



LAFCO - San Luis Obispo - Local Agency Formation Commission

SLO LAFCO - Serving the Area of San Luis Obispo County

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TO: MEMBERS, FORMATION COMMISSION

FROM: DAVID CHURCH, EXECUTIVE OFFICER

DATE: APRIL 19, 2018

**SUBJECT: CONSIDERATION OF THE PROPOSED FISCAL YEAR
2018/19 SAN LUIS OBISPO LAFCO BUDGET**

COMMISSIONERS

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STAFF

DAVID CHURCH
Executive Officer

RAYMOND A. BIERING
Legal Counsel

MIKE PRATER
Senior Analyst

DONNA J. BLOYD
Commission Clerk

Recommendation: It is respectfully recommended that the Commission: 1) approve the Fiscal Year 2018/19 LAFCO Budget as proposed (Exhibit A), 2) direct the Executive Officer to distribute the Final Budget and Resolution to the local agencies pursuant to the Cortese-Knox-Hertzberg Act, and 3) submit the final budget and resolution to LAFCO at its May 17, 2018 LAFCO meeting.

Introduction. The Cortese-Knox-Hertzberg Act calls for the proposed budget to be adopted by May 1, 2018 with the final budget approved by June 15, 2018. The funding formula for LAFCO's budget is established in the Cortese-Knox-Hertzberg Act. LAFCO's budget is funded primarily by the County, Cities and Independent Special Districts, with each group paying one-third of the LAFCO adopted budget. The City and District shares are pro-rated based on general revenues reported to the State Controller's Office by the jurisdictions.

Background. The LAFCO operating budget is comprised of: salaries and benefits/taxes, services and supplies, revenues and reserves. Day-to-day management of the budget is based on "bottom-line" principles that allow for variation within line item accounts as long as the overall balance remains within the approved budgeted levels.

The LAFCO Executive Officer serves as the budget administrator and prepares, submits, and distributes the LAFCO budget consistent with State law and Commission direction. The EO provides the Commission and County Auditor with quarterly budget reports and a final report at the end of the fiscal year. The County Auditor's Office provides LAFCO with financial management services through an agreement (Exhibit D). General Accounting services include the use of the County's centralized accounting system (SAP) and the validation, processing, and recording of financial transactions submitted by LAFCO.

Exhibits

A: FY 2018/19 Proposed Budget

B: LAFCO 2018 Work Plan

C: Draft Resolution Approving the Budget

D: County Auditor/LAFCO Agreement

LAFCO has access to the general ledger, revenue, expenditure, and budget status reports as needed. Services also include processing, recording, tracking and mailing of expenditures. The Auditor also provides Accounting Support services including budget monitoring, responding to routine inquiries, and replying to bank confirmations. The agreement for next fiscal year is attached in Exhibit D.

Summary

The proposed Fiscal Year 2018/19 budget for the Local Agency Formation Commission (LAFCO) of San Luis Obispo is found in Exhibit A. The FY 18/19 Budget compares the current year's adopted budget (FY 17/18) and shows increases and decreases overall and in the various line items. It also projects the year-end revenues and expenses. Exhibit B contains the LAFCO work program approved by the Commission in January 2018. The Draft Resolution approving the budget is found in Exhibit C. The goal of the FY 2018/19 budget is to provide a financial plan for LAFCO to accomplish its mission of implementing the San Luis Obispo LAFCO's Work Program, and other proposals consistent with the Cortese-Knox-Hertzberg Act and other state laws.

This year's proposed budget is \$668,090; an increase of \$40,004 from FY 2017/18. This is a 6.37% increase over last year's budget and includes funds to prepare the biennial Audit. Overall, salaries are proposed to increase by 5.98% (last year's increase was 8.1%) and benefits and taxes by 6.22% (last years was increased by 8.9%). A merit increase of 1% is proposed for the Executive Officer, a 2.8% merit increase for the LAFCO Analyst and a 6.8% merit increase for the LAFCO Clerk positions. The annual Consumer Price Index increase of 3.2% is based on the average of the Los Angeles and San Francisco indexes. More details are found below in the *Salaries, Benefits, and Taxes* section. Services and Supplies are projected to increase by about 7.57%, \$9,153 with an estimated \$8,000 added to prepare a Biennial Audit. The County, Cities, and Independent Special Districts fund one-third each of the LAFCO budget. The charges to agencies are proposed to increase by 5.3%. Last year's charges to agencies increased by 6.1%. The FY 18/19 proposed budget includes using a projected \$30,000 in reserves/fund balance to reduce the amount charged to agencies. Revenues from processing fees are projected to increase by \$4,000 compared to last year. These revenues could increase or decrease depending on the applications submitted to LAFCO in the fiscal year.

Reserves/Fund Balance are built into the budget to help reduce the amount charged to local agencies and maintain reserves/fund balance at a reasonable level. Using Reserves/Fund Balance to offset expenses in the amount of \$30,000 is reasonable because reserves are projected to be 27% at the end of this fiscal year. If the entire \$30,000 is used to offset expenses in FY 18/19 it is estimated that there would be about 20% of the Reserves/Fund Balance. Normally, expenses are kept below budgeted amounts; however, fees are variable which can result in none of reserves/fund balance being transferred. It is projected that about \$5,000 of Reserves/Fund Balance will be used at the end of this fiscal year (FY 17/18) to balance revenues and expenses. This is due to two factors: 1) overall expenditures are anticipated to be below budgeted amounts by about \$6,300; and 2) revenues from application fees were \$9,920 more than budgeted. The LAFCO budget procedures for reserves call for setting aside at least 15% of the operating budget in reserves.

Budget Details

Salaries, Benefits and Taxes. Last fiscal year salaries were increased by 8.1%. This fiscal year the FY 18/19 Salaries are proposed to increase by 5.98%. This includes a merit increase for each position and Consumer Price Index (CPI) increase of 3.2%. The CPI is based on the average of the Los Angeles (3.5%) and San Francisco (2.9%) consumer price index (CPI). The Commission evaluates the performance of the Executive Officer annually and considers a merit increase. Based on the performance evaluation completed on March 15, 2018, the Executive Officer is budgeted for a merit increase of 1%. The budget includes a 2.8% merit and 3.2% CPI increase for the Senior Analyst position and a 6.8% merit and 3.2% CPI increase for the Clerk position. The merit increases for these positions are based on an annual performance evaluation and comparisons of salaries with other LAFCOs. Benefit, payroll tax and pension expenses are estimated to increase proportionately with the proposed salary increase based on set formulas. FICA, Medicare, State Disability Insurance, and Federal Unemployment Tax are calculated based on a percentage of salaries.

Pension Costs. San Luis Obispo LAFCO is a member of San Luis Obispo County Pension Trust. Pension costs are directly correlated to salaries. Pension expenditures are calculated based on the rates established by the San Luis Obispo County Pension Trust. Since 2012 any increases in pension rates are split (50-50) by LAFCO and the employees. As pension rates rise the employee portion of the contribution continues to increase. Since 2012, the share LAFCO employees are now paying is up to 14% of the pension costs. New employees would be subject to the most recent policies of the County (Tier three and no plans to hire new employees). San Luis Obispo County Pension Trust anticipates a pension rate increase of 1.5% for next year. LAFCO would fund 0.75% of this increase and the employees would fund 0.75% of the anticipated rate increase. This increase is built into this year's budget and would be implemented in January 2019. The Pension Obligation Bond (POB) was issued by the County to help cover unfunded pension costs. The POB is refinanced by the SLO Pension Trust to avoid increases in the variable interest rates. This year the rate for the POB remains at 6.03%. The POB payment increases are commensurate with an increase in salaries. Please note that the Pension Costs found in the attached budget line items were prepared by LAFCO Staff and reviewed for accuracy by the SLO County Pension Trust Staff.

Services and Supplies. Services and Supplies are recommended at \$130,017, an increase of 7.57% from last year. The primary increase is in Consultant Services line item where it is recommended that the biennial Audit be completed in FY 2018/19. The Services and Supplies category contains a number of line items that are fixed costs such as the County Auditor, legal services, insurance (workers compensation and general liability), phones and rent. The Auditor provides LAFCO with General Accounting, Accounts Payable, and Accounting Support services using the County Financial system (SAP) for each transaction. The Special District Risk Management Association has estimated that workers' compensation coverage is to remain unchanged. Due to the recent fire season SDRMA will be increasing Property and Liability Program rates by 6%. The current lease for the LAFCO office has not increased over the last seven years. Per the lease agreement, rent could be increased based on the average Los Angeles and San Francisco CPIs. The landlord has not exercised this provision; however, LAFCO continues to plan for that possibility in the budget. The total Legal Counsel costs are proposed to

increase to \$18,576 per year with a CPI increase of 3.2%. Most of the line items remain unchanged for next year. Travel costs are proposed to remain unchanged next year. This covers expenses for the Annual Conference and Staff Workshop and other CALAFCO activities.

Revenues from Applications. Revenues from application fees is projected to increase in fees of \$4,000 in FY 18/19 from \$16,500 to \$20,500. Interest earned on revenues is anticipated to remain level at \$1,500. It is challenging to anticipate revenues from applications from year to year. This year's revenues are up to \$37,000 and were projected in the adopted FY 17/18 budget to be \$16,500. Next year's revenues could be lower or higher depending on the applications that are submitted to LAFCO.

Reserves and Fund Balance. Reserves are in a designated fund and the fund balance carryover from year to year with the budget. Designated reserves are \$57,850 and fund balance is \$114,409 for a total of \$172,259. In April 2008 the Commission adopted a reserve/fund balance guideline of maintaining at least a 15% contingency or reserve. At the beginning of this fiscal year (FY 2017/18) LAFCO had a 27% reserve/fund balance that amounted to \$172,259. The current budget (FY 17/18) projected using \$25,000 in reserves/fund balance to fund the budget. It is projected that at the end of fiscal year 17/18 about \$5,000 of the budgeted \$25,000 reserves/fund balance will be used to cover expenses. This is due to savings achieved throughout the year in other line items and the increase in processing fees of \$9,920 received in FY 2017/18. This assumes no unexpected expenses in the last quarter of this fiscal year.

The proposed FY 2018/19 Budget recommends using \$30,000 of reserves/fund balance to offset expenses and help reduce the agency shares, if needed. If the \$30,000 of reserves and fund balance are not allocated into next year's budget, the agency shares would be increasing by 10.4% instead of the proposed 5.3%. If the entire \$30,000 in reserves are used next fiscal year, the allocation would reduce the projected reserves/fund balance down to \$137,190, or 21.8% of the budget. Also, revenues from processing fees are proposed to increase by \$4,000 based on recent years and potential future applications. This is variable and may or may not be achievable.

Agency Shares. Charges to each of the funding agencies (County, Cities and Special Districts) are proposed to increase by 5.3%. Last year the charges to agencies increased by 7.3%. The one-third agency share in this year's budget is proposed at \$205,863. This is an increase of \$10,335 per each of the one-third shares. These shares are allocated to the Cities and Special Districts based on their total revenues as reported to the State Controller. The County Auditor uses the most recent Cities and Special Districts Annual Report prepared by the State Controller to allocate the charges to each of the agencies in the County on a prorated basis.

Distribution. As required by Government Code Section 56381, the Commission's proposed Fiscal Year 2018/19 budget has been transmitted to the Board of Supervisors, each City Manager, and each Independent Special District. The budget has also been sent to the County Administrative and Auditor's Offices. A legal notice of the public hearing was published in advance of the hearing. Upon approval of the proposed budget, the final FY 2018/19 budget and resolution shall be submitted to the Commission at the May 17, 2018 LAFCO meeting.

Exhibit A

Proposed Budget Fiscal Year 2018-19

Exhibit A
San Luis Obispo Local Agency Formation Commission
Proposed Budget - Fiscal Year 2018-2019

Proposed 4/19/2018

| EXPENDITURES SUMMARY | Current Year | Expense YTD | Proj. Yr End | Proposed 18-19 | Inc/Dec | % Inc/Dec |
|-----------------------------|---------------------|--------------------|---------------------|-----------------------|----------------|------------------|
| Salaries | 291,838 | 223,650 | 291,500 | 309,291 | 17,453 | 5.98% |
| Benefits and Taxes | 215,385 | 162,859 | 212,054 | 228,782 | 13,397 | 6.22% |
| Services and Supplies | 120,863 | 91,146 | 114,521 | 130,017 | 9,154 | 7.57% |
| Total Expenses | 628,086 | 477,655 | 618,075 | 668,090 | 40,004 | 6.37% |

| EXPENDITURES DETAIL | Current Year | Expense YTD | Proj. Yr End | Proposed 18-19 | Inc/Dec | % Inc/Dec |
|---|---------------------|--------------------|---------------------|-----------------------|----------------|------------------|
| Salaries and Benefits | | | | | | |
| Salaries | 291,838 | 223,650 | 291,500 | 309,291 | 17,453 | 5.98% |
| Benefits and Taxes | 215,385 | 162,859 | 212,054 | 228,782 | 13,397 | 6.22% |
| Subtotal Salaries & Benefits | 507,223 | 386,509 | 503,554 | 538,073 | 30,850 | 6.08% |
| Variable Costs (%) : | | | | | | |
| FICA -Employer Match | 18,094 | 13,163 | 18,094 | 19,176 | 1,082 | 5.98% |
| Medicare - Employer Match | 4,232 | 3,515 | 4,300 | 4,485 | 253 | 5.97% |
| Retirement-Employer Contribution * | 86,898 | 65,611 | 86,898 | 95,577 | 8,679 | 9.99% |
| Retirement-Employer for Employee | 37,673 | 28,779 | 37,673 | 39,905 | 2,232 | 5.93% |
| Retirement - Employee Contribution * | 16,665 | 0 | 16,665 | 21,220 | 4,555 | 27.33% |
| Pension Obligation Bond Payment | 19,589 | 15,013 | 19,589 | 20,739 | 1,150 | 5.87% |
| SDI/SUI-Employer Contribution | 2,500 | 0 | 0 | 2,500 | 0 | 0.00% |
| Fed Unemploy Tax-Employer Cont | 300 | 0 | 0 | 300 | 0 | 0.00% |
| Fixed Costs (\$) : | | | | | | |
| Health Plan/Café Cash | 35,100 | 28,779 | 35,100 | 35,100 | 0 | 0.00% |
| Life Insurance | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Def Comp - EO Employer Match | 11,000 | 8,000 | 10,400 | 11,000 | 0 | 0.00% |
| Total Benefits | 215,387 | 162,859 | 212,054 | 228,782 | 13,396 | 6.22% |

* Split 1.5% pension rate increase

| Services and Supplies | Current Year | Expense YTD | Proj. Yr End | Proposed 18-19 | Inc/Dec | % Inc/Dec |
|--|---------------------|--------------------|---------------------|-----------------------|----------------|------------------|
| Food | 800 | 307 | 500 | 800 | 0 | 0.00% |
| Maintenance - Equipment | 300 | 0 | 0 | 300 | 0 | 0.00% |
| Maintenance - Software | 500 | 0 | 300 | 500 | 0 | 0.00% |
| CALAFCO/Other Memberships | 4,400 | 4,708 | 4,708 | 4,400 | 0 | 0.00% |
| Office Supplies | 2,500 | 1,366 | 2,100 | 2,500 | 0 | 0.00% |
| Commissioner/Consultant Expenses ¹⁾ | 11,000 | 6,073 | 8,000 | 19,000 | 8,000 | 72.73% |
| Publication/Legal Notices | 800 | 1,285 | 2,500 | 800 | 0 | 0.00% |
| Rent | 38,000 | 30,565 | 36,700 | 38,000 | 0 | 0.00% |
| Small Equipment | 400 | 0 | 0 | 400 | 0 | 0.00% |
| Large Equipment | 1,000 | 90 | 600 | 1,000 | 0 | 0.00% |
| Computer Software | 500 | 196 | 400 | 500 | 0 | 0.00% |
| Employee Mileage | 200 | 0 | 0 | 200 | 0 | 0.00% |
| Commissioner Mileage | 1,800 | 563 | 1,400 | 1,800 | 0 | 0.00% |
| Airfare/Public Transportation | 500 | 180 | 0 | 500 | 0 | 0.00% |
| Accommodations/Travel | 5,000 | 4,432 | 5,000 | 5,000 | 0 | 0.00% |
| Auto Allowance | 5,400 | 4,154 | 5,400 | 5,400 | 0 | 0.00% |
| Training/Conf Registration | 4,500 | 4,350 | 4,500 | 4,500 | 0 | 0.00% |
| Utilities | 3,700 | 2,798 | 3,800 | 4,000 | 300 | 8.11% |
| Car/Vehicle Rentals | 1,000 | 745 | 1,000 | 1,000 | 0 | 0.00% |
| Postage | 1,000 | 609 | 1,000 | 1,000 | 0 | 0.00% |
| Custodian | 1,000 | 720 | 1,000 | 1,000 | 0 | 0.00% |
| Copying | 800 | 298 | 800 | 800 | 0 | 0.00% |
| ITD-SAP/Board Chambers | 850 | 431 | 700 | 850 | 0 | 0.00% |
| Phones | 1,200 | 827 | 1,200 | 1,200 | 0 | 0.00% |
| County Auditor | 7,713 | 7,713 | 7,713 | 7,991 | 278 | 3.60% |
| Insurance | 8,000 | 5,944 | 7,200 | 8,000 | 0 | 0.00% |
| Legal Counsel/Other Co Billings | 18,000 | 12,792 | 18,000 | 18,576 | 576 | 3.20% |
| Subtotal Services & Supplies | 120,863 | 91,146 | 114,521 | 130,017 | 9,153 | 7.57% |

1) Includes funding for biennial audit.

| | | | | | | |
|-----------------------|----------------|----------------|----------------|----------------|---------------|--------------|
| Total Expenses | 628,086 | 477,655 | 618,075 | 668,090 | 40,003 | 6.37% |
|-----------------------|----------------|----------------|----------------|----------------|---------------|--------------|

Exhibit A
San Luis Obispo Local Agency Formation Commission
Proposed Budget - Fiscal Year 2018-2019
Corrected - page 2

| REVENUE DETAIL | Current Year | Realized YTD | Proj. Yr End | Proposed 18-19 | Inc/Dec | % Inc./Dec. |
|--|----------------|----------------|----------------|----------------|---------------|---------------|
| Interest | 1,500 | 3,030 | 3,030 | 2,500 | 1,000 | 66.67% |
| Environmental Fees | 1,000 | 3,000 | 3,000 | 1,000 | 0 | 0.00% |
| Sphere of Influence Fee | 1,000 | 0 | 0 | 1,000 | 0 | 0.00% |
| LAFCO Processing Fees | 13,000 | 16,390 | 16,390 | 16,000 | 3,000 | 23.08% |
| Other Revenue/Grants/Insurance reimb. | 0 | 4,000 | 4,000 | 0 | 0 | |
| Sub-Total w/out Agency Charges | 16,500 | 26,420 | 26,420 | 20,500 | 4,000 | 24.24% |
| LAFCO Charge to Agencies | 586,586 | 586,586 | 586,586 | 617,590 | 31,004 | 5.29% |
| Total Revenue ¹⁾ | 628,086 | 613,006 | 613,006 | 668,090 | 40,004 | 6.37% |
| 1) Includes estimated Transfer of Reserves/Fund Balance | | | | | | |
| Use of Reserves/Fund Bal. (If needed) | 25,000 | 0 | -5,069 | 30,000 | 5,000 | 20.00% |

| RESERVES and FUND BALANCE | Beginning Res./FB FY 17/18 | % of Budget | Proj. Year End Fund Balance | Projected Year End Reserves | Estimated Res./FB FY 18/19 | % of Budget |
|---------------------------------|----------------------------|--------------|-----------------------------|-----------------------------|----------------------------|---------------|
| Reserves | 172,259 | 27.4% | 172,259 | 167,190 | 137,190.00 | 20.53% |
| Use of fund balance - If needed | | | -5,069 | -30,000 | | |
| Total | 172,259 | 27.4% | 167,190 | 137,190 | | |

CHARGES TO AGENCIES

| Agency Share | FY 2017-18 | FY 2018-19 | Inc/Dec | % Inc/Dec |
|-------------------|----------------|----------------|---------------|-------------|
| Cities | 195,529 | 205,863 | 10,335 | 5.3% |
| County | 195,529 | 205,863 | 10,335 | 5.3% |
| Special Districts | 195,529 | 205,863 | 10,335 | 5.3% |
| Total | 586,586 | 617,590 | 31,004 | 5.3% |

Exhibit B

Work Plan for 2018



SAN LUIS OBISPO LAFCO

WORK PLAN - JANUARY 2018

This document is the Work Plan for San Luis Obispo LAFCO in 2018. LAFCO's overarching legislative goals include the following:

- **Encourage Orderly Growth and Development.** LAFCO considers proposals for the formation of new local governmental agencies including Cities and Special Districts. LAFCO is also responsible for considering annexations and detachments for agencies. LAFCO also determines the Sphere of Influence, which is a plan for the probable physical boundary of a City or Special District.
- **Promoting Efficient Provision of Public Services.** LAFCO reviews proposals based on a variety of factors including: a plan for services submitted by the agency, resource and infrastructure capacity, and the need for services.
- **Preserve Agricultural Land Resources.** LAFCO considers the impact that a proposal may have on existing agricultural lands with focus on prime agricultural lands. San Luis Obispo LAFCO has adopted specific policies regarding the preservation of agricultural resources.
- **Discourage Urban Sprawl.** Urban sprawl can best be described as irregular and disorganized growth occurring without apparent design or plan. By discouraging sprawl, LAFCO limits the misuse of land resources and promotes a more efficient system of services by local governmental agencies.

Goals in 2018

1. Serve the Commission and the public by providing accurate, clear and well-organized information for decision making.
2. Treat the public, applicants, Commissioners, and any stakeholders with respect and patience. Listening with consideration and responding in a calm, courteous manner.
3. Serve the Cities, County and Special Districts by providing information about LAFCO's purpose and the processes LAFCO is authorized to complete.
4. Process proposals in an efficient manner; consistent with the Cortese-Knox-Hertzberg Act, CEQA and other state laws.
5. Implement the Sphere of Influence/Municipal Service Review Update Work Plan, while working on applications and other topics at the same time.
6. Provide the Commission with regular status reports regarding upcoming proposals, Sphere of Influence Updates, Legislative Activities, and the Budget.
7. Participate in CALAFCO events to improve the Commission and Staff's expertise.
8. Inform the Commission and Public regarding various local governance issues and processes by providing regular status reports and study sessions.

9. Monitor the new legislation in the State legislature that may affect LAFCO.

POTENTIAL ANNEXATIONS

Several Cities and Districts may have annexation proposals on the horizon. The Memoranda of Agreement between the Cities and County help set the path for these annexations by providing the provisions for development of an area. Annexation Proposals that may be on the horizon include:

- San Luis Ranch, City of San Luis Obispo (Submitted)
- Fiero Lane Annexation, City of San Luis Obispo
- Jack Ranch Annexation, CSA 18
- Furlotti Ranch, City of Paso Robles
- Robert Hall-Vina Robles, City of Paso Robles
- Chevron Tank Farm, City of San Luis Obispo
- Froom Ranch, City of San Luis Obispo
- Annexation to the Nipomo CSD of St Joseph's Church

It is uncertain if these proposals will be submitted this year or the next, with the exception of the San Luis Ranch which was submitted in 2017, but planning and environmental work is being completed on each of these proposals. LAFCO Staff continues to monitor each project and provide comments at the appropriate times.

OTHER PROPOSALS

- Dissolution of Cayucos Fire District - The Cayucos Board of Directors submitted an application to dissolve the District in 2017. The Board of Supervisors will consider taking action in the first quarter of the year on the question regarding future service to the community of Cayucos. The application is on hold until the Board of Supervisors considers this question. LAFCO has provided information to the Commission, District and the public about how the dissolution process works and the necessary steps to take. An Information Guide and FAQ were prepared to help understand and clarify the process and focus the discussion on the issues.
- Detachments from the Shandon-San Juan & Estrella-El Pomar-Creston Water Districts – the two opt-in water districts may be submitted. These Water Districts were formed only those land owners that wanted to be in the District. There may be a few land owners that now want to detach from the Districts.
- City of Paso Robles is preparing an application to detach a five acre parcel owned by the City and located as an island on southern boundary of the City.

SPHERE OF INFLUENCE/MUNICIPAL SERVICE REVIEW UPDATE

The Sphere of Influence is a boundary that identifies areas a jurisdiction might serve over the next 20 years. The Municipal Service Review provides information about a jurisdiction's ability to serve its existing service area and other SOI areas. The MSR is an informational document that summarizes the existing service situation of a jurisdiction. The Service Review compiles information provided by the jurisdiction.

Other information from the County Planning Department, State Controller's Office, County Auditor's Office, and other agencies is also used to prepare the SOI and MSR. LAFCO Staff reviews, summarizes and evaluates the various studies and data and prepares a Draft Sphere of Influence Update and Municipal Service Review.

A Municipal Service Review is prepared in accordance with Section 56430 of the California Government Code. This code section was updated in 2012 to include seven factors instead of the previous six factors. The Service Review contains written determinations that address the following seven factors. Information and written determinations regarding each of the factors is provided in the Service Review and include:

1. Growth and Population projections for the affected area.
2. Location and characteristics of any disadvantaged unincorporated communities
3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies
4. Financial ability of agencies to provide services
5. Status of, and opportunity for, shared facilities
6. Accountability for community service needs including governmental structure and operational efficiencies
7. Any other matter related to effective or efficient service delivery, as required by commission policy

Also, administrative and organizational information is collected and evaluated. In order to complete a review LAFCO relies on Audit Reports submitted to the County Auditor Controller's Office pursuant to state law, original formation filing documents, State Controllers Special Districts Annual Financial Reports, the General Plan, Capital Improvement Plans, various studies and information from various websites.

CITIES

The 2018 Work Plan will focus on those Cities which have passed, or are approaching the five-year requirement for an SOI update. In 2017 Staff recommended finishing the update process for the Cities of Morro Bay and San Luis Obispo completing the second round of reviews. The third round will start with the Nipomo CSD and Cemetery District updates. These updates are near a public release date. Work will shortly begin on the City of Pismo Beach followed by City of Atascadero. Annexations or other proposals may temporarily delay these updates while applications are being processed. Below are the Cities and the five-year update schedule:

| Jurisdiction | Completion Date | Update 5-Year Date | Status/Action |
|-----------------|-----------------|--------------------|-------------------------------|
| Pismo Beach | October 2011 | October 2016 | Begin the update process-2018 |
| Atascadero | September 2011 | September 2016 | Begin the update process-2018 |
| Arroyo Grande | November 2012 | November 2017 | Begin the update process-2019 |
| Grover Beach | November 2012 | November 2017 | Begin the update process-2019 |
| Paso Robles | February 2013 | February 2018 | Begin the update process-2020 |
| San Luis Obispo | October 2016 | October 2021 | Begin the update process-2022 |
| Morro Bay | March 2017 | March 2022 | Begin the update process-2023 |

Memorandum of Agreement (MOA). A MOA was developed to improve communication and coordination in planning for future growth and development between a City and the County. Each City, with the exception of Grover Beach, has an MOA with the County. The Memorandum of Agreement between the City and County is reviewed and amended to reflect any changes to the Sphere of Influence and provisions that are agreed to by the County and City.

The Cities of Pismo Beach and Atascadero are expected to begin their update process in 2018. The MOA's will be reconsidered to further provide more detail about what type of development might be expected in the SOI and assist in defining the boundary. This helps clarify expectations and provides guidelines that help guide future projects in the SOI. The MOA has also been used to specify a particular planning process or policies for areas. Also, the MOA should address other issues such as water resources and agricultural/open space preservation. Round three should focus on areas of communication and coordination between the Cities and County.

SPECIAL DISTRICTS

The 2018 Work Plan will focus on those Districts which have passed, or are approaching, the five-year requirement for update. Staff recommends that the schedule for updating the SOIs and MSRs for the Districts be followed as shown in the table below.

COMMUNITY SERVICES DISTRICTS

| Jurisdiction | Completion Date | Update 5-Year Due | Status/Action |
|-------------------------------------|-----------------|-------------------|--|
| Nipomo | May 2010 | May 2015 | Public Review Draft Released-2018 |
| Oceano | Nov 2012 | Nov 2017 | Begin the update process-2019 |
| Templeton | Nov 2013 | Nov 2018 | Begin the update process-2020 |
| San Miguel | Nov 2013 | Nov 2018 | Begin the update process-2020 |
| Heritage Ranch | Nov 2013 | Nov 2018 | Begin the update process-2020 |
| Avila Beach | Aug 2014 | Aug 2019 | Begin the update process-2021 |
| Cambria | Aug 2014 | Aug 2019 | Begin the update process-2021 |
| Los Osos | Aug 2014 | Aug 2019 | Begin the update process-2021 |
| San Simeon | Aug 2014 | Aug 2019 | Begin the update process-2021 |
| Cal Valley (R-S) | Dec 2015 | Dec 2020 | SOI/MSR Updated in 2015 |
| Independence Ranch (R) | Dec 2015 | Dec 2020 | SOI/MSR Updated in 2015 |
| Linne (R) | Dec 2015 | Dec 2020 | SOI/MSR Updated in 2015 |
| Squire Cyn (R) | Dec 2015 | Dec 2020 | SOI/MSR Updated in 2015 |
| Ground Squirrel Hollow (R-S) | Dec 2015 | Dec 2020 | SOI/MSR Updated in 2015 |

(R) These Districts provide only Road Maintenance Services.

(R-S) California Valley and Ground Squirrel Hollow provides Road Maintenance and Solid Waste Services.

OTHER SPECIAL DISTRICTS

There are numerous other Special Districts that are providing services to County residents and visitors. These Special Districts found below provide a variety of services including: soils management, Fire Protection, Harbor and Marine, groundwater management and Healthcare and Sanitary. Each of these Districts has an independent Board of Directors.

| Jurisdiction | Completion Date | Update 5-Year Due Date | Status/Action |
|--|-----------------|------------------------|---|
| So. County Sanitation | Nov 2012 | Nov 2017 | Begin the update process-2019 |
| Coastal San Luis RCD | Nov 2014 | Nov 2019 | Begin the update process-2020 |
| Upper Salinas/Las Tablas RCD | Nov 2014 | Nov 2019 | Begin the update process-2020 |
| Santa Margarita Fire | Nov 2014 | Nov 2019 | Begin the update process-2021 |
| Garden Farms Co. Water District | Nov 2014 | Nov 2019 | Begin the update process-2021 |
| Port San Luis Harbor District | Nov 2014 | Nov 2019 | Begin the update process-2021 |
| Cambria Healthcare | Aug 2014 | Aug 2019 | Begin the update process-2021 |
| Cayucos Sanitary | Jan 2015 | Jan 2020 | Begin the update process-2023 |
| Cayucos Fire | Jan 2015 | Jan 2020 | SOI/MSR Updated in 2015 Dissolution under consideration |
| Shandon-San Juan Water District | Oct 2016 | Oct 2021 | Begin the update process-2023 |
| Estrella-El Pomar-Creston Water District | Apr 2017 | Apr 2022 | Begin the update process-2023 |

County Service Areas (CSA)

These special districts are governed by the County Board of Supervisors. The SOI and MSR Update were completed for all CSAs as part of one document in 2017. This is an efficient manner in which to update these Spheres of Influence and Municipal Services Reviews and allows for the compilation of data from the County at one time. It is anticipated to re-look at the CSA SOI/MSR Update in the coming years.

| Jurisdiction | Completion Date | Update Due | Status/Action |
|--------------------------------------|-----------------|------------|-------------------|
| COUNTY SERVICE AREAS | | | |
| CSA 1 - and Nipomo Lighting District | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 7 - Oak Shores | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 9 - Los Osos | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 10 - Cayucos | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 12 - Lopez Water | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 16 - Shandon | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 18 - Country Club | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 21 - Countywide | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 22 - Airport | Aug 2017 | Aug 2022 | Completed in 2017 |
| CSA 23-Santa Margarita | Aug 2017 | Aug 2022 | Completed in 2017 |

CEMETERY DISTRICTS

There are 11 Cemetery Districts that are providing services to County residents. The Cemetery Districts found below provide internment services. Each of these Districts has an independent Board of Directors.

| Jurisdiction | Completion Date | Update 5-Year Due Date | Status/Action |
|-----------------|-----------------|------------------------|---|
| Adelaida | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Arroyo Grande | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Atascadero | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Cambria | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Cayucos-Morro | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Pleasant Valley | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Paso Robles | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| San Miguel | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Santa Margarita | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Shandon | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |
| Templeton | Nov 2010 | Nov 2015 | Public Review Draft Released in 2018 |

MAPPING PROGRAM

LAFCO Staff (Mike Prater) continues to implement and improve LAFCO’s Geographic Information Systems (GIS) mapping program. This program produces a number of important deliverables including the updated Service Areas and Spheres of Influence for all Cities, Special Districts, and County Service Areas in the County. LAFCO continues to be recognized by other agencies as the central keeper of boundary data. LAFCO is responsible for maintaining the boundaries for jurisdictions throughout the County. The Directory of Local Agencies contains maps and service information regarding these

agencies and is updated every two years. The Directory was last released in the first quarter of 2016, so the next release will be in 2018. The History of Annexations is an online inventory of all annexations. This inventory includes a summary map and the Certificate of Completion and Resolution. Maps are created for each annexation and Sphere of Influence Update considered by LAFCO. Mapping is a key piece of LAFCO's service capability. LAFCO Staff also participates in the Countywide GIS Committee and helps to distribute GIS data to other jurisdictions.

CALAFCO ACTIVITIES

CALAFCO is LAFCO's statewide organization that provides educational opportunities, follows and facilitates the discussion of issues on a statewide basis. The LAFCO EO serves CALAFCO by providing help as needed and requested. Staff and Commissioners have been involved in the continuing education process by participating in the annual CALAFCO Conference and attending the Staff Workshop.

Exhibit C

Draft Resolution Adoption the Budget

IN THE LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Date:

PRESENT:

ABSENT:

RESOLUTION NO. 2018-__

**RESOLUTION ADOPTING THE FISCAL YEAR 2018-19
LAFCO FINAL BUDGET**

The following resolution is now offered and read:

WHEREAS, the Executive Officer has given the notices required by law and forwarded copies of his report to officers, persons and public agencies prescribed by law; and

WHEREAS, the matter was set for public hearing at 9:00 a.m. on Thursday, April 19, 2018, and the public hearing was duly conducted and the proposed LAFCO Budget for Fiscal Year 2018-2019 was considered on Thursday, April 19, 2018; and

WHEREAS, at said hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented, or filed, and all persons present were given the opportunity to hear and be heard in respect to any matter relating to said proposed budget; and

WHEREAS, the Commission considered the Proposed Budget at the April 19, 2018 meeting and approved it as the Adopted Budget for Fiscal Year 2018-2019 on May 17, 2018;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Local Agency Formation Commission of the County of San Luis Obispo, State of California, as follows:

1. That the recitals set forth hereinabove are true, correct, and valid.

2. That pursuant to Government Code Section 56381(a), the Commission hereby adopts a Final Budget for Fiscal Year 2018-19 in the amount of \$668,090 as set forth in Exhibit A. The amount charged to the Cities, Special Districts and County, after deducting fees from applications and the use of reserves/fund balance is \$617,590. This amount will be charged to the Funding Agencies based on the formula and procedure contained in the Cortese-Knox-Hertzberg Act and as implemented by the County Auditor.
3. That the Executive Officer of this Commission is authorized to mail copies of the Final Budget in the manner provided by law.

Upon a motion of Commissioner _____, seconded by Commissioner _____, and on the following roll call vote:

AYES:

NAYS:

ABSTAIN:

| | |
|-----------------------------------|------|
| Ed Waage, Chairperson | Date |
| Local Agency Formation Commission | |

ATTEST:

| | |
|-------------------------|------|
| David Church | Date |
| LAFCO Executive Officer | |

APPROVED AS TO FORM AND LEGAL EFFECT:

| | |
|---------------------|------|
| Raymond A. Biering | Date |
| LAFCO Legal Counsel | |

Exhibit D

County Auditor-Controller Service Agreement



COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR
 James P. Erb, CPA Auditor-Controller • Treasurer-Tax Collector
 James W. Hamilton, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

TO: DAVID CHURCH, EXECUTIVE OFFICER

FROM: JAMES P. ERB, AUDITOR-CONTROLLER

DATE: MARCH 30, 2018

SUBJECT: AUDITOR-CONTROLLER SERVICES AGREEMENT

AGENCY NAME: SLO COUNTY LOCAL AGENCY FORMATION COMMISSION (LAFCO)

TERM: The services and costs under this agreement are for the 2018-2019 fiscal year.

ANNUAL COST AND BILLING

The annual cost for the services identified below is \$7,991. Your agency will be billed by journal entry during the first quarter of the fiscal year for the entire annual cost. A copy of the journal entry will be provided to your agency.


SERVICES TO BE PROVIDED BY AUDITOR-CONTROLLER

1. General Accounting – Includes the use of the County’s centralized accounting system and the validation, processing, and recording of financial transactions submitted by the agency. Services also include access to generate general ledger, revenue, expenditure, and budget status reports as needed.
2. Accounts Payable – Includes validating, processing, recording and mailing of claim related payments. Also includes the administration of ACH payments and warrant reconciliation.
3. Accounting Support – Includes providing budget monitoring, responding to routine inquiries, working with auditors, and replying to bank confirmations.
4. The cost of any additional services will be negotiated separately.

The signatures below are authorized to represent their agencies and agree to the terms and conditions presented in this agreement.

AUDITOR-CONTROLLER

AGENCY DIRECTOR

 3-30-18
 Signature Date

 4-4-2018
 Signature Date

Return original to Auditor-Controller-Treasurer-Tax Collector, Attn: Sarah Kidd