Show Me the Money!
Challenges and Opportunities for LAFCo Funding

• Presenters:
  o Virginia Bass, Humboldt LAFCo
  o Mike Kelley, Imperial LAFCo
  o Susan Vicklund Wilson, Santa Clara LAFCo
  o Amanda Folendorf, Calaveras LAFCo

Moderator: Pamela Miller, CALAFCO
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Overview of CALAFCO
2015 Survey Results
Relating to LAFCo Budgeting
What do LAFCos’ Budgets Look Like?

FY 2015-16 Annual LAFCO Budget

- 38% Less than $50,000
- 16% $50,001 - $100,000
- 15% $101,000 - $300,000
- 13% $300,001 - $700,000
- 18% $700,001 +
Does Your Budget Allow You to Meet Statutory Requirements?

- 54.5% Yes, all LAFCo functions
- 34.5% Yes, but only minimal
- 3.5% No, but most priority
- 5.5% No, only the minimum
- 2% No
Percentage of Revenue Coming From Application Fees

- 4%: 0 - 10%
- 16%: 11 - 20%
- 2%: 21 - 40%
- 78%: 41% +

Percentage of Revenue
How Difficult is it to Maintain Annual Funding Levels or to Seek Increases?

- Not difficult: 45.5%
- Somewhat Difficult: 49%
- Very difficult: 5.5%
Does Your LAFCo Have Special District Representation?

49% Yes

51% No
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Collaborative Planning & Funding

Commissioner Virginia Bass, Humboldt LAFCo
Agenda

- Humboldt LAFCo Overview
- Commission Priorities
- Measure Z Countywide Sales Tax for Public Safety/Essential Services
- Sustainable Fire Services Planning
Humboldt County Quick-Facts

- Humboldt County: rural and geographically-isolated yet diverse!
  - Redwoods, rivers, ocean, bay, recreation
  - Timber production, agriculture (dairy), agriculture (cannabis)
  - Small business and entrepreneurial culture
  - 7 cities occupy just about 1% of the total land area
  - 30% of the county is either in public ownership or tribal lands
Humboldt LAFCo Quick-Facts

• Annual Budget = $160,000
  25%  MSRs and SOIs
  30%  Application Processing
  30%  Staffing and Legal Services (by contract)
  15%  Services and Supplies

• Commission priorities focused on:
  o Outreach and Education – promoting increased understanding of LAFCo’s role among member agencies and the community
  o MSR/SOI Updates – building agency collaboration to address shared needs through regional MSRs
  o Planning and Technical Assistance – facilitating collaborative planning and coordination with local agencies to explore reorganization options
Regional Fire Services MSRs

- Commission recognized the need to address fire services more comprehensively in Municipal Service Reviews
- Organized countywide fire services into 5 sub-regions
- Reviewed 41 fire-related districts (FPDs and CSDs) and non-districts (volunteer fire companies)

The problem:
- Boundaries do not match where services are provided
- Lack of adequate funding to sustain current level of fire protection
- Limited capacity and/or resources to address the issue
Progress to Date

- Increased understanding of fire department service areas and challenges
- Spheres of influence match out of district response areas
- Three new fire districts formed with voter approved special taxes
- Two district annexations approved
Looking Ahead

• Continue to make progress on *sustainable fire services planning* efforts
  o Partnership between LAFCo and County staff
  o Funded by County through Measure Z half-cent general sales tax

• Continue to explore all potential funding and organizational options
  o Near-term consolidation of fire services anticipated in the “Avenue of the Giants” provided by 2 FPDs, 2 CSDs, and 4 VFCs
Measure Z Funding for Fire

• Second year of Measure Z funding to the Humboldt County Fire Chiefs Association

• Over 1.8 million has been allocated to:
  o Purchase equipment and PPEs
  o Pay dispatch fees
  o Continue multi-year sustainable fire services planning effort
How Measure Z has helped

• Funding for PLANNING to address shared challenges and to explore reorganizational options for improving and sustaining fire services

• Funding for TECHNICAL ASSISTANCE to cover costs associated with the LAFCo application process, district formation elections, special tax approvals, and Board of Equalization filing

*These are costs that have previously prohibited the local fire service from addressing the lack of complete community coverage and sustainable revenue
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SHOW ME THE MONEY!

Imperial LAFCO

“We are a fully independent LAFCO”

Michael Kelley, Commissioner
Who and WHERE WE ARE!
Imperial County Quick-Facts

- Suburban Southern California County
- Seven Cities
- Twenty Special Districts
- One of California's top 5 producers of spinach, potatoes, cauliflower, broccoli and onions
Imperial LAFCO Quick Facts:

- County/City Representation Only
- Four full-time staff: Executive Officer, Clerk/Analyst, Accountant, Clerk
- Contract for Legal Services
- Annual agency budget of $618,423
Imperial LAFCO Budget Approach:

- Review operating costs carefully during each budget cycle
- Operate a reasonably bare bones operation
- Take steps to maintain a good working relationship with our supporting agencies so budget is not a contentious issue.

We use a long term averaging system wherein annual changes are minimal and savings in one year may offset deficit in another.

*This way the funding agencies don’t have to make severe funding changes and the annual increases are minimal or even non-existent!*
2016-17 Budget Expenditures

- Salaries and Benefits: 57%
- Office Operations: 29%
- Professional Services: 8%
- Reserves: 6%

Total Budget: $618,423
Imperial LAFCO Budget Approach:

Two keys to a successful budget:

1. Spend less than is budgeted
2. Generate more revenues than is budgeted

Example: FY 2016/17

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual Expenditures</th>
<th>Actual Revenues</th>
<th>Savings</th>
<th>Additional Revenues</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$ 618,423</td>
<td>$ 562,986</td>
<td>$ 647,191</td>
<td>$ 55,437</td>
<td>$ 28,768</td>
</tr>
</tbody>
</table>
SHOW ME THE MONEY!

Imperial LAFCo’s Unique business model
We own our office building and have three tenants!

Purchased an office building for approximately $995,083 in 2007.

- Building paid off from rental and other income in 7.5 years.

- Now all rental income of $51,405/year is used to offset the cost of the LAFCO operation

- LAFCO has **FREE** office space.

(Note: all thanks to a prior Commissioner and our EO!)
Since LAFCo owns the building, we do not pay rent, which saves us an estimated $55,080 annually!

Therefore, combined with the rent from the other units we generate/save over $106,000 annually.
What would or should we do differently?

Other factors we have investigated:

1) Having special districts seated on the Commission

2) Changing the fee structure

• Currently on a Time and Material basis so applicant pays a fair cost for a services.

• Charge cities and special districts for any MSR related work.
  • *In Imperial, one city of the seven, pays about 65% of the total city share.*

• Extension of Service projects are billed at a flat rate
Unrecoverable costs!

Dissolution of Special Districts

- Imperial LAFCo has processed 3 and is processing 1 now.
- Costs $30,000 each

This is an area where the exploration of a state reimbursement option might be worth considering.
Conclusion:

Practice conservative budget approach

Maintain positive relationships with funding agencies

By owning our own building we generate a savings by not paying rent and added income from leasing out three office spaces.

We are very much interested in how others manage their financials and are here to learn from you!
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Having a Seat at the LAFCO Table

Commissioner Susan Vicklund Wilson
LAFCo of Santa Clara County
Santa Clara County Overview

1,315 sq. mi.

1.89 million in population

15 cities (San Jose: 10th largest city in U.S., 1.025 million pop.)

95% living in cities

28 special districts
Santa Clara County Quick-Facts

From Valley of Heart’s Delight to Silicon Valley:

• Home to many tech companies
• Median Home Price: $1,057,600
• Approx. 21,000 acres in ag. production (over 1,000 farms)
• Ranked 4th nationally in pepper production, 6th in state in land productivity ($11,000/acre)
• >50% of county is protected open space, easements, and farmland
Service Reviews Spur Special Districts’ Interest in LAFCO Membership

Service Reviews Dig Deeper into:

- The purpose of a district
- How services provided align with enabling act and needs of community
- Opportunities for consolidation of services to increase efficiency
- Opportunities for increasing transparency and public accountability
- Opportunities for increasing efficiency and effectiveness
Changes in LAFCO Membership

Pre 2013

COUNTY  COUNTY  SAN JOSE  CITIES  PUBLIC

2013 Onwards

COUNTY  COUNTY  SAN JOSE  CITIES  SCVWD  SPECIAL DISTRICTS  PUBLIC
Who Pays for LAFCO?

Pre 2013:
- Other Cities: 25%
- County: 50%
- San Jose: 25%

2013 Onwards:
- Independent Special Districts: 33.3%
- County: 33.3%
- Other Cities: 16.7%
- San Jose: 16.7%
## Special Districts Apportion Costs by Agreement

<table>
<thead>
<tr>
<th>Special Districts</th>
<th>Fixed Percentage Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Clara Valley Water District</td>
<td>81.44%</td>
</tr>
<tr>
<td>Midpeninsula Regional Open Space District</td>
<td>5.76%</td>
</tr>
<tr>
<td>El Camino Healthcare District</td>
<td>4.91%</td>
</tr>
<tr>
<td>Cupertino Sanitary District</td>
<td>2.64%</td>
</tr>
<tr>
<td>Saratoga Fire Protection District</td>
<td>1.53%</td>
</tr>
<tr>
<td>Purissima Hills Water District</td>
<td>1.35%</td>
</tr>
<tr>
<td>Santa Clara Valley Open Space Authority</td>
<td>1.27%</td>
</tr>
<tr>
<td>10 Other Districts Combined*</td>
<td>1.09%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

* Apportionments range from .02% to .32% for each of these districts.
Be a Good Steward of Public Funds

• Curtail the granting of application fee waivers
• Update Fee Schedule regularly
• Share services with another local agency, where feasible
• Recognize that even small increases in apportionment can hit some members much harder than others
Challenging Situations – Importance of a Rainy Day Fund

- Moving out of the County facility and leasing private office space
- Initiating litigation to address inadequate CEQA documents
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Thinking Outside the Box
Using Existing Tools

Presentation by Amanda Folendorf, Commissioner
Calaveras LAFCo

All photos curtesy of gocalvaeras.com and Bear Valley Daily
Calaveras County

Calaveras County extends from the Central Valley to the crest of the High Sierras

Located in the CALAFCO Central Region
Calaveras County Quick-Facts

- Rural county with the City of Angels Camp
- 41 independent Special Districts and 14 dependent Special Districts
- Tourism and Agricultural economy
- Large number of retirees
- Home to The Jumping Frog Jubilee, Wine, and Gold Rush
Calaveras LAFCo Quick-Facts

- Annual budget of $120,000; $78,000 from members with $42,000 making the difference up from our reserves
- City, County, and Special District Representation on Commission
- 2 staff that are outsourced
Going back to basic foundations

• Key changes can be done internally, reconsidering organization structure of the your LAFCO

• Effective Management

• Outsourcing
Going back to basic foundations cont.

• Contracting out
  Does staff have to be full time?
  Does the work justify the personnel cost?

• Weigh the cost of utilizing County/City services
  GIS mapping  Engineering
  Book-Keeping  Surveying
District Involvement = Cost reduction

• Encourage and Inform Districts to be more involved

• Require Districts to do their own updates and pay for it.  
  *Example: water district updated its own maps saving LAFCo time and expense.*

• Dissolving inactive districts or consolidating districts – creates efficiencies and reduces number of MSRs
District Involvement

• Increasing fees for processing applications
Going back to Basics

• Relationships, relationships, relationships....

• Communication with agencies and the public.

*Many times the fall out is due to a misunderstanding or the inability to get the point across because individuals are unable to effectively communicate what or how they feel.*
Going back to Basics

• Have empathy; it goes a long way

• Listen to your constituents, no matter how wrong they might be.

• Get the Press on your side; communicating with the press can help reduce misinformation that is published
Other areas to help reduce cost

Use your existing tools more effectively:

Technology

• Electronic agendas = reduced costs of postage and paper.
• Website and social media to keep your constituents informed
• Teleconferences to patch in your lawyer = reduced billing and travel time
Commissioner Roles

- Ensure the commission is staying on track and focus on the topic in front of them.

- Reduce bureaucracy

- Financials: Pay attention to these reports. Open dialogue of cost.
Recap

• By utilizing these basic foundations and re-evaluating how we organize internally, the reduction of cost and revenue can be better tackled.

• Change is a big thing, by starting with these steps we can set ourselves up for a better future.
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**Small Group Discussion Questions**

1. What are the major funding challenges that LAFCos are or will be facing over the next five years?

2. What unique or innovative methods or ideas should LAFCOs consider for raising revenues or decreasing costs?

3. What can we (both individual LAFCOs and CALAFCO) do to educate the State, funding agencies, and public about the value added by LAFCo?
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Are there legislative options?
Options for Consideration

- Seek one-time infusion from state in next FY budget as a follow up to the Little Hoover Commission’s recommendation
  - CALAFCO resources
  - Solicit Assembly and Senate reps to support idea
  - Specific plan must be created
  - State department funding source identified
  - Local LAFCo resources – follow up with each and every state-level representative by every LAFCo

- Continue to push back on unfunded mandates

- If Counties and Cities are required to participate on LAFCo, should Special Districts also be required?
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THANK YOU!