Ventura
Local Agency Formation Commission

AGENDA

Hall of Administration, Board of Supervisors' Hearing Room
800 S. Victoria Avenue, Ventura
9:00 A.M. Wednesday, May 18, 2011

1. Call to Order

2. Pledge of Allegiance

3. Roll Call

4. Commission Presentations and Announcements

PUBLIC COMMENTS

5. This is an opportunity for members of the public to speak on items not on the agenda.

(The Ventura Local Agency Formation Commission encourages all interested parties to speak on any issue on this agenda in which they have an interest; or on any matter subject to LAFCo jurisdiction. It is the desire of LAFCo that its business be conducted in an orderly and efficient manner. All speakers are requested to fill out a Speakers Card and submit it to the Clerk before the item is taken up for consideration. All speakers are requested to present their information to LAFCo as succinctly as possible. Members of the public making presentations, including oral and visual presentations, may not exceed five minutes unless otherwise increased or decreased by the Chair, with the concurrence of the Commission, based on the complexity of the item and/or the number of persons wishing to speak. Speakers are encouraged to refrain from restating previous testimony.)

CONSENT ITEMS

6. Minutes of the Ventura LAFCo April 20, 2011 Regular Meeting
7. Budget to Actual Report: Report for April 2011

RECOMMENDED ACTION: Item 6: Approve
Item 7: Receive and File

ACTION ITEMS

8. <u>Authorize the Chair to sign a letter to the Naval Base Ventura County (NBVC) accepting an invitation for the Commission to participate in the NBVC's Joint Land Use Study</u>

RECOMMENDED ACTION: Approval

9. <u>LAFCo 10-21 Ventura County Waterworks District No. 19 Annexation – La Loma Mutual Water Company</u>
A proposal to annex 7 parcels, approximately 301 acres, to Ventura County Waterworks District No. 19 in order to provide water for domestic and agricultural use. The parcels are located north of the intersection of La Loma Road and Price Road, approximately 3.5 miles north of the City of Camarillo.

RECOMMENDED ACTION: Continue to an Unspecified Date

10. <u>LAFCo FY 2009-10 Audit Report</u>
A presentation by Vavrinek, Trine, Day & Co., LLP regarding their audit of the FY 2009-10 LAFCo financial statements.

RECOMMENDED ACTION: Receive and File

11. <u>A presentation by the Ventura County Auditor/Controller regarding fund balance reporting requirements pursuant to GASB 54.</u>

RECOMMENDED ACTION: Receive and File

12. <u>Commissioner's Handbook Amendment – Fund Balance Policies</u>
Adopt a resolution deleting Commissioner's Handbook Section 2.3.1.4 (c), (d) and (e) and adding Fund Balance Reporting policy language in accordance with GASB 54 fund balance reporting requirements.

RECOMMENDED ACTION: Approval

13. Apportionment of LAFCo Net Operating Costs – Comparison of Methodologies Used in Other Counties

Discuss and file survey of methodologies used in other counties to calculate annual apportionment of LAFCo net operating costs among funding agencies.

RECOMMENDED ACTION: Discuss and File

PUBLIC HEARING ITEMS

14. Final Budget Fiscal Year 2011-12

A. Adopt a resolution finding that a decrease in the Final Budget for FY 2011-12 will not result in reductions in staffing or prevent the Commission from fulfilling the purposes and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and approving the recommended Final Budget for FY 2011-12.

B. Direct staff to transmit the Final Budget to the board of supervisors, to each city, and to each independent special district.

RECOMMENDED ACTION: Approval (A and B)

ACTION ITEMS *(continued)*

15. Cancellation of the June 8 LAFCo Meeting

Cancel the June 8, 2011 LAFCo regular meeting

RECOMMENDED ACTION: Approval

EXECUTIVE OFFICER'S REPORT

COMMISSIONER COMMENTS

ADJOURNMENT

WEB ACCESS:
LAFCo Agendas, Staff Reports
and Adopted Minutes can be found at:
www.ventura.lafco.ca.gov

Written Materials - Written materials relating to items on this Agenda that are distributed to the Ventura Local Agency Formation Commission within 72 hours before they are scheduled to be considered will be made available for public inspection at the LAFCo office, 800 S. Victoria Avenue, Administration Building, 4th Floor, Ventura, CA 93009-1850, during normal business hours. Such written materials will also be made available on the Ventura LAFCo website at www.ventura.lafco.ca.gov, subject to staff's ability to post the documents before the meeting.

Public Presentations - Except for applicants, public presentations may not exceed five (5) minutes unless otherwise increased or decreased by the Chair, with the concurrence of the Commission. Any comments in excess of this limit should be submitted in writing at least ten days in advance of the meeting date to allow for distribution to, and full consideration by, the Commission. Members of the public who wish to make audio-visual presentations must provide and set up their own hardware and software. Set up of equipment must be complete before the meeting is called to order. All audio-visual presentations must comply with the applicable time limit for oral presentations and thus should be planned with flexibility to adjust to any changes to the time limit established by the Chair. For more information about these policies, please contact the LAFCo office.

Quorum and Voting – The bylaws for the Ventura LAFCo Commissioner's Handbook provide as follows:
1.1.6.1 Quorum: Four (4) members shall constitute a quorum for the transaction of business, but a lesser number may adjourn from time to time.
1.1.6.2 Voting: Four (4) affirmative votes are required to approve any proposal or other action. A tie vote, or any failure to act by at least four affirmative votes, shall constitute a denial.

Americans with Disabilities Act - In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the LAFCo office (805) 654-2576. Notification 48 hours prior to the meeting will enable LAFCo to make reasonable arrangements to ensure accessibility to this meeting.

Disclosure of Campaign Contributions - LAFCo Commissioners are disqualified and are not able to participate in any proceeding involving an "entitlement for use" if, within the 12 months preceding the LAFCo decision, the Commissioner received more than $250 in campaign contributions from the applicant, an agent of the applicant, or any financially interested person who actively supports or opposes the LAFCo decision on the matter. Applicants or agents of applicants who have made campaign contributions totaling more than $250 to any LAFCo Commissioner in the past 12 months are required to disclose that fact for the official record of the proceeding.

Disclosures must include the amount of the contribution and the recipient Commissioner and may be made either in writing to the Clerk of the Commission prior to the hearing or by an oral declaration at the time of the hearing.

The foregoing requirements are set forth in the Political Reform Act of 1974, specifically Government Code, section 84308.

Ventura
Local Agency Formation Commission

Agenda Item 6

MINUTES

REGULAR MEETING
Wednesday, April 20, 2011, 9:00 A.M.
Hall of Administration, Board of Supervisors' Hearing Room
800 S. Victoria Avenue, Ventura

1. Call to Order
   Chair Cunningham called the meeting to order at 9:00 A.M.

2. Pledge of Allegiance
   Chair Cunningham led the Pledge of Allegiance

3. Roll Call
   The Clerk called the roll. The following Commissioners were present:
   Commissioner Cunningham
   Commissioner Freeman
   Commissioner Long
   Commissioner Morehouse
   Commissioner Parks
   Commissioner Parvin
   Commissioner Pringle
   Alternate Commissioner Dandy
   Alternate Commissioner Hess

4. Commission Presentations and Announcements
   There were no announcements.

PUBLIC COMMENTS

5. There were no public comments.

CONSENT ITEMS

6. Minutes of the Ventura LAFCo March 16, 2011 Regular Meeting
7. Budget to Actual Report: March 2011

   MOTION: Approve as Recommended: Long
   SECOND: Parvin
   FOR: Cunningham, Freeman, Long, Morehouse, Parks, Parvin, Pringle
   AGAINST: None
   ABSTAIN: None
   MOTION PASSED 7/0/0

ACTION ITEMS

8. Presentation on Naval Base Ventura County (NBVC) Land Use Compatibility
   Salim Rahemtulla from NBVC gave a presentation to the Commission.
   The Commission directed staff to schedule a policy discussion at a future LAFCo meeting.

9. LAFCo 10-21 Ventura County Waterworks District No. 19 Annexation – La Loma Mutual Water Company

Kai Luoma presented the staff report recommending that the Commission continue the item to the May 18, 2011 LAFCo meeting.

MOTION: Continue to the May 18, 2011 meeting as recommended: Long
SECOND: Parvin
FOR: Cunningham, Freeman, Long, Morehouse, Parks, Parvin, Pringle
AGAINST: None
ABSTAIN: None
MOTION PASSED 7/0/0

PUBLIC HEARING ITEMS

10. Ojai Valley Sanitary District Sphere of Influence Amendment /Annexation Chandler/Lyon (Parcels A and B)

A. 11-01S Ojai Valley Sanitary District Sphere of Influence Amendment
B. 11-01 Ojai Valley Sanitary District Annexation

Chair Cunningham opened the public hearing. Kai Luoma presented the staff report. There were no public speakers. Chair Cunningham closed the public hearing.

MOTION: Approval of A and B as recommended: Morehouse
SECOND: Freeman
FOR: Cunningham, Freeman, Long, Morehouse, Parks, Parvin, Pringle
AGAINST: None
ABSTAIN: None
MOTION PASSED 7/0/0

11. Fee Schedule Review

Chair Cunningham opened the public hearing. Kai Luoma presented the staff report. There were no public speakers. Chair Cunningham closed the public hearing.

MOTION: Approval as recommended: Parks
SECOND: Morehouse
FOR: Cunningham, Long, Morehouse, Parks, Parvin, Pringle
AGAINST: Freeman
ABSTAIN: None
MOTION PASSED 6/1/0

12. Proposed Budget for FY 2011-12

Chair Cunningham opened the public hearing. Kim Uhlich presented the staff report. There were no public speakers. Chair Cunningham closed the public hearing. The Commission directed staff to provide information comparing the county, city and special district apportionments expressed as a percentage of each agency’s total revenue in

12. <u>Proposed Budget for FY 2011-12 *(continued)*</u>
the Recommended Final Budget and to provide a report of the methodologies used in other counties to apportion LAFCo Net Operating Costs.

MOTION: Approval as recommended: Morehouse
SECOND: Parvin
FOR: Cunningham, Freeman, Long, Morehouse, Parks, Parvin, Pringle
AGAINST: None
ABSTAIN: None
MOTION PASSED 7/0/0

EXECUTIVE OFFICER'S REPORT

Kim Uhlich reported that the deadline for filing a CEQA challenge regarding LAFCo's approval of the Santa Paula East Area 1 proposal has passed. No challenge was filed and the City, Limoneira and the Environmental Defense Center (representing Keep the Sespe Wild) have entered into an agreement whereby the City will do a subsequent EIR to address flooding related issues. Ms. Uhlich reviewed the following pending state legislation: AB 54 would require mutual water companies to respond to LAFCo's request for boundary maps and other data; AB 912 would give LAFCos the authority to dissolve special districts that have a "zero sphere"; SB 244 would require cities and counties to address island, fringe or legacy unincorporated communities inside or near their boundaries as part of their housing elements and would require LAFCos to review water, sewer and other services within these same areas when preparing municipal service reviews; AB 1430, a CALAFCO sponsored bill, would revise various definitions within the CKH Act along with other non substantive changes; AB 46 would allow for the disincorporation of any city with a population less than 150 unless the County Board of Supervisors makes certain determinations. Kim then reminded the Commission of the upcoming CALAFCO Conference, August 31-Sept 2 (Wednesday-Friday) in Napa and encouraged all commissioner and alternates to attend.

COMMISSIONER COMMENTS

Chair Cunningham congratulated Commissioner Janice Parvin, Mayor of the City of Moorpark, for receiving the "Woman of the Year" award from the 37th Assembly District.

ADJOURNMENT

Chair Cunningham adjourned the meeting at 11:00 a.m.

These Minutes were approved on May 18, 2011
Motion: **Second:**
Ayes:
Nos:
Abstains:
Motion (Passed /Failed)

Dated: **Chair, Ventura Local Agency Formation Commission**

STAFF REPORT

Meeting Date: May 18, 2011
(Consent)

Agenda Item 7

TO: LAFCo Commissioners

FROM: Kim Uhlich, Executive Officer

SUBJECT: Budget to Actual Report – April 2011

RECOMMENDATION:

Receive and file the Budget to Actual report for April 2011.

DISCUSSION:

Pursuant to the Commissioner's Handbook policies, the Executive Officer is to provide monthly budget reports to the Commission as soon as they are available. The attached report, which has been prepared with the assistance of the County Auditor-Controller staff, reflects revenue and expenditures through April 2011.

No adjustments or transfers between expenditure account codes or from contingencies are necessary or recommended.

As of April 30, actual miscellaneous revenue from application fees (account code 9772) is 132% of the budgeted amount. As reported last month, this is primarily due to the extensive staff work performed on the City of Santa Paula East Area 1 proposal. Staff will continue to keep the Commission updated regarding revenue and expenditure information through the remainder of the fiscal year.

Ventura
Local Agency Formation Commission

BUDGET TO ACTUAL FY 2010-11
YEAR TO DATE ENDING April 30, 2011 (83.3% of year)
Fund 7920, Organization 8950

Summary	Budget	Adj.Budget	To Date
Estimated Sources	772,892	772,892	781,222
Appropriations	772,892	772,892	517,572

		BUDGET			ACTUAL YTD				
Account Number	Title	Budget	Proposed Adjustments	Adjusted Budget	Actual	Encumbered	Total Revenue/ Obligation	Variance Favorable (Unfavorable)	
UNRESERVED FUND BALANCE									
	Beginning Balance	314,893.00		314,893.00	314,893.00		314,893.00	0.00	
5070	Designation-Subsequent Years Financing	(208,056.00)		(208,056.00)	(208,056.00)		(208,056.00)	0.00	
5040	Unreserved Fund Balance	106,837.00		106,837.00	106,837.00		106,837.00	0.00	
REVENUE									
8911	Interest Earnings	16,000.00		16,000.00	5,238.30		5,238.30	10,761.70	33%
9372	Other Governmental Agencies	590,055.00		590,055.00	590,055.00		590,055.00	0.00	100%
9772	Other Revenue - Miscellaneous	60,000.00		60,000.00	79,091.76		79,091.76	(19,091.76)	132%
	Total Revenue	**666,055.00**	**0.00**	**666,055.00**	**674,385.06**		**674,385.06**	**(8,330.06)**	101%
	TOTAL SOURCES	772,892.00	0.00	772,892.00	781,222.06	0.00	781,222.06	(8,330.06)	101%
EXPENDITURES									
1101	Regular Salaries	325,000.00		325,000.00	255,084.53		255,084.53	69,915.47	78%
1105	Overtime	0.00		0.00	217.66		217.66	(217.66)	0%
1106	Supplemental Payments	13,000.00		13,000.00	8,635.23		8,635.23	4,364.77	66%
1107	Term/Buydown	47,000.00		46,000.00	9,722.79		9,722.79	36,277.21	21%
1121	Retirement Contribution	60,000.00		60,000.00	39,223.18		39,223.18	20,776.82	65%
1122	OASDI Contribution	20,000.00		20,000.00	13,644.25		13,644.25	6,355.75	68%
1123	FICA - Medicare	5,800.00		5,800.00	3,963.26		3,963.26	1,836.74	68%
1124	Safe Harbor	1,300.00		1,300.00	991.61		991.61	308.39	76%
1141	Group Insurance	28,000.00		28,000.00	20,772.12		20,772.12	7,227.88	74%
1142	Life Ins/Dept. Heads & Mgmt.	400.00		400.00	285.79		285.79	114.21	71%
1143	State Unempl	0.00		1,000.00	855.58		855.58	144.42	86%
1144	Management Disability Ins.	2,300.00		2,300.00	1,791.93		1,791.93	508.07	78%
1165	Worker Compensation Ins	2,600.00		2,600.00	1,855.47		1,855.47	744.53	71%
1171	401K Plan	14,000.00		14,000.00	7,795.47		7,795.47	6,204.53	56%
	Salaries and Benefits	**519,400.00**	**0.00**	**519,400.00**	**364,838.87**	**0.00**	**364,838.87**	**154,561.13**	**70%**
2033	Voice/Data ISF	5,000.00		5,000.00	3,590.92		3,590.92	1,409.08	72%
2071	General Insurance Alloca - ISF	2,500.00		2,500.00	1,169.00		1,169.00	1,331.00	47%
2125	Facil/Matls Sq. Ft. Alloc. - ISF	17,000.00		17,000.00	12,856.00		12,856.00	4,144.00	76%
2128	Other Maint	700.00		700.00	0.00		0.00	700.00	0%
2141	Memberships & Dues	6,600.00		6,600.00	6,236.00		6,236.00	364.00	94%
2154	Education Allowance	2,500.00		2,500.00	2,000.00		2,000.00	500.00	80%
2158	Indirect Cost Recovery	31,000.00		31,000.00	30,266.00		30,266.00	734.00	98%
2172	Books & Publications	700.00		700.00	615.53		615.53	84.47	88%
2174	Mail Center - ISF	7,500.00		7,500.00	5,974.29		5,974.29	1,525.71	80%
2176	Purchasing Charges - ISF	1,000.00		1,000.00	88.52		88.52	911.48	9%
2177	Graphics Charges - ISF	5,500.00		5,500.00	5,479.76		5,479.76	20.24	100%
2178	Copy Machine Charges - ISF	400.00		400.00	223.08		223.08	176.92	56%
2179	Miscellaneous Office Expense	7,000.00		7,000.00	2,186.88		2,186.88	4,813.12	31%
2181	Stores ISF	0.00		0.00	10.50		10.50	(10.50)	0%
2191	Board Members Fees	4,500.00		4,500.00	2,250.00		2,250.00	2,250.00	50%
2192	Information Technology - ISF	5,500.00		5,500.00	2,062.36		2,062.36	3,437.64	37%
2195	Specialized Services/Software	2,500.00		2,500.00	1,066.00		1,066.00	1,434.00	43%
2197	Public Works - Charges	12,000.00		12,000.00	1,657.38		1,657.38	10,342.62	14%
2199	Other Prof & Spec Service	13,000.00		13,000.00	4,500.00	3,000.00	7,500.00	5,500.00	58%
2205	GSA Special Services ISF	500.00		500.00	0.00		0.00	500.00	0%
2214	County GIS Expenses	20,000.00		20,000.00	17,925.95		17,925.95	2,074.05	90%
2261	Public & Legal Notices	5,000.00		5,000.00	4,692.20		4,692.20	307.80	94%
2283	Records Storage Charges	1,500.00		1,500.00	188.94		188.94	1,311.06	13%
2293	Computer Equipment <5000	3,500.00		3,500.00	0.00		0.00	3,500.00	0%
2304	County Legal Counsel	20,000.00		20,000.00	30,503.00		30,503.00	(10,503.00)	153%
2521	Transportation Charges ISF	1,000.00		1,000.00	504.73		504.73	495.27	50%
2522	Private Vehicle Mileage	6,500.00		6,500.00	4,161.46		4,161.46	2,338.54	64%
2523	Conf. & Seminars Expense	13,000.00		13,000.00	8,806.08		8,806.08	4,193.92	68%
2526	Conf. & Seminars Expense ISF	500.00		500.00	719.00		719.00	(219.00)	144%
	Services and Supplies	**196,400.00**	**0.00**	**196,400.00**	**149,733.58**	**3,000.00**	**152,733.58**	**43,666.42**	**78%**
6101	Contingency	57,092.00		57,092.00	0.00		0.00	57,092.00	0%
	TOTAL EXPENDITURES	**772,892.00**	**0.00**	**772,892.00**	**514,572.45**	**3,000.00**	**517,572.45**	**255,319.55**	**67%**
							0.00		

Ventura
Local Agency Formation Commission

STAFF REPORT

Meeting Date: May 18, 2011

Agenda Item 8

TO: LAFCo Commissioners

FROM: Kim Uhlich, Executive Officer

SUBJECT: LAFCo Participation in a Joint Land Use Study to be Conducted by the Naval Base Ventura County

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RECOMMENDATION:

Authorize the Chair to sign the attached letter supporting the nomination of the Naval Based Ventura County to conduct a Joint Land Use Study.

BACKGROUND:

Naval Based Ventura County (NBVC) is composed of three operating facilities - Point Mugu, Port Hueneme and San Nicolas Island employing approximately 19,000 local residents and contributing an estimated $1.7 billion to the local economy. On April 19, 2011 the NBVC conducted a Regional Leaders Land Use Forum to discuss NBVC's current and future operations, concerns about potential incompatible land use development, and community actions that protect the health, safety, and welfare of the local population.

At the April 20, 2011 LAFCo meeting, NBVC representative Salim Rahemtulla presented information regarding the Military Influence Areas and land use encroachment issues near the Port Hueneme and Point Mugu facilities. As Mr. Rahemtulla indicated, the NBVC is proposing to embark on a cooperative land use planning effort with the surrounding communities known as a Joint Land Use Study (JLUS). In general, a JLUS is a strategic action plan to enhance compatibility between military activities and neighboring communities. More specifically, the intent of a JLUS is to identify recommendations to assist local governments, land owners and others to ensure the development of land uses that pose minimal or no impact to the military's mission. These recommendations can be regulatory (zoning and structural height restrictions) or voluntary (land exchanges and sales). Attachment 2 provides additional background information about the Joint Land Use Study Program. Also attached is a map showing the NBVC Military Influence Area and city spheres of influence in the proximity of the NBVC (Attachment 3).

Following Mr. Rahemtulla's presentation, the Commission directed staff to return with recommendations for potential policy approaches to address the encroachment issue. Since then, staff was contacted by NBVC staff who extended an invitation to LAFCo to participate in the JLUS and to support an associated request for grant funding from the U.S. Department of Defense, Office of Economic Adjustment.

DISCUSSION:

In addition to LAFCo, the NBVC has invited the County of Ventura and the Cities of Oxnard, Camarillo and Port Hueneme to participate in the JLUS. As of the writing of this report, the Oxnard City Council is scheduled to consider the adoption of a resolution in support of the nomination of the NBVC to conduct a JLUS with surrounding jurisdictions on May 10. The Board of Supervisors is scheduled to consider adoption of a resolution later this month. Discussions regarding the resolution language between the NBVC and the Cities of Port Hueneme and Camarillo are currently in progress.

Each participating agency's role in the NBVC JLUS will be defined via consensus and in conjunction with the Office of Economic Adjustment (OEA). Generally speaking, LAFCo staff envisions that LAFCo's role would be to provide information such as GIS data relating to sphere of influence boundaries and comments regarding any policy recommendations that may be developed. Ninety percent of the costs of the JLUS would be covered by the OEA Community Planning Assistance Grant, with a ten percent match that would likely be divided among the participating agencies. The match could be in the form of staff time as determined by the participating agencies. As such there would likely be no cost to LAFCo beyond the expenditure of staff time.

Staff believes that the creation of a comprehensive plan to preserve long-term land use compatibility between the NBVC and surrounding communities is a worthwhile effort and would also serve as the basis for the development of potential LAFCo policies in accordance with the Commission's direction at the April meeting. Staff therefore recommends that the Commission agree to participate in the JLUS and the request for funding from the U.S. Department of Defense, Office of Economic Adjustment. If the Commission wishes to accept staff's recommendation, NBVC staff have requested that your interest be conveyed in the form of a letter of support (Attachment 1).

Attachment: (1) Draft Letter of Support – NBVC Joint Land Use Study
(2) Information from the OES relating to the Joint Land Use Study Program
(3) Map of the NBVC Military Influence Area and Spheres of Influence

Ventura
Local Agency Formation Commission

ATTACHMENT 1

May 18, 2011

Ms. Jackalyne Pfannenstiel
Assistant Secretary of the Navy (Energy, Installations & Environment)
1000 Navy Pentagon
Washington, DC 20350-1000

RE: Joint Land Use Study between the Naval Base Ventura County and Surrounding Communities

Dear Secretary Pfannenstiel:

I am sending this letter on behalf of the members of the Ventura Local Agency Formation Commission (LAFCo) to express the Commission's support of the nomination of Naval Base Ventura County (NBVC) to conduct a cooperative Joint Land Use Study (JLUS) in conjunction with its surrounding jurisdictions.

LAFCos were created by the California Legislature for four primary purposes: 1) to encourage the orderly growth of local government agencies; 2) to ensure the efficient provision of public services; 3) to preserve open space and agricultural lands; and 4) to discourage urban sprawl. Although LAFCo does not directly regulate land use, the Commission's authority to establish and amend sphere of influence boundaries for cities and special districts plays a key role in guiding the timing and location of urban development.

It is our understanding that the basic objective of the JLUS is to assist local jurisdictions surrounding the NBVC to identify appropriate measures to minimize or eliminate potential incompatibilities between future land uses and base operations. The potential benefits of this effort will be to enhance the health and safety of residents who live or work near the NBVC as well as to protect the operational effectiveness and long term viability of the NBVC in its present location.

As an agency that promotes a comprehensive approach to regional planning and acknowledges that the continued operation of NBVC is of essential importance to the economy of Ventura County, the Ventura LAFCo strongly supports the efforts of NBVC in developing a JLUS and pledges its support and participation in the process.

Yours Sincerely,

Louis Cunningham
Chair

c: Captain McHugh, Commanding Officer, Naval Base Ventura County

JOINT LAND USE STUDY PROGRAM

Office of Economic Adjustment
Department of Defense

Most military installations were originally located in remote areas, distant from urban areas due largely to the availability of land and for defense and security purposes. Over time however, installations drew people and businesses closer and closer to take advantage of civilian job opportunities offered by the installation and to provide the goods and services to support the installation's operations. As urban growth and development increased near and around military installations land use conflicts between base operations and civilian development increased.

Military operations can be loud and present safety concerns for nearby civilian communities. For example, low flying, high performance military aircraft create both noise and accident potential during landings, take-off, and training exercises. Likewise, ground-training exercises (e.g., artillery firing ranges, maneuver areas, and aerial bombing ranges) generate impact noise that can adversely affect the surrounding community if the civilian population chooses too locate to close.

Conversely, urban development[1] near the perimeter of active military bases impacts operational effectiveness, training, and readiness missions. If allowed to go unregulated can incompatible development may compromise the utility and effectiveness of a military installation and its mission. For example, certain types of land use activities, such as homes, places of assembly (i.e., schools or religious centers), childcare centers, nursing homes, hospitals, restaurants, theaters, shopping centers, etc. often are not compatible uses/activities if located close to military operations.

When people and communities are exposed to irritating noise and accident potential, they seek relief. Typically this results in public pressure on the military base commander to modify or curtail operations or transfer activities to other installations. Mission constraints can lead to base closure.

The commensurate reduction in installation personnel and mission activities can have a direct and detrimental effect on the jurisdiction through reduced economic activity and loss of jobs, impacting the local tax base and economic health. The extent of urban encroachment impacting the operational utility of an installation is one consideration in determining the future viability of an installation.

Is Smart Planning an Option? Through joint, cooperative military and community planning, growth conflicts can be anticipated, identified, and prevented. These actions help protect the installation's military mission, and the public health, safety, quality of life and community economic stability.

The Department of Defense (DoD) supports several programs designed to provide technical information on noise and aircraft accident potential that communities can use to regulate urban encroachment while promoting economic growth and development.

The Air and/or Range Air Installation Compatible Use Zone (AICUZ/RAICUZ)

[1] *The term Urban Development as used here includes all forms of civilian development be it urban, suburban, exurban or rural in character.*

and the Operational Noise Management Programs (ONMP): In the mid- 1970's, the DoD established programs in response to existing and potential threat of incompatible land development compromising the defense missions at military installations. These programs are designed to promote compatible development on and off military bases. The programs include noise propagation studies of military activities to delineate on-and off-base areas most likely to be affected by unacceptable noise levels. The programs also identify aircraft landing and take-off accident potential zones that often extend off a base into the neighboring community. The AICUZ/ONMP studies are based on sophisticated, computer based noise models, Federal Aviation Administration guidelines, DoD Directives, and community land use planning principals and practices.

Joint Land Use Study (JLUS) Program: In 1985, Congress authorized the Department of Defense (DoD) to make community planning assistance grants *Title 10 U.S.C. Section 2391* to state and local government to help better understand and incorporate the AICUZ/RAICUZ/ONMP technical data into local planning programs. The Office of Economic Adjustment (OEA) manages the JLUS program.

JLUS Program Purpose: A JLUS is a cooperative land use planning effort between affected local government and the military installation. The recommendations present a rationale and justification, and provide a policy framework to support adoption and implementation of compatible development measures designed to prevent urban encroachment; safeguard the military mission; and protect the public health, safety, and welfare.

JLUS Implementation Measures: may involve revisions to the community's comprehensive plan and traditional land use and development controls, such as zoning, subdivision regulations, structural height restrictions, and promotion of planned unit development concepts.

Additional actions may include amending local building codes to require increased sound attenuation in existing and new buildings, land exchanges, and transfer of development rights, and real estate disclosure.

JLUS Project Initiation: When a Military Service believes an installation may be experiencing incompatible development problems or that there is the likelihood for incompatible development that could adversely affect the military mission, the Service may nominate the installations for a JLUS to OEA. OEA staff visits the installation, meets with the local base command and local government officials. OEA will evaluate existing or potential encroachment problems, the availability of AICUZ/RAICUZ/ONMP information, and local development controls to determine if a JLUS is justified. A JLUS will proceed if there is both base command and local jurisdiction interest.

JLUS assistance normally is technical, but can include funding as well through a Community Planning Assistance Grant.

OEA Community Planning Assistance Grant: The financial incentive for the community is a cost-shared Community Planning Assistance grant to support the cost of a JLUS. OEA makes the grant to a sponsoring jurisdiction.

Study Sponsor: Normally the local governing body with land development regulatory oversight serves as the sponsor, but it can be a state governmental organization, an airport authority, community planning office, regional planning agency, or a qualified council of governments.

The sponsor, working with OEA and the military base, develops a scope of work, outlines the study contents, including goals and objectives, phases of the study, methods of public involvement, and an implementation plan. The proposal also includes an estimate of the cost to produce the study, and the amount of local funds or match resources that will be pledged by the sponsor. In-house staff can do the work or it can be a contracted effort with a consultant qualified in land use planning, zoning and environmental (principally noise) issues. Typical OEA funding assistance is on a matching dollar for dollar basis. A typical JLUS can cost between $75,000 and $135,000 depending on the complexity of the issues involved. OEA can contribute up to 90 percent of the cost to produce a JLUS. However, not all JLUS efforts require planning grants.

OEA technical assistance is available to help with the preparation of the scope of services and a grant application; to provide technical support and guidance during the JLUS; and serve as liaison between the Military Department, and the sponsoring jurisdiction if needed.

Consensus: An important ingredient of a successful JLUS is building community consensus. If the JLUS is to have positive results, the participating jurisdiction and military installation must agree to make a good faith pledge to implement development controls to achieve compatibility.

Program Experience: A JLUS is usually completed in 12-months, although the degree of coordination and complexity may require more or less time to achieve the necessary community consensus and action measures.

Experiences from these studies have shown a high success rate. The JLUS effort can directly benefit both the jurisdiction and the installation by:

- Protecting of the health and safety of residents living or working near military installations;
- Preserving long-term land use compatibility between the installation and the surrounding community;
- Promoting comprehensive community planning;
- Encouraging a cooperative spirit between the local base command and local community officials;
- Integrating the local jurisdiction's comprehensive plans with the installation's plans.

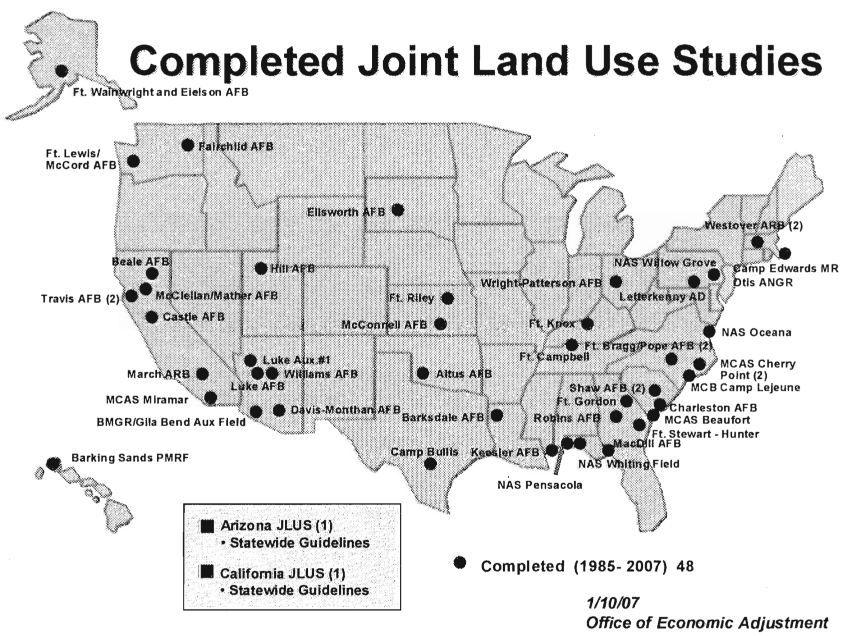
DoD Conservation Partnering Authority: The FY-03 Defense Authorization Act (Title 10 U.S. Code § 2684a includes a provision that authorizes the military departments to enter into agreements with eligible entities to acquire real estate interests in the vicinity of military installations. The purpose is to limit incompatible land use near a military installation by creating conservation buffers to protect natural features, endangered species and to preserve important habitat necessary to sustaining a quality ecosystem. Another benefit of the program is to remove from a developable status lands that may be subject to urban development that could affect military training and readiness. This legislation provides a powerful new tool for the military departments to help in preventing incompatible civilian development near a military installation.

The new legislation authorizes DoD to enter into agreements with states, political subdivisions, and private conservation entities ("conservators"). State and local agencies can offer the advantage of cost sharing, taking title to property interests, and working directly with officials responsible for zoning and land use policies affecting military installations. Private conservators — both national conservation groups and local land trusts — offer other advantages. Many conservators have conservation plans identifying regions and parcels of interest to them in the vicinity of military installations. They can also respond more quickly to land acquisition opportunities than can DoD and may be able to leverage other private and public sources of funds that are targeted to acquiring real estate interests in lands with conservation value.

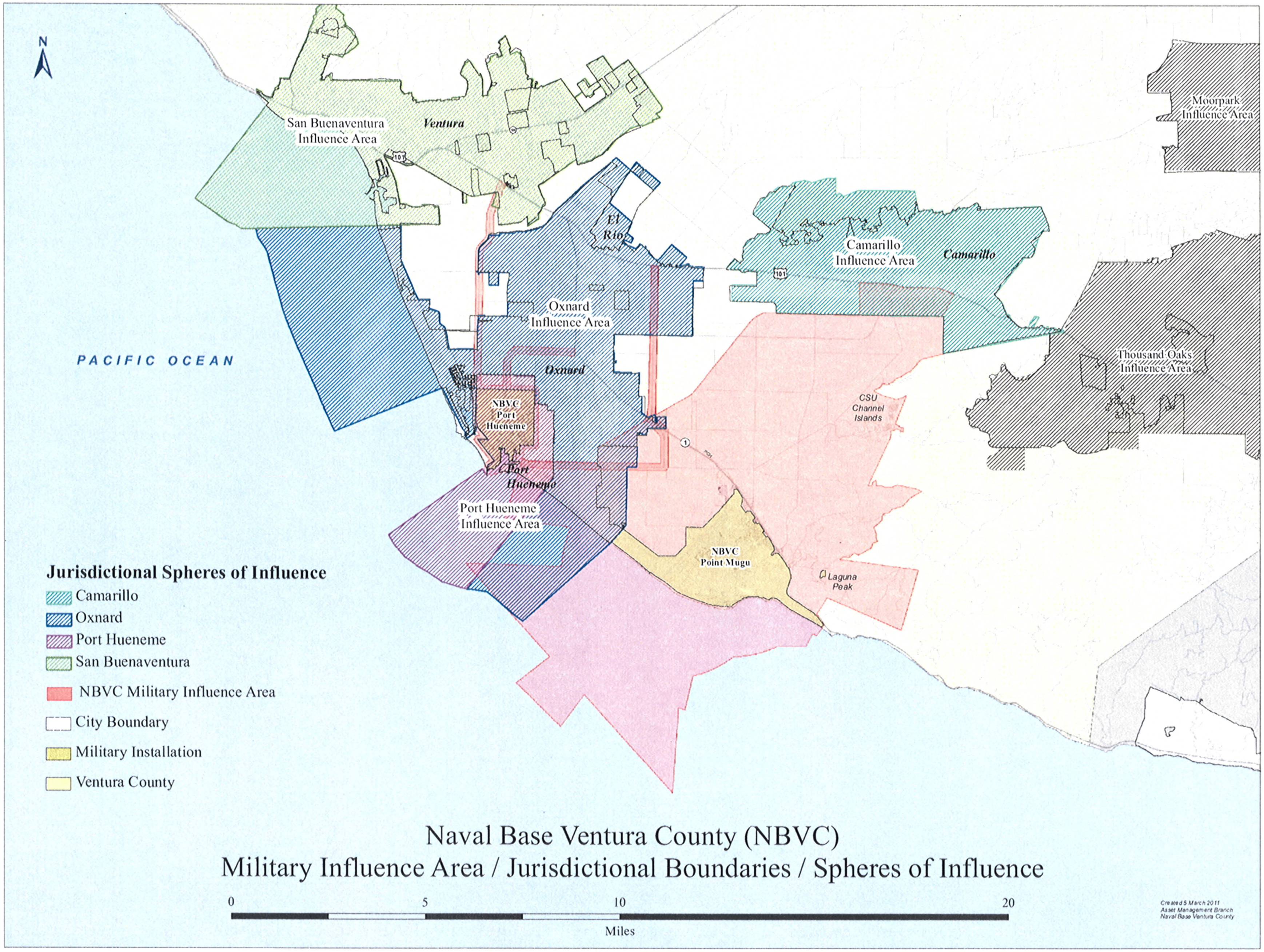
This new DoD authority to partner with governmental and non-governmental conservation organizations is an important tool in an encroachment prevention toolbox.

By leveraging the AICUZ, JLUS and conservation partnering authority a better balance in what once were conflicting public objectives can be achieved.

This is the fifth and most recent DoD program designed to respond to civilian encroachment of incompatible development near military installations.



ATTACHMENT 3



Naval Base Ventura County (NBVC)
Military Influence Area / Jurisdictional Boundaries / Spheres of Influence

Ventura
Local Agency Formation Commission

STAFF REPORT
Meeting Date: May 18, 2011

Agenda Item 9

TO: LAFCo Commissioners

FROM: Kai Luoma, Deputy Executive Officer

SUBJECT: LAFCo 10-21 Ventura County Waterworks District No. 19 Annexation – La Loma Mutual Water Company

---

RECOMMENDATION:

Continue action on LAFCo 10-21 Ventura County Waterworks District No. 19 Annexation – La Loma Mutual Water Company to an unspecified date.

BACKGROUND:

The application describes the proposal as the annexation of the La Loma Ranch Mutual Water Company (La Loma) to the District in order to receive water for domestic and agricultural use. According to the District, La Loma currently receives water from a private well. Water is distributed to each of the eight parcels that comprise La Loma via private water lines. According to the District, the well is aging and in need of replacement. Annexation would allow La Loma to avoid the costs of constructing a new well. If annexed, the District would supply water to La Loma, which would then distribute the water to each parcel through its existing private water lines.

DISCUSSION:

This item was originally scheduled to be considered by the Commission at the March 16, 2011 meeting. The Commission has twice continued the item, first to the April 20 meeting and then again to the May 18 meeting (Attachment 1). The two continuances were to allow additional time for representatives of La Loma to secure a water source for a parcel that is within La Loma but which is not included in the proposal to annex to the District, and would thus not be eligible to receive District water (see attached Staff Report prepared for the April 20 meeting). Staff now understands that efforts to secure a water source are ongoing but the amount of time that will be needed is indeterminate. In lieu of continuing the item to a specific future LAFCo meeting, LAFCo staff recommends that the item be continued to an unspecified date and scheduled for Commission consideration once an alternative water source has been secured for the lot that is part of the La Loma Ranch Mutual Water Company but not included in the annexation proposal. The District has consented to this recommendation.

Attachment: (1) Staff Report dated April 20, 2011

STAFF REPORT

Meeting Date: April 20, 2011

Attachment 1

TO: LAFCo Commissioners

FROM: Kai Luoma, Deputy Executive Officer

SUBJECT: LAFCo 10-21 Ventura County Waterworks District No. 19 Annexation – La Loma Mutual Water Company

---

RECOMMENDATION:

Continue action on LAFCo 10-21 Ventura County Waterworks District No. 19 Annexation – La Loma Mutual Water Company to May 18, 2011.

BACKGROUND:

The application describes the proposal as the annexation of the La Loma Ranch Mutual Water Company (La Loma) to the District in order to receive water for domestic and agricultural use. According to the District, La Loma currently receives water from a private well. Water is distributed to each of the eight parcels that comprise La Loma via private water lines. According to the District, the well is aging and in need of replacement. Annexation would allow La Loma to avoid the costs of constructing a new well. If annexed, the District would supply water to La Loma, which would then distribute the water to each parcel through its existing private water lines.

DISCUSSION:

This item was originally scheduled to be considered by the Commission at the March 16, 2011 meeting. However, due to an unresolved issue that arose late in the processing of this application, LAFCo staff requested, and the Commission approved, a continuance of the item to the April 20 meeting.

La Loma is comprised of eight parcels on approximately 310 acres. Seven of the parcels are located within the sphere of influence for the District and within the boundaries of the Calleguas Municipal Water District (Calleguas is a wholesale provider of potable water to the District, thus the District's service area must be within Calleguas' boundaries). These seven parcels comprise the proposed annexation area. The eighth parcel, which is located outside the District sphere and outside of Calleguas' boundaries and sphere of influence is not included in the proposed annexation and, therefore, would not be eligible to receive water from the District if the annexation was approved. However, no alternative source of water for this parcel has been identified. The property owner of the eighth parcel has retained legal counsel who has expressed concern to LAFCo staff that if an alternative water source is not identified, the annexation could leave the property owner without a source of water. Staff understands that representatives of La Loma are pursuing, but have not yet secured, an alternative water source. The continuance would allow them additional time to do so.

STAFF REPORT

Meeting Date: May 18, 2011

Agenda Item 10

TO: LAFCo Commissioners

FROM: Kim Uhlich, Executive Officer

SUBJECT: Audited Financial Statements for Fiscal Year Ended June 30, 2010

RECOMMENDATION:

1. Receive and file the attached audited Annual Financial Report for the year ended June 30, 2010.

2. Receive and file the attached Auditor's Communication with Those Charged with Governance.

DISCUSSION:

The Commissioner's Handbook policies provide for annual independent audits of the LAFCo financial statements (Attachment 1). Accordingly, the Commission approved a contract with Vavrinek, Trine, Day & Company, LLP on September 15, 2010 and the work was completed earlier this month.

A representative from Vavrinek, Trine, Day & Company will attend the meeting to present an overview of the audit process and to answer questions.

Attachments: (1) Commissioner's Handbook Section 2.3.5.1 providing for regular independent audits of the LAFCo financial statements
(2) LAFCo audited Annual Financial Report for the year ended June 30, 2010
(3) May 9, 2011 Letter from Vavrinek, Trine, Day & Company, LLP to the Commissioners of the Ventura LAFCo

SECTION 2.3.5 AUDITS

2.3.5.1 Independent Auditor Role: For the two-year period between July 1, 2007 and June 30, 2009, LAFCo shall arrange for a single audit of its financial statements to be conducted by an independent accounting firm. All subsequent year financial statements shall be audited annually thereafter. LAFCo staff, the Commission, and any Commission committee appointed for the purpose of audit oversight are authorized to communicate directly with the independent accounting firm.

ATTACHMENT 2

LOCAL AGENCY FORMATION COMMISSION FOR VENTURA COUNTY

Annual Financial Report

June 30, 2010

INTRODUCTORY SECTION

LOCAL AGENCY FORMATION COMMISSION
FOR VENTURA COUNTY
ANNUAL FINANCIAL REPORT
JUNE 30, 2010

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INTRODUCTORY SECTION

FINANCIAL SECTION

COMPLIANCE SECTION

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

The Commissioners of the Local Agency
Formation Commission for Ventura County

We have audited the accompanying basic financial statements of the governmental activities and the general fund of the Local Agency Formation Commission for Ventura County (Commission), California, as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Local Agency Formation Commission for Ventura County, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2 of the financial statements, the Commission has restated beginning net assets for the recognition of compensated absences.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO

The management's discussion and analysis and budgetary comparison information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
May 9, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Local Agency Formation Commission for Ventura County (Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the basic financial statements and the notes to those financial statements identified in the accompanying table of contents.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements include three components: the governmental fund financial statements, the government-wide financial statements, and the notes to the basic financial statements. The basic financial statements consolidate the two kinds of statements that present different views of the Commission. The statements and notes are followed by a section of required supplementary information that provide additional financial and budgetary information.

The two statements presented are the Governmental Fund Balance Sheet/Statement of Net Assets, and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. The General Fund columns reflect the governmental fund financial statements that focus on the short-term. The Statement of Net Assets, and the Statement of Activities columns reflect the government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status. These statements can be found on pages 11 - 12.

Government-wide Financial Statements

The financial statements created by Governmental Accounting Standards Board Statement No. 34 (GASB 34) and its related Statements, GASB 37 and 38, and Interpretation No. 6, are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business. The *statement of net assets* and *statement of activities* use the flow of economic resources measurement focus and accrual basis of accounting. The focus and basis emphasize the *long-term* view of the Commission's finances.

The *statement of net assets* presents information on all Commission assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (eg. earned but unused vacation leave).

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Commission rather than the Commission as a whole. They are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commission is a single purpose, single fund entity and utilizes a governmental fund to account for its activities.

The fund financial statements consist of the balance sheet and statement of revenues, expenditures, and changes in fund balance. These are prepared on the modified-accrual basis of accounting. The government-wide statements are prepared on the full-accrual basis.

In general, these financial statements under the modified-accrual basis have a short-term emphasis and for the most part, measure and account for assets that are current financial resources, and liabilities that are expected to be liquidated with current financial resources. Specifically, cash and receivables collectible within a very short period of time are reported on the balance sheet.

Fund liabilities include amounts that are to be paid within a very short time after the end of the fiscal year. The long-term liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The unreserved portion of the fund balance represents the amount available to finance future activities.

The operating statement for the governmental fund reports only those revenues and expenditures that were collected in cash or paid with cash during the current period or very shortly after the end of the year.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since the different accounting basis are used to prepare the above statements, reconciliation is required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation between the total fund balances and net assets of governmental activities can be found on page 11.

The reconciliation of the total change in the fund balance for the governmental fund to the change in net assets of governmental activities can be found on page 12.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 - 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the government-wide statement of net assets follows:

Table 1
Net Assets - Governmental Activities

	2010	2009
Assets:		
Current and other assets	$ 325,040	$ 340,303
Total assets	$ 325,040	$ 340,303
Liabilities:		
Current and other liabilities	$ 39,590	$ 22,320
Long-term liabilities	8,650	-
Total liabilities	48,240	22,320
Net assets:		
Unrestricted	276,800	317,983
Total net assets	276,800	317,983
Total liabilities and net assets	$ 325,040	$ 340,303

As shown in Table 1, the Commission's total assets in the fiscal year ended June 30, 2010 decreased $15,263 or 4.5 percent from 2009. This was primarily due to a decrease in the amount of revenue received from charges for the Commission's services (application fees). As shown in Table 2, the amount of revenue from the Commission's application fees in the fiscal year ended June 30, 2010 was significantly lower than the prior five years. This is reflective of a significant decrease in the number of applications received, which appears to be strongly correlated to the overall decline in real estate prices and tightening of the credit/lending market associated with the global financial crisis of 2007, and the resulting stagnation in local development activity. Net assets as of June 30, 2010 decreased $41,183, indicating a 13.0 percent decline in the Commission's overall financial condition, primarily attributed to the initial recording of compensated absences, as disclosed in Note 2 - Restatement of Net Assets.

Table 2
Revenue from Filing Fees, FY 2005-10

Fiscal Year	Amount of Revenue from Filing Fees
2004-05	$81,041
2005-06	$89,984
2006-07	$71,250
2007-08	$68,755
2008-09	$61,471
2009-10	$44,302

A summary of the government-wide statement of activities follows:

Table 3
Changes in Net Assets - Governmental Activities

	2010	2009
Revenues:		
Program revenues:		
Charges for services:		
Apportionments from other governmental units	$ 587,084	$ 488,685
Filing fees	44,302	61,471
General revenues:		
Interest	12,294	17,166
Total revenues	643,680	567,322
Expenses:		
General government	649,302	597,758
Total expenses	649,302	597,758
Change in net assets	(5,622)	(30,436)
Net assets - beginning of year, as restated	282,422	348,419
Net assets - end of year	$ 276,800	$ 317,983

As in all other years, the Commission's major source of revenue in fiscal year ended June 30, 2010 was apportionments from other governmental agencies. Since apportionments comprise a significant proportion of the Commission's total revenue and since the annual apportionment amount is based directly on the Commission's projected operating expenditures, total revenue generally varies from any given year for the same reasons as do total expenditures.

As shown in Table 3, total expenses in fiscal year ended June 30, 2010 increased by $51,544 or 8.6 percent. This was comprised of an increase of $57,101 for salaries and benefits and a decrease of $5,557 for services and supplies. The increase in salaries and benefits was primarily due to the expenditure of approximately $42,000 for retroactive salary and employee benefits to compensate the current and former Executive Officer, Deputy Executive Officer, and Office Manager/Clerk for a general salary increase granted to County of Ventura (County) management employees in 2006 by the Board of Supervisors, but erroneously withheld from Commission staff.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted earlier, the Commission uses fund accounting to provide proper financial management of the Commission's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Fund. The General Fund is the chief operating fund of the Commission. At the end of the fiscal year ended June 30, 2010, total fund balance of the General Fund was $316,155, compared to $317,983 for fiscal year ended June 30, 2009.

GENERAL FUND BUDGET

Major deviations between the budget of the General Fund and its actual operating results were as follows:

- *Interest revenue* was less than budgeted due to lower than anticipated interest rates.
- *Filing Fees* was less than budgeted due to fewer than anticipated applications for changes of organization.
- *Contract Services* were less than budgeted primarily due to fewer than anticipated expenditures for salaries and "buy-downs" of accrued annual leave by Commission staff members.
- *Services and Supplies:*
    - *Public works charges* were less than budgeted due to a decreased need for mapping-related services.
    - *County Counsel* expenditures were less than budgeted due to the receipt of fewer than anticipated applications.
    - *Conference and Seminars* expenditures were less than budgeted due to lower than anticipated attendance of the California Association of Local Agency Formation Commissions (CALAFCO) Conference by Commissioners and staff.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer at the Ventura County Government Center, Hall of Administration, 800 S. Victoria Avenue, Ventura, CA 93009-1850.

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BASIC FINANCIAL STATEMENTS

LOCAL AGENCY FORMATION COMMISSION
FOR VENTURA COUNTY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2010

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents (Note 3)	$ 323,600	$ -	$ 323,600
Interest receivable	1,440	-	1,440
Total assets	$ 325,040	$ -	$ 325,040
LIABILITIES			
Accounts payable	$ 482	$ -	$ 482
Accrued payroll liabilities	4,839	-	4,839
Due to County of Ventura	2,064	-	2,064
Deposits payable	1,500	-	1,500
Long-term liabilities (Note 6):			
Due within one year	-	30,705	30,705
Due after one year	-	8,650	8,650
Total liabilities	8,885	39,355	48,240
FUND BALANCE/NET ASSETS			
Fund balances:			
Unreserved-designated for subsequent years financing	201,967	(201,967)	-
Unreserved-undesignated	114,188	(114,188)	-
Total fund balance	316,155	(316,155)	-
Total liabilities and fund balance	$ 325,040		
Net assets:			
Unrestricted		276,800	276,800
Total net assets		$ 276,800	$ 276,800

Fund balances - total governmental fund	$ 316,155
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental fund	(39,355)
Net assets of governmental activities	$ 276,800

See the accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION
FOR VENTURA COUNTY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses:			
General government	$ 645,508	$ 3,794	$ 649,302
Total expenditures/expense	645,508	3,794	649,302
Program revenues:			
Charges for services:			
Apportionments	587,084	-	587,084
Filing fees	44,302	-	44,302
Total charges for services	631,386	-	631,386
Net program expense		-	(17,916)
General revenues:			
Interest	12,294	-	12,294
Total general revenues	12,294	-	12,294
Excess of revenues over expenditures	(1,828)	1,828	-
Change in net assets		(5,622)	(5,622)
Fund balance/net assets:			
Beginning of the year, as restated (Note 2)	317,983	-	282,422
End of the year	$ 316,155	$ -	$ 276,800

Net change in fund balances - total governmental fund	$ (1,828)
Amounts reported for governmental activities in the statement of activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund	
Change in compensated absences	(3,794)
Change in net assets of governmental activities	$ (5,622)

See the accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Agency Formation Commission for Ventura County (Commission) conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the significant policies.

A. Description of the Reporting Entity

Following the end of World War II, California entered a new era of demographic growth and diversity, and economic development. With this growth came the need for housing, jobs and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a Commission. The Commissions are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations, and annexations.

The Commission's governing board consists of eleven appointed Commissioners: seven voting members with four alternate members, who vote only in the absence of a voting member. Two members and one alternate member are selected by the Board of Supervisors of the County of Ventura (County) from their own membership; two members and one alternate member are selected by the cities in the County; two members and one alternate member are selected from special districts by the independent special district selection committee; and one member and one alternate member are selected to represent the general public, who are appointed by the other Commissioners.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenues.

Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented which explains the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and, expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal years. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Charges for services and interest associated with the current fiscal periods are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal periods. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include apportionments and filing fees. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then use unrestricted resources as needed.

D. Cash and Cash Equivalents

The Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Commission's cash from operations is deposited in the County of Ventura Treasury. The County pools its funds with other government agencies in the County and invests them as prescribed by the California Government Code. The only authorized investment for the Commission is the County of Ventura Investment Pool. The Commission's deposits in the County pool may be accessed any time. The Commission is allocated interest income on monies deposited with the County based on its proportional share of the total pool. All pooled investments are carried at fair value. The fair value of a participant's position in the pool is not the same as the value of the pooled shares. The County of Ventura investment policy and related disclosures may be found in the notes to the County's basic financial statements.

E. Due to County of Ventura

Due to County of Ventura is the payment due to the County for services and support provided by the County to the Commission.

F. Compensated Absences (Accrued Vacation, Sick Leave, and Compensatory Time)

Commission policy permits employees to accumulate earned but unused vacation, sick pay, and compensatory time. A liability for all vacation pay and compensated absences and 25 percent of unused accumulated sick leave for those employees with at least ten years of service is accrued when earned in the government-wide financial statements. In accordance with GASB Interpretation No. 6, a liability for these amounts is reported in the governmental fund financial statements only if they have matured as a result of employee resignations and retirements prior to year-end and are paid by the Commission from current available resources.

G. Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. RESTATEMENT OF NET ASSETS

The Commission's beginning net assets have been restated to reflect the liability for compensated absences not reported in prior fiscal years.

As required by GASB Statement Nos. 16 and 34, the liabilities for compensated absences for vacation, vested sick leave benefits, and compensatory time are to be reported in the governmental activities of the government-wide financial statements. A decrease to FY10 beginning Net Assets of $35,561 has been made to reflect the compensated absences liability amount as of July 1, 2009.

The following table provides a reconciliation of net assets as of July 1, 2009, as previously reported, to net assets at July 1, 2009, as restated:

	Governmental Activities
Net assets, July 1, 2009, as previously reported	$ 317,983
Restatement:	
Recognition of liability for employee compensated absences, as of July 1, 2009	(35,561)
Total restatement	(35,561)
Net assets, July 1, 2009, as restated	$ 282,422

3. CASH AND CASH EQUIVALENTS

At June 30, 2010, the Commission's total cash and cash equivalents was $323,600; the change in fair value from carrying value amounted to an increase of $1,263.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of the fair value to changes in market interest rates.

At June 30, 2010, the weighted average maturity of the County of Ventura Investment Pool was 344 days.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Ventura Investment Pool has received ratings of AAAf and S1+ by Standard and Poor's Ratings Services, the highest possible ratings given by the agency.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, the Commission had all of its cash pooled with the County of Ventura Treasury. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the money invested by the Commission in the County of Ventura Investment Pool).

4. INSURANCE

The Commission is a member of the County of Ventura's Risk Management affiliated agencies. The schedule of insurance coverage is as follows:

Coverage	Limit of Insurance	
Public Employees Blank Bond Fraudulent Mortgage Rider Funds Transfer Fraud	$ 10,000,000	Per occurrence/aggregate where applicable. $25,000 deductible per occurrence.
Public Entity Liability	$ 16,000,000	Per accident. $500,000 self insured retention per occurrence.
Business Travel Accident	$ 5,700,000	Aggregate, no deductible.
Risk Property, Boiler & Machinery, Heavy Equipment, DIC, Library Book Floater	$ 600,000,000	Varies.

5. RELATED PARTY TRANSACTIONS

The Commission and the County entered into a Memorandum of Agreement to provide office space, contract employees, accounting, information technology support, legal service, workers compensation and liability insurance, administrative support, and maintenance support. Benefits provided to the contract employees including compensated absences, health and pension benefits are charged to the Commission on a pay-as-you-go basis. The total expense incurred by the Commission to the County for the year ended June 30, 2010 was $581,615. The total due to the County as of June 30, 2010 was $2,064.

6. LONG-TERM LIABILITIES

Long-term obligations of the Commission consist of compensated absences. Compensated absences are liabilities for vacation, vested sick leave benefits, and compensatory time reported as required by GASB Statement Nos. 16 and 34 in the governmental activities of the government-wide financial statements. As the liability for these amounts was not reported in prior fiscal years, an adjustment has been made to reflect the compensated absences liability amount as of July 1, 2009, resulting in a decrease to FY10 beginning Net Assets by $35,561.

A summary of long-term liabilities incurred, outstanding as of June 30, 2010, is as follows:

Type of Liability	Outstanding July 1, 2009	Additions and Transfers	Maturities and Transfers	Outstanding June 30, 2010	Amount Due Within One Year
Compensated Absences	$ 35,561	$ 3,794	$ -	$ 39,355	$ 30,705

A liability for compensated absences is reported in the governmental fund financial statements only if they have matured due to employee resignations and retirements.

7. PENSION PLANS

VCERA Plan

A. Plan Description

The Commission participates in a contributory defined benefit plan (Plan) which is administered by the Ventura County Employees' Retirement Association (VCERA). The plan was established pursuant to Government Code Sections 31450 through 31899 and administered by the VCERA. VCERA operates a cost-sharing, multiple-employer system with substantially all member employers included in the County's primary government reporting entity. Covered employees include those from Courts, Air Pollution Control District, the Commission, and other smaller special districts. Due to the relative insignificance of the non-County employers participating in the plan, the County has elected to include financial statement disclosures required for a single-employer plan. Membership in the VCERA is mandatory for substantially all employees.

VCERA is governed by the Board of Retirement. The Plan's benefit provisions and contribution requirements are established and may be amended by state law and resolutions and ordinances adopted by the Board of Retirement and Board of Supervisors. VCERA issues an independently audited Comprehensive Annual Financial Report. A copy of this report can be obtained by contacting the Retirement Association at 1190 South Victoria Avenue, Suite 200, Ventura, California, 93003.

Plan members are classified as either General or Safety. General members employed prior to or on June 29, 1979 and certain other employees before June 30, 2002 are designated as Tier I members. General members employed after June 29, 1979 are designated as Tier II members. All Safety members are classified as Tier I regardless of date of hire. The Commission does not have any safety members.

B. Retirement Benefits

A General or Safety member with 10 or more years of County service is entitled to an annual retirement allowance beginning at age 50. General members with 30 or more years of service and Safety members with 20 or more years of service may begin receiving a retirement allowance regardless of age. The basic retirement allowance is based upon the member's age, years of retirement service credit, and final average compensation.

Employees terminating before accruing 5 years of retirement service credit (5-year vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning 5 years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement.

C. Actuarially Determined Contribution Requirements

The funding policy provides for periodic employer and employee contributions at actuarially determined rates, expressed as level percentages of annual covered payroll, that are sufficient to accumulate the required assets to pay benefits when due. The smoothing of market value method is used to determine the actuarial value of assets. In accordance with various employee collective bargaining agreements, the Commission subsidizes the employees' regular contributions in various amounts, depending on the classification of the employee. Contribution rates for employees range from 5.57 percent to 12.10 percent of covered payroll. Contribution rates are determined using the "entry age normal cost" method. Under this method, normal cost is the level amount that would fund the projected benefit if it was paid annually from the date of employment until retirement.

Employer and employee contribution rates in effect during fiscal year 2009-10 were based on the actuarial valuation performed as of June 30, 2008. The significant actuarial assumptions in the June 30, 2008 actuarial valuation are summarized as follows:

	Assumptions
• Rate of return on investment	8.00%
• Projected salary increases	5.00%
Amount attributable to inflation	3.75%
Amount attributable to seniority and merit	0.75%
Amount attributable to real "across the board"	0.50%
• Annual cost of living increases after retirement (Tier 1 and Safety members - contingent upon CPI increases, 3% maximum. Tier 2 SEIU members - fixed 2% not subject to CPI increases, for service after March 2003.)	0.00-3.00%

The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll on a closed basis.

D. Contributions and Transfers Made

The Commission's actuarially determined employer contributions of $116,894 were made in 2007-08, $49,175 in 2008-09, and $54,342 in 2009-10. These contributions represent 100 percent of the annual pension cost required for fiscal years 2008, 2009, and 2010.

Management Retiree Health Benefits Program

A. Plan Description

The Commission participates in the Management Retiree Health Benefits Program (MRHBP), a cost-sharing, multiple-employer defined benefit plan administered by the County. The MRHBP was established by the County Board of Supervisors on June 8, 1999. On June 21, 2005, the Board of Supervisors approved the elimination of this benefit for employees covered after July 2, 2005.

Employees who retired after July 1, 1999, became eligible to receive one year of payments for five years of service, up to a maximum of five years of coverage. Payments of approximately $581 per month were equivalent to premiums for the Ventura County Health Care Plan. The payments do not constitute any guarantee of medical care benefits.

Additional details, actuarial assumptions, funded status, and required supplementary information for the MRHBP is included in the Comprehensive Annual Financial Report (CAFR) of the County for the fiscal year ended June 30, 2010. The report is available from the County of Ventura's web page, http://portal.countyofventura.org/portal/page/portal/ auditor/FINANCIALBUDGET%20REPORTS.

B. Funding Policy

The MRHBP is currently funded on a pay-as-you-go basis. Annual required contributions are determined by the County.

C. Contributions and Transfers Made

The Commission's required contributions, as determined by the County, were $3,653 in 2007-08, $2,616 in 2008-09, and $-0- in 2009-10. These contributions represent 100 percent of the annual non-pension cost required for fiscal years 2008, 2009, and 2010.

Required Supplementary Information (Other than MD & A) (Unaudited)

LOCAL AGENCY FORMATION COMMISSION
FOR VENTURA COUNTY
BUDGETARY COMPARISON SCHEDULE - ON BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Resources (inflows):				
Apportionments	$ 587,084	$ 587,084	$ 587,084	$ -
Filing fees	60,000	60,000	44,302	(15,698)
Interest	20,000	20,000	11,031	(8,969)
Amount available for appropriation	667,084	667,084	642,417	(24,667)
Charges to appropriations (outflows):				
General government:				
Contract services	506,500	528,788	483,997	44,791
Services and supplies	205,410	197,610	161,511	36,099
Contingencies	71,191	56,703	-	56,703
Total charges to appropriation	783,101	783,101	645,508	137,593
Deficiency of revenues under expenditures	(116,017)	(116,017)	(3,091)	112,926
Fund balance - beginning	317,983	317,983	317,983	-
Fund balance - ending	$ 201,966	$ 201,966	$ 314,892	$ 112,926

LOCAL AGENCY FORMATION COMMISSION
FOR VENTURA COUNTY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. BUDGET AND BUDGETARY ACCOUNTING

As set forth in California Government Code Section 56381 of the Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000, the Commission is legally required to adopt a proposed annual budget for the General Fund by May 1, and a final annual budget by June 15. The Commission adheres to the provisions of California Government Code Sections 2900 through 29144 concerning budgetary matters, commonly known as The County Budget Act.

The adopted budget can be amended by the Commission to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations require approval by the Commissioners. Expenditures may not exceed total appropriations at the individual object level. Any transfer of appropriations between object levels is delegated by the Commission to the Executive Officer. It is the practice of the Commission's management to review the budget quarterly and, if necessary, recommend changes to the Commissioners.

The Budgetary Comparison Schedule for the General Fund, as required by GASB 34, presents the original budget, final budget and actual amount. The “original budget” includes the adopted budget plus appropriations for prior year approved rollover encumbrances. The “final budget” is the budget as Board approved at the end of the fiscal year. The “actual amount” includes the actual revenues and expenditures incurred on a budgetary basis and as adjusted for the basic financial statements. Variances are provided between the Final Budget Amounts and the Actual Amounts on a budgetary basis.

This information is presented as Required Supplementary Information. Analysis of the final budget to actual variances is discussed in the Management’s Discussion and Analysis.

The budget is adopted on a basis of accounting which is different from GAAP. The primary difference is:

- For budgetary purposes, changes in the fair value of investments are not recognized as increases or decreases to revenue. Under GAAP, such changes are recognized as increases or decreases to revenue.

The following schedule is a reconciliation of the difference between the fund balances on the actual on a budgetary basis and the GAAP basis on the fund financial statements at June 30, 2010:

	FY 2009-10
	General
Fund balance - Actual on budgetary basis	$ 314,892
Adjustment:	
Change in fair value of investments	1,263
Fund balance - GAAP basis	$ 316,155

Level of Budgetary Control

The legal level for budgetary control (the level at which expenditures may not legally exceed appropriations) is at the object level (salaries and benefits, and services and supplies). Expenditures are classified as general government.

Encumbrances

The Commission utilizes an encumbrance system as an extension of normal budgetary accounting to assist in controlling expenditures. Under this system, purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance in the governmental fund. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

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COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Commissioners of the Local Agency
Formation Commission for Ventura County

We have audited the financial statements of the of the governmental activities and the general fund of the Local Agency Formation Commission for Ventura County (Commission), California, as of and for the year ended June 30, 2010, and have issued our report thereon dated May 9, 2011. Our report included an explanatory paragraph regarding the Commission's restatement of beginning net assets for the recognition of compensated absences. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Commissioners of the Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
May 9, 2011

FINDING 2010-01 – COMPENSATED ABSENCES

Criteria:

Compensated absences should be reviewed, monitored and recorded in the financial statements in accordance with generally accepted accounting principles (GAAP).

Condition:

During our audit, we noted that the Commission had not previously reported compensated absences in the financial statements.

Context:

In accordance with labor agreements, Commission employees are entitled to vacation, sick leave benefits and compensatory time. The benefits represent obligations of the Commission to its employees and require accrual in accordance with GAAP.

Cause:

The Commission did not maintain procedures to ensure that compensated absences were reported on the financial statements in prior years.

Effect:

We proposed adjustments, which were posted by management, to the Commission’s beginning equity balances in the financial statements.

Recommendation:

We recommend that the Commission strengthen its year-end closing procedures to ensure that compensated absences are reviewed, evaluated and reported in the financial statements.

View of responsible officials and corrective action:

We concur with the recommendation. Beginning with the next reporting period, LAFCo will contract with the County of Ventura Auditor-Controller's Office on an ongoing basis to assist in the annual audit and prepare the financial statements, as the County Auditor-Controller's Office has procedures in place to ensure the review, evaluation and reporting of compensated absences in the financial statements.

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

May 9, 2011

The Commissioners of the Local Agency
Formation Commission for Ventura County

We have audited the financial statements of the governmental activities and the general fund of the Local Agency Formation Commission for Ventura County (Commission) for the year ended June 30, 2010, and have issued our report thereon dated May 9, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Commission. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our engagement letter about planning matters.

As described in our engagement letter:

> An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.
>
> Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

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Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010 except for the recognition and reporting of compensated absences. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Commission's financial statements was:

> Management's estimates pertaining to the contributions to its pension and retiree health benefits program. We evaluated the key factors and assumptions used to develop this estimate in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were corrected by management: We proposed audit adjustments to record the Commission's compensated absences and reduce beginning equity as of July 1, 2009 in the amount of $35,561. Additional information regarding this adjustment is included in Note 2.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 9, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Commissioners and management of Local Agency Formation Commission for Ventura County and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
May 9, 2011

STAFF REPORT
Meeting Date: May 18, 2011

Agenda Item 11

TO: LAFCo Commissioners

FROM: Kim Uhlich, Executive Officer

SUBJECT: Governmental Accounting Standards Board (GASB) Statement No. 54 Regarding Fund Balance Reporting

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RECOMMENDATION:

Receive and file.

DISCUSSION:

Kathleen O'Keefe, a Fiscal Manager from the Ventura County Auditor-Controller's office, will present information regarding new fund balance reporting requirements pursuant to GASB Statement No. 54 as they relate to the LAFCo budget beginning with the Fiscal Year 2011-12.

Further, detailed information regarding GASB 54 is attached (Attachment 1).

JOURNAL OF ACCOUNTANCY

GOVERNMENT

Balancing Governmental Budgets Under GASB 54

BY BRUCE W. CHASE, CPA, PH.D. AND JOHN B. MONTORO, CPA
NOVEMBER 2009

Fund balance is an important measure that represents the difference between a fund's assets and liabilities. The overall objective of fund balance reporting is to isolate that portion of fund balance that is unavailable to support the following period's budget.

Because governmental funds' measurement focus is the flow of financial resources, the balance sheet primarily reports assets and liabilities that represent net spendable and available resources for these funds. In many ways, fund balance represents working capital, which can either be used as a liquidity reserve or for spending in future years.

Many state and local governments are experiencing revenue shortfalls and are facing difficult decisions in balancing their budgets. One option some governments have is to use a portion of fund balance to offset revenue declines and balance the current-year budget. However, not all amounts reported as part of fund balance are available to be used in a future budget.

Under current practice, fund balances are either classified as reserved or unreserved. Many governments also designate part of unreserved fund balance. Recent research conducted by GASB shows a lack of consistency among governments in reporting the components of fund balance and that the components are often misunderstood by financial statement users. It is often unclear if any of the reserved or designated fund balances are available to help balance a government's budget.

GASB Statement no. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will significantly change how this information is reported. The statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. The statement also clarifies the definition of existing governmental fund types.

The purpose of this article is to assist governments and auditors in preparing for the reporting requirements of Statement no. 54 and to discuss possible policy changes governments should consider as they approach adoption of this statement, which is effective for periods beginning after June 15, 2010 (GASB encourages early implementation). In addition, it will help citizens and decision makers better understand the constraints placed on fund balances.

GASB'S SOLUTION

To improve the reporting of fund balance, a hierarchy of fund balance classifications has been created based primarily on the extent to which governments are bound by constraints on resources reported in the funds. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

The hierarchy of five possible classifications of fund balance is:

Nonspendable Fund Balance

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.

- Amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund)

Restricted Fund Balance
- Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. This is the same definition used by GASB Statement no. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for restricted net assets.

Committed Fund Balance
- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources.
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned Fund Balance
- For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed.
- For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance.

Unassigned Fund Balance
- For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.
- For all governmental funds other than the general fund, amount expended in
- excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit). In determining a residual deficit, no amount should be reported as assigned.

Not all governments will have all five components of fund balance. Governments should review their current policies and procedures to determine if resources would meet the definition of committed or assigned. Additional policies may need to be adopted or revised to be consistent with the new definitions.

A number of policies discussed in this article may need to be adopted or revised under Statement no. 54. In addition, several new note disclosures are required (see sidebar, "Note Disclosures," below).

Note Disclosures
Governments will be required to disclose more information about amounts reported in fund balance:
- Description of authority and actions that lead to committed and assigned fund balance.
- The government's policy regarding order of spending regarding restricted and unrestricted fund balance and the order of spending for committed, assigned and unassigned.
- For any stabilization arrangements, the authority for establishing, requirements for additions, and the conditions under which amounts may be used. If not reported on the face of the financial statements, the stabilization balance.
- Description of any formally adopted minimum fund balance policies.
- The purpose of each major special revenue fund and which revenues or other sources are reported in each of those funds.
- Encumbrances, if significant, are reported in conjunction with other disclosures of significant commitments.

COMPUTING THE BALANCES
This may not be as easy as it seems. Total fund balance must be classified into one of the five possible categories described above at the end of each year. A government policy on the order in which resources are to be expended is an important factor in how amounts are reported in fund balance. Under Statement no. 34, governments were required to have a policy regarding whether it considers the use of restricted or unrestricted resources first when both are available for expenditure. This policy now applies at the fund level for restricted and unrestricted (committed, assigned or unassigned) resources.

Likewise a government should establish a policy on the order in which unrestricted resources are to be used when any of these amounts are available for expenditure. If a government does not establish a policy, the default approach assumes that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts.

Governments must consider the impact on the components of fund balance when determining their policy on which funds are used first. Exhibit 1 (opens in a new window) reflects the results of two policies related to unrestricted resources. In Case A, the government elected a policy to use restricted amounts before unrestricted amounts. A policy was not elected on the use of unrestricted amounts; therefore, the default will be used where committed resources are used first. Under this approach, all of the ending fund balance is unrestricted and reported as either committed or assigned.

In Case B, the government elected a policy to use unrestricted amounts before restricted amounts. They also elected a policy to use assigned amounts before committed amounts. Under this approach, all of the ending fund balance is reported as restricted. The accounting policy choice on which resources are used first can significantly affect how balances are reported.

For most governments, determining the components of fund balance will be an annual exercise. The first step is to determine the amount that should be reported as nonspendable. For all but the general fund, the remaining amounts must be allocated to restricted, committed or assigned by reviewing the constraints placed on available resources and by applying the order of spending policy just discussed. Assigned fund balance is the residual classification after amounts have been classified as nonspendable, restricted or committed. However, if there is a negative balance after classifying amounts as nonspendable, restricted or committed, the fund would report a negative amount as unassigned. In this case no amount would be reported as assigned.

For the general fund, unassigned fund balance is the residual classification after amounts have been classified as nonspendable, restricted, committed or assigned. Only the general fund would report a positive amount as unassigned. A negative residual amount would be eliminated by reducing unassigned balance based on the government's order of spending policy. No funds should report a negative amount for restricted, committed or assigned fund balance.

ENCUMBRANCES

For governments that use encumbrance accounting, encumbering funds that are already restricted, committed or assigned based on the source and strength of the constraints placed on them does not further limit the use of the amounts reported in these classifications. A government should not report amounts that are encumbered.

However, amounts encumbered for a specific purpose for which amounts have not been previously restricted, committed or assigned, should be classified as either committed or assigned, based on the criteria previously discussed for these two classifications. Significant encumbrances at year-end should be disclosed in the notes to the financial statements, along with other significant commitments.

STABILIZATION FUNDS

Some governments have stabilization funds to cover such things as revenue shortfalls, emergencies or other purposes. The authority to set aside resources often comes from a statute, ordinance or constitution. The formal action that creates these funds should identify and describe the specific circumstances under which these funds may be used. These circumstances should not be expected to occur regularly. Stabilization funds can be classified as either restricted or committed fund balance if they meet the criteria previously discussed. If the criteria of restricted or committed are not met, then stabilization agreements should be reported as unassigned.

REPORTING THE BALANCES

Governments can choose where to disclose information about constraints placed on the different classifications of fund balance. The information can be displayed on the face of the balance sheet, or only aggregate amounts can be reported with the constraints disclosed in the notes to financial statements.

For nonspendable fund balance, the amount not in spendable form and the amount that must be maintained intact must be disclosed separately. For restricted fund balance, major restricted purposes should be disclosed. Major specific purposes should also be disclosed on committed and assigned fund balance.

Exhibit 2 (opens in a new window) is from Appendix C of Statement no. 54. It provides an example of displaying the information about constraints on fund balance on the face of the financial statements and an example of only showing aggregate amounts for fund balance.

FUND DEFINITION

As part of the fund balance project, GASB determined that clarifying certain terms used in fund type definitions would improve consistency on how fund types are reported. This was a limited-scope approach to fund type definitions and is not intended to impose more restrictive interpretations on the use of the various fund types than the current standard. However, research shows that many governments are not following current standards, especially as they relate to special revenue funds.

The changes to the general fund, debt service fund and capital project fund definitions are minor and, in most cases, just reflect the new terms of restricted, committed and assigned included in this standard.

The changes to the special revenue fund definition included additional guidance on when resources should be reported in this fund. The definition of a special revenue fund is: “Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.”

The standard says that the foundation for the fund should be from a revenue source that is either restricted or committed. That restricted or committed revenue source should be expected to continue to represent a substantial portion of the inflows reported in that fund. Other restricted, committed or assigned revenue may be reported in that fund. At any point the government does not expect that a substantial portion of the inflows will be from restricted or committed resources, the government should stop using a special revenue fund and report the remaining resources in the general fund.

This definition of a special revenue fund appears less restrictive than the current standard, but it may be more restrictive than what many governments are currently following in reporting resources in special revenue funds. Some special revenue funds may not meet the additional guidance requiring that a substantial portion of the future inflow come from a restricted or committed resource (see sidebar, “Audit Impact,” below).

Governments will want to determine if their special revenue funds meet the revised definition well ahead of their planned implementation of Statement no. 54. Some of the resources reported in special revenue funds may need to be reported in the general fund. Because the budget cycle for the general fund occurs several months before the beginning of the fiscal year, it is important to know where certain resources will be reported at the start of the budget process. For example, many June 30 fiscal year-end governments will begin work on their fiscal year 2011 (Statement no. 54 implementation year) budget this fall.

Audit Impact

An auditor must consider several things in preparing for an audit client under GASB Statement no. 54. He or she must review the client’s policies for the authority and actions that lead to committed and assigned fund balances, the order of spending, and the creation of governmental funds. The auditor needs to obtain assurance that the policies are properly documented, being followed, and are properly disclosed in the notes to financial statements.

The auditor will also need to conduct a review of current governmental funds, particularly special revenue funds. This review should include major and nonmajor funds.

In one test case, nearly one-third of a government’s special revenue funds did not appear to meet the revised special revenue fund definition (10 funds out of 31). For example, funds with residual balances, those that do not have a significant committed revenue source, and funds that receive most or all of their revenue as a transfer from another fund would likely not meet the revised definition for a special revenue fund. Special revenue funds that do not meet the revised fund definition should be reported as part of the general fund. For this government, reporting the funds as part of the general fund would have a material impact on the fund balance.

It is likely that the fund balance classification will be performed as a part of year-end financial reporting and recorded in a subsidiary ledger (spreadsheet). Controls should be established over this aspect of financial reporting and need to be documented and tested in accordance with current risk-based auditing standards.

STAFF REPORT
Meeting Date: May 18, 2011

Agenda Item 12

TO: LAFCo Commissioners

FROM: Kim Uhlich, Executive Officer

SUBJECT: Policy Recommendations to Address GASB 54 Fund Balance Reporting Requirements

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RECOMMENDATION:

Adopt the attached resolution making amendments to Division 2, Chapter 3 of the Commissioner's Handbook.

BACKGROUND:

Fund balance is a measure of the difference between a fund's assets and liabilities. In general, fund balance represents working capital, which can either be used as a liquidity reserve or for spending in future years. The overall objective of fund balance reporting is to isolate that portion of fund balance that is unavailable to support the following period's budget.

Recently, research conducted by the Governmental Accounting Standards Board (GASB) showed a lack of consistency among governments in reporting the components of fund balance and that the components are often misunderstood by financial statement users. It is often unclear if any of the reserved or designated fund balances are available to help balance a government's budget. In response, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to promote clarity and consistency in the reporting of fund balance information. The effective date is for reporting periods beginning after June 15, 2010.

DISCUSSION:

To address fund balance reporting requirements pursuant to the GASB Statement No. 54, staff from the County Auditor-Controller's office and LAFCo collaborated to develop policy language for inclusion in the Commissioner's Handbook (Handbook).

Designation for Subsequent Year Financing (account code 5070) in the LAFCo budget is proposed to be re-classified into two separate components: "Committed Fund Balance" and "Unassigned Fund Balance." Pursuant to Handbook subsections 2.3.1.4(c), (d) and (e), it was the Commission's intent for the Designation for Subsequent Year Financing account to serve as a reserve account to be used in the case of unanticipated, extraordinary expenses such as cost related to litigation not otherwise reimbursable by an applicant. It should also be noted that this account represents 26.9 percent of the Proposed/Recommended Final Budget for FY 2011-12 and is thus fully funded. Based on the GASB 54 requirements, staff is now recommending that $100,000 of the current balance of $208,056 of the Designation for Subsequent Year Financing account be committed to a specific account to be used exclusively for expenses related to litigation and classified as "Committed Fund Balance." It is also recommended that the remaining portion of the balance be classified as "Unassigned" fund balance to be used for unanticipated expenditures other than those related to litigation. Further, it is recommended that the Commission establish a policy to maintain an unassigned fund balance equivalent to approximately 60 days of working capital.

In accordance with GASB 54, the unreserved fund balance (account code 5040) that is used to fund the budget is proposed to be reclassified as "Appropriated Fund Balance."

It is recommended that any fund balance amount in excess of the committed and appropriated fund balances be classified as "unassigned" in the General Fund. And finally, it is recommended that the Commission adopt a policy providing for an annual review of the Fund Balance policies.

The recommended revisions and additions to the Handbook are detailed in the following paragraphs. All language that is recommended to be added is indicated in red font and language recommended to be deleted is indicated with ~~strikeout~~.

DIVISION 2 – OPERATIONAL POLICIES

CHAPTER 3 – FINANCIAL

SECTION 2.3.1 BUDGET POLICIES

2.3.1.1 Open, Collaborative Process: LAFCo encourages an open, collaborative process in the development and approval of its budget, and efforts to equitably apportion or reapportion the cost of its budget. LAFCo encourages cooperation and collaborative efforts among agencies in order to reduce the costs of special projects, studies and state mandates.

2.3.1.2 Annual Work Plan: As a part of the budget development process LAFCo will annually review and adopt a work plan to fulfill the purposes and programs of state law and local policy, including requirements for service reviews, sphere of influence updates and other mandated functions. The work plan will guide the development of the budget based on a July 1 to June 30 fiscal year.

2.3.1.3 Preparation and Administration:
(a) The Executive Officer or designee shall serve as budget administrator to prepare, present, transmit, review, execute and maintain the LAFCo budget consistent with state law.
(b) The Executive Officer shall provide the Commission with a monthly budget report comparing revenues and expenditures to the adopted budget at the next regular meeting of the Commission following staff's receipt of the report from the Auditor-Controller.

2.3.1.4 Contingency Reserve:
(a) The annual budget shall include a contingency appropriation of 10% of total operating expenses, unless the Commission deems a different amount appropriate.
(b) Funds budgeted for contingency reserve shall not be used or transferred to any other expense account code without the prior approval of the Commission.
~~(c) Whenever the actual year-end closing figures for the LAFCo general fund show that available financing exceeds financing requirements, the excess shall be transferred to an account designated for subsequent years financing. The designated for subsequent years financing account will be considered as a reserve account. The County of Ventura Auditor-Controller, with the concurrence of the Executive Officer, is authorized to transfer an amount equal to the amount of excess financing to this account, which shall be augmented, as funds may be available, until it contains an amount equal to at least 25% of the current year budget. Once the account equals at least 25% of the current year budget any remaining funds in excess of the actual fund balance amount may be appropriated for any allowed expense at the Commission's discretion.~~
~~(d) Whenever actual year end closing figures of the LAFCo general fund show that financing requirements exceed available financing, the Executive Officer shall notify the~~

~~Commission at its next regular meeting. Any associated reductions in appropriations may not be made without prior approval of the Commission.~~
~~(e) Funds in the designation for subsequent years financing account that constitute the LAFCo reserve account shall not be used for any current year's expenses or considered as a financing source for on-going operations without the prior approval of the Commission. It is the intent of the Commission that any funds considered as reserves only be used in the case of extraordinary expenses that could not have been anticipated.~~

2.3.1.5 Budget Adjustments:
(a) The Commission may make adjustments to its budget at any time during the fiscal year, as it deems necessary.
(b) Adjustments between accounts within the same object may be approved by the Executive Officer.
(c) Transfers between expenditure objects may be approved by the Executive Officer.

SECTION 2.3.2 FUND BALANCE POLICIES

The Commission's fund balance policy establishes a minimum level at which unrestricted fund balance is to be maintained. The Commission believes that sound financial management principles require that sufficient funds be retained by the Commission to provide a stable financial base at all times. To retain this stable financial base, the Commission needs to maintain an unrestricted fund balance in its General Fund sufficient to fund cash flows of the Commission and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls.

2.3.2.1 Circumstances in Which Unrestricted Fund Balance Can Be Appropriated:
Unrestricted fund balance includes committed, assigned and unassigned fund balance. Committed and assigned fund balances indicate amounts set aside by the Commission for specific purposes. Committed and assigned fund balances shall be appropriated for the approved purpose but may be transferred by majority approval of the Commission

2.3.2.2. Appropriate Level of Unassigned Fund Balance in the General Fund: The Commission will maintain an unassigned fund balance in the General Fund of approximately 60 days working capital. Excess fund balance remaining over and above the committed and assigned fund balances should be classified as "unassigned" in the General Fund. Should Unassigned Fund Balance fall below 45 days working capital it should be addressed in the next fiscal year budget.

2.3.2.3 Litigation Reserve Account:
(a) It is the goal of the Commission to establish and maintain a Litigation Reserve Account balance in the amount of $100,000 with the intent of limiting the use of Litigation Account funds for unanticipated expenditures resulting from litigation against the Commission that does not occur routinely and would not be reimbursed by another party.
(b) Should the Litigation Reserve Account balance fall below the $100,000 targeted level, the Commission shall approve and adopt a plan to restore this balance to the target level within 24 months. If restoration of committed fund balance cannot be accomplished within such period without severe hardship to the Commission, then the Commission will establish a different time period.

2.3.2.4 Year-End Fund Balances:
(a) If a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget to eliminate a projected excess of expenditures over expected revenues, then that portion of fund balance should be classified as assigned. The assignment expires with the establishment of the budget.
(b) An assignment of fund balance requires a majority vote of the Commission. However the Executive Officer is authorized to assign any fund balance used to balance a future budget upon the adoption of the annual budget.

2.3.2.5 Review: In conjunction with the adoption of the final budget, the Commission's Fund Balance policies shall be reviewed annually to evaluate sufficiency of the adopted level of fund balance.

Attachment: (1) Resolution making various amendments to the Commissioner's Handbook

ATTACHMENT 1

RESOLUTION OF THE VENTURA LOCAL AGENCY FORMATION COMMISSION MAKING VARIOUS AMENDMENTS TO CHAPTER 3 OF DIVISION 2 OF THE VENTURA LAFCO COMMISSIONER'S HANDBOOK

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.) requires each Local Agency Formation Commission (LAFCo) to adopt written policies and procedures; and

WHEREAS, the Ventura Local Agency Formation Commission (LAFCo) adopted a new and revised Commissioner's Handbook containing its written policies and procedures on January 1, 2002 and readopted it October 17, 2007, and

WHEREAS, the Commission desires to amend its financial operational policies relating to budgetary fund balance; and

WHEREAS, on May 18, 2011, the public had an opportunity to comment and the Commission considered amendments to the Commission's operational policies;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Ventura Local Agency Formation Commission hereby:

(1) Amends Division 2 – Operational Policies, Chapter 3 – Financial of the Commissioner's Handbook, by deleting policies relating to designation for subsequent year's financing and adding policies relating to fund balance reporting as shown on Exhibit A.

(2) Directs the Executive Officer to compile the amendments to the Commissioner's Handbook in the form of replacement pages and distribute them to interested parties.

This resolution was adopted on May 18, 2011.

	AYE	NO	ABSTAIN	ABSENT
Commissioner Cunningham	☐	☐	☐	☐
Commissioner Long	☐	☐	☐	☐
Commissioner Freeman	☐	☐	☐	☐
Commissioner Morehouse	☐	☐	☐	☐
Commissioner Parks	☐	☐	☐	☐
Commissioner Parvin	☐	☐	☐	☐
Commissioner Pringle	☐	☐	☐	☐
Alternate Commissioner Bennett	☐	☐	☐	☐
Alternate Commissioner Dandy	☐	☐	☐	☐
Alternate Commissioner Hess	☐	☐	☐	☐
Alternate Commissioner Smith	☐	☐	☐	☐

Dated:______________ ____
Chair, Ventura Local Agency Formation Commission

Attachment: Exhibit A

c: Ventura County Auditor-Controller
Ventura County Cities
Ventura County Special Districts

EXHIBIT A

DIVISION 2 – OPERATIONAL POLICIES

CHAPTER 3 - FINANCIAL

SECTION 2.3.1 BUDGET POLICIES

2.3.1.1 Open, Collaborative Process: LAFCo encourages an open, collaborative process in the development and approval of its budget, and efforts to equitably apportion or reapportion the cost of its budget. LAFCo encourages cooperation and collaborative efforts among agencies in order to reduce the costs of special projects, studies and state mandates.

2.3.1.2 Annual Work Plan: As a part of the budget development process LAFCo will annually review and adopt a work plan to fulfill the purposes and programs of state law and local policy, including requirements for service reviews, sphere of influence updates and other mandated functions. The work plan will guide the development of the budget based on a July 1 to June 30 fiscal year.

2.3.1.3 Preparation and Administration:
(a) The Executive Officer or designee shall serve as budget administrator to prepare, present, transmit, review, execute and maintain the LAFCo budget consistent with state law.
(b) The Executive Officer shall provide the Commission with a monthly budget report comparing revenues and expenditures to the adopted budget at the next regular meeting of the Commission following staff's receipt of the report from the Auditor-Controller.

2.3.1.4 Contingency Reserve:
(a) The annual budget shall include a contingency appropriation of 10% of total operating expenses, unless the Commission deems a different amount appropriate.
(b) Funds budgeted for contingency reserve shall not be used or transferred to any other expense account code without the prior approval of the Commission.

2.3.1.5 Budget Adjustments:
(a) The Commission may make adjustments to its budget at any time during the fiscal year, as it deems necessary.
(b) Adjustments between accounts within the same object may be approved by the Executive Officer.
(c) Transfers between expenditure objects may be approved by the Executive Officer.

SECTION 2.3.2 FUND BALANCE POLICIES

The Commission's fund balance policy establishes a minimum level at which unrestricted fund balance is to be maintained. The Commission believes that sound financial management principles require that sufficient funds be retained by the Commission to provide a stable financial base at all times. To retain this stable financial base, the Commission needs to maintain an unrestricted fund balance in its General Fund sufficient to fund cash flows of the Commission and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls.

2.3.2.1 Circumstances in Which Unrestricted Fund Balance Can Be Appropriated: Unrestricted fund balance includes committed, assigned and unassigned fund balance. Committed and assigned fund balances indicate amounts set aside by the Commission for specific purposes. Committed and assigned fund balances shall be appropriated for the approved purpose but may be transferred by majority approval of the Commission

2.3.2.2. Appropriate Level of Unassigned Fund Balance in the General Fund: The Commission will maintain an unassigned fund balance in the General Fund of approximately 60 days working capital. Excess fund balance remaining over and above the committed and assigned fund balances should be classified as "unassigned" in the General Fund. Should Unassigned Fund Balance fall below 45 days working capital it should be addressed in the next fiscal year budget.

2.3.2.3 Litigation Reserve Account:
(a) It is the goal of the Commission to establish and maintain a Litigation Reserve Account balance in the amount of $100,000 with the intent of limiting the use of Litigation Account funds for unanticipated expenditures resulting from litigation against the Commission that does not occur routinely and would not be reimbursed by another party.
(b) Should the Litigation Reserve Account balance fall below the $100,000 targeted level, the Commission shall approve and adopt a plan to restore this balance to the target level within 24 months. If restoration of committed fund balance cannot be accomplished within such period without severe hardship to the Commission, then the Commission will establish a different time period.

2.3.2.4 Year-End Fund Balances:
(a) If a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget to eliminate a projected excess of expenditures over expected revenues, then that portion of fund balance should be classified as assigned. The assignment expires with the establishment of the budget.
(b) An assignment of fund balance requires a majority vote of the Commission. However the Executive Officer is authorized to assign any fund balance used to balance a future budget upon the adoption of the annual budget.

2.3.2.5 Review: In conjunction with the adoption of the final budget, the Commission's Fund Balance policies shall be reviewed annually to evaluate sufficiency of the adopted level of fund balance.

Ventura Local Agency Formation Commission

STAFF REPORT

Meeting Date: May 18, 2011

Agenda Item 13

TO: LAFCo Commissioners

FROM: Kim Uhlich, Executive Officer

SUBJECT: Apportionment of LAFCo Net Operating Costs – Comparison of Methodologies Used in Other Counties

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RECOMMENDATION:

Discuss and file.

BACKGROUND:

Each LAFCo is required to adopt a final budget by June 15 of each year and the respective county auditor is required to apportion the net operating expenses pursuant to Government Code section 56381 (Attachment 1).

As reflected in the Proposed Budget for FY 2011-12 adopted by the Commission at the April 20, 2011 LAFCo meeting, the County of Ventura, the 10 cities and the 29 independent special districts each contribute a one-third share of the Ventura LAFCo's operational costs. Individual city and special district apportionments are calculated in proportion to each agency's total revenues as a percentage of the combined city or district revenues. In conjunction with the Commission's discussion of the funding agency apportionment costs, concerns and questions were raised regarding the financial impacts on special districts as well as equity concerns related to the share paid by the County versus that paid by the Calleguas Municipal Water District as a percentage of each agency's total revenue. As a result, staff was directed to present a comparison of the methodologies used in other counties to calculate annual apportionments of LAFCo net operating expenses.

DISCUSSION:

Following the April LAFCo meeting, staff sent a written survey to the 57 other LAFCos in the state asking for information about the specific formulas used to determine the apportionments from their respective funding agencies. A total of 49 responses were received and the information (along with apportionment information for the Ventura LAFCo) is summarized in the attached table (Attachment 2). Of the LAFCos that responded (including the Ventura LAFCo), 27 have county, city and special district representation, 20 have county and city representation, one (Trinity LAFCo) has county and special district representation and one (Alpine LAFCo) has county representation only. The San Francisco LAFCo is funded entirely by the joint City/County of San Francisco.

Among the 27 survey respondants that have county, city and special district representation, 22 split the share of LAFCo operational costs equally in three parts (33.3 percent for each membership class). For the other 5 LAFCos that have county, city and special district representation (Butte, Los Angeles, Mono, San Diego and Sonoma), various alternative cost shares have been approved ranging from approximately 28.6 to 50 percent for the counties, approximately 38.5 to 50 percent for the city membership class and zero to approximately 28.6 percent share for the district membership class. Among the 20 survey respondants that have county and city representation, 17 split the share of LAFCo operational costs in half (50 percent for each membership class). The other 3 LAFCos (Colusa, Tulare and Tuolomne) use various alternative cost splitting methodologies. Pursuant to Government Code section 56381(b)(4), any alternative method of apportionment must be approved by a majority vote of each of the following: the board of supervisors; a majority of the cities representing a majority of the total population of cities in the county; and the independent special districts representing a majority of the combined total population of independent special districts in the county.

The individual city apportionments of the total cities' share must be in proportion to each city's total revenues as a percentage of the combined city revenues as set forth in section 56381(b)(1)(B) unless an alternative methodology is approved by a majority of the cities representing the majority of the combined cities' populations. Among the 47 respondants that have county, city and special district representation or county and city representation, the standard cost apportionment formula for individual cities is used for 33 of them. For the other 14 LAFCos, an alternative city apportionment method is used. In Los Angeles, Sacramento, San Diego and Santa Clara Counties, the apportionments paid by the Cities of Los Angeles, Sacramento, San Diego and San Jose are calculated pursuant to specific provisions of state law applicable exclusively to these counties (Government Code section 56381 and 56381.6). In the counties of Colusa, Kings, San Joaquin and Tulare, the apportionment for each city is proportional to population. A combination of population and geographic size is used to calculate city apportionments in Orange County and a combination of population and general tax revenues is used in Napa County. In Solano and Yolo Counties, apportionments are calculated in proportion to general revenues. General revenues do not include functional revenues, which are essentially non-discretionary revenues generated from fees/charges for service or tied to external requirements of grants, bond or sale agreements and statutory or charter requirements. The City of Mammoth Lakes, which is the only city in Mono County, pays 50% of the LAFCo net operating costs (with the other 50% paid by the County). The districts in Mono

County do not pay any of the LAFCo costs despite being represented on the Commission. The City of Sonora, which is the only city in Tuolomne County, currently pays 8.1 percent of the LAFCo net operating costs and the County pays the balance (districts are not represented).

The individual special district apportionments of the districts' share of the LAFCo net operating costs must be in proportion to each district's total revenues as a percentage of the combined total district revenues as set forth in section 56381(b)(1)(C) unless an alternative methodology is approved by a majority of the districts representing a majority of the combined districts' populations (section 56381(b)(1)(E)). In addition, no individual district alternative apportionment may exceed the amount calculated pursuant to the standard method set forth in subdivision (b)(1)(C), or 50 percent of the total independent districts' share, without the consent of that district. Among the 27 respondants that have county, city and special district representation, the standard cost apportionment formula for individual districts is used for 21 of them.

Total revenues are used as the basis for district apportionments in San Bernardino and Monterey Counties but the amounts are either fixed or capped in San Bernardino depending on district type in the case of hospital districts or total revenue in the case of all other districts (see Note 4 on Attachment 2), and the hospital district apportionment in Monterey County is capped at 25 percent. Likewise, total revenues are used to calculate district apportionments in Sacramento County except that the amount is based on a five-year average (except for the Sacramento Municipal Utility District apportionment, which is fixed at 50% of the combined districts' share of the LAFCo net operating cost). The Orange LAFCo indicated that the district apportionments were based on an alternative methodology but did not provide further details. In Kern County, districts pay in proportion only to their operating revenues rather than total revenues. As indicated above with regard to city apportionments, the apportionment formula for the Mono County LAFCo has been modified to eliminate district apportionments altogether.

This item was prepared for informational purposes and no Commission action is recommended or necessary. Should any of the Ventura LAFCo funding agencies wish to pursue the option of altering the current apportionment methodology, the applicable agency governing boards, rather than the Commission, would need to conduct further discussions regarding possible formal action among the other agencies as necessary in accordance with the provisions of state law.

Attachment: (1) Government Code Section 56381
(2) Table - *Apportionment of LAFCo Net Operating Expenses between General Membership Classes and between Agencies within Each Membership Class*

ATTACHMENT 1

Excerpt from Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000

SECTION 56381 ANNUAL BUDGET

(a) The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter. The commission shall transmit its proposed and final budgets to the board of supervisors, to each city, and to each independent special district.

(b) After public hearings, consideration of comments, and adoption of a final budget by the commission pursuant to subdivision (a), the auditor shall apportion the net operating expenses of a commission in the following manner:

(1) (A) In counties in which there is city and independent special district representation on the commission, the county, cities, and independent special districts shall each provide a one-third share of the commission's operational costs.

(B) The cities' share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of cities representing the majority of the combined cities' populations.

(C) The independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. Except as provided in subparagraph (D), an independent special district's total revenue shall be calculated for nonenterprise activities as total revenues for general purpose transactions less revenue category aid from other governmental agencies and for enterprise activities as total operating and nonoperating revenues less revenue category other governmental agencies, as reported in the most recent edition of the "Special Districts Annual Report" published by the Controller, or by an alternative method approved by a majority of the agencies, representing a majority of their combined populations. For the purposes of fulfilling the requirement of this section, a multicounty independent special district shall be required to pay its apportionment in its principal county. It is the intent of the Legislature that no single district or class or type of district shall bear a disproportionate amount of the district share of costs.

(D) (i) For purposes of apportioning costs to a health care district formed pursuant to Division 23 (commencing with Section 32000) of the Health and Safety Code that operates a hospital, a health care district's share, except as provided in clauses (ii) and (iii), shall be apportioned in proportion to each district's net from operations as reported in the most recent edition of the hospital financial disclosure report form published by the Office of

Statewide Health Planning and Development, as a percentage of the combined independent special districts' net operating revenues within a county.

(ii) A health care district for which net from operations is a negative number may not be apportioned any share of the commission's operational costs until the fiscal year following positive net from operations, as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development.

(iii) A health care district that has filed and is operating under public entity bankruptcy pursuant to federal bankruptcy law, shall not be apportioned any share of the commission's operational costs until the fiscal year following its discharge from bankruptcy.

(iv) As used in this subparagraph "net from operations" means total operating revenue less total operating expenses.

(E) Notwithstanding the requirements of subparagraph (C), the independent special districts' share may be apportioned by an alternative method approved by a majority of the districts, representing a majority of the combined populations. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(F) Notwithstanding the requirements of subparagraph (C), no independent special district shall be apportioned a share of more than 50 percent of the total independent special districts' share of the commission's operational costs, without the consent of the district as otherwise provided in this section. In those counties in which a district's share is limited to 50 percent of the total independent special districts' share of the commission's operational costs, the share of the remaining districts shall be increased on a proportional basis so that the total amount for all districts equals the share apportioned by the auditor to independent special districts.

(2) In counties in which there is no independent special district representation on the commission, the county and its cities shall each provide a one-half share of the commission's operational costs. The cities' share shall be apportioned in the manner described in paragraph (1).

(3) In counties in which there are no cities, the county and its special districts shall each provide a one-half share of the commission's operational costs. The independent special districts' share shall be apportioned in the manner described for cities' apportionment in paragraph (1). If there is no independent special district representation on the commission, the county shall pay all of the commission's operational costs.

(4) Instead of determining apportionment pursuant to paragraph (1), (2), or (3), any alternative method of apportionment of the net operating expenses of the commission may be used if approved by a majority vote of each of the following: the board of supervisors; a majority of the cities representing a majority of the total population of cities in the county; and the independent special districts representing a majority of the combined total population of independent special districts in the county. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D) of paragraph (1), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

APPORTIONMENT OF LAFCO NET OPERATING EXPENSES BETWEEN GENERAL MEMBERSHIP CLASSES AND BETWEEN AGENCIES WITHIN EACH MEMBERSHIP CLASS[1]

	County	Cities[2]	Districts[3]	Govt. Code §
County, City & Special District Representation [Alameda, Calaveras, Contra Costa, El Dorado, Humboldt, Lake, Mendocino, Nevada, Placer, Riverside, San Luis Obispo, San Mateo, Santa Cruz, Santa Barbara, Shasta, Sutter, Ventura] **Except the Following:**	33⅓%	33⅓% Individual apportionments in proportion to each city's total revenues	33⅓% Individual apportionments in proportion to each district's total revenues	56381(b)(1)(A)
Butte	45%	45%	10%	56381(b)(4)
Kern	33⅓%	33⅓%	33⅓% Individual apportionments in proportion to operating revenues	56381(b)(1) (C),(E)
Los Angeles	38.462%	Los Angeles: 15.385% All Others: 23.077%	23.077%	56326; 56381; 56381.6
Mono	50%	Mammoth Lakes: 50%	0	56381(b)(4)
Monterey	33⅓%	33⅓%	33⅓% Hospital District: 25% All Others: 75%	56381(b)(1) (C)-(F)
Orange	33⅓%	33⅓% Individual apportionments based on population and area in sq. miles	33⅓% Individual apportionments based on alternative formula	56381(b)(1) (B),(C)
San Diego	2/7	San Diego: 1/7 All Others: 2/7 Individual apportionments in proportion to general revenues	2/7	56328; 56381; 56381.6
Sonoma	40 %	40%	20%	56381(b)(4)
San Bernardino	33⅓%	33⅓%	33⅓% **See Note #4**	56381(b)(1) (C)-(F)

	County	Cities[2]		Districts[3]	Govt. Code §
Sacramento	33⅓%	33⅓% Sacramento: 50% All Others 50%		33⅓% SMUD: 50% All Others: 50% Individual apportionments except SMUD based on five yr. average of total revenues	56326.5; 56381; 56381.6
County & City Representation (No Districts) [Amador, Del Norte, Glenn, Lassen, Madera, Merced, Modoc, Plumas, Stanislaus, Sierra, Yuba] **Except the Following:**	50%	50% Individual apportionments in proportion to total revenues		-	56381(b)(2)
Colusa	Based on % population of the cities and unincorporated area			-	56381(b)(4)
Kings	50%		50% Individual apportionments in proportion to population	-	56381(b)(1)(B), (2)
Napa	50%		50% Individual apportionments in proportion to population (60%) and general tax revenues (40%)	-	56381(b)(1)(B), (2)
San Joaquin	50%		50% Individual apportionments in proportion to population	-	56381(b)(1)(B), (2)
Santa Clara	50%		San Jose: 25% All Others: 25%	-	56327; 56381; 56381.6

	County	Cities[2]	Districts[3]	Govt. Code §
Solano	50%	50% Individual apportionments in proportion to general revenues	-	56381(b)(1)(B), (2)
Tulare	Based on % population of the cities and unincorporated area		-	56381(b)(4)
Tuolumne	Apportionments for the County and the (one) city based on the Local Transportation Fund per capita percentage. The City of Sonora currently pays 8.1% and the County pays the balance.		-	56381(b)(4)
Yolo	50%	50% Individual apportionments in proportion to general revenues	-	56381(b)(1)(B), (2)
County & Special District Representation (No Cities) [Trinity]	50%	-	50% Individual apportionments in proportion to total revenues	56381(b)(3)
County Representation Only (No Special Districts or Cities) [Alpine]	100%	-	-	56381(b)(3)
San Francisco	100% County/City		-	56381(b)(4)

[1] Table does not include information for the following counties: Fresno, Imperial, Inyo, Marin, Mariposa, San Benito, Siskiyou and Tehama.

[2] Except for the alternative methods (exceptions) noted in the table, the cities' share is apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county pursuant to Section 56381(b)(1)(B) of the Govt. Code.

[3] Except for the alternative methods (exceptions) noted in the table, the independent special districts' share is apportioned in proportion to each district's total revenues, as reported in the most recent edition of the Special Districts Annual Report published by the Controller, as a percentage of the combined total district revenues within a county pursuant to Section 56381(b)(1)(C) and (E) of the Govt. Code.

[4] San Bernardino County special districts alternative funding formula (Adopted by Special District Vote July 2002; Amended by Special District Vote March 2, 2010):

1. Healthcare (Hospital) Districts shall be limited to payment of $1,500 regardless of Total Revenue.
2. Those districts with Total Revenue of more than $50,000,000 shall pay $30,000.
3. Those districts with Total Revenue between $20,000,000 and $50,000,000 shall pay $20,000.
4. Those districts with Total Revenue between $5,000,000 and $20,000,000 shall pay $10,000.
5. Those districts with Total Revenue between $2,000,000 and $5,000,000 shall contribute an amount not to exceed $5,000.
6. Those districts with Total Revenue of less than $2,000,000 shall be apportioned an amount to be determined by the ratio of each district's Total Revenue as compared to the Total Revenues whose share does not exceed $5,000.

Ventura
Local Agency Formation Commission

STAFF REPORT
Meeting Date: May 18, 2011

Agenda Item 14

TO: LAFCo Commissioners

FROM: Kim Uhlich, Executive Officer KU

SUBJECT: Recommended Final Budget – Fiscal Year 2011- 2012

RECOMMENDATION:

Adopt the attached resolution:

1. Finding that a 0.8% decrease in the Adopted Final Budget for FY 2011-12 as compared to the FY 2010-11 Adopted Budget will not result in reductions in staffing or program costs to such an extent that the Commission would be impeded from fulfilling the purpose and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act.

2. Adopting the Final Budget for Fiscal Year 2011-12

BACKGROUND:

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) requires that each LAFCo adopt a proposed budget by May 1 and a Final budget by June 15. The hearing on the Final Budget is scheduled for May 18, 2011. The attached Recommended Final Budget consists of a Budget Message and a line item budget of expenditures and revenue.

The Proposed Budget was transmitted to the County and each city and independent special district in the County for review and comment. As of May 11, no comments have been received. Prior to the May 18 hearing, the Recommended Final Budget will be transmitted to the County and each city and independent special district in the County for review and comment. Pursuant to state law, comments may be provided at any time prior to action on a Final Budget.

DISCUSSION

The Recommended Final Budget contains several changes from the Proposed Budget adopted in April. Since the April meeting, LAFCo staff received a cost proposal in the amount of $5,000 from the County Auditor-Controller's office to prepare the LAFCo financial statements that will be used as the basis for all future independent audits conducted in accordance with the Commissioner's Handbook policy requiring annual audits (account code 2203). The actual amount may be less but will not exceed $5,000. In conjunction with the increase in services and supplies expenditures it is recommended that the contingencies appropriation (account code 6101) be increased by $500 pursuant to the Commission's policy providing for the appropriation of budget contingencies equal to 10% of total expenditures.

Another change reflected in the Recommended Final Budget is an increase in projected charges for LAFCo services (account code 9772) of $5,500. This is based on more current revenue information as of the end of April 2011 which indicates that actual fee revenue for the current year is projected to be significantly higher than the budgeted amount. However the amount of the projected increase is tempered in recognition of the continuing uncertainty with regard to current economic conditions.

Effective for financial reporting periods beginning after June 15, 2010, the Governmental Accounting Standards Board (GASB) Statement No. 54 (*Fund Balance Reporting and Governmental Fund Type Definitions*) significantly changes the way in which fund balance information must be reported for governmental funds. To address the GASB 54 requirements, a separate item is scheduled for the May 18, 2011 LAFCo meeting to consider the adoption of recommended fund balance policies. As such, the line item budget has been revised in accordance with the recommended policy language. However, it should be noted that the total fund balance amounts are unchanged.

At the April 20 LAFCo meeting, the Commission directed staff to provide information regarding the apportionment paid by the County relative to that paid by the other agencies in comparison to each agency's total revenue. In response, the Recommended Final Budget has been supplemented to include a comparison table of the county, city and district apportionments in proportion to each agency's total revenue.

Included with the Final Budget, for informational purposes only, are the estimated allocation percentages for the 10 cities and 29 independent special districts that together with the County are responsible for the majority of LAFCo's revenue. The estimated allocation percentages are based on the 2008-09 State Controller Reports for cities and special districts. These are the latest available Reports, which will be used by the County Auditor-Controller as the basis for collecting revenue from cities and independent special districts for FY 2011-12.

Attachment: 1) Resolution Adopting Recommended Final Budget – FY 2011-12

RESOLUTION OF THE VENTURA LOCAL AGENCY FORMATION COMMISSION ADOPTING A FINAL BUDGET FOR FISCAL YEAR 2011-12

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.) requires each Local Agency Formation Commission (LAFCO) to adopt an annual budget; and

WHEREAS, at a minimum, the adopted budget must be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act, and

WHEREAS, the Commission desires to adopt a Final Budget for Fiscal Year 2011-12 that is lower than the adopted Fiscal Year 2010-11 Budget; and

WHEREAS, the public and other governmental agencies had an opportunity to comment and the Commission considered adoption of a Final Budget for Fiscal Year 2011-12.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Ventura Local Agency Formation Commission hereby:

(1) Adopts the Recommended Final Budget for the 2011-2012 Fiscal Year as set forth in Exhibit A attached hereto; and

(2) Finds the Recommended Final Budget as set forth in Exhibit A attached hereto will not result in reductions in staffing or program costs to such an extent that the Commission would be impeded from fulfilling the purpose and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act; and

(3) Directs the Executive Officer to forward the Recommended Final Budget, as adopted, to all the independent special districts, cities and the County pursuant to Government Code Section 56381.

This resolution was passed and adopted on May 18, 2011.

	AYE	NO	ABSTAIN	ABSENT
Commissioner Cunningham	☐	☐	☐	☐
Commissioner Long	☐	☐	☐	☐
Commissioner Freeman	☐	☐	☐	☐
Commissioner Morehouse	☐	☐	☐	☐
Commissioner Parks	☐	☐	☐	☐
Commissioner Parvin	☐	☐	☐	☐
Commissioner Pringle	☐	☐	☐	☐
Alternate Commissioner Bennett	☐	☐	☐	☐
Alternate Commissioner Dandy	☐	☐	☐	☐
Alternate Commissioner Hess	☐	☐	☐	☐
Alternate Commissioner Smith	☐	☐	☐	☐

Dated:______________ ____

Chair, Ventura Local Agency Formation Commission

Attachment: Exhibit A

c: County of Ventura
Ventura County Cities
Ventura County Independent Special Districts

EXHIBIT A

Ventura
Local Agency Formation Commission

RECOMMENDED
FINAL BUDGET

Fiscal Year
2011-2012

Hearing Date: May 18, 2011 - 9:00 A.M.
Ventura County Government Center, Administration Building
Board of Supervisors' Hearing Room

Ventura
Local Agency Formation Commission

BUDGET MESSAGE[1]

Recommended Final Budget - Fiscal Year 2011-2012

Meeting Date: May 18, 2011

Introduction

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 *et seq.*) (CKH) requires each Local Agency Formation Commission (LAFCo) to adopt a Proposed Budget by May 1 of each year and a Final Budget by June 15 of each year. The Ventura LAFCo will consider this Recommended Final Budget for Fiscal Year (FY) 2011-12 at a public hearing scheduled for May 18, 2011. Once adopted, the Final Budget will be used by the County Auditor-Controller to collect revenues as necessary from the County, cities and independent special districts.

The Ventura LAFCo Commissioner's Handbook, the compendium of the Ventura LAFCo's policies and procedures, contains budget policies in Section 2.3.1 et seq. The FY 2011-12 Recommended Final Budget was prepared in accordance with these policies. Major goals continue to be minimizing expenditures while fulfilling basic functions, and providing for effective and efficient compliance with mandates.

LAFCo and the County of Ventura entered into a Memorandum of Agreement effective July 1, 2001. While LAFCo is an independent agency, the Memorandum of Agreement provides for the County to provide personnel, support services, offices and materials as requested by LAFCo. All of the personnel, support services, offices and materials to be requested of the County for FY 2011-12 are part of this Recommended Final Budget. Budget information is formatted using County of Ventura account descriptions and codes.

This Budget Message highlights LAFCo's major responsibilities, reviews the major work accomplishments and budget information for the first three quarters of FY 2010-11, sets forth a basic work plan for FY 2011-12, and provides background and explanatory information about the anticipated expenditures and revenues in this Recommended Final FY 2011-12 Budget.

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[1] **Note that this Budget Message contains changes since the adoption of the Proposed Budget for FY 2011-12 on April 20, 2011.**

Major LAFCo Responsibilities

- Act on proposals for incorporation of cities; formation, dissolution, consolidation and merger of special districts; and annexation and detachment of territory to and from cities and special districts.
- Establish spheres of influence for cities and special districts.
- Review and, as necessary, update spheres of influence for cities and special districts every 5 years.
- Conduct municipal service reviews prior to or in conjunction with the establishment or update of spheres of influence.
- Perform special studies relating to services and make recommendations about consolidation, mergers or other governmental changes to improve services and reduce operational costs.
- Serve as the conducting authority for the determination of protests relating to proposals for incorporation, formation, and subsequent boundary changes.
- Act on requests for out-of-agency contracts for extensions of services.
- Function as either a responsible or lead agency pursuant to the California Environmental Quality Act.
- Review and comment on draft changes/updates to city and county general plans.
- Review and comment on draft environmental documents prepared pursuant to the California Environmental Quality Act.
- Provide public information about LAFCo and public noticing of pending LAFCo actions.
- Establish and maintain a web site.
- Adopt and update, as necessary, written policies and procedures.
- Adopt an annual budget.

FY 2010-2011 in Review

Based on information through the end of March, 2011, total projected actual expenditures for FY 2010-11 should be approximately $100,813 (13.0%) less than the Adopted/Adjusted Budget. Salaries and employee benefits are projected to be approximately $43,582 (8.4%) less than the Adopted/Adjusted Budget. Actual services and supplies expenditures are projected to be approximately $139 (0.07%) less than the Adopted/Adjusted Budget. In addition, we anticipate not using the contingency appropriation of $57,092. The anticipated savings in salaries/benefits and services/supplies and contingency will contribute to a projected available Fund Balance for FY 2010-11 of $122,813, which is $15,976 (15%) more than the Fund Balance adopted as a part of the FY 2010-11 budget ($106,837).

Actual revenue for FY 2010-11 is projected to be approximately $22,000 (3.3%) more than that reflected in the Adopted/Adjusted Budget. The County, the cities and the independent special districts all paid their respective shares of the net operating expenditures as apportioned by the County Auditor-Controller pursuant to the CKH (account code 9372). Actual interest revenue (account code 8911) is projected to be approximately $8,000, which is $8,000 (50%) less than the Adopted/Adjusted Budget ($16,000). Based on applications filed as of the end of March, projected actual revenues from charges for LAFCo services (account code 9772) are approximately $30,000 (50%) more than the $60,000 Adopted/Adjusted Budget.

The following work plan was adopted as a part of the FY 2010-11 Budget:

- Complete municipal service reviews and sphere of influence reviews/updates consistent with the time table in the 2008 – 2013 Service Review and Sphere of Influence Update Work Plan approved by the Commission on May 21, 2008.
- Continue to review and comment on draft environmental documents and general plan updates as they may be prepared by the cities and the County.
- Maintain and enhance operations with a focus on: communication with the Commission, the County, cities, districts and the public; budget monitoring and information; staff training and development; and enhanced records management.
- Update and revise the Commissioner's Handbook and consider policy additions consistent with the mission and purpose of LAFCo.
- Increase public awareness about the mission, purpose and function of LAFCo.

Substantial progress has been made on each of these work plan items. In May, 2008 LAFCo approved a Work Plan for the 2008-2013 sphere of influence review/update and municipal service review cycle. Between July 1, 2010 and the present time, sphere of influence (SOI) reviews/updates were completed for the Conejo Recreation and Park District, Pleasant Valley Recreation and Park District, Rancho Simi Recreation and Park District, Ventura County Service Area Number 3 and Ventura County Waterworks District Numbers 1 and 8. In addition, the Commission established a sphere of influence for County Service Area Number 34. In the same time period, Staff reviewed and commented on 6 environmental documents, draft general plans, and applications for development projects during the current fiscal year.

Positive communications have been maintained with all cities and districts. Staff continues to attend and participate in meetings with staff and consultants representing cities, special districts and other local public agencies as well as individual members of the public and community groups. As time allows, staff continues to attend meetings of the Ventura Special Districts Association, the Association of Water Agencies, the City & County Planning Association, Southern California Association of Governments (SCAG) and other local and regional associations.

Opportunities for ongoing training and professional development, including CALAFCO University courses and annual CALAFCO staff workshops, are pursued as time and budget permit. Last fiscal year, the process to convert LAFCo's paper case file records to digital format was completed. For the upcoming fiscal year, various administrative records will be scanned, archived and indexed, including each individual city and special district file.

At the May 18, 2011 LAFCo meeting, Staff will present recommended revisions to the Commissioner's Handbook related to contingency reserves and fund balance in accordance with the latest standards adopted by the Governmental Accounting Standards

Board. Scheduled for the same meeting is a presentation of a report from Vavrinek, Trine, Day & Co., LLP, which performed an audit of LAFCo's financial statements for the fiscal year ended 2010.

Work Plan

The Ventura LAFCo Commissioner's Handbook provides that LAFCo will annually review and adopt a work plan as a part of the budget development process. For FY 2011-12, the recommended work plan maintains the focus on municipal service reviews and sphere of influence reviews and updates, carries forward the update and possible revisions to the Commissioner's Handbook and is otherwise similar to the work plan for this year.

FY 2011- 12 Work Plan

- Complete municipal service reviews and sphere of influence reviews/updates consistent with the time table in the 2008 – 2013 Service Review and Sphere of Influence Update Work Plan approved by the Commission on May 21, 2008.
- Continue to review and comment on draft environmental documents and general plan updates as they may be prepared by the cities and the County.
- Maintain and enhance operations with a focus on: communication with the Commission, the County, cities, districts and the public; budget monitoring and information; staff training and development; and enhanced records management.
- Update and revise the Commissioner's Handbook and consider policy additions consistent with the mission and purpose of LAFCo.
- Increase public awareness about the mission, purpose and function of LAFCo.

Staff believes that the items listed above are realistic provided the number and/or complexity of proposals filed do not increase significantly.

Expenditures

The expense portion of the budget is divided into three main sections, the Salary and Employee Benefits section (1000 series account codes), the Services and Supplies section (2000 series account codes), and Contingencies (account code 6101). Including a 10% contingency, the Recommended Final Budget reflects an overall expenditure decrease of approximately 0.8% compared to the FY 2010-11 Adopted/Adjusted Budget. This is due to decreases in both the Salary/Employee benefits and Services/Supplies portions of the budget.

<u>Salary and Employee Benefits</u>

Expenditures for salaries and benefits are proposed to decrease by approximately 2.6% from $519,400 to $506,150 as compared to the FY 2010-11 Adopted/Adjusted Budget. This decrease is primarily due to a decrease in the expenditures associated with the redemption of accrued annual leave by the Executive Officer, Deputy Executive Officer and Commission Clerk (account code 1107, Term/Buydown). As County of Ventura employees, LAFCo staff members are eligible to request pay in lieu of accrued annual leave up to a specified number of hours each year. In the previous two fiscal years, the amount budgeted for annual leave buyback included LAFCo's full cost liability in the event that all LAFCo staff members were to redeem the maximum allowable number of hours in their annual leave bank. However, due to the unlikelihood that all staff would exercise the full redemption option and due to the fact that the contingency appropriation could be used if necessary, the Recommended Final FY 2011-12 appropriation for Term/Buydown reflects the projected actual expenditure amount.

It should also be noted that the 3.7% increase in the amount budgeted for regular salaries (account code 1101) is due to merit increases for the Executive Officer, Deputy Executive Officer and Office Assistant. Based on information provided by County Executive Office, it is unlikely that the Board of Supervisors will grant any general salary increases or cost of living adjustments for County employees during FY 2011-12. Therefore, no such increases are included in the Recommended Final Budget amount.

No change in the number of authorized positions is proposed. The currently authorized classifications are reflected in the following table:

Title	FY 2010 – 11	FY 2011 - 12
Executive Officer	1	1
Analyst/Deputy Executive Officer	1	1
Office Manager/Clerk of the Commission	1	1
Office Assistant II	.5	.5
Total Authorized Positions	**3.5**	**3.5**

Services and Supplies

The Recommended Final Budget for Services and Supplies is approximately 2.9% less than the Adopted/Adjusted Budget for the current fiscal year. Many of the service and supplies account codes are based on County charges and are unchanged or decreasing either due to decreases in the County's charges or decreases in utilization by LAFCo. For those service and supplies account codes that reflect discretionary expenditures, most of the Recommended Final Budget amounts have been decreased in an effort to maximize fiscal efficiency. The major Services and Supplies expenditures are proposed to change as follows:

- An addition of a new account code (2203) for Accounting and Auditing Services to reflect proposed charges and an appropriation of $5,000 for the preparation of the LAFCo financial statements for FY 2010-11 by the County Auditor-Controller. This expenditure is necessary to comply with the recently adopted LAFCo policy providing for annual audits and to ensure that LAFCo accounting reports are prepared by those who have the necessary knowledge and experience to prepare GAAP based financial statements.
- A decrease in Indirect Cost Recovery charges (account code 2158). These cost recovery charges are for County services provided primarily by the General Services Agency, Auditor-Controller and Chief Executive Officer, including Human Resources. The current fiscal year charge is $31,000. For FY 2011-12 the charge will be $20,107.
- A decrease in Mail Center charges (account code 2174) from $7,500 in the current year to $3,000 for FY 2011-12. In an effort to reduce discretionary expenditures, the

portion of the amount associated with twice-daily mail delivery by the County General Services Agency is proposed to be eliminated. Instead, LAFCo staff proposes a self-serve option to pick up mail once a day from the mail center.

- An increase in the amount budgeted for Information Technology – ISF Data Center/Service Contracts (account code 2192) from $5,500 in the current year to $13,500 for FY 2011-12 to reflect expenses associated with the planned re-design the LAFCo website by the County Information Technology (IT) Services Division. This also includes a transition of the website from an external server to a County-maintained server at a cost of $1,000 annually.
- A decrease in the Public Works charges (account code 2197) from $12,000 in the current year to $6,000 for FY 2011-12. This amount is more consistent with actual current year charges by the Surveyor's Office staff for services not otherwise reimbursable through LAFCo applications fees.
- A decrease in the amount budgeted for Other Professional & Special Services (account code 2199) from $13,000 in the current year to $9,000 for FY 2011-12. This amount reflects the proposed cost to perform an independent audit of the FY 2010-11 LAFCo financial statements by Vavrinek, Trine, Day & Co, LLP, which is the firm that was selected to provide annual auditing services from FY 2009-10 through FY 2011-12.
- An increase in the County GIS charges (account code 2214) from $20,000 in the current year to $25,000. This account code includes LAFCo's share of Countywide GIS charges as well as specialized costs including that for maintaining/updating digital sphere of influence maps and printing maps in conjunction with mandate to review and update spheres of influence for each city and special district. The budgeted amount reflects an increase in the anticipated number of sphere reviews that are planned to be completed in FY 2011-12 as compared to the current year.
- An increase of $5,000 for legal counsel services (account code 2304) to more closely reflect LAFCo's share of the projected actual current year cost. Although the projected actual amount for the current year is significantly higher than the budgeted amount, it should be noted that a substantial portion is associated with specific LAFCo applications. In most cases, LAFCo requires reimbursement for all application-related legal costs.

Contingencies

The Commission's budget policies indicate that the budget should provide for contingencies equaling 10% of total expenditures, unless the Commission deems that a different amount is appropriate. Thus, as the overall expenditures change, the amount to be budgeted for contingencies changes. Due to the fact that the contingency appropriation for the FY 2010-11 Adopted/Adjusted Budget was approximately 8% of total expenditures rather than 10%, the proposed contingency amount is $12,599 (22.1%) more for FY 2011-12.

The contingency amount could be reduced or eliminated as a part of the Commission's action on the budget as a means to reduce the amount of revenue necessary from other governmental agencies. However, this option is not being recommended and is therefore not included in the FY 2011-12 Recommended Final Budget.

Financing Sources

Potential financing sources consist of Fund Balance, Miscellaneous Revenues, including interest earnings and charges for services (e.g. account codes 8911 and 9772), and Other Governmental Agencies, the revenue to be collected from the County, cities and independent special districts (account code 9372).

Fund Balance

Effective for financial reporting periods beginning after June 15, 2010, the Governmental Accounting Standards Board (GASB) Statement No. 54 (*Fund Balance Reporting and Governmental Fund Type Definitions*) significantly changes the way in which fund balance information must be reported for governmental funds. To address the GASB 54 requirements, a separate item is scheduled for the May 18, 2011 LAFCo meeting to consider the adoption of recommended fund balance policies. As such, the line item budget has been revised in accordance with the recommended policy language. However, it should be noted that the total fund balance amounts are unchanged.

Section 56381(c) of the CKH provides, "If, at the end of the fiscal year, the commission has funds in excess of what it needs, the commission may retain those funds and calculate them into the following fiscal year's budget." As indicated in the 'FY 2010-11 in Review' section above, approximately $122,813 is now projected to be available at the end of the current fiscal year as Unreserved Fund Balance. This amount is $15,976 (15%) more than the Unreserved Fund Balance adopted as a part of the FY 2010-11 budget ($106,837). As reflected in the line item budget and discussed in more detail in the staff report for Item 12 on the May 18, 2011 LAFCo agenda, it is recommended that this fund balance be reclassified as "Appropriated Fund Balance" to conform with the GASB 54 requirements.

Designation for Subsequent Year Financing

On May 17, 2006, the Commission approved an amendment to the Commissioner's Handbook, Section 2.3.1.4 "Contingency and Designation Accounts", which provides that, after the end of each fiscal year, any monies in excess of the projected fund balance amount in the budget shall be deposited in an account designated for subsequent year financing (account code 5070). This account is intended to function as the Commission's "reserve" account for unanticipated, extraordinary expenses over and above the annual amount budgeted for contingencies. The Commissioners' Handbook also provides that the 5070 account should be augmented until the balance is equal to at least 25 percent of the current year budget. In accordance with this policy, the Commission has approved the transfer of revenues in excess of the projected fund balance to the 5070 account following the close of each fiscal year since 2005-06. In 2010, after the close of FY 2009-10, $71,089 was available in addition to what had been budgeted as Unreserved Fund Balance for FY 2010-11 and was designated for subsequent year financing. The current total in this account is $208,056, which represents approximately 26.9% of the current year budget and 27.3% of the Recommended Final Budget.

As discussed in more detail in the staff report for Item 12 on the May 18, 2011 LAFCo agenda, it is recommended that the LAFCo financial policies be revised to delete the provisions relating to Designation for Subsequent Year Financing and re-classify this account into two components: “Committed Fund Balance” in the amount of $100,000 and “Unassigned Fund Balance” in the amount of $108,056.

Miscellaneous Revenue

Miscellaneous revenue includes interest earnings and Other Revenue, primarily application fees. Overall, proposed Miscellaneous Revenue for FY 2011-12 is anticipated to be $2,500 (3.3%) less than the amount in the Adopted/Adjusted FY 2010-11 Budget.

For FY 2011-12, revenue from application fees (account code 9772) is proposed to be $5,500 (9.2%) more than the Adopted FY 2010-11 Budget ($60,000). Although information as of the end of March, 2011 indicates that actual fee revenue for the current year is projected to be significantly higher than the budgeted amount, the rate of economic growth and associated development continues to be sluggish. Under such conditions, a conservative revenue projection is merited. Interest revenue (account code 8911) is anticipated to be $8,000 for FY 2011-12, which is equivalent to the projected actual interest earnings for the current year.

The Commission has a policy to annually review the LAFCo fee schedule as a part of the budget process. The existing fee schedule has been in effect since July 2010. In conjunction with the adoption of the Proposed Budget for FY 2011-12 on April 20, 2011, the Commission readopted the existing fee schedule with no changes.

Revenues from Other Governmental Agencies (the County, Cities and Independent Special Districts)

Pursuant to the CKH, the LAFCo net operating expenses are to be apportioned one-third to the County, one-third to the cities, and one-third to the independent special districts. The Ventura LAFCo determines net operating expenses as the cost for LAFCo operations net of those funds appropriated for budget purposes plus Other Revenue. The CKH describes how the County Auditor-Controller is to make this apportionment and collect revenues once LAFCo adopts a Final Budget.

The revenue projected to be collected from the County, cities and independent special districts will decrease to approximately $570,285 from $590,055 for the current year (3.4%). As a share of the total budget, it is within the range reflected in the budgets for the last several years as shown in the table below. This table shows how the amount of revenue from Other Governmental Agencies (the County, cities and independent special districts) has fluctuated since LAFCo first adopted an independent budget in June, 2001:

Year	Adopted Budget – Total Finance Sources & Revenue	Amount of Revenue from Other Governmental Agencies	Percent of Total Revenue from Other Governmental Agencies
FY 2001-02	$548,737	$468,737	85%
FY 2002-03	$719,131	$568,503	79%
FY 2003-04	$641,215	$390,699	61%
FY 2004-05	$702,503	$472,997	67%
FY 2005-06	$723,226	$361,874	50%
FY 2006-07	$830,154	$621,617	75%
FY 2007-08	$949,269	$715,957	75%
FY 2008-09	$735,422	$488,684	66%
FY 2009-10	$783,101	$587,084	75%
FY 2010-11	$772,892	$590,055	76%
FY 2011-12[1]	$761,098	$570,285	75%

Not formally a part of the budget, but Included for general information are the percentage shares of the Other Governmental Agencies revenue for each of the cities (Attachment 1) and the independent special districts (Attachment 2) based on the FY 2008-09 State Controller Reports for cities and special districts. These are the latest available Reports, which will be used by the County Auditor-Controller as the basis for collecting revenue from cities and independent special districts for FY 2011-12.

As of November, 2010, the Triunfo Sanitation District has transitioned from a partly-elected to an all-elected board of directors and therefore meets the definition of an independent special district pursuant to state law. As such, the District will be included as one of the agencies responsible for contributing a share of the special district apportionment beginning with the FY 2011-12 Budget.

The CKH continues to provide the ability for the cities and independent special districts in each County to determine an alternate apportionment method. To date, however, neither the cities nor the special districts have agreed on any alternate apportionment methodology. This means that the City of Oxnard, as the city with the largest gross revenue, and Calleguas Municipal Water District, the largest special district in terms of gross revenue, will continue to pay the largest respective shares of the city and special district portion of LAFCo revenue.

Conclusion

The Ventura LAFCo is continuing to exercise fiscal prudence. The Commission and its staff understand the economic realities of the time and the constraints on local government revenues. The Commission's budgeting process has come a long way in the last ten years. Systems and policies are now in place to ensure best practices and proper oversight. Mandates are being met and basic services provided with a highly trained staff that seeks to limit discretionary expenditures. The Recommended Final Budget for FY 2011-12 was

[1] Based on FY 2011-12 Recommended Final Budget

prepared and is being recommended consistent with the Commission's policies and the knowledge and experience gained from prior years.

Respectfully submitted,

Kim Uhlich
Executive Officer

Appendix
Glossary of Terms

ANNUAL (OPERATING) BUDGET: A financial plan that outlines proposed expenditures for the coming fiscal year and estimated revenues which will be used to finance them.

ASSET: Anything owned, including money, investments and property.

ASSIGNED FUND BALANCE: Comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority to assign amounts to be used for specific purposes.

AUDIT: A systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in its financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities.

BALANCE SHEET: A basic financial statement, and presentation of an entity's net assets and liabilities on a specified date. A balance sheet is usually accompanied by appropriate disclosures that describe the basis of accounting used in its preparation, also known as a statement of financial condition.

BUDGET: A plan of financial operation including an estimate of proposed expenditures for a given period and the proposed means of financing them.

BUDGET MESSAGE: A written overview of the budget from the LAFCo Executive Officer that discusses the major budget items and LAFCo's present and future financial condition.

COMMITTED FUND BALANCE: Includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Commitments may be changed or removed only by the same decision-making authority taking the same formal action that imposed the constraint originally.

CONTINGENCY: A budgetary expenditure allowance (appropriation) to cover unanticipated expenditures or revenue shortfalls during the fiscal year (LAFCo Budget Account Code 6101). The Ventura LAFCo Commissioner's policies provide that the annual budget include an allocation of 10% of total operating expenses for contingencies, unless the Commission deems a different amount appropriate. Transfers from the contingency account require prior approval of the Commission.

DEFICIT: An excess of expenditures or expenses over revenues.

DESIGNATION FOR SUBSEQUENT YEAR FINANCING: An account into which any difference between projected fund balance and actual fund balance at the close of each fiscal year is transferred (LAFCo Budget Account Code 5070). Pursuant to GASB 54 effective May 18, 2011 this account is no longer used.

EXPENDITURE: Disbursements of cash for the cost of a service, supply or asset.

FINANCIAL STATEMENT: Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time and its results of operations for a period then ended.

FISCAL YEAR: The 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations.

FUND BALANCE: The difference between a fund's assets and its liabilities. With regard to a LAFCo budget, Government Code Section 56381(c) provides, "If, at the end of the fiscal year, the commission has funds in excess of what it needs, the commission may retain those funds and calculate them into the following fiscal year's budget."

FUND: A complete accounting entity reflecting financial transactions, both receipts and expenditures, of money that is set up to carry out a special function or attain objectives in accordance with established laws, policies, and regulations. The fund concept also applies to budget activities.

GIS: Geographic Information System.

INCOME STATEMENT: Summary of the effect of revenues and expenses over a period of time.

INTEREST: Interest income earned as idle funds are invested with a goal of protecting each investment while achieving the highest rate of return.

INTERNAL CONTROL: Process designed to provide reasonable assurance regarding achievement of various management objectives such as the reliability of financial reports.

INTERNAL SERVICE FUND: A fund that accounts for the provision of services by various County departments on a cost reimbursement basis.

LIABILITIES: Amounts owed for items received, services rendered, expenses incurred, assets acquired, and amounts received but as yet unearned.

LINE-ITEM BUDGET: A budget that lists each expenditure category (salary, materials, telephone service, travel, etc.) separately, along with the dollar amount budgeted for each.

OBJECT: An individual expenditure account.

RESERVE: The portion of a governmental fund's net assets that is not available for appropriation. Pursuant to GASB 54 effective May 18, 2011 this terminology is no longer used.

FINANCING SOURCES: Total amounts available during the fiscal year for appropriation including estimated revenues, fund transfers and beginning fund balances.

UNASSIGNED FUND BALANCE: The residual classification of the general fund and includes all amounts not constrained in other fund balance classifications for specific purposes. Unassigned amounts are technically available for any purpose.

UNRESTRICTED FUND BALANCE: Includes committed, assigned and unassigned fund balance.

VENTURA LOCAL AGENCY FORMATION COMMISSION EXPENDITURES AND REVENUE DETAIL RECOMMENDED FINAL BUDGET FY 2011 - 2012							
	Account Code	Adopted Budget FY 10-11	Adjusted Budget FY 10-11	Projected Actuals FY 10-11	Proposed Budget FY 11-12 Adopted 4/20/11	**Recommended Final Budget FY 11-12 5/18/11**	Final/Adjusted Budget FY 11-12
EXPENDITURES							
Salaries and Employee Benefits							
Regular Salaries	1101	325,000	325,000	323,000	337,000	337,000	
Overtime	1105	0	0	218	0	0	
Supplemental Payments	1106	13,000	13,000	12,000	13,000	13,000	
Term/Buydown	1107	47,000	46,000	16,000	17,000	17,000	
Retirement Contribution	1121	60,000	60,000	55,000	66,000	66,000	
OASDI Contribution	1122	20,000	20,000	19,000	20,000	20,000	
FICA-Medicare	1123	5,800	5,800	5,000	5,200	5,200	
Safe Harbor	1124	1,300	1,300	1,300	1,750	1,750	
Group Insurance	1141	28,000	28,000	27,000	27,100	27,100	
Life Insurance/Dept Heads & Mgt	1142	400	400	400	400	400	
State Unemployment	1143	0	1,000	1,100	700	700	
Management Disability Ins	1144	2,300	2,300	2,300	2,400	2,400	
Workers Compensation	1165	2,600	2,600	2,500	2,600	2,600	
401k Plan	1171	14,000	14,000	11,000	13,000	13,000	
Total Salaries and Emp. Benefits		**519,400**	**519,400**	**475,818**	**506,150**	**506,150**	**0**

VENTURA LOCAL AGENCY FORMATION COMMISSION EXPENDITURES AND REVENUE DETAIL RECOMMENDED FINAL BUDGET FY 2011 - 2012							
	Account Code	Adopted Budget FY 10-11	Adjusted Budget FY 10-11	Projected Actuals FY 10-11	Proposed Budget FY 11-12 Adopted 4/20/11	**Recommended Final Budget FY 11-12 5/18/11**	Final/Adjusted Budget FY 11-12
EXPENDITURES							
Services and Supplies							
Voice/Data -ISF	2033	5,000	5,000	4,800	5,000	5,000	
General Insurance Allocation	2071	2,500	2,500	2,200	2,500	2,500	
Facilities/Materials Sq Ft Alloc-ISF	2125	17,000	17,000	17,000	17,000	17,000	
Other Maintenance	2128	700	700	200	500	500	
Memberships & Dues	2141	6,600	6,600	6,250	6,300	6,300	
Education Allowance	2154	2,500	2,500	2,000	2,000	2,000	
Indirect Cost Recovery (Co. Cost Allocation Plan Charges)	2158	31,000	31,000	31,000	20,107	20,107	
Books & Publications	2172	700	700	700	700	700	
Mail Center-ISF	2174	7,500	7,500	7,000	3,000	3,000	
Purchasing Charges-ISF	2176	1,000	1,000	250	500	500	
Graphics Charges-ISF	2177	5,500	5,500	5,500	5,500	5,500	
Copy Machine Charges-ISF	2178	400	400	300	400	400	
Misc Office Expenses	2179	7,000	7,000	6,000	7,000	7,000	
Stores-ISF	2181	0	0	50	50	50	
Board Member Fees	2191	4,500	4,500	3,000	5,000	5,000	
Information Technology-ISF Data Center/Service	2192	5,500	5,500	5,500	13,500	13,500	
Specialized Services/Software	2195	2,500	2,500	1,066	1,850	1,850	
Public Works Charges	2197	12,000	12,000	5,000	6,000	6,000	
Other Professional & Special Serv	2199	13,000	13,000	10,000	9,000	9,000	
Accounting and Auditing Services	2203	0	0	0	0	5,000	
GSA Special Services ISF	2205	500	500	0	100	100	
County GIS Expense	2214	20,000	20,000	20,000	25,000	25,000	
Public And Legal Notices	2261	5,000	5,000	5,000	5,000	5,000	
Records Storage Charges	2283	1,500	1,500	225	250	250	
Computer Equip <$5000	2293	3,500	3,500	0	3,500	3,500	
Spec Dept xo4 (Legal Counsel)	2304	20,000	20,000	45,500	25,000	25,000	
Transportation Charges -ISF	2521	1,000	1,000	1,000	1,000	1,000	
Private Vehicle Mileage	2522	6,500	6,500	6,000	6,500	6,500	
Conference & Seminars Exp.	2523	13,000	13,000	10,000	13,000	13,000	
Conference & Seminars ISF	2526	500	500	720	500	500	
Total Services and Supplies		**196,400**	**196,400**	**196,261**	**185,757**	**190,757**	**0**
Contingencies	6101	57,092	57,092	0	69,191	69,691	
Total Contingencies		**57,092**	**57,092**	**0**	**69,191**	**69,691**	**0**
TOTAL EXPENDITURES		**772,892**	**772,892**	**672,079**	**761,098**	**766,598**	**0**

VENTURA LOCAL AGENCY FORMATION COMMISSION
EXPENDITURES AND REVENUE DETAIL
RECOMMENDED FINAL BUDGET
FY 2011 - 2012

	Account Code	Adopted Budget FY 10-11	Adjusted Budget FY 10-11	Projected Actuals FY 10-11	Proposed Budget FY 11-12 Adopted 4/20/11	Recommended Final Budget FY 11-12 5/18/11	Final/Adjusted Budget FY 11-12
FINANCING SOURCES							
Unreserved Fund Balance	5040	**106,837**	**106,837**	**106,837**	**122,813**		**0**
Appropriated Fund Balance						**122,813**	
Interest Earnings	8911	16,000	16,000	8,000	8,000	8,000	
Other Revenue - Misc. (charges for LAFCo services)	9772	60,000	60,000	90,000	60,000	65,500	
Indirect Cost Recovery (County Cost Allocation Plan	9411	0	0	0	0	0	0
Total Miscellaneous Revenue		**76,000**	**76,000**	**98,000**	**68,000**	**73,500**	**0**
Other Governmental Agencies							
Other Government Agencies (County of Ventura)	9372	196,685	196,685	196,685	190,095	190,095	0
Other Government Agencies (Cities)	9372	196,685	196,685	196,685	190,095	190,095	0
Other Government Agencies (Independent Special Districts)	9372	196,685	196,685	196,685	190,095	190,095	0
Revenue		**590,055**	**590,055**	**590,055**	**570,285**	**570,285**	**0**
TOTAL REVENUE		**666,055**	**666,055**	**688,055**	**638,285**	**643,785**	**0**
TOTAL FINANCING SOURCES		**772,892**	**772,892**	**794,892**	**761,098**	**766,598**	**0**
Projected Fund Balance				**122,813**			

Fund Balance Policies (LAFCo Handbook Policy Section 2.3.1.4 "Fund Balance Policy.")

Designation for Subsequent Year Financing /Reserves	5070	136,967	208,056*	208,056	208,056		
Committed Fund Balance						100,000	
Unassigned Fund Balance						108,056	

*Please note per the Commissioner's Handbook Policy 2.3.1.4, the adjusted budget for Designation for Subsequent Year Financing/Reserves was adjusted from $136,967 to $208,056 for FY 2010-11. This is a direct result of the **actual FY 2009-10 Total Net Cost being under the estimated FY 2009-10 Total Net Cost by $71.089**.

LAFCO NET OPERATING EXPENSES
GOV'T CODE 56381 (b) (1) (A) & (B)[1]

DRAFT

PROPOSED BUDGET FOR FISCAL YEAR 2011 - 2012
ALLOCATION - CITIES
SOURCE: STATE OF CALIFORNIA, CITIES ANNUAL REPORT, FY 08/09

	CITY	TOTAL REVENUE PER REPORT	PERCENTAGE	ALLOCATION $ 190,095
1	Camarillo	$ 59,493,131	7.14%	$ 13,573
2	Fillmore	21,459,160	2.58%	$ 4,904
3	Moorpark	28,162,903	3.38%	$ 6,425
4	Ojai	9,650,003	1.16%	$ 2,205
5	Oxnard	278,029,217	33.37%	$ 63,435
6	Port Hueneme	31,281,290	3.75%	$ 7,129
7	San Buenaventura	140,362,429	16.85%	$ 32,031
8	Santa Paula	30,810,442	3.70%	$ 7,033
9	Simi Valley	86,088,566	10.33%	$ 19,637
10	Thousand Oaks	147,822,834	17.74%	$ 33,723
	TOTAL	$ 833,159,975	100.00%	$ 190,095

(1) In counties in which there is city and independent special district representation on the commission, the county, cities, and independent special districts shall each provide a one-third share of the commission's operational costs. The cities share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of cities representing the majority of the combined cities' populations.

LAFCO NET OPERATING EXPENSES
GOV'T CODE 56381 (b) (1) (A) & (B)[1], (F)[2]

DRAFT

PROPOSED BUDGET FOR FY 2011- 2012

ALLOCATION - SPECIAL DISTRICTS

SOURCE: STATE OF CALIFORNIA, SPECIAL DISTRICTS ANNUAL REPORT, FY 08/09

NAME	TOTAL REVENUE PER REPORT	PERCENTAGE (See Note 2)	ALLOCATION $ 190,095
Bardsdale Public Cemetery	$ 170,468	0.066%	$ 126
Bell Canyon Comm. Services District	507,937	0.198%	376
Calleguas Municipal Water District	107,061,829	41.661%	79,196
Camarillo Health Care District	4,032,508	1.569%	2,983
Camrosa Water District	14,282,402	5.558%	10,565
Casitas Municipal Water District	15,993,460	6.224%	11,831
Channel Island Beach CSD	3,679,419	1.432%	2,722
Conejo Recreation & Park District	18,331,865	7.133%	13,559
El Rancho Simi Public Cemetery District	148,454	0.058%	110
Fillmore-Piru Memorial District	167,205	0.065%	124
Fox Canyon Groundwater Mgmt. Agency	1,237,529	0.482%	915
Hidden Valley Municipal Water District	10,699	0.004%	8
Meiners Oaks Water District	847,246	0.330%	627
Montalvo Municipal Impv. District	681,567	0.265%	504
Ojai Valley Sanitary District	9,138,005	3.556%	6,760
Ojai Water Conservation District	7,491	0.003%	6
Oxnard Drainage District No. 1	53,002	0.021%	39
Oxnard Drainage District No. 2	390,497	0.152%	289
Oxnard Harbor District	10,653,427	4.146%	7,881
Piru Public Cemetery District	8,304	0.003%	6
Pleasant Valley Co. Water District	2,931,697	1.141%	2,169
Pleasant Valley Rec & Park District	7,609,022	2.961%	5,629
Rancho Simi Rec & Park District	18,894,071	7.352%	13,977
Saticoy Sanitary District	313,823	0.122%	232
Triunfo Sanitation District	13,030,658	5.071%	9,639
United Water Conservation District	16,844,882	6.555%	12,461
Ventura Co. Resource Conserv. District	230,808	0.090%	171
Ventura Port District	8,314,494	3.235%	6,151
Ventura River County Water District	1,404,611	0.547%	1,039
TOTAL	$ 256,977,380	100.000%	$ 190,095

(1) In counties in which there is city and independent special district representation on the commission, the county, cities, and independent special districts shall each provide a one-third share of the commission's operational costs. The independent special districts share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. An independent special district's total revenue shall be calculated for nonenterprise activities as total revenues for general purpose transactions less aid from other governmental agencies and for enterprise activities as total operating and nonoperating revenues less revenue category other governmental agencies, as reported in the most recent edition of the "Special Districts Annual Report" published by the Controller, or by an alternative method approved by a majority of the agencies,representing a majority of their combined populations.

(2) No independent special district shall be apportioned a share of more than 50 percent of the total independent special district's share of the commission's operational costs, without the consent of the district. The share of the remaining districts shall be increased on a proportional basis so that the total amount for all districts equal the share apportioned by the auditor to independent special districts.

Ventura LAFCo Budget FY 2011-12

Apportionment of Net Operating Expenses Expressed As Percentage Of Each Agency's Total Revenue

NAME	TOTAL REVENUE PER REPORT*	ALLOCATION	PERCENTAGE OF TOTAL REVENUE
COUNTY OF VENTURA	$ 978,101,797	$ 190,095	0.02%
CITIES			
Camarillo	$ 59,493,131	$ 13,573	0.02%
Fillmore	21,459,160	4,904	0.02%
Moorpark	28,162,903	6,425	0.02%
Ojai	9,650,003	2,205	0.02%
Oxnard	278,029,217	63,435	0.02%
Port Hueneme	31,281,290	7,129	0.02%
San Buenaventura	140,362,429	32,031	0.02%
Santa Paula	30,810,442	7,033	0.02%
Simi Valley	86,088,566	19,637	0.02%
Thousand Oaks	147,822,834	33,723	0.02%
TOTAL	$ 833,159,975	$ 190,095	0.02%
SPECIAL DISTRICTS			
Bardsdale Public Cemetery	$ 170,468	$ 125	0.07%
Bell Canyon Comm. Services District	507,937	376	0.07%
Calleguas Municipal Water District	107,061,829	79,253	0.07%
Camarillo Health Care District*	3,854,666	2,853	0.07%
Camrosa Water District	14,282,402	10,573	0.07%
Casitas Municipal Water District	15,993,460	11,839	0.07%
Channel Island Beach CSD	3,679,419	2,724	0.07%
Conejo Recreation & Park District	18,331,865	13,571	0.07%
El Rancho Simi Public Cemetery District	148,454	110	0.07%
Fillmore-Piru Memorial District	167,205	124	0.07%
Fox Canyon Groundwater Mgmt. Agency	1,237,529	916	0.07%
Hidden Valley Municipal Water District	10,699	8	0.07%
Meiners Oaks Water District	847,246	627	0.07%
Montalvo Municipal Impv. District	681,567	504	0.07%
Ojai Valley Sanitary District	9,138,005	6,764	0.07%
Ojai Water Conservation District	7,491	6	0.08%
Oxnard Drainage District No. 1	53,002	40	0.08%
Oxnard Drainage District No. 2	390,497	289	0.07%
Oxnard Harbor District	10,653,427	7,885	0.07%
Piru Public Cemetery District	8,304	6	0.07%
Pleasant Valley Co. Water District	2,931,697	2,171	0.07%
Pleasant Valley Rec & Parks District	7,609,022	5,633	0.07%
Rancho Simi Rec & Park District	18,894,071	13,985	0.07%
Saticoy Sanitary District	313,823	232	0.07%
Triunfo Sanitation District	13,030,658	9,645	0.07%
United Water Conservation District	16,844,882	12,470	0.07%
Ventura Co. Resource Conserv. District	230,808	171	0.07%
Ventura Port District	8,314,494	6,155	0.07%
Ventura River County Water District	1,404,611	1,040	0.07%
TOTAL	$ 256,799,538	$ 190,096	0.07%

* Source: State of California Annual Reports FY 08/09. For special districts, total revenue excludes aid from other governments.

STAFF REPORT
Meeting Date: May 18, 2011

Agenda Item 15

TO: LAFCo Commissioners

FROM: Kim Uhlich, Executive Officer

SUBJECT: Cancellation of the June 8, 2011 Regular Meeting

RECOMMENDATION:

Cancel the June 8, 2011 regular LAFCo meeting and direct staff to provide notice of cancellation to the County, all cities, independent special districts and other interested parties as required by law.

DISCUSSION:

Assuming that the Commission adopts a Final Budget at the May 18 LAFCo meeting, there are no matters pending for action at the June meeting. As such, staff recommends that the Commission cancel the June meeting. The next scheduled meeting would occur on July 20, 2011.