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May 8, 2013 (Agenda)

May 8, 2013  
 Agenda Item 8

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

**Final FY 2013-14 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 13, 2013, the Commission approved the FY 2013-14 Proposed Budget and Work Plan (available on the LAFCO website at [www.contracostalafco.org](http://www.contracostalafco.org)). The Proposed Budget was subsequently distributed to the County, cities and special districts for their review. One comment was received from Contra Costa Water District staff inquiring about the cost/benefit of Municipal Service Reviews (MSRs), to which LAFCO staff responded.

The Final Budget (attached) is comparable to the Proposed Budget presented to the Commission in March, and will enable Contra Costa LAFCO to focus on the following priorities identified by the Commission at its strategic planning session held on April 15:

1. Second round MSRs, with a focus on budget
2. Respond to incoming applications
  - a. Review CEQA documents for projects that may become LAFCO applications
  - b. Apply effective terms/conditions
3. Fire/EMS services
  - a. Be an active participant in the County studies
  - b. Utilize the County studies as a catalyst for second round fire/EMS MSR
4. Update policies and procedures
  - a. Expand to include all changes of organization
5. Island annexations
  - a. Annex islands as opportunities arise

The Final Budget reflects an overall increase of 2.66% as compared to the FY 2012-13 budget. The increase is primarily attributable to personnel costs, as discussed below. Also, we have updated FY 2012-13 year end estimates to reflect an additional two months of actual expenses and revenues since reported in March 2013.

**Expenditures** - The proposed expenditures for FY 2013-14 total \$765,016, and include *Salaries & Benefits*, *Services & Supplies*, *Contingency Reserve*, and *OPEB Trust* as summarized in the attached.

FY 2013-14 *Salaries & Benefits* maintains the current staffing of two full-time employees, and reflects an increase of 4.91% attributable to increases in salary and 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, MSRs, website maintenance, etc.). These expenses are expected to increase by 1.04%. Also, beginning July 1, 2013 a link to an audio posting of the LAFCO meetings will be available on the LAFCO website. The audio post will be available for four months following each meeting. The added cost for this service is \$240 per year.

The FY 2013-14 budget includes funding for second round MSR work. Services slated for second round reviews in FY 2013-14 include water and wastewater as previously discussed with the Commission.

The FY 2013-14 budget also includes a *Contingency Reserve* of \$80,000 comparable to FY 2012-13, and \$10,000 for the Other Post Employment Benefits *OPEB Trust* account, which was established in FY 2011-12 to fund the LAFCO liability.

**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 decreased by over 50% in FY 2009-10 following the housing crash, and again in FY 11-12, following the replacement of County Service Area (CSA) L-100 with a community facilities district and the loss of revenue associated with processing annexations to CSA L-100. FY 2012-13 application fees are expected to come over the budgeted amount. The FY 2013-14 budget includes application fees

comparable to those included in the FY 2012-13 budget. Also, due to the distressed financial market, we have included no interest earnings for the current year or for FY 2013-14.

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 2012-13 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 2012-13 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 2013-14 revenues, thereby reducing the revenues to be collected from the funding agencies. The FY 2013-14 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 2013-14 budget will be approximately \$585,016. This represents a decrease (1.46%) as compared to the FY 2012-13 contributions, and is due in part to the relatively status quo LAFCO budget, and in part due to the use of greater 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 2013-14 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Final Budget for FY 2013-14, 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 2013-14 LAFCO Budget

**PROPOSED FY 2013-14 LAFCO BUDGET**

	FY 2012-13	FY 2012-13	FY 2013-14	
	<u>Approved</u>	<u>Year-End (Estimated)</u>	<u>Proposed</u>	<u>% Change</u>
<b>Salaries and Employee Benefits</b>				
Permanent Salaries– 1011	\$ 188,327	\$ 193,505	\$ 193,046	
Deferred Comp Cty Contribution - 1015				
FICA- 1042	\$ 12,570	\$ 14,700	\$ 14,768	
Retirement expense- 1044	\$ 71,353	\$ 76,260	\$ 79,328	
Employee Group Insurance- 1060	\$ 41,500	\$ 42,175	\$ 42,960	
Retiree Health Insurance- 1061	\$ 20,000	\$ 17,570	\$ 20,000	
Unemployment Insurance- 1063	\$ 716	\$ 767	\$ 734	
Workers Comp Insurance- 1070	\$ 1,000	\$ 1,069	\$ 1,100	
<b>Total Salaries and Benefits</b>	<b>\$ 335,466</b>	<b>\$ 346,046</b>	<b>\$ 351,936</b>	4.91%
<b>Services and Supplies</b>				
Office Expense- 2100	\$ 4,000	\$ 2,540	\$ 4,000	
Publications -2102	\$ 300	\$ -	\$ 300	
Postage -2103	\$ 2,000	\$ 1,336	\$ 2,000	
Communications - 2110	\$ 230	\$ 216	\$ 230	
Tele Exchange Services 2111	\$ 914	\$ 913	\$ 914	
Minor Comp Equipment - 2132	\$ 1,000		\$ 1,000	
Pubs & Legal Notices 2190	\$ 3,000	\$ 2,767	\$ 3,000	
Memberships - 2200	\$ 8,025	\$ 8,089	\$ 8,319	
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 3,960	\$ 4,000	
Computer Software - 2251	\$ 500	\$ 500	\$ 500	
Bldg Occupancy Costs - 2262	\$ 6,000	\$ 5,234	\$ 5,392	
Bldg Life Cycle Costs - 2265			\$ 276	
Auto Mileage Emp. – 2301	\$ 900	\$ 782	\$ 900	
Other Travel Employees – 2303	\$ 12,500	\$ 12,495	\$ 12,000	
Prof & Spec Services – 2310	\$ 226,914	\$ 179,904	\$ 230,359	
Assessor	\$ 17,000	\$ 6,716	\$ 13,000	
Financial Audit	\$ 6,000	\$ 5,500	\$ 6,000	
GIS/Mapping	\$ 20,000	\$ 19,990	\$ 20,000	
Legal	\$ 80,000	\$ 80,000	\$ 73,000	
MSRs	\$ 68,555	\$ 35,000	\$ 80,000	
Planning	\$ 30,000	\$ 27,068	\$ 33,000	
Special Projects (document imaging)	\$ 4,859	\$ 3,654	\$ 4,859	
Investment Services	\$ 500		\$ 500	
LAFCO Sponsored Training	-	\$ 1,976		
Contracted Temp Help - 2314 (Web)	\$ 2,340	\$ 2,340	\$ 2,820	
Data Processing Services - 2315	\$ 4,000	\$ 2,669	\$ 4,000	
Data Processing Security - 2326	\$ 100	\$ 87	\$ 126	
Courier - 2331	\$ 2,033	\$ 2,268	\$ 2,041	
Other Inter-Dept Costs - 2340	\$ 123	\$ 92	\$ 123	
Liability/E&O Insurance - 2360	\$ 4,080	\$ 4,020	\$ 4,080	
Commission Training/Registration/Stipends - 2467	\$ 36,300	\$ 29,237	\$ 36,300	
NOD/NOE Filings - 2490	\$ 500	\$ 400	\$ 400	
<b>Total Services &amp; Supplies</b>	<b>\$ 319,759</b>	<b>\$ 259,849</b>	<b>\$ 323,080</b>	1.04%
<b>Fixed Assets</b>				
Office Equipment & Furniture - 4951				
<b>Total Fixed Assets</b>				
<b>Total Expenditures</b>	<b>\$ 655,225</b>	<b>\$ 605,895</b>	<b>\$ 675,016</b>	
<b>Contingency Reserve</b>	<b>\$ 80,000</b>		<b>\$ 80,000</b>	
<b>OPEB Trust</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 745,225</b>	<b>\$ 615,895</b>	<b>\$ 765,016</b>	2.66%
<b>TOTAL REVENUES</b>				
Agency contributions - 9500 & 9800	\$ 593,684	\$ 593,684	\$ 585,016	-1.46%
Application & other revenues	\$ 30,000	\$ 33,762	\$ 30,000	
Interest Earnings				
Fund Balance	\$ 121,541		\$ 150,000	