

# Item 6a Workshop on the Fiscal Year 2023-24 Preliminary Budget & Work Program

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COMMISSION MEETING

APRIL 3, 2023

# LAFCo Budget Development

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## Annual Budget (CKH 56381(a))

- Budget  $\geq$  previous fiscal year
- Provision for less if find that a reduction in staffing or program expenses will nevertheless allow the Commission to fulfill its purposes and programs

## Budget Development

- Services and Supplies
- Work Program – narrative of expected work products in a fiscal year
  - Basic Services
  - Work Plan
  - Special Projects

# Budget

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## Expenses

- Basic Services (EO/Analyst/Clerk)
- Services and Supplies
- Work Plan (MSR/SOI Updates)
- Application processing

## Revenues

- Apportionment fees
- Interest
- Service fees (applications)

# Work Program

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Funded through Basic Services + Work Plan budget accounts

## Basic Services

- Budget development, Commission and Committee meetings, carrying out Commission direction, office administration and operations, public inquiries, etc.
- Policy development
- Application procedures and requirements
- Organizational improvements

## Work Plan

- Tentative plan for annual MSR/SOI studies

# Organizational Development

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## Policies & Procedures

Comprehensive update of application forms

## Staffing efficiencies

- Office administrative assistant
- Application processing
- Development of streamlined MSR/SOI review procedures

## Legal Counsel

- New contract
- Increase utilization of expertise (CEQA reviews/comments, legal opinions, etc.)

# Identifying & Responding to Emerging Trends

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## Organization

- Successful
- Proactive
- Responsive

## Work Plan

- Timely implementation
- Quality studies
- Higher Budget

# Work Plan

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State mandated preparation of MSR/SOI updates every 5 years, as needed

Policy for regular review of municipal service providers (water, sewer, fire, police)

Scope of studies



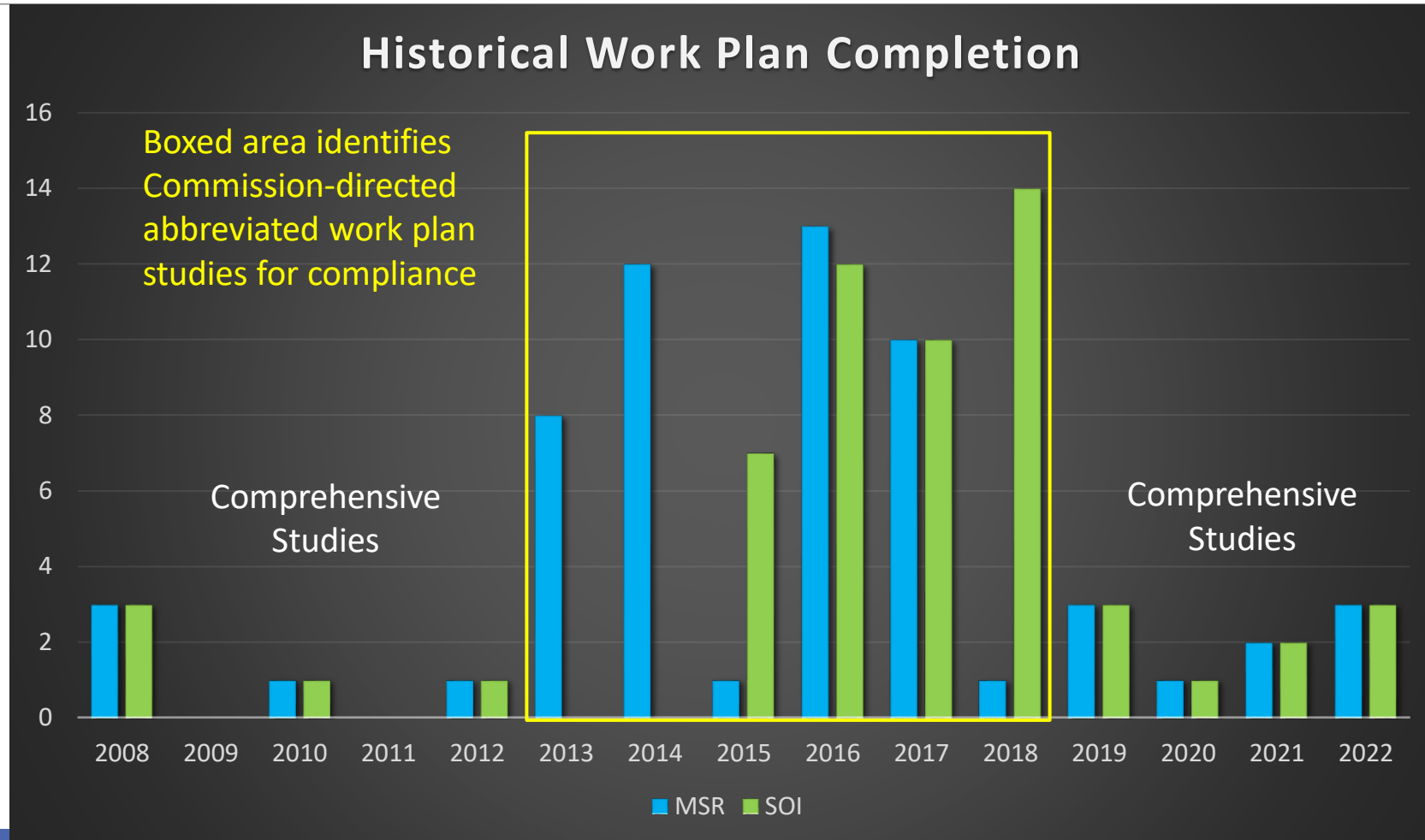
First Round

- 2013-2018 abbreviated approach necessary for expedited completion and limited budget

Second Round

- Scope determined by agency services and issues

# Work Plan History





# Work Plan Development

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Work Plan schedule to prioritize MSR/SOI studies

- 1) Municipal services (water, sewer, fire, police)
- 2) Date of last SOI Update
- 3) Known issues or development pressures
- 4) Coordinate with land use plan updates

Implementation

- In-house by staff
- Outsource to consultants

Challenges

- Staff Capacity: priorities are operations and applications
- Budget: outsourcing is more expensive

# Work Plan Implementation

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## Current practice

- In-house preparation of high quality studies
- Less expensive and more time consuming

## Alternative

- Outsource studies
- More expensive, free up staff for prioritized workload

## Recommendations

1. Outsource the MSR/SOI work plan and related CEQA reviews
2. Continue to budget work plan contingencies to cover #1
3. Develop a streamlined review procedure to apply on 5-year schedule (policy/procedures)

# Work Plan Contingency

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Accumulation of a portion of unused work plan budget

Provides for flexibility in implementing Work Plan

- Delays in study development
- Buffer for studies that extend multiple fiscal years
- Allow for shifts in approach (in-house, consultant)

CEQA

Approximately \$30,810 at FYE 2022-23

# Preliminary Work Plan

- Staff recommendation: outsource studies

**Table 2. Coast Region Water & Wastewater Districts and Mutual Water Companies**

#	District	W <sup>1</sup>	WW <sup>1</sup>	Mutual Water Companies
1	Gualala Community Services District		X	Albion Mutual Water Company
2	Caspar South Water District		X	Anchor Bay Water Works
3	Elk County Water District	X		Big River Vista Mutual Water Company
4	Irish Beach Water District	X		Caspar South Service Company
5	Mendocino County Water Works District No. 2 <sup>2</sup>		X	Hills Ranch Mutual Water Company
6	Pacific Reefs California Water District	X		North Gualala Water Company
7	Westport County Water District	X	X	Point Arena Water Works
8				Point of View Mutual Water Company
9				Seafair Road and Water Company
10				Surfwood Mutual Water Corporation

<sup>1</sup> W = water district; WW = wastewater district.

<sup>2</sup> This will be the first MSR/SOI study on the district.

# Preliminary Budget Summary

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Revenues  
\$341,500

- Apportionment Fees (3.6% ↑)
- Service Rates
- Cash Balance forward

Expenditures  
\$320,500

- Basic Services (6% ↑)
- Services & Supplies (8% ↑)
- Work Plan (30% ↑ to support outsourcing)

Reserves  
\$167,750

- Legal (no change)
- Operations (11% ↑ to meet policy)
- Contingency (22% ↑)

*Note: CPI is currently 8.27%*

# FY 2023-24 Preliminary Budget

Table 1. Summary of FY 2023-24 Preliminary Budget

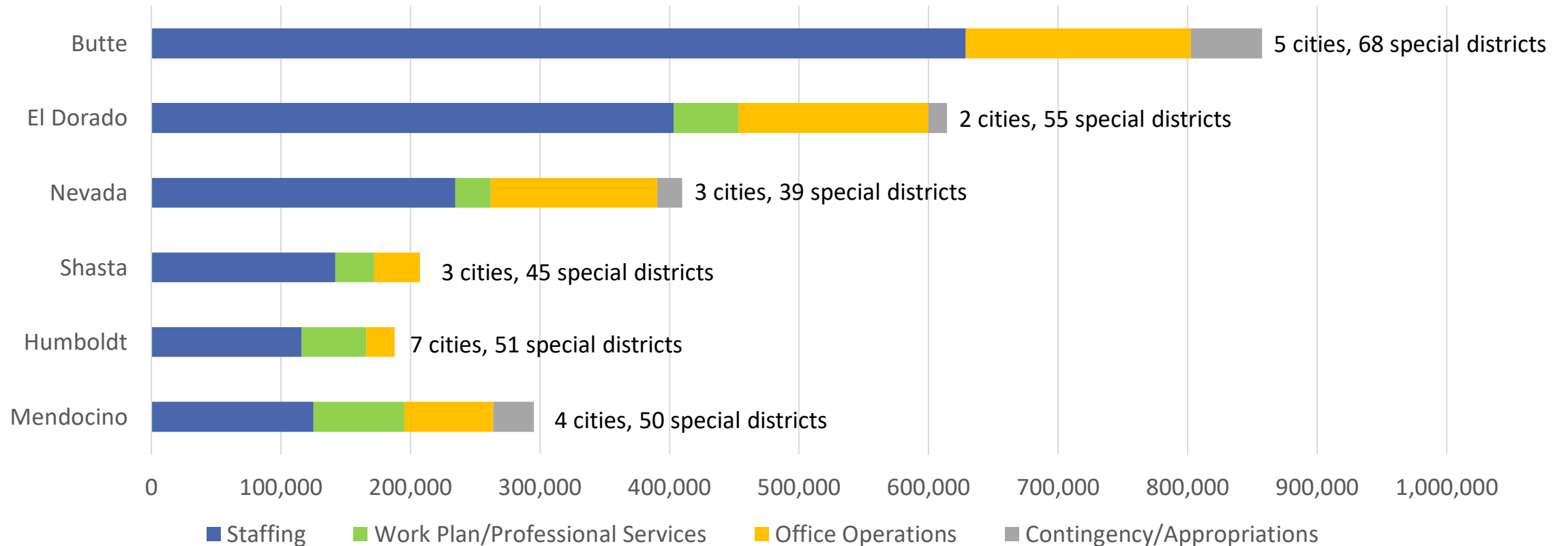
	FY 2022-23		FY 2023-24 Preliminary Budget (\$)
	Adopted (\$)	Projected (\$)	
Anticipated Cash Balance	0	0	56,000
Apportionment	265,000	265,000	275,000
Service Fees and Interest	100	9,000	10,500
<b>Estimated Revenues Total</b>	<b>265,100</b>	<b>274,000</b>	<b>341,500</b>
Basic Services (Staffing)	125,100	125,100	133,000
Services and Supplies	68,700	55,400	87,500
Work Plan	70,000	35,000	100,000
<b>Estimated Operations Total</b>	<b>263,800</b>	<b>215,500</b>	<b>320,500</b>

# Revenues, Reserves, Work Plan Contingency

Table 3. Summary of FY 2023-24 apportionment options and impacts to reserves				
	Projected FY 2022-23 (\$)	Preliminary FY 2023-24 (\$)		
<b>Expenditures</b>	<b>215,500</b>	<b>320,500</b>		
<b>Revenue/Funds</b>				
<i>Anticipated Cash Balance</i>	0	56,000	56,000	56,000
Apportionment fees	265,000	265,000	275,000	285,000
Service Fees and Interest <sup>1</sup>	9,000	10,500	10,500	10,500
Total Revenue/Funds	274,000	331,500	341,500	351,500
<i>Difference</i>	58,500	11,000	21,000	31,000
<b>Reserves</b>				
Funds balance at beginning of FY	144,260	146,760	146,760	146,760
Target Reserves balance per policy	115,950	130,125	130,125	130,125
Work Plan contingency <sup>3</sup>	30,810	27,635	37,635	47,635
Estimated cash balance at FY end	56,000	0	0	0
<sup>1</sup> Overhead portion of service fees; bank interest. <sup>2</sup> Balance from FY 2021-22 (yearend) audited Financial Statements.				

# Comparison of Similar LAFCo Budgets

Comparison of Similar LAFCos - FY 2022-23





# Summary of Recommendations

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Increase basic services for policy development & application streamlining

Increase legal services for research, legal opinions, CEQA review/comments

Increase work plan budget to outsource studies & CEQA

- Alternatives
  - slow down the overall schedule
  - prepare checklist reviews instead of studies

# Next Steps

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## Direction to staff

- Modifications to Work Program/Budget
- Distribute Proposed Budget and Work Program to contributing agencies
- Notice for public hearing May 1

Budget Development Phase	Schedule
Workshop – Preliminary Budget and Work Program (Optional)	April 3
Public Hearing – Proposed Budget and Work Program	May 1
Public Hearing – Final Budget and Work Program	June 5