

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF APRIL 28, 2021

REGULAR MEETING

TO: Tim Palmer, Vice-Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #8: CONTINUED PUBLIC HEARING TO CONSIDER AND ADOPT
THE PROPOSED BUDGET FOR FISCAL YEAR 2021-22

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the draft Proposed Budget for Fiscal Year 2021-22;
2. Re-open the Public Hearing on this matter; and
3. Adopt the Proposed Budget for Fiscal Year 2021-22.

REASON FOR RECOMMENDED ACTION

At the March 24, 2021 meeting, the Commission decided to re-evaluate the draft budget with the budget ad hoc committee considering several different scenarios, as directed. The committee was also instructed to return with their recommended budget after weighing the scenarios. The committee recommends approving the budget the Commission considered in March.

BACKGROUND

As the Commission is aware, LAFCO has four main sources of revenue. In decreasing order of size, these revenues are:

- Agency contributions [monies provided by the agencies subject to LAFCO jurisdiction, with a third of the contributions coming from the County of El Dorado, the second third split between the two cities (roughly 60% of this third coming from the City of South Lake Tahoe and 40% by the City of Placerville), and the last third split between the 47 independent special districts];
- Fund balance (unspent funds carried over from the FY2019-20 budget);

- Applicant fees (earned fee revenue collected in calendar year 2020); and
- Interest revenue

In March, the Commission considered a \$532,552 budget that kept agency contributions the same. Thanks to a larger-than-expected fund balance, not only was the budget able to fund the normal operating costs, but the budget also included monies for potentially outsourcing the municipal service review (MSR) for up to 3 small-to-medium water agencies, funding for a part time administrative assistant for the entire fiscal year and funds to hire a full time Assistant Policy Analyst (APA) to start in March 2022 (refer to Attachment A and please note the original attachments to the staff report are included). In summary, this is a comparison of the draft budget presented in March compared to the budget for the current year:

Budget	FY2020-21	FY2021-22
Employee Expense	\$299,244	\$338,992
Operating Expense	\$194,755	\$179,873
Operating Contingency	\$12,276	\$13,687
Expense Total	\$506,275	\$532,552
Non-Agency Revenues	\$18,350	\$20,205
Agency Contributions	\$464,503	\$463,817
Prior Year Fund Balance	\$23,422	\$48,530
Revenue Total	\$506,275	\$532,552

At the March meeting, some Commissioners posited that the APA should be hired sooner than March 2022 if the Commission was to make a significant progress on the MSR Project Plan. With that input, the Commission voted to continue the public hearing, direct staff to work with the budget ad hoc committee to evaluate several scenarios and to return the item with their recommended budget for adoption. Those scenarios included looking at a budget that would contain the resources that are necessary to complete more MSRs and whether it would be a better investment in hiring more staff or to hire consultants to complete more MSRs.

To that end, staff presented the March Draft Budget and prepared four additional scenarios for the ad hoc committee:

- Scenario A: Draft March Budget summarized above
- Scenario B: Hiring an APA July 1, 2021 (full fiscal year), retaining an AA for the full year and still outsourcing the small-to-medium water agencies
- Scenario C: Hiring an APA July 1, 2021 (full fiscal year), retaining an AA for the full year but *not* outsourcing the small-to-medium water agencies
- Scenario D: Hiring an APA January 1, 2022 (half a fiscal year), retaining an AA for the full year and still outsourcing the small-to-medium water agencies
- Scenario E: Hiring an APA January 1, 2022 (half a fiscal year), retaining an AA for the full year but *not* outsourcing the small-to-medium water agencies

The summary tables below contain the potential costs of each scenario. The cost assumptions for the operating costs are assumed to be the same across all scenarios

with the exception being the cost of potentially outsourcing the small-to-medium water districts MSR (South Tahoe Public Utilities District, Georgetown Divide PUD and Grizzly Flats Community Services District). Similarly, the revenues amounts are assumed to be the same for all scenarios except for the agency contributions:

Budget	Scenario A (March Draft)	Scenario B (Full APA)	Scenario C (Full APA no Consult)	Scenario D (Half APA)	Scenario E (Half APA no Consult)
Employee Expense	\$338,992	\$400,444	\$400,444	\$359,781	\$359,781
Operating Expense	\$179,873	\$179,873	\$136,873	\$179,873	\$136,873
Operating Contingency	\$13,687	\$13,687	\$13,687	\$13,687	\$13,687
Expense Total	\$532,552	\$594,004	\$551,004	\$553,341	\$510,341
Non-Agency Revenues	\$20,205	\$20,205	\$20,205	\$20,205	\$20,205
Agency Contributions	\$463,817	\$525,269	\$482,269	\$484,606	\$441,606
Prior Year Fund Balance	\$48,530	\$48,530	\$48,530	\$48,530	\$48,530
Revenue Total	\$532,552	\$594,004	\$551,004	\$553,341	\$510,341

Please recall that the March Draft Budget maintained the agency contributions about the same as current fiscal year. Scenarios B, C and D result in increases to the agency contributions over the current fiscal year. Scenario E results in a decrease to the agency contributions over the current fiscal year.

The ad hoc committee then considered the MSR side of the equation. Attachment B contains the current 8-year MSR Project Plan. The grey shaded agencies are the agencies who have completed MSR studies. The agencies in bold are those whose MSRs are currently in progress. The agencies in the black box are agencies whose MSR could potentially be outsourced in Scenarios A, B and D. The agencies in the light shade were not intended to be studied in the current cycle. It is plausible that by the end of 2021, there would be about 8 districts that will be left outstanding in the project plan if the budget for either Scenario A, B or D is adopted. If the Commission opts for the budgets in either Scenario C or E, then there would be about 11 agencies outstanding by the end of the calendar year.

The next question is whether it is better to outsource or ramp up staffing. Attachment C contains the estimated time it has taken to complete the MSRs in-house. There are several factors that must be considered when reviewing this attachment:

- The Commission's direction to staff at the time the MSR Project Plan was adopted was that MSRs were to be written as time allowed. It was not until to mid-2018 that the Commission reclassified MSRs as a "top priority."
- MSRs are written by the EO and AEO in between other work. If other assignments take precedence, MSRs are set aside and may not be picked up again for several weeks – or in a lot of cases – months later. When the MSR is resumed, some

amount of “backtracking” is necessary to pick up where the writer left off when the focus shifted to other assignments. That backtracking adds time to the completion of the report.

- Very few people around the state have extensive enough experience with LAFCO and MSR to be able to work productively on these reports from Day 1. The observations made by both your staff and LAFCO staffs around the state is that it takes a new hire (someone with the educational or professional background but not the experience) about 6 months not to feel overwhelmed by the requirements of MSRs and LAFCO Law in general. It takes about another 6 months for the hire to become productive. Prior to that, the hire actually has a negative impact to the agency’s productivity because the EO and AEO will be spending a portion of their time training the individual.
- The cost of an outsourced MSR is not limited to the costs of the contract. The additional costs are related to contract drafting, consultant recruitment, contract administration and contract management. Typically, those duties fall to the Executive Officer.

When looking at the best way to address the remaining MSRs, the question was whether LAFCO was better off hiring or contracting out, and to do so without adversely impacting the funding agencies. Hiring and training someone whose primary responsibility would be to complete MSRs is the best strategy in the long term; however if the priority is to complete as many as possible in the immediate future, then the best choice is contracting out. In the March meeting, a Commissioner referenced the previous incumbent in the APA position, and his example best illustrates this point.

The previous APA worked for LAFCO for approximately 15 months and whose total salary and benefits cost LAFCO approximately \$83,000 a year. Upon his departure, those funds were then used to contract out the Fire MSR. The previous APA worked on three MSRs, but he completed none and the EO and AEO wrote the substantial majority of the three reports he worked on. In contrast, the consultant will complete a report on 13 agencies in roughly the same amount of time that the APA worked for LAFCO.

If the goal of the Commission is to position itself to be able to complete MSRs in a timely manner over the long term, then Scenarios A, B, C, D and E are your best options. If the goal is to complete as many MSRs as quickly as possible, then Scenarios A, B and D are your best options. If the goal of the Commission is to minimize the financial impact on the funding agencies, then Scenarios A and E are your best options. If the goal is to accomplish most of those objectives, then Scenario A is your only option, and that is the ad hoc committee’s recommendation.

Also included in Attachment D is the Work Plan for next fiscal year in case the Commission would like to modify it based on the discussion at this meeting.

Attachments

Attachment A: LAFCO March Meeting Staff Memo on the Draft Budget

Attachment B: LAFCO Third Cycle MSR/SOI Project Plan

Attachment C: MSR Time and Cost Spreadsheet

Attachment D: FY2021-22 Work Plan