



Lou Ann Texeira
 Executive Officer

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May 9, 2012 (Agenda)

May 9, 2012
Agenda Item 9

Contra Costa Local Agency Formation Commission
 651 Pine Street, Sixth Floor
 Martinez, CA 94553

Final FY 2012-13 LAFCO Budget

Dear Members of the Commission:

DISCUSSION

The Contra Costa Local Agency Formation Commission (LAFCO) is responsible for adopting a proposed and final budget each year. The LAFCO budget is jointly funded by the County, cities and special districts, with each group paying one-third of LAFCO's net operating budget.

On March 14, 2012, the Commission approved the FY 2012-13 Proposed Budget and Work Plan (available on the LAFCO website at www.contracostalafco.org). The Proposed Budget was subsequently distributed to the County, cities and special districts for their review; no comments were received.

The Final Budget (attached) is similar to the Proposed Budget, and reflects an overall increase of 7% as compared to the adopted FY 2011-12 budget. The increase is primarily attributable to increases in *Services & Supplies*, as discussed below. Also, we have updated FY 2011-12 year end estimates to reflect an additional two months of actual expenses and revenues.

Expenditures - The proposed expenditures for FY 2012-13 total \$745,225, and include *Salaries & Benefits, Services & Supplies, Contingency Reserve, and OPEB Trust* as summarized in the attached.

FY 2012-13 **Salaries & Benefits** maintains the current staffing of two full-time employees, and reflects an increase of 2.71% attributable to minor increases in benefit costs.

Services & Supplies funds a range of items including rents/leases, equipment/supplies, communications, training/conferences, and professional/specialized services (i.e., audit/fiscal, legal, planning, mapping, municipal service reviews). These expenses are expected to increase

by 4.92% primarily due to costs associated with second round Municipal Service Reviews (MRSs) and legal services.

The FY 2012-13 budget includes funding for some second round MSR work. Services slated for possible second round reviews in FY 2012-13 include health care, water and wastewater. Specific details regarding second round MSRs will be presented to the Commission at a future meeting.

The FY 2012-13 budget also includes a *Contingency Reserve* of \$80,000 comparable to FY 2011-12, and \$10,000 for the Other Post Employment Benefits *OPEB Trust* account, which was established in FY 2011-12 to fund the LAFCO liability.

In March, the Commission discussed pension liability through Contra Costa County Employees' Retirement Association (CCCERA), and LAFCO's Other Post Employment Benefits (OPEB) liability. CCCERA indicates that as of December 31, 2010, LAFCO's Unfunded Actuarial Accrued Liability (UAAL) was \$443,000. This calculation is based on the December 2010 actuarial valuation results including the participant data and actuarial assumptions on which that calculation was based.

With regard to the OPEB liability, LAFCO staff recently confirmed LAFCO's unfunded OPEB liability with the County Finance Director, which is estimated at \$68,000. In FY 2011-12, the Commission began funding this liability in the amount of \$10,000 per year. The Final FY 2012-13 LAFCO budget includes \$10,000. LAFCO staff is currently exploring trust funds including the PARS Trust in which the County participates. Until such time a trust account is established, these funds, totaling \$20,000, remain in the LAFCO fund balance account.

Revenues - LAFCO's funding sources include local agency (i.e., County, cities and independent special districts) contributions, application fees, other revenues (e.g. interest earnings, special projects), and available year-end fund balance as summarized in the attached.

Local agency contributions represent the most significant LAFCO revenue source. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act") requires that the net operational costs of LAFCO be apportioned one-third to the County, one-third to the cities, and one-third to the independent special districts. Government Code §56381 describes how the County Auditor apportions and collects the revenues following adoption of the Final Budget. The city and district allocations are based on revenues reported to the State Controller and vary year to year.

Another source of revenue is application fees. Application activity continues to be sluggish. FY 2011-12 application fees are expected to come under the budgeted amount. The FY 2012-13 budget includes application fees lower than the FY 2011-12 budgeted amount due to a continued decline in activity. Also, due to the distressed financial market, we have included no interest earnings for the current year or for FY 2012-13.

With regard to the available fund balance, Government Code §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." The FY 2011-12 fund balance is currently unknown and will be calculated at year end (typically by September-

October). However, based on the beginning year fund balance, and projected FY 2011-12 revenues and expenses, it is estimated that the available fund balance will be in excess of \$100,000. The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2012-13 revenues, thereby reducing the revenues to be collected from the funding agencies. The FY 2012-13 budget provides that to the extent possible, the available fund balance be used to offset FY 2012-13 revenues thereby offsetting the cost to the funding agencies. As proposed, the total amount of revenue from other government agencies needed to fund the FY 2012-13 budget will be approximately \$593,684. This represents an increase over the FY 2011-12 contributions, and is due in part to the increase in the LAFCO budget, and in part due to a reduction in available fund balance to offset the agency contributions.

CONCLUSION

The Commission and LAFCO staff continue to exercise fiscal prudence, and recognize the economic realities of the times and the current constraints on local government. Approval of the Final Budget will enable the Commission to perform its core responsibilities effectively, and to continue work on MSRs/SOI updates and other projects.

RECOMMENDATIONS

1. Receive this report and open the public hearing to accept testimony on the Final FY 2012-13 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Final Budget for FY 2012-13, with any desired changes, and authorize staff to distribute the Final Budget to the County, cities and independent special districts as required by Government Code Section 56381.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment - Final FY 2012-13 LAFCO Budget

FINAL FY 2012-13 LAFCO BUDGET

	FY 2011-12 Approved <u>(Adjusted)</u>	FY 2011-12 Estimated	FY 2012-13 Proposed	% Change
Salaries and Employee Benefits				
Permanent Salaries- 1011	\$ 188,340	\$ 191,086	\$ 188,327	
Deferred Comp Cty Contribution - 1015				
FICA- 1042	\$ 14,408	\$ 11,913	\$ 12,570	
Retirement expense- 1044	\$ 65,847	\$ 69,347	\$ 71,353	
Employee Group Insurance- 1060	\$ 36,228	\$ 41,964	\$ 41,500	
Retiree Health Insurance- 1061	\$ 20,000	\$ 19,174	\$ 20,000	
Unemployment Insurance- 1063	\$ 784	\$ 713	\$ 716	
Workers Comp Insurance- 1070	\$ 1,000	\$ 1,035	\$ 1,000	
Total Salaries and Benefits	\$ 326,607	\$ 335,232	\$ 335,466	2.71%
Services and Supplies				
Office Expense- 2100	\$ 4,000	\$ 3,007	\$ 4,000	
Publications -2102	\$ 300	\$ 25	\$ 300	
Postage -2103	\$ 3,000	\$ 1,645	\$ 2,000	
Communications - 2110	\$ 240	\$ 218	\$ 230	
Tele Exchange Services 2111	\$ 880	\$ 878	\$ 914	
Minor Comp Equipment - 2132	\$ 2,000	\$ 2,464	\$ 1,000	
Pubs & Legal Notices 2190	\$ 3,000	\$ 3,628	\$ 3,000	
Memberships - 2200	\$ 8,000	\$ 7,870	\$ 8,025	
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 3,219	\$ 4,000	
Computer Software - 2251	\$ 1,100	\$ 500	\$ 500	
Bldg Occupancy Costs - 2262	\$ 7,282	\$ 5,312	\$ 6,000	
Auto Mileage Emp. – 2301	\$ 500	\$ 943	\$ 900	
Other Travel Employees – 2303	\$ 10,000	\$ 10,915	\$ 12,500	
Prof & Spec Services – 2310	\$ 211,000	\$ 192,972	\$ 226,914	
Assessor	\$ 20,800	\$ 10,754	\$ 17,000	
Financial Audit	\$ 6,800	\$ 6,000	\$ 6,000	
GIS/Mapping	\$ 25,000	\$ 11,000	\$ 20,000	
Legal	\$ 40,000	\$ 80,000	\$ 80,000	
MSRs	\$ 35,000	\$ 44,787	\$ 68,555	
Planning	\$ 50,000	\$ 12,983	\$ 30,000	
Special Projects (document imaging)	\$ 4,400	\$ 3,159	\$ 4,859	
Investment Services	\$ 500		\$ 500	
LAFCO Sponsored Training	\$ 2,500	\$ 1,364	-	
Special Study (MDHCD)	\$ 26,000	\$ 22,925	-	
Contracted Temp Help - 2314 (Web)	\$ 2,340	\$ 2,340	\$ 2,340	
Data Processing Services - 2315	\$ 4,000	\$ 4,363	\$ 4,000	
Data Processing Security - 2326	\$ 100	\$ 81	\$ 100	
Courier - 2331	\$ 2,200	\$ 1,970	\$ 2,033	
Other Inter-Dept Costs - 2340		\$ 133	\$ 123	
Liability/E&O Insurance - 2360	\$ 4,028	\$ 4,080	\$ 4,080	
Commission Training/Registration/Stipends - 2467	\$ 36,300	\$ 29,858	\$ 36,300	
NOD/NOE Filings - 2490	\$ 500	\$ 450	\$ 500	
Total Services & Supplies	\$ 304,770	\$ 276,870	\$ 319,759	4.92%
Fixed Assets				
Office Equipment & Furniture - 4951				
Total Fixed Assets				
Total Expenditures	\$ 631,377	\$ 612,101	\$ 655,225	
Contingency Reserve	\$ 54,000		\$ 80,000	
OPEB Trust	\$ 10,000	\$ 10,000	\$ 10,000	
TOTAL APPROPRIATIONS	\$ 695,377	\$ 622,101	\$ 745,225	7.17%
TOTAL REVENUES				
Agency contributions - 9500 & 9800	\$ 486,377	\$ 486,377	\$ 593,684	
Application & other revenues	\$ 34,000	\$ 26,591	\$ 30,000	
Interest Earnings				
Fund Balance	\$ 175,000	\$ 109,133	\$ 121,541	