under Item A, #1 through #7)

\$200 non-refundable LAFCO fee	\$550 Deposit for LAFCO Environmental Consultant costs	\$750 Total Deposit required upon application submission
--------------------------------	--	--

*San Bernardino LAFCO
Schedule of Fess, Deposits, and Charges
June 1, 2016*

b. Service Contracts (Item B, #1 through #5)

\$200 non-refundable LAFCO fee	\$250 Deposit for LAFCO Environmental Consultant costs	\$450 Total Deposit required upon application submission
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(All applicants shall be required to pay the full costs of the Commission's Environmental Consultant's review regardless whether the Commission is the lead or responsible agency as defined under CEQA.)

- 2. Appeal of Environmental Recommendation \$750
- 3. Preparation of Environmental Impact Report Actual Cost

(A \$20,000 deposit with LAFCO shall be required before proceeding toward preparation of the required environmental documents.)

- 4. If the proposal requires that LAFCO prepare a Negative Declaration or Environmental Impact Report as CEQA lead agency, the California Department of Fish and Wildlife CEQA Environmental Document Filing Fees are required to be paid at the time LAFCO files the Notice of Determination with the Clerk of the Board of the affected County. The fees listed below (which include the County's \$50 processing fee) are current as of January 1, 2016. The applicant will be notified of the appropriate fees, which must be received by LAFCO prior to the Commission hearing:

- a. Negative Declaration (LAFCO as lead agency) \$2,260.25
- b. Environmental Impact Report (LAFCO as lead agency) \$3,120.00

C. Individual Notice:

- 1. Deposit for Individual Notice (Registrar of Voters Review, and Registered Voter and Landowner Notification Requirements)

- a. Proposals listed under Items A1, A2, A3, B1-B5

\$250 non-refundable LAFCO fee	\$450 Deposit for Individual Notification costs	\$700 Total Deposit required upon application submission
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(Pursuant to Policy and Procedure Manual, Section IV, Chapter 1, Policy 9: Individual Notice of Commission Hearings to Landowners and Registered Voters, the individual notice of Commission proceedings shall be provided for all changes of organization, sphere of influence changes, or development-related service contracts, except as identified in item C2 below. Please contact the LAFCO office if the proposal would require individual notice or is eligible for a waiver.)

- b. Deposit for Publication of Display Ad in lieu of Individual Notice \$1,000
Proposals listed under Items A4 – A7, and those actions where individual notice has been waived by the Commission.
(Policy and Procedure Manual, Section IV, Chapter 1, Policy 9: Individual Notice of Commission Hearings to Landowners and Registered Voters)

*San Bernardino LAFCO
Schedule of Fess, Deposits, and Charges
June 1, 2016*

(In cases where the change would involve mailing more than 1,000 notices, the Commission may waive the individual notice requirement and direct its staff to publish a 1/8th page display ad in a newspaper of general circulation within the area. By policy, individual notice to landowners and registered voters shall not be waived for city island annexations filed pursuant to Government Code Section 56375.3, even if it includes more than 1,000 notices.)

2. **Additional Deposit for Proposals Extending an Existing Special Tax** **Actual Cost**

(Should a proposal require individual notice due to the extension of an existing special tax, the proponent will be required to submit a deposit for the direct costs such as: (1) the County Assessor to compile the mailing list, (2) outside printing to produce the printed notices, (3) and County Mail for shipping and handling, to include a \$250 non-refundable LAFCO fee. Please contact the LAFCO office for the estimated deposit cost.)

D. **Protest Proceeding:**

(Deposit required within 30 days of Commission approval of action. The Protest Hearing will not be set until deposit has been paid. Applicants shall be required to reimburse the Commission for any protest proceeding costs in excess of the deposit. Reimbursement to LAFCO shall be required prior to issuance of the Certificate of Completion. If charges billed to LAFCO are less than the amount of the deposit, the balance of the fee will be refunded to the applicant or applied to other categories where excess charges have been incurred.)

1. **All Proposals Subject to a Protest Proceeding**

\$200 non-refundable LAFCO fee	\$1,300 Deposit for LAFCO Protest Proceeding costs	\$1,500 Total Deposit required for Protest Proceeding
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2. **Additional Deposit for Proposals Extending an Existing Special Tax** **Actual Cost**

(Should a proposal require individual notice due to the extension of an existing special tax, the proponent will be required to submit a deposit for the direct costs such as: (1) the County Assessor to compile the mailing list, (2) outside printing to produce the printed notices, (3) and County Mail for shipping and handling, to include a \$250 non-refundable LAFCO fee.)

COMPLETION FEES AND CHARGES

Following Commission approval of an action, the following fees or charges may be required. LAFCO staff will notify the applicant at the time the Commission's resolution is forwarded which of the following fees or charges is applicable to the proposal:

- A. County Geographic Information Management System (GIMS) Processing, required prior to issuance of the Certificate of Completion for jurisdictional changes or issuance of the Commission's resolution for sphere of influence amendments/updates:

1. Changes requiring an update to current sphere or boundaries of participating agencies

(Fees identified below will be assessed for each area of consideration. The definition of area is provided under Processing Fees on Page 1.)

<u>Acreage</u>	<u>Primary Charge</u>	<u>Additional Agency</u>
0 to 100 acres	\$400	\$ 85
101 to 640 acres	\$550	\$110
641 to 2,560 acres	\$825	\$150
over 2,560 acres	\$1,100	\$175

2. Incorporation, Formation, or placement of a new agency boundary or sphere into the LAFCO-maintained GIMS system \$3,000

(The fees for incorporations or formations can be deferred until the new City/Town or District receives its first revenues. A request for deferral shall be made to the Executive Officer.)

- B. At the time the Certificate of Completion is forwarded to the State Board of Equalization (SBE), application types listed under Item A - Processing Fees Subsections 1 through 7 (except for Spheres of Influence), are charged a processing fee pursuant to SBE's adopted Fee Schedule (Government Code Section 54902.5). The fees listed below, as identified by SBE, are current as of January 1, 2011. LAFCO staff will notify the applicant of the appropriate fees:

Single Area Charges:	
Less than 1 acre	\$300
1-5 acres	\$350
6-10 acres	\$500
11-20 acres	\$800
21-50 acres	\$1,200
51-100 acres	\$1,500
101-500 acres	\$2,000
501-1,000 acres	\$2,500
1,001-2,000 acres	\$3,000
2,001 acres and above	\$3,500

(Additional types of charges are outlined in the State Board of Equalization Fee Schedule. LAFCO staff will notify the applicant of the appropriate fees.)

MISCELLANEOUS CHARGES

- A. Charges for Purchase of Paper Copies, per page
 - (1) from paper materials (requests in excess of 10 pages) 10 cents
 - (2) from existing digital data (requests in excess of 20 pages) 5 cents

- B. Charges for Purchase of Digital Data
 - (1) placement of materials on CD \$10 per CD
 - (2) scan copies of paper materials (if applicable), per page 5 cents

- C. DVD Copy of Commission Hearing (available if production services are utilized for hearings) \$25 per DVD

- D. Preparation of Transcript of Hearing Actual Cost

(Those requesting a transcript of a Commission hearing will be notified of the estimated cost for preparation. The Requestor will be required to provide a deposit in the amount of the estimated cost. All costs in excess of the deposit amount will be the responsibility of the Requestor for payment. Any balance remaining after final charges are determined will be refunded to the Requestor.)

KRM/June 1, 2016

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: APRIL 10, 2017 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8(b)(i): Mid-Year and Third Quarter Financial Review for
Period July 1 through March 31, 2017

RECOMMENDATION:

Staff recommends that the Commission:

1. Note receipt of this report and file.
2. Provide direction to staff on items of concern for the balance of the fiscal year.

BACKGROUND:

At the March hearing, the Commission continued the mid-year financial report to the April hearing. However, the third quarter has now closed as well. Therefore, staff is presenting the Commission with a FY 2016-17 combined mid-year and third quarter financial report, which includes a discussion of:

1. A review of the financial activities and the presentation of a spreadsheet (Attachment #1) on expenditures and reserves, revenues received, an update on special project activities, and a breakdown of the fund balance through the third quarter. The spreadsheet also provides a forecast of anticipated expenditures and revenues through the end of the fiscal year.
2. Scheduled for discussion were recommendations for fund transfers to address increased revenues and expenditures due to factors related to the relocation of the staff office. However, as discussed in more detail below, staff will present the Commission with the necessary budget adjustments to accommodate the relocation of the staff office at the May hearing when a more accurate schedule of costs (amounts and timing) are known.

MID-YEAR REVIEW AND THIRD QUARTER REVIEW

The following information includes a description of expenditures and reserves, revenue and proposal activity, an update on special project activities, and a breakdown of the fund balance.

Expenditures and Reserves

Expenditures are comprised of two categories of accounts: 1) Salaries and Benefits, and 2) Services and Supplies. Through the mid-year, total expenditures were at 47% of Approved Budget authority and through the third quarter are at 69%.

1. Salaries and Benefits (1000 series)

A. Mid-Year and Third Quarter Activity

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$373,150 through the mid-year, representing 47% of Approved Budget authority. Through the third quarter, expenditures are at \$555,083, or 69% of Approved Budget authority.

The variance of six percent from the third quarter benchmark of 75% is primarily explained by the medical leave and separation of the Clerk to the Commission. In August the Clerk was placed on medical leave under the Commission's short-term disability program which paid 45% of her base salary during that period. The Clerk position was filled in February, resulting in savings of salary and benefits expenses for roughly four months. Termination payments for the previous Clerk were nominal due to the leave balances being utilized for compensation during her medical leave.

The Commission authorized changes to the compensation for the contract Executive Officer as follows: (1) a contract increase for the Executive Officer retroactive to January 2016 for salary and benefits; and (2) a merit acknowledgement payment of \$15,000 to the Executive Officer for extraordinary service. These payments were included in the Accounts 1010 (Salary) and 1310 (ID Allowance Cafeteria). Also included is implementation of the 2% longevity pay increase pursuant to the Commission's adopted Human Resources Policy (2 employees).

B. Projected Activity to Year-End

There are no significant or unbudgeted items anticipated for the fourth quarter.

2. Services and Supplies (2000 and 5000 series)

A. Mid-Year and Third Quarter Activity

For the mid-year, the Services and Supplies accounts (2000 and 5000 series) had expenditures of \$319,594 or 48% of Approved Budget authority. Through the third quarter, expenditures are at \$447,530 or 68% of Approved Budget authority.

There have been no major unanticipated expenditures during this time period.

Unique events that are either Commission-approved or budgeted through the third quarter of the Fiscal Year are as follows:

- Payment of \$100,000 deposit for tenant improvements for the renovation of the Santa Fe Train Depot for use as the new LAFCO Office was made in August 2016.
- Costs related to processing the West Valley Mosquito and Vector Control District reorganization requiring individual notice to landowners due to the extension of an existing special tax totaled roughly \$25,000.
- Processing for the Formation of the Wrightwood CSD, totaling roughly \$11,000 to date.
- Costs related to the City of Upland annexation into County Fire for the hearing (printing and mailing) totaling roughly \$13,000 to date.

B. Projected Activity to Year-End

Budgeted and anticipated activities for the remainder of the year include significant expenditures, identified as:

- \$122,350 estimated for the relocation of staff office (various accounts). This includes estimates of office furnishing costs, move costs, and relocation of utilities for internet and phone services.
- \$15,000 budgeted for a new server, timing contingent upon office move.
- Significant individual notice costs of roughly \$13,000 for the reorganization to include annexation of the City of Upland to County Fire that includes the extension of a special tax. The applicant was required to provide a deposit to cover these costs. A breakdown is shown below:
 - Account 2310 (Postage) - \$10,662 for the protest hearing.
 - Account 2323 (Reproduction/Printing) - \$2,482 for the protest hearing.
- Remaining payments of roughly \$27,000 for the consulting contract with Robert Aldrich – the Commission approved the contract extension for Fiscal Year 2016-17. Staff anticipates utilizing the full authority of this contract.

As the budget currently stands, assuming all the expenditures related to the move are processed in this fiscal year, the Services and Supplies series of accounts would end the year at 104% of budget authority, or \$28,640 more than authorized. The Commission cannot end its Fiscal Year without addressing this issue.

The increase is due in part to the renovation and moving costs for the staff. However, not all the costs related to the office relocation may process this fiscal year due to timing issues for the completion of renovations. Therefore, staff anticipates returning to the Commission at the May Final Budget hearing to request the appropriate budget adjustments, at which time the timing and costs for the items outlined above should be better known. Should all these expenses come to fruition this fiscal year, then staff would recommend a transfer from Contingency (Account 6000) to accommodate this change.

C. Status of Ongoing Commission-approved Projects

The following provides an update on expenditures and progress on projects or studies previously approved by the Commission.

OFFICE MOVE AND RENOVATION OF SANTA FE TRAIN DEPOT:

In July, the Commission approved the lease for the Harvey House space at the Santa Fe Depot. Terms of the lease required an initial payment of \$100,000 to the San Bernardino Associated Governments (now called the San Bernardino County Transportation Authority "SBCTA") prior to the commencement of construction and the estimated balance of \$130,000 to be amortized over the initial five year lease term. The initial payment for the renovations of \$100,000 was processed during the first quarter. Staff has received notice that the City of San Bernardino has approved the renovation plans and that bids for construction were due on April 7 with evaluation to take place the week of April 10. Staff continues to coordinate with SBCTA on the improvements required to occupy the space as well as construction scheduling. Updates, if any, will be provided at the hearing.

EDUCATIONAL TRAINING PROGRAM FOR SPECIAL DISTRICTS:

The Commission is continuing its efforts to provide governance training for the special districts within the County. As a part of this year's budget, staff developed an education program in coordination with the California Special Districts Association (CSDA) and the Institute for Local Government (ILG) – see chart below. The budget allocates \$5,000 total for payments to CSDA and ILG, per quotes from the entities. Additionally, a course to educate local agencies and the public on LAFCO, titled *LAFCO 101*, occurred in partnership with CALAFCO and Riverside LAFCO.

All sessions were well attended and the surveys indicate that they were well received.

Educational Training Program Timeline		
Training Session	Collaboration	Date
<i>Overview of Special District Laws</i>	California Special Districts Association	December 8, 2016 Mojave Water Agency
<i>LAFCO 101</i>	CALAFCO, Los Angeles LAFCO, Riverside LAFCO, San Bernardino LAFCO	January 24, 2017 Norton Regional Event Center
<i>Partnering with Community Based Organizations for More Inclusive Public Engagement</i>	Institute for Local Government	March 22, 2017 Cucamonga Valley WD Frontier Project

3. Contingency and Reserves (6000 series)

No activity has been requested by staff or authorized by the Commission to take place in the Contingency or Reserve accounts during the first three quarters of the fiscal year. However, as noted above, there may be a request for use of Contingency funds to address the expenses associated with the office move.

Per Commission policy, the newly hired Clerk is eligible for LAFCO to recognize her previous vacation time from the County. To do so, a transfer payment from the County to LAFCO for the in-kind amount was received in March. The necessary budget adjustment to recognize the increase to the Compensated Absences Reserve will be presented to the Commission for action at the May hearing during the final budget review.

Revenues and Proposal Activity

1. Revenues

A. *Mid-Year Activity*

The Commission has received 94% of Approved Budget revenues through the mid-year, increasing to 95% through the third quarter. The items below outline the revenue activity:

- Interest (Account 8500) – 129% of the budgeted interest has been received from the Commission’s cash in the County Treasury. However, the bulk of LAFCO’s revenues are received during the first quarter of the fiscal year through receipt of the annual apportionment. Interest rates have increased, albeit by a minimal amount.

- Apportionment (Account 8842) - 100% of the mandatory apportionment payments from the County, cities, and independent special districts billed by the County Auditor have been received.
- Fees and Deposits (Accounts 9545 – 9800) – Through third quarter, the Fees and Deposits series of accounts received 72% of its budgeted revenue (\$149,414). Of this amount, 93% is related to proposals and 7% to service contracts.

B. *Projected Activity to Year-End*

This LAFCO has historically taken a conservative approach to projecting revenues. Keeping with this practice, staff is projecting \$26,080 in revenue for the remainder of the year, to include:

- Receipt of limited interest payments for the remaining quarter (\$2,000).
- Receipt of two proposals (\$19,405).
- Receipt of two service contracts (\$5,050).

However, Total Revenues are projected to end the year at 97% of budget authority, or \$67,337 below budget target. This impacts the Expenditure side of the budget.

2. Proposal Activity

The figure below identifies the number of proposals and service contracts received through the end of March 2017. The figure identifies that six proposals and nine service contracts were received through March. This does not count the withdrawn proposal for the Consolidation of the Inland Empire Utilities Agency and Chino Basin Water Conservation District (refund of \$6,756).

Attachment #2 to this report includes a chart showing the yearly comparison of proposals, service contracts, and completed service review activity. Staff is anticipating the receipt of two additional proposals, to bring the anticipated year-end total to eight proposals.

Activity	Budget	Through March	
		No.	% of Budget
Proposals	10	6	60%
Service Contracts - Commission approval	4	3	75%
Service Contracts - Commission approval for exemption	0	1	--
Service Contracts - Admin (E.O.) approval	4	5	125%
Protest Hearing Deposits	5	3	60%

The remainder of the year anticipates the continuing processing of the second cycle service reviews for:

- Water (wholesale, retail, and recycled) – Report estimated to be presented to the Commission at its June 21 or July 19 hearing
- Sewer (collection, treatment, and reclamation) – staff work to resume in May 2017 with report presentation deferred to Fiscal Year 2017-18.

It has been the Commission’s direction to staff to prioritize its activities to address the fire proposals submitted as the top priority, other jurisdictional changes next, and service reviews to follow. This has impacted the processing of the service reviews outlined above and delayed their presentation and/or processing.

Cash in Treasury

As of March 31, 2017, the Commission’s cash in the County Treasury was \$1,009,053. A breakdown of this amount is shown below. Taking into account expenditure and revenue projections, staff is projecting that all of the Reserves will carry forward into FY 2017-18. It is anticipated that should the all outlined costs come to fruition, then staff would recommend a transfer from Contingencies (Account 6000) to cover the shortage (at this time estimated to be roughly \$33,593) since Total Expenditures would exceed Total Revenues.

March 31, 2017 Balance		\$1,009,053
Balance is composed of the following:		
Liabilities		
Deposits Payable (Receivable) from open applications, est year end		15,000
Committed (constrained to specific purposes)		
Net Pension Liability Reserve (Account 6010)		117,097
Compensated Absences Reserve (Account 6030)		88,438
Assigned (intended for specific purposes)		
Contingency (Account 6000)		155,501
General Reserve (Account 6025)		284,917
Remaining Revenues, Estimate (shown as negative)		(28,080)
Remaining Expenditures, Estimate		409,772
Amount over (under), estimated as of March 31		(\$33,593)

However, as noted throughout the report, not all the costs related to the office relocation may process this fiscal year due to timing issues for the completion of renovations. Therefore, staff anticipates returning to the Commission at the Final Budget Review at the May hearing to request the appropriate budget adjustments. It is anticipated that the timing and costs should be better known at that time.

CONCLUSION

While revenues and expenditures are generally on-target as of the date of this report, uncertainty remains regarding the timing and final costs of the office relocation and mailing costs for proposal processing. These have a direct impact on the projections for the year-end activities. Therefore, staff is holding off on presenting the Commission with any recommendations for budget adjustments until the timing and costs as presented by SBCTA staff related to the office relocation are better defined. It is anticipated that more detail will be available when the Final Budget Review for FY 2017-18 takes place at the May 17, 2017 hearing.

No action is required of the Commission other than to note receipt of the report and to provide any comments on other areas of concern as outlined on page 1 of this report. Staff will be happy to answer any questions from the Commission prior to or at the hearing.

KRM/MT

Attachments:

1. Spreadsheet of Expenditures, Reserves, and Revenues through the Third Quarter
2. Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity

**Spreadsheet of Expenditures, Reserves,
and Revenues through the Third Quarter**

Attachment 1

FISCAL YEAR 2016-17

ACCT.	ACCOUNT NAME	ACTUAL	AMENDED	THRU	THRU	PERCENT OF	ESTIMATED	ESTIMATED	PERCENT OF
#		YEAR-END	BUDGET	MIDYEAR	3rd	AMENDED	REMAINING	YEAR END	AMENDED
		FY 15-16	OCT 2016		Quarter	BUDGET			BUDGET
	SALARIES AND BENEFITS								
1010	Regular Salary and Bilingual	\$ 432,740	\$ 473,877	\$ 239,628.61	\$ 355,993.44	75%	\$ 106,195	\$ 462,188	98%
1030	Auto and Cell Phone Allowances	17,000	17,327	8,500.05	13,077.00	75%	3,923	17,000	98%
1035	Overtime	395		-	-		-	-	
1045	Termination Payment	2,506		632.24	632.24		-	632	
1110	General Member Retirement	109,012	119,726	56,325.89	84,454.47	71%	26,223	110,677	92%
1130	Survivors Benefits	210	228	104.92	158.24	69%	52	210	92%
1135	Indemnification - General	16,739	16,130	8,571.23	13,365.88	83%	3,652	17,018	106%
1200	Employee Group Insurance (Health Subsidy)	41,121	46,498	21,371.91	33,635.25	72%	10,528	44,163	95%
1205	Long-Term Disability	882	962	439.06	667.61	69%	215	883	92%
1207	Vision Care Insurance	771	837	385.52	581.44	69%	190	771	92%
1215	Dental Insurance & Health Subsidy	1,363	1,253	642.03	952.44	76%	284	1,236	99%
1222	Short-Term Disability	3,404	3,784	1,729.98	2,629.91	70%	847	3,477	92%
1225	Social Security Medicare	5,492	6,072	3,227.99	4,743.81	78%	1,384	6,128	101%
1235	Workers' Compensation	2,305	5,113	2,097.36	2,097.36	41%	1,165	3,262	64%
1240	Life Insurance & Medical Trust Fund	5,522	6,429	2,633.09	4,020.41	63%	1,446	5,466	85%
1305	Medical Reimbursement Plan	2,770	6,920	1,690.00	2,600.00	38%	1,848	4,448	64%
1310	ID Allowance Café			11,320.80	14,622.70		2,830	17,453	
1314	457/401a Defined (LAFCO Contribution)	1,571	1,781	814.88	1,207.23	68%	399	1,606	90%
1315	401k Contribution	25,136	28,500	13,034.72	19,643.36	69%	6,376	26,019	91%
1000	Salary Reserve		64,587	-	-	0%		-	0%
	TOTAL SALARIES & BENEFITS	\$ 668,940	\$ 800,024	\$ 373,150.28	\$ 555,082.79	69%	\$ 167,557	\$ 722,640	90%
	Staffing (Full time equivalent units)	5.5	5.5						
	SERVICES AND SUPPLIES								
	Services:								
2035	Communications	\$ -		\$ 660.46	\$ 766.24		\$ -	\$ 766	
2037	COMNET Charge (ISF)	\$ 3,003	\$ 2,556	1,279.80	1,962.36	77%	455	2,417	95%
2038	Long Distance Charges	15	-	-	-		-	-	
2040	Relocation Charges - Phone Service	12,944	-	5,852.62	9,851.54		-	9,852	
2041	Phone Service/Outside Company	670	12,543	467.74	808.11	6%	1,700	2,508	20%
2043	Electronic Equipment Maintenance	926	-	-	-		-	-	
2075	Membership Dues	8,733	9,264	8,107.00	9,338.00	101%	-	9,338	101%
2076	Tuition Reimbursement	100	2,000	-	1,000.00	50%	1,000	2,000	100%

FISCAL YEAR 2016-17

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 15-16	AMENDED BUDGET OCT 2016	THRU MIDYEAR	THRU 3rd Quarter	PERCENT OF AMENDED BUDGET	ESTIMATED REMAINING	ESTIMATED YEAR END	PERCENT OF AMENDED BUDGET
2080	Publications	2,383	3,125	1,470.57	2,424.68	78%	1,035	3,460	111%
2085	Legal Notices	18,860	19,500	7,440.82	12,500.33	64%	4,000	16,500	85%
2090	Miscellaneous Expense (Costs related to move)		179,260	100,000.00	100,000.00	56%	122,350	222,350	124%
2110	Fleet Management Requisition Charges			-	-		-	-	
2115	Computer Software	5,777	6,652	2,552.36	2,552.36	38%	800	3,352	50%
2125	Inventoriable Equipment	-	15,000	2,685.06	2,685.06	18%	15,000	17,685	118%
2195	Reimbursement Services and Supplies	-		-	-		-	-	
2245	Other Insurance	7,085	7,085	9,050.47	9,100.47	128%	50	9,150	129%
							-		
	Supplies:			-	-		-		
2305	General Office Expense	6,364	7,183	3,753.13	6,810.33	95%	1,580	8,390	117%
2308	Credit Card Clearing Account	467	-	8,406.95	(466.59)		-	(467)	
2309	Visa Temp Card	267		-	-		-	-	
2310	Postage - Direct Charge	56,031	48,388	30,669.33	44,073.38	91%	13,038	57,111	118%
2315	Records Storage	596	588	294.18	748.94	127%	116	865	147%
2323	Reproduction Services	13,046	16,000	5,428.00	8,059.94	50%	2,482	10,542	66%
2335	Temporary Services	-		1,119.28	1,950.51		680	2,631	
							-		
	Consultant & Special Services:						-		
2400	Prof & Special Service (Legal Counsel)	40,346	34,300	21,824.89	25,485.50	74%	6,000	31,486	92%
2405	Auditing	14,258	15,090	3,892.42	11,492.42	76%	-	11,492	76%
2410	Data Processing	8,244	8,215	3,261.25	5,218.00	64%	1,305	6,523	79%
2415	COWCAP	-	13,236	6,618.00	9,927.00	75%	3,309	13,236	100%
2420	ISD Other IT Services	4,614	175	87.35	139.76	80%	35	175	100%
2421	ISD Direct	10,073	9,816	3,964.53	6,196.35	63%	1,488	7,684	78%
2424	Mgmt & Tech (Environmental Consultant)	11,329	10,250	3,851.50	6,616.50	65%	2,300	8,917	87%
2444	Security Services	444	408	186.00	288.00	71%	102	390	96%
2445	Other Prof (Commission, Surveyor, ROV)	123,413	135,761	54,382.57	90,178.37	66%	41,561	131,740	97%
2449	Outside Legal (Litigation & Special Counsel)	4,319	-	-	-		-	-	
2450	Application Development Support	345	600	-	-	0%	-	-	0%
2460	GIMS Charges	13,656	17,370	-	13,500.00	78%	3,270	16,770	97%
							-		
	Lease/Purchases:						-		
2895	Rent/Lease Equipment (copier)	4,743	5,904	3,032.80	3,957.50	67%	984	4,942	84%
2905	Office/Hearing Chamber Rental	57,125	54,308	18,486.04	36,422.08	67%	13,452	49,874	92%

FISCAL YEAR 2016-17

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 15-16	AMENDED BUDGET OCT 2016	THRU MIDYEAR	THRU 3rd Quarter	PERCENT OF AMENDED BUDGET	ESTIMATED REMAINING	ESTIMATED YEAR END	PERCENT OF AMENDED BUDGET
	Travel Related Expenses:						-		
2940	Private Mileage	3,868	5,403	2,472.57	4,027.30	75%	1,098	5,125	95%
2941	Conference/Training	3,974	3,500	4,490.00	6,140.00	175%	-	6,140	175%
2942	Hotel	5,053	8,800	2,190.17	9,639.58	110%	900	10,540	120%
2943	Meals	1,098	2,575	814.45	1,199.30	47%	525	1,724	67%
2944	Car Rental	107	150	72.60	72.60	48%	200	273	182%
2945	Air Travel	2,629	2,000	459.46	2,223.10	111%	1,200	3,423	171%
2946	Other Travel	887	500	255.59	626.49	125%	150	776	155%
							-	-	
	Other Charges:						-	-	
5012	Services Out (Staples)	1,449	3,600	14.22	14.22	0%	50	64	2%
	TOTAL SERVICES & SUPPLIES	\$ 449,237	\$ 661,105	\$ 319,594.18	\$ 447,529.73	68%	\$ 242,215	\$ 689,745	104%
TOTAL EXPENDITURES		\$ 1,118,178	\$ 1,461,129	\$ 692,744.46	\$ 1,002,612.52	69%	\$ 409,772	\$ 1,412,385	97%
	RESERVES								
6000	Contingency		\$ 155,501		-	0%		\$ -	0%
6010	Net Pension Liability Reserve		117,097		-	0%		-	0%
6025	General Reserve - Litigation		284,917		-	0%		-	0%
6030	Compensated Absences Reserve		87,222		(1,216.29)	-1%		(1,216)	-1%
	TOTAL CONTINGENCIES & RESERVES	\$ -	\$ 644,737	\$ -	\$ (1,216.29)	0%	\$ -	\$ (1,216)	0%
TOTAL APPROPRIATION		\$ 1,118,178	\$ 2,105,866	\$ 692,744.46	\$ 1,001,396.23	48%	\$ 409,772	\$ 1,411,169	67%

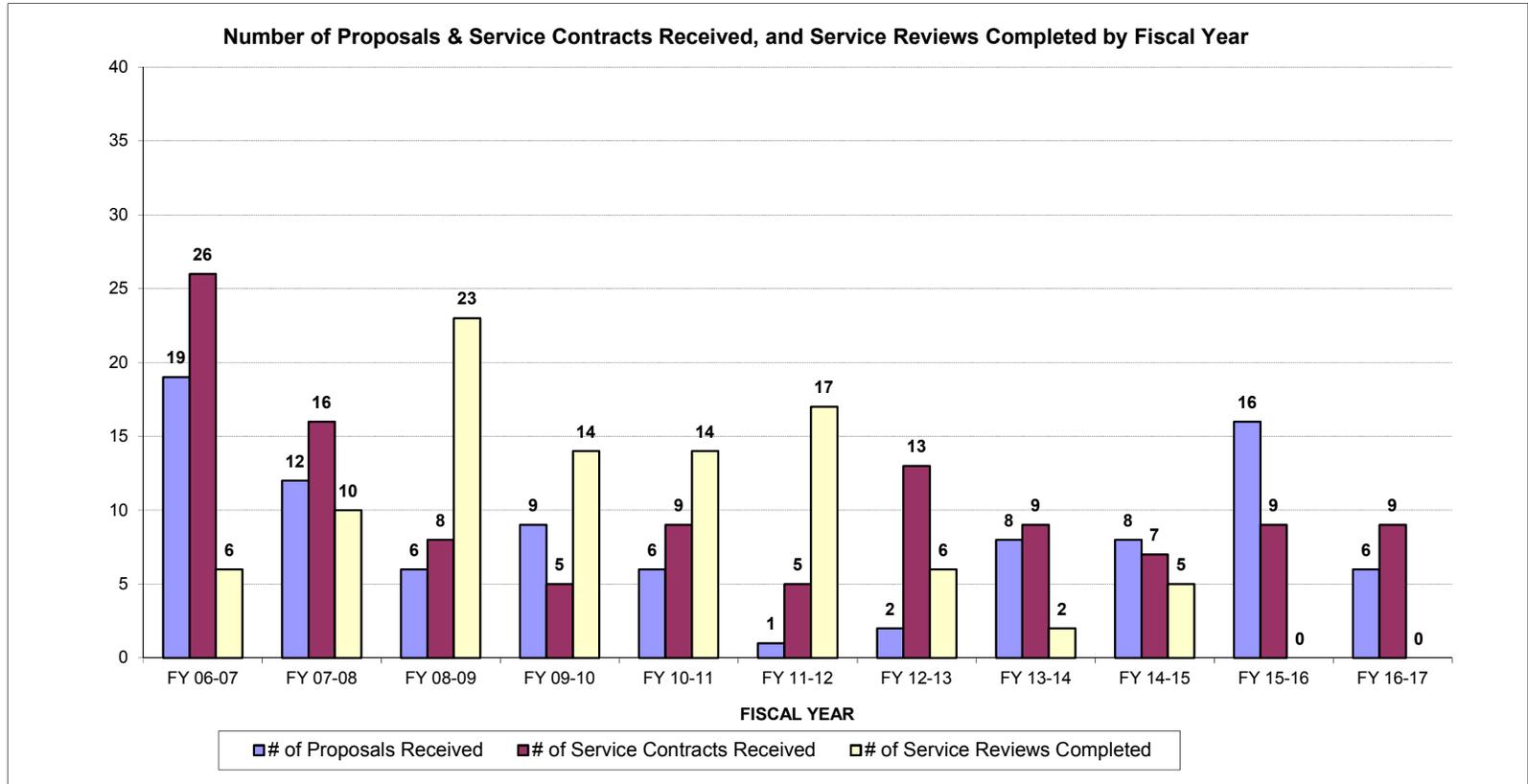
FISCAL YEAR 2016-17

ACCT #	ACCOUNT NAME	ACTUAL YEAR-END FY 15-16	AMENDED BUDGET OCT 2016	THRU MID-YEAR	THRU 3rd Quarter	PERCENT OF AMENDED BUDGET	ESTIMATED REMAINING	ESTIMATED YEAR END	PERCENT AMENDED BUDGET	
	CONTRIBUTION REVENUES									
	Use of Money:									
8500	Interest	\$ 5,917.01	\$ 5,250	\$ 4,128.13	\$ 6,761.55	129%	\$ 2,000	\$ 8,762	167%	
	Mandatory Contribution from Governments:									
8842	Local Government -- For FY 2016-17 apportionment to County, Cities, and Independent Special Districts of approximately \$308,741 each	882,117	926,223	926,223	926,223.00	100%	-	926,223	100%	
	Fees and Deposits (Current Services):									
9545	Individual Notice	56,670	37,366	17,800	18,100.00	48%	2,100	20,200	54%	
9555	Legal Services	26,361	15,150	6,100	6,624.00	44%	3,050	9,674	64%	
9595	Protest Hearing	33,297	34,166	31,000	32,500.00	95%	1,500	34,000	100%	
9655	GIMS Fees	12,505	7,995	2,200	3,170.00	40%	2,680	5,850	73%	
9660	Environmental	12,940	9,600	3,950	4,470.00	47%	1,950	6,420	67%	
9800	LAFCO Fees	260,206	103,800	52,700	84,550.00	81%	14,800	99,350	96%	
	Total Fees and Deposits	401,978	208,077	113,750	149,414.00	72%	26,080	175,494	84%	
	TOTAL CONTRIBUTION REVENUES	1,290,012	1,139,550	1,044,101	1,082,398.55	95%	28,080	1,110,479	97%	
	OTHER REVENUES									
9910	Refunds from Prior Year Revenue	\$ (30.00)	\$ (1,250)	\$ (15,728.80)	\$ (15,728.80)	1258%		\$ (15,729)	1258%	
9930	Miscellaneous Revenues	12,040	2,000	20	30.00	2%		30	2%	
9970	Carryover of Open Proposals/Projects	55,114	64,806	41,819	41,818.74	65%		41,819	65%	
9970	Carryover from Prior Year, Unassigned	186,960	294,895	294,895	296,065.30	100%		296,065	100%	
	TOTAL OTHER REVENUES	254,084	360,451	321,005	322,185.24	89%	-	322,185	89%	
	TOTAL REVENUES	\$ 1,544,096	\$ 1,500,001	\$ 1,365,106	\$ 1,404,583.79	94%	\$ 28,080	\$ 1,432,664	96%	
	RESERVES FROM PRIOR YEAR, as of July 1									
9970	Contingency	\$ 87,356	\$ 155,501	\$ 155,501	\$ 155,501.00	100%		\$ 155,501	100%	
9970	Net Pension Liability Reserve	56,432	82,750	82,750	82,750.00	100%		82,750	100%	
9970	General Reserve - Litigation	300,000	291,007	291,007	291,007.00	100%		291,007	100%	
9970	Compensated Absences Reserve	72,897	76,607	76,607	76,607.00	100%		76,607	100%	
	TOTAL RESERVES FROM PRIOR YEAR	\$ 516,685	\$ 605,865	\$ 605,865	\$ 605,865.00	100%	\$ -	\$ 605,865	100%	
	TOTAL REVENUE AND RESERVES	\$ 2,060,781	\$ 2,105,866	\$ 1,970,971	\$ 2,010,448.79	95%	\$ 28,080	\$ 2,038,529	97%	
	Note: Spreadsheet utilizes the cash basis of accounting and does not include accrual/reversal data which do not affect fund balance.									

Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity

Attachment 2

Activity Chart



LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: APRIL 12, 2017 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #8(b)(ii) –Review of Proposed Budget for Fiscal
Year 2017-18

BACKGROUND:

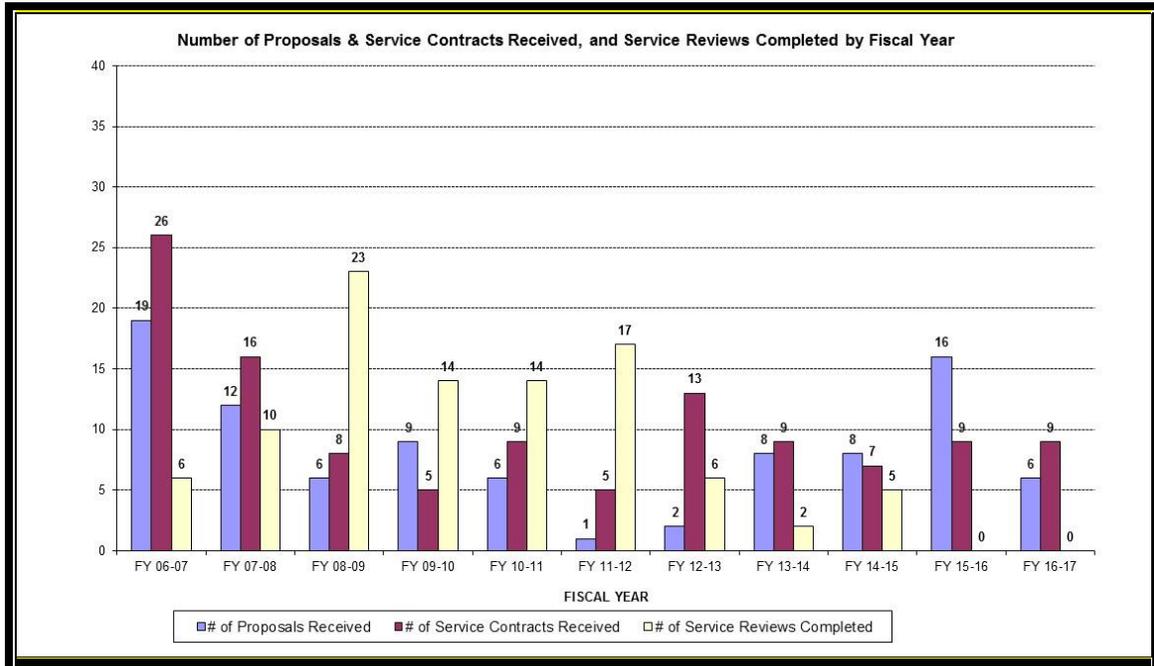
At this hearing, LAFCO staff is presenting the preliminary budget for Fiscal Year 2017-18 for Commission consideration. During the past year three key efforts, all challenging in their own way, have set the stage for the discussion of the upcoming Fiscal Year budget:

1. The Commission has again been asked to consider a fire reorganization, this one for the City of Upland, to help stabilize the City's finances and to allow for transition to service under the San Bernardino County Fire Protection District.
2. Staff has set the framework for consideration of service reviews on a countywide basis, recognizing the unique regional divisions in the vast San Bernardino County landscape.
3. Finally, staff has been working with the San Bernardino County Transportation Authority (formerly SANBAG) to complete the renovations of the Harvey House section of the San Bernardino Depot to become the future LAFCO Office.

From this perspective, staff has prepared a budget for the upcoming Fiscal Year which includes a 9% increase in the apportionment to maintain the ongoing services, replenish reserves utilized in the move to the new office space for the Commission, and provide for the transition to fill the Executive Officer position with a full-time person. So this is the scenario in which we begin the State mandated process outlined in Government Code Section 56381 to establish the Commission's budget for the upcoming fiscal year - one of cautious optimism and one that establishes a new team for moving the Commission forward.

The next step in the budget process for staff was to address the requirements to fund the Commission's ongoing operations. Staff continues to be encouraged by the proposal

activity for the current year as it bodes well for the upcoming fiscal year. But that position is tempered with the caution that all the simple changes of organization have been done; therefore, the changes which will be presented for consideration in the future will be complex, labor intensive and highly likely to be contentious. The chart which follows shows the positive increase in proposal activity that has taken place to date (a copy of which is included as a part of Attachment #1 to this report):



The largest expenditure category for the Commission is its personnel costs. For the past several years, the staff has identified the continuing escalation of retirement rates as an area of concern with the notation in the FY 2016-17 budget that these rates were stabilizing. That euphoria was short lived, as SBCERA has provided revised projections showing continuing increases in the employer paid percentage through FY 2022-23 based upon reduced revenue projections and other items. The chart below outlines these projections.

Year	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23
Tier 1	33.31	33.05	34.53	35.02	35.92	37.07	37.84	37.89
Tier 2	29.77	29.50	30.09	30.58	31.48	32.63	33.40	33.45

The passage of the California Public Employees' Pension Reform Act (PEPRA) related to the management of public retirement benefits has divided employees into two categories: (a) those employees employed prior to its passage (Tier 1 on the chart above) and (b) those employed after its passage (Tier 2). For the current five full-time employees -- four are under the Tier 1 schedule and one is under the Tier 2. As staff has put together the projections for the future, it has included the new Executive Officer as a Tier 1 category to be prudent. These continuing effects identify the need to maintain the position espoused by

the Commission during the recession era which is to maintain the core LAFCO staff positions to be augmented by contract positions which do not bring additional benefit costs.

As noted above, the activity level of the Commission in reference to application submission and processing has remained stable over the past Fiscal Year and is projected to continue as staff anticipates two more fire reorganizations to be submitted in the upcoming Fiscal Year. Based upon the Commission’s direction to prioritize the processing of these applications, if submitted, they will again take priority.

At the July 2016 hearing, the Commission authorized the signing of the lease agreement with SANBAG to lease office space at the Depot. During the current Fiscal Year, staff has worked with the now-named San Bernardino County Transportation Authority (SBCTA) staff on the renovations needed for LAFCO to occupy the former Harvey House area of the Santa Fe Depot. As with any historic renovation project, there have been surprising issues, some delays, and questions which have arisen, but the plans were submitted to the City of San Bernardino for review and were approved on April 5, and construction bids were due April 7. As of the preparation of this report, staff has no update on this but will provide additional information at the hearing.

As has been discussed during the authorization of the lease, the goal of the renovation effort is to return the space to its former beauty as the Harvey House but provide for 21st century technology needs. As a part of the ongoing review with SBCTA staff, a point was raised that the approved lease was using the “rentable space” (industry standard is an 18% increase over actual) versus “useable space” which are the dimensions of the actual occupancy. Staff has reviewed its concern with SBCTA staff and its leasing agent. It was determined that there will need to be an amendment to the lease to reduce the space for lease payment calculations to the “useable space,” a reduction from 3,531 square feet to 2,970 square feet which will be presented at a future hearing. This lowers both the lease and common area maintenance charges. Staff has calculated the costs over the next seven years, applying a 2.5% increase to both lease and common area maintenance (CAM) charges for Fiscal Year 2018-19 and beyond.

FISCAL YEAR	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Lease	\$ 2,822	\$ 2,893	\$ 2,965	\$ 3,039	\$ 3,115	\$ 3,193	\$ 3,273
Comman Area Maintenance (CAM)	\$ 1,485	\$ 1,522	\$ 1,560	\$ 1,599	\$ 1,639	\$ 1,680	\$ 1,722
TOTAL	\$ 4,307	\$ 4,415	\$ 4,525	\$ 4,638	\$ 4,754	\$ 4,873	\$ 4,995
Renovations	\$ 2,167	\$ 2,167	\$ 2,167	\$ 2,167	\$ 2,167		
TOTAL MONTHLY COST	\$ 6,474	\$ 6,582	\$ 6,692	\$ 6,805	\$ 6,921	\$ 4,873	\$ 4,995
YEARLY COST	\$ 77,688	\$ 78,980	\$ 80,305	\$ 81,662	\$ 83,053	\$ 58,476	\$ 59,938

As anyone who has gone through a remodeling/renovation project is well aware, the successful completion of those improvements is a matter not of scientific calculation, but of

good luck and beneficial timing. At this time, the completion date for the improvements is unknown, but the end of the lease in our current office is June 30, 2017. Staff has discussed this with our current landlord who has indicated that a month-to-month extension for up to three months is possible. This cushion, we believe, will allow for the renovations to be completed, new furniture to be installed, and the staff office moved. This arrangement is anticipated to provide for the normal 3% annual increase in lease payment, to \$4,619 per month. This provides for a potential savings of \$5,000 (exclusion of amortized renovation cost). However, due to the speculative nature of this timing question, the budget as presented shows the move as effective July 1, 2017.

While staff anticipates the processing of at least two significant fire reorganizations in the coming year, it also has the responsibility to provide for the ongoing processing of the state mandated service reviews of municipal services providers within our County. As a part of the budget determinations for Fiscal Year 2016-17, the Commission approved a change in approach to the processing of these service reviews - specifically, that the focus would be on type of services provided on a countywide basis, broken down into sub-regions internal to the report.

With a countywide approach, the uniqueness of each type of service and the region in which the service is delivered can be addressed in a more streamlined manner. During the current Fiscal Year, information on the discussion of land use, demographics, disadvantaged unincorporated communities and disadvantaged areas as well as the requisite mapping has been done. This streamlining will translate into the use of this regional data in all the reports for service reviews in the second cycle. This approach has allowed for the development of areas of concern, or "hot spots", which will be highlighted in each service type review allowing for further discussion and potential action on sphere of influence updates.

The five-year plan for this approach has been modified from that provided to the Commission during the Fiscal Year 2016-17 budget review and is shown below. Due to the initial efforts needed for development of the information for use in all reports, the first year program has been scaled back to a single service review – Wholesale and Retail Water Service for this year and the following years have modified. Review of healthcare has been moved up in the process due to the heightened interest in Healthcare Districts from the Little Hoover Commission and Assembly Local Government Committee. However, if the Commission believes a review of a specific service is warranted, it can provide that direction and staff will modify the schedule. The proposed schedule is:

<u>Year 1 (FY 2016-17):</u>	Water (to be presented at the June or July 2017 Commission Hearing)
<u>Year 2 (FY 2017-18):</u>	Wastewater, Fire Protection/Emergency Medical Response/Ambulance, Healthcare Districts, Streetlights
<u>Year 3 (FY 2018-19):</u>	Park and Recreation, Resource Conservation, Habitat Conservation and Open Space

Year 4 (FY 2019-20): Solid Waste, Roads, Vector Control

Year 5 (FY 2020-21): Additional Services at direction of Commission

Based upon the approach outlined above, staff has prepared the Proposed Budget for Commission consideration. As is the practice of the Commission, the budget includes Fiscal Year 2017-18 and two forecast years addressing the changing dynamic for the return to a full-time staffing pattern, providing for a permanent Executive Officer. Attachment #1 to this report provides the Budget Spreadsheet for Fiscal Year 2017-18 with a forecast for Fiscal Years 2019-20 and 20-21 and the narrative description of the budget and its line items.

Staff has requested that the County Auditor-Controller apportion the net costs for LAFCO operations for Fiscal Year 2017-18 to the County, Cities/Towns and Independent Special Districts based upon the proposed budget target of \$1,009,583, or \$336,528 per category. This represents a total increase of \$83,360 or 9% from the prior year. This increase is to accommodate anticipated one-time costs, maintenance of reserves, and funding continuing programs. Any changes to the budget information presented at this hearing may impact this determination. Once the proposed budget is adopted, the apportionment information will be provided as a part of the materials forwarded to the County, Cities/Towns and Independent Special Districts for their review and comment as required by Government Code Section 56381. The allocation information is included as Attachment #2 for Commission information.

The proposed budget is more fully outlined below and on the Budget Spreadsheet and Budget Narrative included as attachments to this report. Staff believes that the actions outlined for the upcoming Fiscal Year will provide for the efficient operations of the Commission including the change in location of the LAFCO staff office and the maintenance of reserve accounts established to cover potential and/or future costs.

SALARIES AND BENEFITS **WORKLOAD CONSIDERATIONS**

FISCAL YEAR 2016-17

Staffing levels for Fiscal Year 2016-17 include five full-time positions and the contract for the Executive Officer position paid under the 1000 series of accounts and the consultant contract paid under the 2000 series (Services and Supplies) accounts. During the year, the Clerk to the Commission was unfilled from October through February due to the separation of an employee, resulting in a savings of salary and benefits expenses for roughly four months. The Commission had set aside approximately \$64,587 as a Salary Reserve to accommodate any staffing compensation changes; however, due to the open status of the Clerk to the Commission position, this appropriation authority was not needed. Changes approved included: (1) increase to Executive Officer compensation, (2) merit payment, (3) implementation of longevity pay for those employees with 15 years of service (two employees), and (4) the standard step increases and pre-authorized leave cash outs.

The estimated year-end expenditures for salaries and benefits are \$722,640, which is \$77,384 below the budgeted amount.

FISCAL YEAR 2017-18

The Salaries and Benefits categories for Fiscal Year 2017-18 include funding for five positions, payment of step increases, retirement costs and the maintenance of the existing payment schedule for the contract Executive Officer position. The projections include the 2% salary cost-of-living increase for all regular employees, the 2% longevity increase for two employees and the 2% hourly rate increase for the Contract Executive Officer.

Fiscal Years 2018-19, and 19-20

As is the Commission's practice, a forecast for Fiscal Years 2018-19 and 19-20 has been provided. These forecasts are:

- a. **FY 2018-19:** The projections are for full staffing of six permanent employees with the addition of a full-time permanent Executive Officer, the maintenance of the contract Executive Officer for a three month transition period (contract terminates in September 2018), all full-time staff positions with 3% salary increases anticipated in the current compensation plan, including retirement costs. Five of the full-time employees are in the Tier 1 rate for retirement benefits for forecasting and the GIS/Database Analyst position is a Tier 2 employee.
- b. **FY 2019-20:** The projections maintain the staff level at six full-time employees, projects a 2% across the board cost of living increase based upon an average of prior years (no approved County Exempt Compensation Plan authorized at this time), and no contract staffing.

SERVICES AND SUPPLIES

FISCAL YEAR 2016-17

Fiscal Year 2016-17 has included the submission of three complex proposals: (1) the proposed consolidation of the Inland Empire Utilities Agency and the Chino Basin Water Conservation District (which was processed but withdrawn prior to Commission consideration); (2) the City of Upland Fire Reorganization; and (3) the Hesperia Fire Protection District reorganization with San Bernardino County Fire Protection District. Along with these and the standard processing of proposals for the Cities of Chino, Loma Linda and Redlands, the staff has been working on the proposed move of the staff office to the San Bernardino Train Depot. LAFCO staff continues to operate under the direction provided by the Commission in September 2015 hearing, that the staff prioritize its activities to address the fire proposals submitted as the top priority, other jurisdictional changes next, and service reviews to follow. The approval of a consultant for supplemental staffing is helping with the processing burden including the response to the individual notices on the extension of the fire special taxes and the service review for retail water services.

The Services and Supplies categories are estimated to have expenditures of \$689,745 at year-end, \$28,640 above the budgeted amount. The Commission cannot end the Fiscal Year exceeding its appropriation authority in any category; however, due to the uncertainty on timing of the costs for the move to the Santa Fe Depot, staff is deferring appropriation adjustments to the Final Budget Hearing at the May hearing.

Items of note during this Fiscal Year are:

- Payment of \$100,000 deposit for tenant improvements for the renovation of the Santa Fe Train Depot for use as the new LAFCO Office was made in August 2016.
- Costs related to processing the West Valley Mosquito and Vector Control District reorganization requiring individual notice to landowners due to the extension of an existing special tax totaled roughly \$25,000.
- Processing for the Formation of the Wrightwood CSD, totaling roughly \$11,000 to date.
- \$122,350 estimated for the relocation of staff office (various accounts). This includes estimates of office furnishing costs, move costs, and relocation of utilities for internet and phone services and other miscellaneous items.
- \$15,000 budgeted for a new server, timing contingent upon office move.
- Significant individual notice costs of roughly \$26,000 for the reorganization to include annexation of the City of Upland to County Fire that includes the extension of a special tax. The applicant was required to provide a deposit to cover these costs. A breakdown is shown below:
 - Account 2310 (Postage) - \$10,662 each for the Commission and protest hearings totaling \$21,324.
 - Account 2323 (Reproduction/Printing) - \$2,482 each for the Commission and protest hearings totaling \$4,964.
- The consulting contract with Robert Aldrich for staffing services – the Commission approved this contract not to exceed \$86,400.
- The Commission has expressed its desire to provide continuing governance training for the special districts within the County. The Commission continued this program for FY 2016-17, and staff developed an education program with the California Special Districts Association (CSDA) and the Institute for Local Government (ILG) – see chart below. The sessions were well attended with positive survey results.

Educational Training Program Timeline		
Training Session	Collaboration	Date
Overview of Special District Laws	California Special Districts Association	December 8, 2016
LAFCO 101 – Understanding and Applying the Basics	CALAFCO, Riverside & Los Angeles LAFCOs	January 24, 2017
Partnering with Community Based Organizations for More Inclusive Public Engagement	Institute for Local Government	March 22, 2017

The balance of the Services and Supplies categories anticipate the maintenance of current activities.

The Commission continues to outsource its environmental processing through its contract with Tom Dodson and Associates, the processing of its accounting operations through the County Auditor’s office, and the maintenance of computer systems through the County’s ISD.

FISCAL YEAR 2017-18

The total budgeted amount for Services and Supplies for FY 2017-18 is \$554,171 which is a decrease of roughly \$135,574 from the 2016-17 estimated year-end. The following work plan items are included:

- It is anticipated that proposal processing activity for FY 2017-18 will continue at the same magnitude as the past two years with the receipt of at least two fire proposals that include the extension of a special tax. Therefore, staff has taken the direction of the Commission to prioritize the fire proposals as the top priority, other jurisdictional changes next, and service reviews to follow will continue during the upcoming year.
- To assist with the proposal and service review processing, this budget recommends extending the contract with Robert Aldrich for supplemental staffing (\$90,000) for the full fiscal year. In addition, it is proposed that Mr. Aldrich be the recruiter for the Executive Officer position to be filled during the second- half of the Fiscal Year, this cost is included in the \$90,000 contract recommendation.
- The budget includes the printing and postage and handling charges for the two fire proposals that include the extension of a special tax (estimated at \$70,912). These costs are recovered from the applicant and are accounted for in the Revenue budget in kind.

- Ongoing Projects include the continuation of the Fiscal Indicators program adding the data for 2016 for viewing on the LAFCO website by December 2017.
- The workload related to jurisdictional change applications is increasing from the recession years. Staff has identified 11 proposals that are anticipated to be received in FY 2017-18 or earlier. The recent uptick in activity consists of complex proposals which require increased analysis and processing time.
- The staff office lease terminates on June 30, 2017, and the Commission has approved the relocation to the Santa Fe Depot. To date, LAFCO has contractually paid \$100,000 to begin construction with the remaining construction costs to be amortized over the first five years of the lease. At this time, the majority of costs for the renovation and relocation are budgeted for FY 2016-17 (\$122,350). The remaining costs budgeted for FY 2017-18 are \$25,000 for any incidental costs. The staff has worked with SBCTA staff and its leasing agent regarding the lease terms which have resulted in the approval of an amendment to the square footage upon which the lease terms are predicated. This reduces the lease term and common area maintenance cost by \$812.50 per month.
- During Fiscal Year 2016-17, staff was abruptly notified of the cancellation of its contract for use of the City Council Chambers of the City of San Bernardino. SBCTA allowed the Commission the use of its Boardroom during the balance of the Fiscal Year. Staff is proposing that the Commission authorize, as a part of this budget review, the contracting for use of the Norton Regional Event Center as its hearing location. This facility meets the needs of the Commission, and staff has made preliminary contact with Inland Valley Development Agency (IVDA) in reference to a long term contract. Preliminary discussions show that a long-term use agreement will result in a reduced rental charge which can easily be accommodated through the cost savings achieved on the lease payment.
- The Commission's Governance Training program is budgeted to continue for the special districts and other governments within the County. This year we have extended the opportunity to participate to special districts and governments within Riverside County. For the coming year, the budget anticipates at least three courses by either the California Special Districts Association (CSDA), Special Districts Risk Management Authority (SDRMA) or the Institute for Local Government (ILG). The total program cost for the year is estimated at roughly \$7,500.

Proposed Educational Training Program Fiscal Year 2017-18		
Training Session	Collaboration	Date
Technology and the Public Records Act: Recent Legal Developments and Current Challenges	California Special Districts Association	Anticipated in Fall 2017
Financial Management for Special Districts	Special Districts Risk Management Authority	Anticipated in Winter 2018
Transparency Strategies	Institute for Local Government	Anticipated in Spring 2018

Staff proposes to outsource the Commission’s environmental processing through its contract with Tom Dodson and Associates, the processing of its accounting operations through the County Auditor’s office, and the maintenance of computer systems through the County’s ISD.

FISCAL YEARS 2018-19, and 19-20

Based upon the approval of the staff recommendations for FY 2017-18, it is anticipated that a 2% consumer price index increase will be applied to those categories sensitive to such changes for purchases and the maintenance of the other existing levels of service in FY 2018-19, and 19-20. In addition, the payment of amortized tenant improvements have been included in the projections.

REVENUES

FISCAL YEAR 2016-17

The chart below shows the budgeted and the estimated year-end balances for the accounts that comprise the Fee categories, accounts that are sensitive to activity levels. This includes the withdrawn proposal of the Consolidation of the Inland Empire Utilities Agency and Chino Basin Water Conservation District (refund of \$6,756). By year’s end, staff estimates fee revenue receipts will be 16% below the amended budget amounts. The chart below outlines the Revenue Categories:

Fee/Deposit Category	Budget	Estimated Year-End
Individual Notice	\$ 37,366	\$ 20,200
Legal Services	\$ 15,150	\$ 9,674
Protest Hearing	\$ 34,166	\$ 34,000
GIMS Fees	\$ 7,995	\$ 5,850
Environmental Deposits	\$ 9,600	\$ 6,420
<u>LAFCO Fees</u>	<u>\$ 103,800</u>	<u>\$ 99,350</u>
Total Fee Revenue	\$ 208,077	\$ 175,494

This reduced revenue directly impacts the funding of the expenditure items within the current year budget and the carryover anticipated for the upcoming fiscal year.

FY 2017-18

As noted in other portions of this narrative, FY 2017-18 is anticipated to continue a normal submission count for proposal activity. This is based upon the increasing activity from the past two years as well as information conveyed that most sectors of the local economy have decent predictions for the upcoming year. Staff has identified 11 proposals that are anticipated to be received in FY 2017-18 or earlier; of these, two are anticipated fire reorganizations based upon indications provided to LAFCO staff.

Activity	FY 2017-18
Proposals	11
Service Contracts - Commission approval	2
Service Contracts - EO approval	6
Protest Hearing Deposits	5

Revenues consisting of interest, mandatory apportionment contributions (9% increase from prior year), and fee revenue are estimated to be \$1,254,415. Refunds from Prior Years, Miscellaneous Charges, and Carryover increase revenues to a total of \$1,270,165. Including Reserves from Prior Year adds \$645,953, for a grand total of \$1,916,118.

The staff is recommending a 9% increase in the apportionment for the upcoming year to accommodate the relocation of the staff office, and other ongoing service delivery expenses. The apportionment process will take place pursuant to the provisions of Government Code Section 56381 with the acknowledgement that the State Controller no longer prepares the reports outlined in Section 56381 and is administered by the County Auditor. Staff has requested that the Auditor provide for the distribution, pursuant to statute and the alternative funding formula for Special Districts, included as Attachment #2. Per adopted Commission policy, the amount identified at this hearing will be the apportionment required as of July 1, 2017.

At the time the Unaudited Year-End report is presented to the Commission (anticipated at the July hearing), staff will determine the actual carryover and make recommendation for any further actions, if necessary. The apportionment presented in the budget materials is \$1,009,583, which represents a total of \$336,528 for each category. Revenues consisting of interest, mandatory contributions, and fee revenues are estimated to be \$1,254,415. Refunds from Prior Years, Miscellaneous Charge, and Carryover including all reserve accounts increases bring total anticipated revenues to \$1,916,118.

REVENUE FORECAST FOR FISCAL YEAR 2018-19, and 19-20

The forecast included for years two and three of the budget assumes a maintenance of proposal activity and an increase in apportionment of net costs by 3.0% and 2.0%,

respectively. The following chart conservatively maintains proposal activity at nine proposals each year for the following two years.

Activity	18-19	19-20
Proposals	9	9
Service Contracts - Develop.	2	2
Service Contracts - Admin	6	6
Protest Hearing Deposits	5	5

RESERVES AND CONTINGENCIES

The staff is proposing the maintenance of reserves and contingency amounts as outlined by Commission policy. The General Reserve is by policy set at a minimum of \$200,000, and projections exceed this amount. LAFCO staff received notification of the unfunded net pension liability from SBCERA in February 2017. This amount has increased to \$681,447. In keeping with Commission policy, staff has recalculated the twenty-year amortization schedule for this amount and increased the reserve for Fiscal Year 2017-18 to \$148,450 (an increase of \$31,353). The amounts presented for Fiscal Year 2017-18 are:

Account 6025 – General Reserve/Litigation	\$ 225,407
Account 6030 – Compensated Absences Reserve	\$ 89,708
Account 6010 – Net Pension Liability Reserve	\$148,450

In addition, staff is recommending a contingency of \$132,050 (Account 6000) which represents 10% of total budgeted expenditure appropriations. Should the use of these dollars be required, it will take an action by the Commission to transfer monies into the appropriate expenditures series.

CONCLUSION:

The information contained in this report outlines and discusses the budget considerations before the Commission which provides for the following determinations required by Government Code Section 56381 to be made:

ACCOUNT TYPE	FY 2016-17 AMENDED BUDGET	FY 2017-18 PROPOSED BUDGET
SALARIES AND BENEFITS	\$ 800,024	\$ 766,331
SERVICES AND SUPPLIES	\$ 661,105	\$ 554,171
RESERVES AND CONTINGENCIES	\$ 645,953	\$ 595,616
SUBTOTAL	\$2,107,082	\$1,916,118
FEE REVENUE AND GENERAL REVENUE	\$1,179,643	\$ 906,535
NET COST	\$ 926,223	\$1,009,583

It is the staff's position that the expenditures and revenue items outlined in this report will provide for fulfillment of the Commission's ongoing core obligations for processing of proposals and fulfilling State mandates. If the Commission supports the staff's position, it is recommended that, pursuant to the provisions of Government Code Section 56381, the Commission adopt the Proposed Budget as outlined and direct staff to forward this document to the County, the Cities/Towns, and the Independent Special Districts for their review and comment. Staff is also recommending that the final hearing for adoption of the budget be scheduled for May 17, 2017 at which time the comments of the public and agencies the Commission serves will be considered.

RECOMMENDATION:

The staff recommends that the Commission take the following actions:

- 1) Adopt the Proposed Budget for Fiscal Year 2017-18 presented by staff including the direction to negotiate a long-term contract to hold Commission hearings at the Norton Regional Event Center;
- 2) Direct staff to forward the adopted Proposed Budget, as may be modified at this hearing, to all the independent special districts, cities/towns, and the County for their comment pursuant to Government Code Section 56381; and
- 3) Schedule a public hearing for May 17, 2017 for the formal adoption of the Final Budget for Fiscal Year 2017-18.

KRM/MT

Attachments:

1. Proposed Budget -- Spreadsheet and Narrative Related to Individual Accounts and Activity Chart
2. Estimated Apportionment Distribution for City/Town and Special District Costs

**Proposed Budget
Spreadsheet and Narrative Related
To Individual Accounts and
Activity Chart**

Attachment 1

FISCAL YEAR 2017-18

ACCT.	ACCOUNT NAME	ACTUAL	ACTUAL	ACTUAL	AMENDED	ESTIMATED	PRELIMINARY	FORECAST	FORECAST
#		YEAR-END	YEAR-END	YEAR-END	BUDGET	YEAR END	BUDGET	BUDGET	BUDGET
		FY 13-14	FY 14-15	FY 15-16	OCT 2016	FY 16-17	FY 17-18	FY 18-19	FY 19-20
	SALARIES AND BENEFITS								
1010	Regular Salary and Bilingual	\$ 408,248	\$ 434,318	\$ 432,740	\$ 473,877	\$ 462,188	\$ 483,128	\$ 596,054	\$ 586,207
1030	Auto and Cell Phone Allowances	15,062	17,000	17,000	17,327	17,000	17,065	20,989	17,065
1035	Overtime	361	201	395		-			
1045	Termination Payment			2,506		632			
1050	Special Compensation		8,750			-			
1110	General Member Retirement	81,993	104,122	109,012	119,726	110,677	125,311	195,853	207,723
1130	Survivors Benefits	160	238	210	228	210	224	269	269
1135	Indemnification - General	16,641	20,634	16,739	16,130	17,018	15,887	22,057	22,057
1200	Employee Group Insurance (Health Subsidy)	41,141	45,620	41,121	46,498	44,163	49,285	61,882	63,760
1205	Long-Term Disability	994	1,079	882	962	883	969	1,490	1,540
1207	Vision Care Insurance	759	822	771	837	771	825	990	990
1215	Dental Insurance & Health Subsidy	1,466	1,530	1,363	1,253	1,236	1,235	1,481	1,481
1222	Short-Term Disability	3,312	3,590	3,404	3,784	3,477	3,808	5,726	5,902
1225	Social Security Medicare	5,128	5,646	5,492	6,072	6,128	6,190	7,523	7,307
1235	Workers' Compensation	1,573	1,983	2,305	5,113	3,262	5,216	6,239	6,087
1240	Life Insurance & Medical Trust Fund	4,546	4,614	5,522	6,429	5,466	7,526	12,742	13,114
1305	Medical Reimbursement Plan	2,600	2,140	2,770	6,920	4,448	6,840	8,207	8,207
1310	ID Allowance Café					17,453	12,306	2,829	-
1314	457/401a Defined (LAFCO Contribution)	1,451	1,622	1,571	1,781	1,606	1,795	3,641	3,775
1315	401k Contribution	22,983	25,951	25,136	28,500	26,019	28,721	44,142	45,640
1000	Salary Reserve				64,587	-			
	TOTAL SALARIES & BENEFITS	\$ 608,417	\$ 679,860	\$ 668,940	\$ 800,024	\$ 722,640	\$ 766,331	\$ 992,114	\$ 991,124
	Staffing (Full time equivalent units)	4.5	5.5	5.5	5.5		5.5	6.0	6.0
	SERVICES AND SUPPLIES								
	Services:								
2035	Communications			\$ -		\$ 766			
2037	COMNET Charge (ISF)	\$ 2,532	\$ 2,432	\$ 3,003	\$ 2,556	2,417	2,730	2,730	2,730
2038	Long Distance Charges	86	81	15	-	-	-	-	-
2040	Relocation Charges - Phone Service	-	-	12,944	-	9,852	-	-	-
2041	Phone Service/Outside Company	366	422	670	12,543	2,508	10,318	10,318	10,318
2043	Electronic Equipment Maintenance	140	498	926	-	-	-	-	-
2075	Membership Dues	8,324	8,509	8,733	9,264	9,338	9,831	9,918	10,116
2076	Tuition Reimbursement	1,100	100	100	2,000	2,000	3,000	3,000	3,000

FISCAL YEAR 2017-18

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 13-14	ACTUAL YEAR-END FY 14-15	ACTUAL YEAR-END FY 15-16	AMENDED BUDGET OCT 2016	ESTIMATED YEAR END FY 16-17	PRELIMINARY BUDGET FY 17-18	FORECAST BUDGET FY 18-19	FORECAST BUDGET FY 19-20
2080	Publications	2,054	2,690	2,383	3,125	3,460	3,288	3,354	3,421
2085	Legal Notices	9,223	12,936	18,860	19,500	16,500	18,500	18,500	18,500
2090	Miscellaneous Expense (Costs related to move)				179,260	222,350	25,000	25,000	25,000
2110	Fleet Management Requisition Charges	304				-			
2115	Computer Software	6,427	4,234	5,777	6,652	3,352	3,502	3,502	3,502
2125	Inventoriable Equipment	-	4,660	-	15,000	17,685	2,000	-	-
2180	Electricity for Office					-	4,800	4,896	4,994
2195	Reimbursement Services and Supplies	4,304	-	-		9150.47			
2245	Other Insurance	7,074	7,128	7,085	7,085		9,050	9,050	9,050
	Supplies:								
2305	General Office Expense	11,621	12,844	6,364	7,183	8,390	7,410	7,558	7,709
2308	Credit Card Clearing Account	(85)	(1,628)	467	-	(467)	-	-	-
2309	Visa Temp Card			267		-			
2310	Postage - Direct Charge	12,352	19,869	56,031	48,388	57,111	60,694	11,056	11,056
2315	Records Storage	581	620	596	588	865	696	710	724
2323	Reproduction Services	870	2,601	13,046	16,000	10,542	21,274	-	-
2335	Temporary Services	13,311	-	-		2,631	7,650	-	-
	Consultant & Special Services:								
2400	Prof & Special Service (Legal Counsel)	24,048	28,042	40,346	34,300	31,486	34,300	34,986	35,686
2405	Auditing	7,527	8,000	14,258	15,090	11,492	11,783	11,983	12,183
2410	Data Processing	7,142	6,848	8,244	8,215	6,523	7,827	7,827	7,827
2415	COWCAP	6,053	6,308	-	13,236	13,236	20,000	20,000	20,000
2420	ISD Other IT Services	344	753	4,614	175	175	210	210	210
2421	ISD Direct	1,772	10,157	10,073	9,816	7,684	8,927	8,927	8,927
2424	Mgmt & Tech (Environmental Consultant)	15,339	11,288	11,329	10,250	8,917	6,650	6,650	6,650
2444	Security Services	578	408	444	408	390	408	408	408
2445	Other Prof (Commission, Surveyor, ROV)	32,275	42,133	123,413	135,761	131,740	140,385	93,513	93,513
2449	Outside Legal (Litigation & Special Counsel)	2,909	3,956	4,319	-	-	-	-	-
2450	Application Development Support	19,709	216	345	600	-	200	200	200
2460	GIMS Charges	11,877	10,608	13,656	17,370	16,770	16,170	16,170	16,170
	Lease/Purchases:								
2895	Rent/Lease Equipment (copier)	2,610	4,912	4,743	5,904	4,942	7,200	7,200	7,200
2905	Office/Hearing Chamber Rental	53,576	51,219	57,125	54,308	49,874	82,788	84,444	86,133

FISCAL YEAR 2017-18

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 13-14	ACTUAL YEAR-END FY 14-15	ACTUAL YEAR-END FY 15-16	AMENDED BUDGET OCT 2016	ESTIMATED YEAR END FY 16-17	PRELIMINARY BUDGET FY 17-18	FORECAST BUDGET FY 18-19	FORECAST BUDGET FY 19-20
	Travel Related Expenses:								
2940	Private Mileage	5,135	2,410	3,868	5,403	5,125	4,855	4,855	4,855
2941	Conference/Training	4,225	6,817	3,974	3,500	6,140	6,140	6,140	6,140
2942	Hotel	5,264	6,838	5,053	8,800	10,540	10,550	10,550	10,550
2943	Meals	923	1,150	1,098	2,575	1,724	2,235	2,235	2,235
2944	Car Rental	653	227	107	150	273	200	200	200
2945	Air Travel	4,241	3,705	2,629	2,000	3,423	2,000	2,000	2,000
2946	Other Travel	1,061	1,676	887	500	776	400	400	400
						-			
	Other Charges:					-			
5012	Services Out (Staples)	4,146	4,742	1,449	3,600	64	1,200	1,200	1,200
	TOTAL SERVICES & SUPPLIES	\$ 291,993	\$ 290,409	\$ 449,237	\$ 661,105	\$ 689,745	\$ 554,171	\$ 429,690	\$ 432,807
	TOTAL EXPENDITURES	\$ 900,410	\$ 970,269	\$ 1,118,178	\$ 1,461,129	\$ 1,412,385	\$ 1,320,502	\$ 1,421,804	\$ 1,423,931
	RESERVES								
6000	Contingency				\$ 155,501	\$ -	\$ 132,050	\$ 142,180	\$ 142,393
6010	Net Pension Liability Reserve				117,097	-	148,450	179,803	211,156
6025	General Reserve - Litigation				284,917	-	225,407	228,600	208,840
6030	Compensated Absences Reserve				88,438	-	89,708	93,296	97,028
	TOTAL CONTINGENCIES & RESERVES			\$ -	\$ 645,953	\$ -	\$ 595,616	\$ 643,880	\$ 659,417
	TOTAL APPROPRIATION	\$ 900,410	\$ 970,269	\$ 1,118,178	\$ 2,107,082	\$ 1,412,385	\$ 1,916,118	\$ 2,065,684	\$ 2,083,348

FISCAL YEAR 2017-18

ACCT #	ACCOUNT NAME	ACTUAL YEAR-END FY 13-14	ACTUAL YEAR-END FY 14-15	ACTUAL YEAR-END FY 15-16	AMENDED BUDGET OCT 2016	ESTIMATED YEAR END	PRELIMINARY BUDGET FY 17-18	FORECAST BUDGET FY 18-19	FORECAST BUDGET FY 19-20
	CONTRIBUTION REVENUES								
	Use of Money:								
8500	Interest	\$ 3,066	\$ 4,287	\$ 5,917.01	\$ 5,250	\$ 8,762	\$ 8,000	\$ 8,500	\$ 9,000
	Mandatory Contribution from Governments:								
8842	Local Government -- For FY 2017-18 apportionment to County, Cities, and Independent Special Districts of approximately \$336,528 each	864,822	864,822	882,117	926,223	926,223	1,009,583 9.0%	1,039,871 3.0%	1,060,668 2.0%
	Fees and Deposits (Current Services):								
9545	Individual Notice	11,200	5,912	56,670	37,366	20,200	42,320	7,700	7,700
9555	Legal Services	8,625	9,195	26,361	15,150	9,674	9,600	12,100	12,100
9595	Protest Hearing			33,297	34,166	34,000	43,620	7,500	7,500
9655	GIMS Fees	3,235	7,580	12,505	7,995	5,850	7,520	6,750	6,750
9660	Environmental	12,580	12,005	12,940	9,600	6,420	6,000	12,000	12,000
9800	LAFCO Fees	99,656	95,619	260,206	103,800	99,350	127,773	108,000	108,000
	Total Fees and Deposits	135,296	130,311	401,978	208,077	175,494	236,832	154,050	154,050
	TOTAL CONTRIBUTION REVENUES	1,003,185	999,420	1,290,012	1,139,550	1,110,479	1,254,415	1,202,421	1,223,718
	OTHER REVENUES								
9910	Refunds from Prior Year Revenue	\$ 1,761	\$ (2,472)	\$ (30.00)	\$ (1,250)	\$ (15,729)	\$ (1,250)	\$ (1,250)	\$ (1,250)
9930	Miscellaneous Revenues	3,578	2,211	12,040	2,000	30	2,000	2,000	2,000
9970	Carryover of Open Proposals/Projects		16,510	55,114	64,806	41,819	15,000	50,000	50,000
9970	Carryover from Prior Year, Unassigned	223,425	250,087	186,960	294,895	296,065	-	216,898	165,000
	TOTAL OTHER REVENUES	228,765	266,335	254,084	360,451	322,185	15,750	267,648	215,750
	TOTAL REVENUES	\$ 1,231,949	\$ 1,265,755	\$ 1,544,096	\$ 1,500,001	\$ 1,432,664	\$ 1,270,165	\$ 1,470,069	\$ 1,439,468
	RESERVES FROM PRIOR YEAR, as of July 1								
9970	Contingency	\$ 84,730	\$ 99,872	\$ 87,356	\$ 155,501	\$ 155,501	\$ 155,501	\$ 132,050	\$ 142,180
9970	Net Pension Liability Reserve		46,780	56,432	82,750	82,750	117,097	148,450	179,803
9970	General Reserve - Litigation	200,000	250,000	300,000	291,007	291,007	284,917	225,407	228,600
9970	Compensated Absences Reserve	66,620	66,620	72,897	76,607	76,607	88,438	89,708	93,296
	TOTAL RESERVES FROM PRIOR YEAR	\$ 398,130	\$ 463,272	\$ 516,685	\$ 605,865	\$ 605,865	\$ 645,953	\$ 595,616	\$ 643,880
	TOTAL REVENUE AND RESERVES	\$ 1,630,079	\$ 1,729,027	\$ 2,060,781	\$ 2,105,866	\$ 2,038,529	\$ 1,916,118	\$ 2,065,684	\$ 2,083,348
	Note: Spreadsheet utilizes the cash basis of accounting and does not include accrual/reversal data which do not affect fund balance.								

NARRATIVE FOR FY 2017-18

PROPOSED BUDGET

SALARIES AND BENEFITS

1000 SERIES

FY 2016-17

Salaries and Benefits (1000 series) for FY 2016-17 was budgeted at \$800,024 for 5.5 positions: one Contract Executive Officer (limited to 960 paid hours per year), Assistant Executive Officer, Project Manager, LAFCO Analyst – GIS/Database Manager, Clerk to the Commission/Office Manager, and Administrative Assistant. The Commission previously approved a 2% longevity pay for those with 15 years of service. This benefit was effective December 2016 and applies at this time to the Assistant Executive Officer and Administrative Assistant.

Year-end expenditures for the 1000 series are estimated to be \$722,640, approximately \$77,000 under budget. The variance is primarily explained by the medical leave and separation of the Clerk to the Commission in October 2016. In August the Clerk went on medical leave under the Commission's short-term disability insurance program which paid 45% of her base salary during that period. The Clerk officially separated in October, and the position remained unfilled through January, resulting in salary and benefits savings for roughly four months. Termination payments for the previous Clerk were nominal due to her leave balances being utilized for compensation during her medical leave. In addition, the Commission authorized changes to the compensation for the contract Executive Officer all funded within existing appropriation authority.

FY 2017-18

Staffing is anticipated to be maintained from the prior year – a contract Executive Officer, and regular employees of Assistant Executive Officer, Project Manager, LAFCO Analyst – GIS/Database Manager, Clerk to the Commission/Office Manager and Administrative Assistant. A Commission approved across-the-board salary increase of two percent is effective July 22, 2017 and has been calculated in the projections.

As the Proposed Budget Spreadsheet identifies, FY 2017-18 budgets a total expenditure of \$766,331. This includes the step changes in salary appropriate for staff members, budgeting for all benefits, and retirement rate increase of 4.5% for Tier 1 (4 employees) and 2.0% for Tier 2 (1 employee). The contract Executive Officer does not participate in the retirement program.

FY 2018-19 and FY 2019-20

The forecast for FY 2018-19 includes the addition of a full-time Executive Officer at the mid-range salary (estimated starting salary of \$175,180), continuing the contract with the current contract executive officer for three months as a transition period, the same remaining staffing structure as the prior year and step increases as appropriate for staff members. A scheduled across-the-board salary increase of three percent effective July 21, 2018 was previously approved to mirror the County's Exempt Compensation Plan.

The forecast for FY 2019-20 includes a 2 percent across-the-board salary increase. Since there will be a new contract negotiated under the County's Exempt Compensation Plan beginning in FY 2019-20 (which the Commission mirrors), staff has determined this projection based upon the average increase for the prior three years (2.34 percent) to retain its position to budget liberally for expenditures and conservatively for revenues. Also included is a minor scheduled increase to the medical premium subsidy which was previously approved, again, mirroring the County's Exempt Compensation Plan.

**LINE ITEM ACCOUNTS FOR SALARIES AND
BENEFITS FOR FISCAL YEAR 2017-18**

LAFCO utilizes the County's financial system for essentially all financial transactions. Effective FY 2017-18, the County will be replacing its existing financial system with a modern and integrated system. As a part of the new system, the existing catalog of accounts are being reclassified. For example, Account 1010 shown below for Regular Salary most likely will have a new account number. The new account numbers are not known at this time. For the purposes of this budget, the existing numerology is presented. Staff will update the Commission on this transition and its effect on budget presentation during the FY 2017-18 first quarter review in October.

Regular Salary – Account 1010: \$483,128

Salaries are calculated for six positions that includes the contract for the Executive Officer, 2% salary cost of living increase, and 15-year 2% longevity pay for the Assistant Executive Officer and Administrative Assistant. Cash out amounts included in this line item account for the annually declared vacation/holiday leave cash outs. The salaries by position are:

Executive Officer (contract, 960 hours)	\$112,765
Assistant Executive Officer	111,381
Project Manager	87,567
LAFCO Analyst	58,004
Clerk to the Commission	57,733
Administrative Assistant	55,678

BENEFITS

For employee benefits, LAFCO mirrors those provided in the County's Exempt Compensation Plan as identified in the LAFCO Policy and Procedure Manual and contracts with the County to administer the benefits for its employees. Benefit allocations are calculated for the regular LAFCO positions, and only the car and cell phone allowance benefits for the Executive Officer, except where identified otherwise.

Merit Incentive (Car and Cellphone Allowance) – Account 1030: \$17,065

The LAFCO Benefit Plan allocates to the Executive Officer a \$561.54 car allowance and a cellphone allowance of \$92.31 per pay period. The contract with the Executive Officer provides for the payment of this benefit.

Termination Payment – Account 1045: \$0.00

The LAFCO Benefit Plan provides that at separation from LAFCO service, employees are required to contribute the cash value of their unused sick-leave to the Retirement Medical Trust Fund at the rate of 75% of the cash value of the employee's unused sick leave hours. Should such occur, revenues would transfer from the Compensated Absence Reserve for payment.

General Member Retirement – Account 1110: \$125,311

Calculation for the payment of the LAFCO (employer) retirement contribution is based upon the rate of 34.53% of salaries paid for Tier 1 (4 employees) and 30.09% for Tier 2 (1 employee). The retirement rate is increasing by 4.5% (Tier 1) and 2.0% (Tier 2).

Last year's budget identified that rates were anticipated to stabilize. However, SBCERA has revised its rate projections due to lower actual returns coupled with a decrease in future return rates. The result is a substantial increase through 2021-23. The chart below provides the approved rates from FY 2015-16 through FY 2017-18 and those projected for FY 2018-19 through 2022-23, as provided by SBCERA.

Year	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23
Tier 1	33.31	33.05	34.53	35.02	35.92	37.07	37.84	37.89
Tier 2	29.77	29.50	30.09	30.58	31.48	32.63	33.40	33.45

Survivor's Benefits – Account 1130: \$224

\$1.72 per employee per pay period.

Indemnification General – Account 1135: \$15,887

This account allocates the funding necessary to cover additional employee retirement payments pursuant to the provisions of the LAFCO Benefits Plan. A per pay period retirement benefit for those in Group B (5 employees) of \$152.17 is included in this plan. The Executive Officer is the sole Group A position, which is eligible for a benefit of \$236.41; this position is under contract and this benefit is not provided at this time.

Employee Group Insurance (Health Insurance Subsidy) – Account 1200: \$49,285

This account allocates a Medical Premium Subsidy in an amount that has been augmented to include the dollars from the Flexible Benefit Plan. The subsidy is paid only toward coverage chosen by the employee as follows:

- Employee only at \$218.56 per pay period (one employee).
- Employee plus one dependent at \$352.23 per pay period (two employees).
- Employee plus two or more dependents at \$482.64 per pay period (two employees).

Long Term Disability – Account 1205: \$969

This cost is calculated at 27 cents per \$100 of base pay.

Vision Care Insurance – Account 1207: \$825

This cost is calculated at \$6.32 per employee per pay period.

Dental Insurance and Health Subsidy – Account 1215: \$1,235

This account allocates the Dental Premium Subsidy of \$9.46 per employee per pay period that, when combined with the Medical Subsidy, would offset the cost of out-of-pocket dental expenses charged to eligible employees.

Short Term Disability and Family Medical Leave Overhead – Account 1222: \$3,808

LAFCO employees are provided with short-term disability by contract with the County at a cost of 0.99% of salaries per pay period. In addition, the administrative cost for the Family Medical Leave is calculated at \$1.62 per pay period for each regular employee and the contract Executive Officer as required by law.

Social Security Medicare – Account 1225: \$6,190

For employees entering LAFCO service after 1985, contribution to the federal Social Security Medicare system is mandatory. The cost is calculated for four positions (the current Administrative Assistant was hired in 1985; therefore, does not pay into Social Security Medicare), and the contract Executive Officer at the rate of 1.41% of base compensation as required by law.

Worker's Compensation – Account 1235: \$5,216

This account is for worker's compensation insurance. LAFCO purchases this insurance through the Special District Risk Management Authority (SDRMA), a joint powers authority. SDRMA has indicated that rates are not increasing from the prior year and is estimated to be \$1.07 per \$100 of salaries and Commissioner stipend payments.

Life Insurance and Medical Trust Fund– Account 1240: \$7,526

This account contains costs associated with term life insurance (\$1.80 per pay period per employee), variable life insurance (based upon employee elections, \$827), and contributions to the Retirement Medical Trust Fund (based upon years of service, \$6,464).

Other (Medical Reimbursement Plan) – Account 1305: \$6,840

This account is for the Commission's matching payment toward an Exempt Medical Reimbursement Plan for employees of up to \$40 per employee per pay period and the Healthy Lifestyles membership up to \$324. Staff estimates full utilization of this benefit by all regular employees.

Allowance, Cafeteria – Account 1310: \$12,306

The Commission authorized changes to the compensation for the contract Executive Officer to include a bi-weekly medical subsidy of \$471.70 per pay period.

Deferred Compensation – Account 1314: \$1,795

LAFCO matches employee contributions to the 457 savings plan of the County up to ½% match of the employee's base salary (Groups B and C). The appropriation anticipates full participation by all regular employees in this plan. The Executive Officer is the sole Group A position which is eligible for a benefit of up to 1% match; however, this position is under contract and does not receive this benefit.

401(k) Contribution – Account 1315: \$28,721

LAFCO matches employee contributions to the 401(k) savings plan of the County up to 8% (Groups B and C) of the employee's base salary. The appropriation anticipates full participation by all regular employees. The Executive Officer is the sole Group A position, which is eligible for a benefit of up to 8% match; however, this position is under contract and does not receive this benefit.

SERVICES AND SUPPLIES

2000 AND 5000 SERIES

FY 2016-17

Continuing last year's activity level, this year is experiencing complex proposals which could directly impact the quality of life of tens of thousands of residents of our County. By action taken at the September 2015 hearing, the Commission directed staff to prioritize its activities to address the fire proposals submitted as the top priority, other jurisdictional changes next, and service reviews to follow. The approval of a consultant contract for supplemental staffing is helping with the processing burden, as well as providing support for the service reviews and other proposal processing.

For FY 2016-17, Services and Supplies had a final budgeted amount set through amendments and other actions of \$661,105 and are estimated to be 104% expended at the conclusion of the fiscal year for a total of \$689,745. However, not all the costs related to the office relocation may process this year due to timing issues for the completion of renovations. Therefore, staff anticipates returning to the Commission at the Final Budget hearing in May to request the appropriate budget adjustments, at which time the timing and costs for the items outlined above should be better known.

Items of note during this Fiscal Year are:

- Payment of \$100,000 deposit for tenant improvements for the renovation of the Santa Fe Train Depot for use as the new LAFCO Office was made in August 2016.

- Costs related to processing the West Valley Mosquito and Vector Control District reorganization requiring individual notice to landowners due to the extension of an existing special tax totaled roughly \$25,000.
- Processing for the Formation of the Wrightwood CSD, totaling roughly \$11,000 to date.
- \$122,350 estimated for the relocation of staff office (various accounts). This includes estimates of office furnishing costs, move costs, and relocation of utilities for internet and phone services.
- \$15,000 budgeted for a new server, timing contingent upon office move.
- Significant individual notice costs of roughly \$26,000 for the reorganization to include annexation of the City of Upland to County Fire that includes the extension of a special tax. The applicant was required to provide a deposit to cover these costs. A breakdown is shown below:
 - Account 2310 (Postage) - \$10,662 each for the Commission and protest hearings totaling \$21,324.
 - Account 2323 (Reproduction/Printing) - \$2,482 each for the Commission and protest hearings totaling \$4,964.
- The consulting contract with Robert Aldrich for staffing services – the Commission approved this contract not to exceed \$86,400.
- The Commission has expressed its desire to provide continuing governance training for the special districts within the County. The Commission continued this program for FY 2016-17, and staff developed an education program with the California Special Districts Association (CSDA) and the Institute for Local Government (ILG) – see chart below. The sessions were well attended with positive survey results.

Educational Training Program Timeline		
Training Session	Collaboration	Date
Overview of Special District Laws	California Special Districts Association	December 8, 2016
LAFCO 101 – Understanding and Applying the Basics	CALAFCO, Riverside & Los Angeles LAFCOs	January 24, 2017
Partnering with Community Based Organizations for More Inclusive Public Engagement	Institute for Local Government	March 22, 2017

FY 2017-18

The total budgeted amount for Services and Supplies for FY 2017-18 is \$554,171 which is a decrease of roughly \$135,574 from the 2016-17 estimated year-end. The following work plan items are included:

- It is anticipated that processing activity for FY 2017-18 will continue at the same magnitude as the past two years with the receipt of at least two fire proposals that include the extension of a special tax. Therefore, staff has taken the direction of the Commission to prioritize the fire proposals as the top priority, other jurisdictional changes next, and service reviews to follow will continue during the upcoming year.
- To assist with the proposal and service review processing, this budget recommends extending the contract with Robert Aldrich for supplemental staffing (\$90,000) for the full fiscal year. In addition, it is proposed that Mr. Aldrich be the recruiter for the Executive Officer position to be filled during the second- half of the Fiscal Year, which is included in the \$90,000 contract.
- The budget includes the printing and postage and handling charges for the two fire proposals that include the extension of a special tax (\$70,912). These costs are recovered from the applicant and are accounted for in the Revenue budget in kind.
- Ongoing Projects include the continuation of the Fiscal Indicators program adding the data for 2016 for viewing on the LAFCO website by December 2017.
- The workload related to jurisdictional change applications is increasing from the recession years. Staff has identified 11 proposals that are anticipated to be received in FY 2017-18 or earlier. The recent uptick in activity consists of complex proposals which require increased analysis and processing time.
- The staff office lease terminates on June 30, 2017, and the Commission has approved the relocation to the Santa Fe Depot. To date, LAFCO has contractually paid \$100,000 to begin construction with the remaining construction costs to be amortized over the first five years of the lease. At this time, the majority of costs for the renovation and relocation are budgeted for FY 2016-17 (\$122,350). The remaining costs budgeted for FY 2017-18 are \$25,000 for any incidental costs.
- During Fiscal Year 2016-17 staff was abruptly notified of the cancellation of its contract for use of the City Council Chambers of the City of San Bernardino. SBCTA allowed the Commission the use of its Boardroom during the balance of the Fiscal Year. Staff is proposing the Commission authorize, as a part of this budget review, the contracting for use of the Norton Regional Event Center as its hearing location. This facility meets the needs of the Commission and staff has made preliminary contact with Inland Valley Development Agency (IVDA) in reference to a long term

contract. Preliminary discussions show that a long-term use agreement will result in a reduced rental charge which can easily be accommodated through the cost savings achieved on the lease payment.

- The Commission's Governance Training program is budgeted to continue for the special districts within the County. For the coming year, the budget anticipates at least two courses by either the California Special Districts Association (CSDA) or the Institute for Local Government (ILG). The total program cost for the year is estimated at roughly \$7,500.

FY 2018-19 and FY 2019-20

Services and Supplies for FY 2018-19 are projected at \$429,690. The primary reasons for the decrease in costs from prior year is the lack of office relocation and Executive Officer recruitment costs. It anticipates a slight decrease in activity, natural contract and inflationary increases, and maintenance of current activities.

Services and Supplies for FY 2019-20 are projected at \$432,807. It anticipates maintenance of the proposal activity, and natural contract and inflationary increases.

LINE ITEM ACCOUNTS FOR SERVICES AND SUPPLIES FOR FISCAL YEAR 2017-18

SERVICES

Comnet Charge – Account 2037: \$2,730

Comnet is the County's telephone system and supports the new computer linked phone system. Charges for use of this system are \$28.44 per line per month. LAFCO utilizes eight phone lines, not including the answering/fax line which are a part of Account 2041.

Phone Service/Outside Company – Account 2041: \$10,318

The use of phone service outside the County system (Verizon) is required by the security alarm company to ensure proper monitoring for the LAFCO office as well the analog fax machine (which line is also used for the answering machine). The monthly phone charge is roughly \$64 per month. Additionally, monthly charges to Verizon of \$796 are required for the access to a fiber optic line, enabling access to the internet, County intranet, and telephone.

Membership Dues – Account 2075: \$9,831

This account is for membership in professional associations. Dues are estimated to be \$8,675 (seven percent increase) for CALAFCO and \$1,156 for California Special Districts Association.

Tuition Reimbursement – Account 2076: \$3,000

Pursuant to the LAFCO Benefits Plan, employees can be reimbursed for up to \$1,000 for approved tuition, course/seminar or degree related expenses, and membership dues in professional organizations. This appropriation provides for full participation by three employees.

Publications – Account 2080: \$3,288

This account anticipates costs for updates to the California Legislative Codes, California Environmental Law pamphlets, and other publications and/or updates utilized by either staff or the Commission and the monthly California Planning and Development Newsletter. As a cost savings measure, the Commission has participated in a contract with West's Publishing Customer Loyalty program to receive updated pocket parts to the California Annotated Code.

Legal Notices – Account 2085: \$18,500

The budget figure accommodates the advertising needs for maintenance of a ten hearing schedule and estimated five protest hearings. An eighth-page display ad in general newspapers is required for the countywide service reviews and when advertisement is authorized in-lieu of individual landowner and/or registered voter notice for changes of organization.

Miscellaneous Expense (Costs related to move) – Account 2090: \$25,000

Staff has identified a single account for costs related to the relocation of the LAFCO office. The renovation and relocation costs are budgeted for FY 2016-17. An additional \$25,000 is budgeted to cover any carryover incidentals.

Computer Software – Account 2115: \$3,502

The account accommodates the charges for purchases of new software programs, access to online programs, and annual updates of existing programs. Access to online programs and annual updates of existing programs include ESRI's online mapping, digital archiving software for LAFCO to maintain its records in perpetuity per Government Code Section 56382, upgrade to the current Adobe Acrobat for all employees, and Microsoft annual licenses.

Inventoriable Equipment – Account 2125: \$2,000

The computers and monitors of the Clerk and Administrative Assistant are nearing their useful life and are in need of replacement. \$1,000 is budgeted for each position.

Electricity – Account 2180: \$4,800

This is a new account. With the approved office relocation to the Santa Fe Depot, LAFCO is now responsible for payment of the office electricity (the lease of the existing office includes electricity in the monthly payment). Staff estimates a cost of \$400 per month.

Other Insurance – Account 2245: \$9,050

This account is for property liability insurance (liability and damage), general liability, public officials and employee errors and omissions, personal liability for board members, employment practices liability, employee benefits liability, employee dishonesty coverage, and auto liability. LAFCO purchases this insurance through the Special District Risk

Management Authority (SDRMA), a joint powers authority. SDRMA has provided notification rates will increase 10% for the coming year after many years of no increases.

SUPPLIES

General Office Expense – Account 2305: \$7,410

This account is utilized for expenses to run the office such as office supplies and non-inventoriable items. General expenses include ink for the color printer, paper, petty cash reimbursement, annual fire inspection fee, the purchase of a new CD copy machine, and office supplies. Additionally, LAFCO utilizes the County's contract with Staples, and these expenses are budgeted in Account 5012 (Staples) with only the administrative surcharge included in this line item.

Credit Card Clearing Account - Account 2308: \$0

This is a clearing account for use of the credit card issued to the Executive Officer. All charges on the card will be posted to this account temporarily with charges then transferred to the appropriate accounts. At year's end, this account will have no expenditures.

Postage – Direct Charge – Account 2310: \$60,694

The shift to have placement of the staff reports and attachments and notices on CD and the website has reduced overall postage costs. For the routine course of business, the estimated postage cost for the year is \$11,056 for 10 hearings. This cost includes postage and handling for 10 hearings and interoffice mail to include special pick-ups as outlined in the County's Internal Service Rates. Additionally, proposals regarding County Fire that include annexation to a special tax zone will include individual notice for the Commission and protest hearings. These costs would be covered by the applicant's deposit and are calculated at \$49,638.

Records Storage – Account 2315: \$696

Government Code Section 56382 mandates LAFCO to maintain its records in perpetuity.

Reproduction Services – Account 2323: \$21,274

This account is for reproduction activity outside of the LAFCO office (County Printing Services, Kinkos, etc.). The shift to have the staff reports, attachments and notices on CD and available online have reduced printing costs. However, proposals regarding County Fire that include annexation to a special tax zone will include individual notice, a substantial expenditure. These costs would be covered by the applicant's deposit.

Temporary Services – Account 2335: \$7,650

The use of temporary services provides clerical support for processing large proposals.

CONSULTANT AND SPECIAL SERVICES

Professional and Special Service (Legal Counsel) – Account 2400: \$34,300

The existing contract for LAFCO legal counsel allows an annual rate based on the local consumer price index for the previous year for urban consumers not to exceed five percent and rounded up to nearest dollar; \$232 per hour is the charge for Fiscal Year 2017-18. All legal counsel costs, with the exceptions of administrative charges and the CALAFCO Conference, are reimbursable under the Commission's existing fee policy. Payments made for costs recoverable are deposited into Revenue Account 9555. (Litigation and outside legal counsel costs are charged under Account 2449 below.) LAFCO also participates in Best, Best, & Krieger's *Public Policy and Ethics Service* which has an annual charge of \$3,300.

Auditing – Account 2405: \$11,783

This will be the second year of a four year contract with Davis Farr LLP for independent auditing services, contracted amount is \$7,800 for this engagement. Additionally, LAFCO Legal Counsel charges for the preparation of the response to the audit which is paid from this account (estimated at \$90). SBCERA is required to determine the unfunded liability for its participants and by legislative action can charge for fulfilling that requirement. The prior year SBCERA cost was \$3,893, which is budgeted the same for the coming year.

Data Processing – Account 2410: \$7,827

LAFCO contracts with the County Information Services Department for technology related services. This account is for technology infrastructure (internet, email, security, etc.) and reporting from the County payroll system. The budget utilizes a monthly average of \$652.

COWCAP – Account 2415: \$20,000

For FY 2016-17, the costs identified in the County Wide Cost Allocation Plan (COWCAP) total \$8,458 – this would be for services performed in FY 2015-16 but charged in FY 2017-18. COWCAP costs include technology charges-emerging technologies, use of County Purchasing, and processing of payments and payroll through the County Auditor which are charged to LAFCO pursuant to existing agreements. Even though the identified charge is \$8,458, the budget allocates \$20,000 for this category to insure against any revisions to COWCAP, which have occurred in the past.

ISD Other IT Services – Account 2420: \$210

This account is for charges by the County Information Services Department for the Executive Officer's portable communication device (smart phone) connection to County e-mail servers - \$17.47 per month per device.

ISD Direct – Account 2421: \$8,927

LAFCO contracts with the County Information Services Department for technology related services. This account is for maintenance of the local area network of computers, printers, and servers. The County charges a flat monthly charge by device rather than by service call activity. The monthly charge is \$82.66 per device for 12 devices.

Environmental Consultant – Account 2424: \$6,550

The Commission contracts with an independent consultant, Tom Dodson and Associates, for the environmental assessment associated with its proposals. Anticipated costs are for environmental analysis of out-of-agency service contracts, proposals, sphere of influence updates and service reviews, and for other environmental determinations. Most environmental consultant costs are billable under the Commission's existing fee schedule. Payments made for cost recovery are deposited into Revenue Account 9660. Additionally, this account includes the Notice filings with the Clerk of the Board, typically \$50 per proposal.

Security Services – Account 2444: \$408

Costs for maintaining the security alarm system and monitoring are \$102 paid quarterly.

Other Professional Services – Account 2445: \$140,385

This account is for professional services to process proposals and items on the hearing agendas. These costs include:

- The contract with Bob Aldrich for staffing support at a rate of \$75 an hour, (\$90,000).
- Commissioner stipend payments for attendance at Commission hearings and Southern Region LAFCO meetings (\$23,600)
- County Auditor to process the apportionments for the Cities, Independent Special Districts and the County (\$5,569)
- Governance training for the special districts within the County. Staff has developed an education program for the coming year with the California Special Districts Association (CSDA) and the Institute for Local Government (ILG) and is proposing to provide three seminars during the fiscal year. CSDA and ILG have indicated that it would charge \$2,500 to conduct the training. (\$7,500)
- County Surveyor and Registrar of Voters (\$4,405)
- County Auditor to file LAFCO's quarterly taxes (\$3,940)
- Video recording of Commission hearings (\$3,500)
- County Assessor to provide landowner listings for the proposals requiring the extension of a special tax (\$1,871)

Outside Legal – Account 2449: \$0

This account is for legal services conducted through special contract for either litigation or when a conflict of interest waiver is not granted. For proposals not initiated by the Commission, the applicant agrees to indemnify the Commission against legal costs.

System Development – Account 2450: \$200

LAFCO contracts with the County Information Services Department for technology related services. This account is for specialized support for the LAFCO website to include maintenance of the site, its mapping page, and Fiscal Indicators page.

GIMS Charges – Account 2460: \$16,170

LAFCO contracts with the County Information Services Department for technology related services. This account is for generation and maintenance of digitized maps. Costs for this account include paper maps generated (\$270), Aerial Imagery subscription (\$3,000), Street

Network Subscription (\$10,500), and LAFCO's proportional use of the County's ESRI ArcMap license (\$2,400).

LEASE/PURCHASES

Rent/Lease Copier – Account 2895: \$7,200

This account accommodates the contract for the copier lease at an estimated \$600 per month, based upon activity.

Office/Hearing Chamber Rental – Account 2905: \$82,788

The monthly lease payment for the staff office at the Santa Fe Depot will be \$6,474, a total expense of \$77,688. Of this monthly cost, \$2,167 is the estimated cost for amortizing the renovations of the staff office for 60 monthly payments. In addition, staff is proposing to contract with Inland Valley Development Authority for use of the Norton Regional Event Center as the permanent location for Commission hearings. It is estimated that this will be \$5,100 per year, \$425 per month.

TRAVEL RELATED EXPENSES

Private Mileage – Account 2940: \$4,855

This account is currently dedicated for Commissioners and staff private auto mileage at the IRS rate, excluding the Executive Officer.

Conference/Training – Account 2941: \$6,140

This account is for attendance charges related to conferences and training courses for staff as directed by the Executive Officer. The costs include CALAFCO or Southern Region LAFCOs training, clerk and analyst training, attendance at the CALAFCO annual conference by Commissioners and staff (currently estimated at seven Commissioners and two staff), and staff participation at the CALAFCO Staff workshop (estimated at three staff). The annual conference will be hosted by San Diego LAFCO and staff workshop by Marin LAFCO.

Hotel – Account 2942: \$10,550

This account is for hotel charges for Commissioners and staff at the CALAFCO annual conference, Southern Region LAFCOs meeting attendance, staff participation at the staff workshop, CALAFCO Legislative Committee participation, Commissioner Curatalo's participation as the President of the CALAFCO Board of Directors and any other overnight stays on LAFCO business.

Meals – Account 2943: \$2,235

This account is for Commissioner and staff meal charges related to the CALAFCO annual conference, CALAFCO Board hearings, Southern Region LAFCOs meeting attendance, staff workshop, CALAFCO Legislative Committee participation, and other travels.

Car Travel – Account 2944: \$200

This account is for car rental by Commissioners or staff.

Air Travel – Account 2945: \$2,000

This account is for air travel for Commissioners and staff. The costs identified are for the Executive Officer's travel due to membership on the CALAFCO Legislative Committee and Commissioners participating on CALAFCO Board of Directors.

Other Travel – Account 2946: \$400

This account is for miscellaneous travel charges such as parking and taxi charges. The estimated cost for taxi services for the CALAFCO annual conference, staff workshop, and other travels.

OTHER CHARGES

Staples – Account 5012: \$1,200

LAFCO utilizes the County's contract with Staples for general office supplies and these expenses are budgeted in Account 5012 (Staples).

CONTINGENCIES AND RESERVES

Contingency (General) – Account 6000: \$132,050

The amount for this account has been set at least 10% of total expenditures. The majority of funds currently in this account will carry over into FY 2017-18, which are adequate to cover the minimum requirement. Although the funds in this account are not anticipated for use, funds could be used for unexpected activity. Any transaction affecting the contingency funds requires Commission action to transfer the funds to the appropriate line item for expenditure.

Reserves – Net Pension Liability -- Account 6010: \$148,450

In October 2014, the Commission created the Net Pension Liability Reserve to set aside funds to address its unfunded pension liabilities. It was the Commission's direction that Reserves plus Contingency would cover pension liability should the legislature decide to dissolve LAFCOs throughout the State. The Net Pension Liability is calculated each year by SBCERA, and the most recent estimate (as of June 30, 2016) of the LAFCO share of the retirement pool's unfunded liability is \$681,447.

The amortization of this liability is annually evaluated by LAFCO as part of the budget. This budget includes the contribution of \$31,353 for the third year of the 20-year amortization.

Reserves – General – Litigation – Account 6025: \$225,407

LAFCO policy designates a reserve for general purposes to include litigation. Commission policy is \$200,000 minimum for this reserve.

Reserves – Compensated Absences – Account 6030: \$89,708

The Commission has an established policy of setting aside reserves for the compensated absences payable as of the first pay period in April. The amount identified above represents five full-time staff positions, excluding the contracted Executive Officer.

REVENUES

FY 2016-17

To provide for the revenue projection at year-end for Fiscal Year 2016-17, the Accounts for Interest has exceeded budget projection by approximately \$1,500 and 100% the Apportionment has been received.

The chart below shows the budgeted and the estimated year-end balances for the accounts that comprise the Fee categories, accounts that are sensitive to activity levels. The budgeted amount includes the withdrawn proposal of the Consolidation of the Inland Empire Utilities Agency and Chino Basin Water Conservation District (refund of \$6,756). By year's end, staff estimates fee revenue receipts 16% below the amended budget amounts. The chart below outlines the Revenue Categories:

Fee/Deposit Category	Budget	Estimated Year-End
Individual Notice	\$ 37,366	\$ 20,200
Legal Services	\$ 15,150	\$ 9,674
Protest Hearing	\$ 34,166	\$ 34,000
GIMS Fees	\$ 7,995	\$ 5,850
Environmental Deposits	\$ 9,600	\$ 6,420
<u>LAFCO Fees</u>	<u>\$ 103,800</u>	<u>\$ 99,350</u>
Total Fee Revenue	\$ 208,077	\$ 175,494

FY 2017-18

As noted in other portions of this narrative, FY 2017-18 is anticipated to continue a normal submission count for proposal activity. This is based upon the increasing activity from the past two years as well as information conveyed that most sectors of the local economy have decent predictions for the upcoming year. Staff has identified 11 proposals that are anticipated to be received in FY 2017-18 or earlier.

Revenues consisting of interest, mandatory apportionment contributions (9% increase from prior year), and fee revenue are estimated to be \$1,254,415. Refunds from Prior Years, Miscellaneous Charges, and Carryover increase revenues to a total of \$1,270,165. Including Reserves from Prior Year adds \$645,953, for a grand total of \$1,916,118.

REVENUE FORECAST FOR FISCAL YEAR 2018-19 AND FISCAL YEAR 2019-20

The forecast included for years two and three of the budget assumes a maintenance of proposal activity and an increase in apportionment of net costs by 3.0% and 2.0%, respectively. The following chart conservatively maintains proposal activity at nine proposals each year for the following two years.

LINE ITEM REVENUES FOR FISCAL YEAR 2017-18

Interest – Account 8500: \$8,000

LAFCO participates in the County’s interest pool and is apportioned interest receipts quarterly. Interest rates have recently increased.

Mandatory Contribution from Governments (Local Government) – Account 8842: \$1,009,583

Government Code Section 56381 requires that the net costs for LAFCO be apportioned equally to the County, the Cities, and the Independent Special Districts within the County. The proposed apportionment to the County, Cities, and Independent Special Districts is \$336,528 each. The County Auditor will be required to apportion this amount on July 1, 2017 pursuant to the requirements of law and Commission policies.

The apportionment over the last ten years is shown below extending from the actual amounts from 2010-11 through 2016-17, requested for 2017-18, and projected for 2018-19 and 2019-20:

10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
\$1,033,911	\$933,639	\$903,000	\$864,822	\$864,822	\$882,117	\$926,223	\$1,009,583	\$1,039,871	\$1,060,668
	9.7% decrease	3.3% decrease	4.2% decrease	No change	2.0% increase	5.0% increase	9.0% increase	3.0% increase	2.0% increase

Pursuant to Government Code Section 56381(a), the proposed and final budget at a minimum shall be equal to the budget adopted for the previous fiscal year unless the Commission makes certain determinations. As outlined in the Proposed Budget staff report, the continuation of the Contract Executive Officer helps with continuing maintenance of the lower required apportionment payments. The apportionment amount identified will be sufficient to cover the costs for the upcoming fiscal year including the maintenance of the Commission required reserves.

CURRENT SERVICES/FEEES

Fees, charges, and deposits ordinarily involve the appropriate LAFCO filing fee and deposits for the recovery of the Commission’s direct costs, for such items as LAFCO Legal Counsel, environmental review, Registrar of Voters costs, individual notification costs, etc.

For this budget cycle, staff is not proposing increases to the fees, charges, or deposit categories. Cost recovery for proposals and service contracts is not addressed in the budget due to its speculative nature. The figures for the categories below are based upon the activity identified above.

Individual Notice – Account 9545: \$42,320

This account is for landowner and registered voter notification requirements. This \$700 deposit is applied to proposals and development-related service contract less refunds. Should a proposal require individual notice due to the extension of a special tax, then the proponent will be required to submit a deposit for the direct costs to produce and mail the individual notices. An additional \$38,820 has been calculated for the additional individual notices for the Commission hearings.

Legal Services – Account 9555: \$9,600

This account is for deposits for legal services which are calculated at \$1,200 for proposals and \$650 for service contracts requiring a hearing.

Protest Hearing – Account 9595: \$43,620

The account is for deposits related to the processing of the protest hearing which are calculated at \$1,500 each. Should a proposal require individual notice due to the extension of a special tax, then the proponent will be required to submit a deposit for the direct costs to produce and mail the individual notices. An additional \$36,120 has been calculated for the additional individual notices for the protest hearings.

GIMS Fees – Account 9655: \$7,520

This account is for receipt of revenue to recover the costs associated with the County's digital maps for sphere or boundary changes, maintenance and updates. The charge is based upon the acreage of each consideration area.

Environmental Deposits – Account 9660: \$6,000

Deposits for environmental review processing are calculated at \$750 for proposals and \$450 for service contracts requiring a hearing.

Other (LAFCO Fees) – Account 9800: \$127,773

Revenues in this account are based on anticipated activity and conservatively calculated at the median annexation filing fee for the activity identified above.

OTHER REVENUES

Refunds from Prior Year – Account 9910: (\$1,250)

This account refunds deposits submitted by applicants less costs incurred for activity which carry over from one year to another.

Miscellaneous Revenues – Account 9930: \$2,000

This account is for revenues received for duplication of CDs, DVDs, paper copies, and other miscellaneous receipts.

Carryover from Prior Year – Account 9970: \$15,000

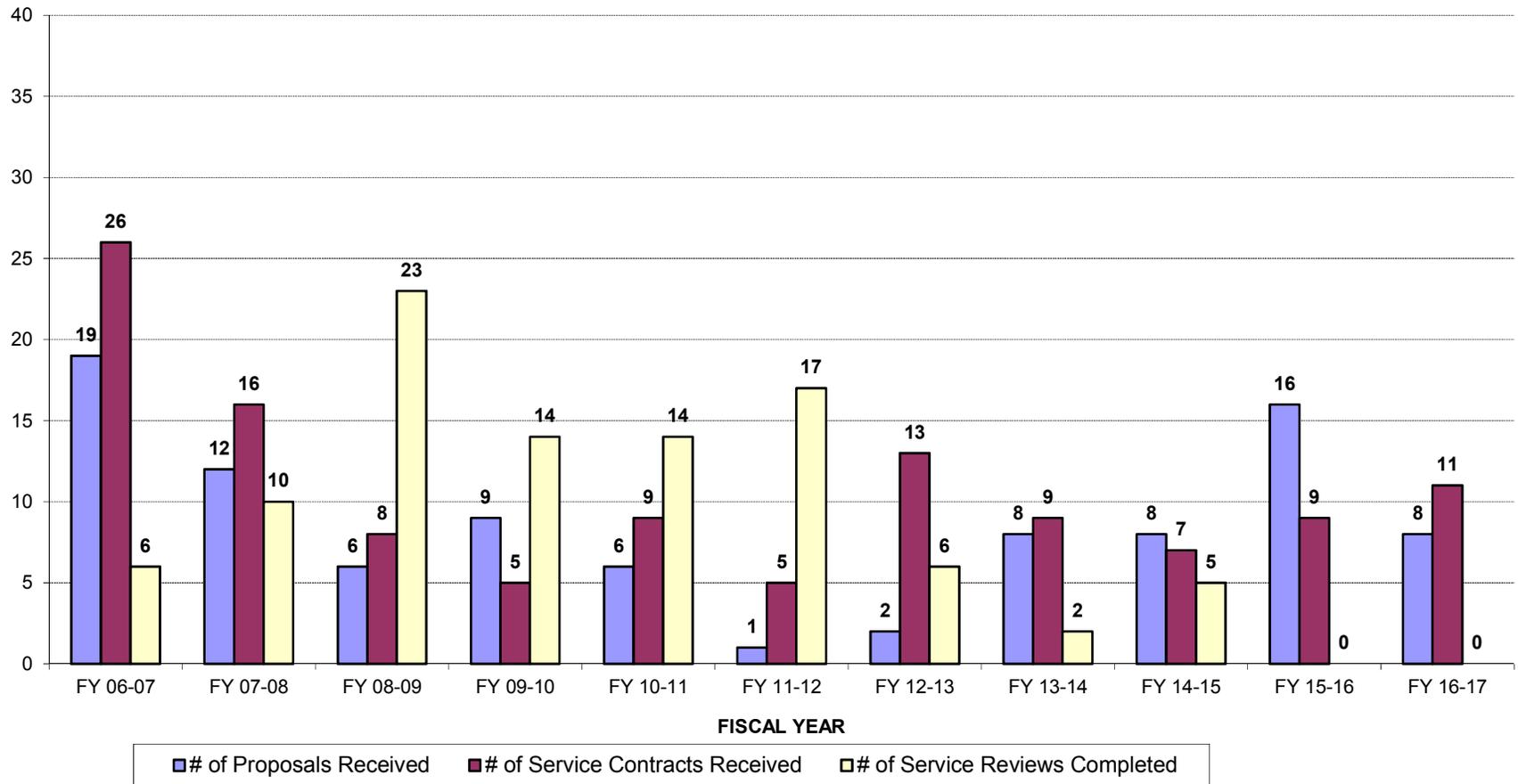
A total of \$15,000 is estimated to carryover as funds tied to open proposals not yet complete.

RESERVES FROM PRIOR YEAR, as of July 1, 2017 (estimated)

At the time of the preparation of this narrative report, all of the Commission's reserves are anticipated to carryover from FY 2016-17 to FY 2017-18 as follows:

However, as outlined in the budget report, depending upon the timing of the staff office move, a transfer from contingency may be necessary to provide for an increase in appropriation authority.

Number of Proposals & Service Contracts Received, and Service Reviews Completed by Fiscal Year



Anticipated FY 16-17 Year-End

**Estimated Apportionment Distribution
For City/Town and Special District Costs**

Attachment 2

**LAFCO Cost Allocation
County of San Bernardino Allocation
PY 2017-2018**

	<u>Amount</u>	<u>Percentage of Total Cost</u>
County of San Bernardino		
Total LAFCO Cost	\$ 1,009,583.00	100.00%
County of San Bernardino Allocation (1/3)*	\$ 336,527.67	33.33%
Total San Bernardino County Allocation	\$ 336,527.67	33.33%

Note:

* Per LAFCO Funding Election, County of San Bernardino pays third of total LAFCO cost.

* Total LAFCO Apportionment for FY 2017-18 is \$1,009,583 (by letter dated March 2, 2017)

City	Total Revenues FY 14-15	LAFCO Allocation	Allocation Percentage
Adelanto	\$ 14,051,611.00	\$ 2,044.86	0.61%
Apple Valley	\$ 62,096,416.00	\$ 9,036.59	2.69%
Barstow	\$ 43,032,929.00 *	\$ 6,262.37	1.86%
Big Bear Lake	\$ 43,097,054.00 *	\$ 6,271.70	1.86%
Chino	\$ 139,821,339.00	\$ 20,347.52	6.05%
Chino Hills	\$ 111,173,999.00	\$ 16,178.61	4.81%
Colton	\$ 130,079,438.00	\$ 18,929.83	5.63%
Fontana	\$ 183,936,823.00 *	\$ 26,767.43	7.95%
Grand Terrace	\$ 7,272,727.00	\$ 1,058.36	0.31%
Hesperia	\$ 68,384,572.00 *	\$ 9,951.67	2.96%
Highland	\$ 25,207,434.00	\$ 3,668.32	1.09%
Loma Linda	\$ 29,130,220.00	\$ 4,239.18	1.26%
Montclair	\$ 84,494,654.00	\$ 12,296.10	3.65%
Needles	\$ 5,740,288.00	\$ 835.36	0.25%
Ontario	\$ 366,957,539.00	\$ 53,401.54	15.87%
Rancho Cucamonga	\$ 181,334,187.00 *	\$ 26,388.68	7.84%
Redlands	\$ 122,990,157.00	\$ 17,898.16	5.32%
Rialto	\$ 138,983,786.00	\$ 20,225.63	6.01%
San Bernardino	\$ 254,670,827.00	\$ 37,061.01	11.01%
Twentynine Palms	\$ 10,992,715.00	\$ 1,599.72	0.48%
Upland	\$ 100,298,426.00	\$ 14,595.94	4.34%
Victorville	\$ 144,810,692.00 *	\$ 21,073.60	6.26%
Yucaipa	\$ 28,544,588.00	\$ 4,153.96	1.23%
Yucca Valley	\$ 15,402,952.00	\$ 2,241.52	0.67%
	\$ 2,312,505,373.00	\$ 336,527.66	100.00%

Allocation is based on Cities revenues extracted from Fiscal Year 2014-15 tables published on the State Controller's website (www.sco.ca.gov). Fiscal Year 2015-16 was not available as of March 24, 2017.

* Cities with subsidiary districts. Subsidiary districts are excluded from the special district distribution and revenue added to the City (confirmed for FY 2017-18 by email dated March 7, 2017)

- Barstow Fire Protection District (City of Barstow)
- Big Bear Lake Fire Protection District (City of Big Bear Lake)
- Fontana Fire Protection District (City of Fontana)
- Hesperia County Water District (City of Hesperia)
- Hesperia Fire Protection District (City of Hesperia)
- Rancho Cucamonga Fire Protection District (City of Rancho Cucamonga)
- Victorville Water District (City of Victorville)

District Name	Total Revenues*	LAFCO Cost	Allocation
	FY 14-15	Allocation	Percentage
Apple Valley Fire Protection	\$ 7,627,271.00	\$ 10,000.00	2.97%
Apple Valley Foothill County Water	\$ 151,224.00	\$ 143.92	0.04%
Apple Valley Heights County Water	\$ 287,891.00	\$ 273.99	0.08%
Arrowbear Park County Water	\$ 1,115,281.00	\$ 1,061.43	0.32%
Baker Community Services	\$ 651,529.00	\$ 620.07	0.18%
Barstow Cemetery	\$ 432,348.00	\$ 411.47	0.12%
Barstow Heights Community Services	\$ 61,108.00	\$ 58.16	0.02%
Bear Valley Community Healthcare	\$ 215,463.00	\$ 1,500.00	0.45%
Big Bear Airport	\$ 1,894,217.00	\$ 1,802.75	0.54%
Big Bear City Community Services	\$ 12,748,641.00	\$ 10,000.00	2.97%
Big Bear Municipal Water	\$ 4,753,767.00	\$ 4,524.23	1.34%
Big River Community Services	\$ 169,318.00	\$ 161.14	0.05%
Bighorn-Desert View Water Agency	\$ 1,438,623.00	\$ 1,369.15	0.41%
Chino Basin Water Conservation	\$ 1,614,066.00	\$ 1,536.12	0.46%
Chino Valley Independent Fire	\$ 32,193,467.00	\$ 20,000.00	5.94%
Crestline Lake Arrowhead Water Agency	\$ 5,732,069.00	\$ 10,000.00	2.97%
Crestline Sanitation District	\$ 3,672,022.00	\$ 3,494.70	1.04%
Crestline Village Water	\$ 2,703,774.00	\$ 2,573.21	0.76%
Cucamonga Valley Water District	\$ 85,411,158.00	\$ 30,000.00	8.91%
Daggett Community Services	\$ 294,345.00	\$ 280.13	0.08%
East Valley Water	\$ 31,462,605.00	\$ 20,000.00	5.94%
Helendale Community Services District	\$ 3,573,409.00	\$ 3,400.85	1.01%
Hesperia Recreation and Park	\$ 5,256,172.00	\$ 10,000.00	2.97%
Hi-Desert Memorial Healthcare District	\$ 64,403,275.00	\$ 1,500.00	0.45%
Hi-Desert Water District	\$ 10,681,221.00	\$ 10,000.00	2.97%
Inland Empire Resource Conservation	\$ 2,163,041.00	\$ 2,058.59	0.61%
Inland Empire Utilities Agency	\$ 161,842,138.00	\$ 30,000.00	8.91%
Joshua Basin Water	\$ 5,218,350.00	\$ 10,000.00	2.97%
Juniper-Riviera County Water	\$ 287,141.00	\$ 273.28	0.08%
Lake Arrowhead Community Services	\$ 15,788,807.00	\$ 10,000.00	2.97%
Mariana Ranchos County Water	\$ 483,039.00	\$ 459.71	0.14%
Mojave Desert Resource Conservation	\$ 90,415.00	\$ 86.05	0.03%
Mojave Water Agency	\$ 41,457,083.00	\$ 20,000.00	5.94%
Monte Vista Water	\$ 15,816,699.00	\$ 10,000.00	2.97%
Morongo Valley Community Services	\$ 793,655.00	\$ 755.33	0.22%
Newberry Community Services	\$ 214,852.00	\$ 204.48	0.06%
Phelan Pinon Hills Community Services District	\$ 6,087,655.00	\$ 10,000.00	2.97%
Rim of the World Recreation and Park	\$ 1,124,831.00	\$ 1,070.51	0.32%
Running Springs Water	\$ 5,559,590.00	\$ 10,000.00	2.97%
San Bernardino Mountains Community Hospital	\$ 1,632,526.00	\$ 1,500.00	0.45%
San Bernardino Valley Municipal Water	\$ 69,859,830.00	\$ 30,000.00	8.91%
San Bernardino Valley Water Conservation	\$ 2,261,898.00	\$ 2,152.67	0.64%
Thunderbird County Water	\$ 221,243.00	\$ 210.56	0.06%
Twentynine Palms Cemetery	\$ 241,379.00	\$ 229.72	0.07%
Twentynine Palms Water District	\$ 5,741,636.00	\$ 10,000.00	2.97%
West Valley Mosquito and Vector Control	\$ 2,575,902.00	\$ 2,451.51	0.73%
West Valley Water District	\$ 26,517,026.00	\$ 20,000.00	5.94%
Wrightwood Community Services District	\$ 140,468.00	\$ 133.68	0.04%
Yermo Community Services	\$ 168,225.00	\$ 160.10	0.05%
Yucaipa Valley Water	\$ 24,363,118.00	\$ 20,000.00	5.94%
Yucca Valley Airport	\$ 73,717.00	\$ 70.16	0.02%
Totals	\$ 669,268,528.00	\$ 336,527.67	100.00%

All data in this worksheet are extracted from Fiscal Year 2014-15 Special Districts revenues tables published on the State Controller's website. Fiscal Year 2015-16 was not available as of March 24, 2017.

Exception: Data used for Bear Valley Community Healthcare and San Bernardino Mountains Community Hospital is 'Net from Operations' from FY 2015-16, published by the Office of Statewide Health Planning and Development

- On March 28, 1995, Hi- Desert Memorial Hospital's name was changed to Hi-Desert Memorial Healthcare District.
- By the Resolution No. 2003 -10-8, Cucamonga County Water District name changed to Cucamonga Valley Water District.
- Effective July 15, 2015, Hi-Desert Memorial Healthcare District, DBA Morongo Basin Healthcare District, has no longer operates a hospital as it leased operations to Tenet Healthcare Corporation.
- Effective July 1, 2017, the Wrightwood Community Services District is subject to LAFCO apportionment after its formation from CSA 56, LAFCO Resolution No. 3235)