



Lou Ann Teixeira
 Executive Officer

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May 13, 2015
 Agenda Item 8

May 13, 2015 (Agenda)

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

Final FY 2015-16 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 11, 2015, the Commission approved the FY 2015-16 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 comparable to the Proposed Budget presented to the Commission in March, and will enable Contra Costa LAFCO to focus on the following priorities as previously identified by the Commission:

1. Second round MSRs, with a focus on budget
2. Respond to incoming applications
3. Update policies and procedures
4. Island annexations

The Final Budget reflects an overall increase of 4% as compared to the FY 2014-15 budget. The increase is primarily attributable to personnel costs and an increase in LAFCO’s funding for Other Post-Employment Benefits (OPEB) liability. Also, we have updated FY 2014-15 year end estimates to reflect an additional two months of actual expenses and revenues since reported in March 2015, which has resulted in minor adjustments.

Expenditures - The proposed expenditures for FY 2015-16 total \$813,730, and include *Salaries & Benefits, Services & Supplies, Contingency Reserve, and OPEB Trust* as summarized in the attached.

FY 2015-16 *Salaries & Benefits* maintains the current staffing of two full-time employees, and reflects an increase of 4.2% primarily 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 decrease by approximately 5% which is primarily attributable to anticipated reductions in application processing costs due to a decrease in application activity.

The FY 2015-16 budget includes funding for second round MSR work. Services slated for second round reviews in FY 2015-16 include fire and emergency medical services. The FY 2015-16 also includes funding for LAFCO hosted workshops.

The FY 2015-16 budget includes a *Contingency Reserve* of \$80,000 comparable to FY 2014-15, and \$40,000 for the Other Post Employment Benefits *OPEB Trust* account, which was established in FY 2011-12 to fund the LAFCO liability. In response to actuarial assessment completed in March 2014, the Commission increased its annual OPEB contribution from \$10,000 annually to \$40,000 in FY 2015-16.

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 2014-15 application fees are expected to come in below the budgeted amount. The FY 2015-16 budget is based on a recent historical average and takes into account the decline in activity. Also, due to the distressed financial market, we have included no interest earnings for the current year or for FY 2015-16.

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 2014-15 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 2014-15

expenses and revenues, 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 2015-16 revenues, thereby reducing the revenues to be collected from the funding agencies. The FY 2015-16 budget provides that to the extent possible, the available fund balance be used to offset 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 2015-16 budget is \$651,731. This represents a 6.8% increase as compared to the FY 2014-15 contributions, and is due to projected increases in personnel costs and decreases in application revenue.

CONCLUSION

The Commission and LAFCO staff continue to exercise fiscal prudence, and recognize the financial 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, policies & procedures, and other projects.

RECOMMENDATIONS

1. Receive this report and open the public hearing to accept testimony on the Final FY 2015-16 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Final Budget for FY 2015-16, 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 2015-16 LAFCO Budget

FINAL FY 2015-16 LAFCO BUDGET

	FY 2014-15	FY 2014-15	FY 2015-16	
	Approved	Year-End	Proposed	% Change
		(Estimated)		
Salaries and Employee Benefits				
Permanent Salaries- 1011	\$ 204,718	\$ 197,545	\$ 208,432	
Deferred Comp Cty Contribution - 1015			\$ 1,020	
FICA- 1042	\$ 15,661	\$ 15,112	\$ 16,049	
Retirement expense- 1044	\$ 100,876	\$ 102,785	\$ 109,740	
Employee Group Insurance- 1060	\$ 47,535	\$ 44,059	\$ 50,387	
Retiree Health Insurance- 1061	\$ 20,000	\$ 19,263	\$ 20,000	
Unemployment Insurance- 1063	\$ 778	\$ 635	\$ 625	
Workers Comp Insurance- 1070	\$ 1,210	\$ 979	\$ 1,000	
Total Salaries and Benefits	\$ 390,778	\$ 380,378	\$ 407,253	4.2%
Services and Supplies				
Office Expense- 2100	\$ 3,000	\$ 3,000	\$ 3,000	
Publications -2102	\$ 50	\$ 20	\$ 30	
Postage -2103	\$ 2,000	\$ 1,412	\$ 1,500	
Communications - 2110	\$ 230	\$ 78	\$ 230	
Tele Exchange Services 2111	\$ 1,061	\$ 1,157	\$ 1,375	
Minor Comp Equipment - 2132	\$ 1,000	\$ -	\$ 1,000	
Pubs & Legal Notices 2190	\$ 2,000	\$ 1,569	\$ 2,000	
Memberships - 2200	\$ 8,500	\$ 8,509	\$ 8,858	
Rents & Leases - 2250 (copier)	\$ 3,000	\$ 2,195	\$ 4,000	
Computer Software - 2251	\$ 500	\$ -	\$ 500	
Bldg Occupancy Costs - 2262	\$ 5,629	\$ 5,629	\$ 7,623	
Bldg Life Cycle Costs - 2265	\$ 305	\$ 254	\$ 381	
Bldg Maintennace - 2284		\$ 395	\$ -	
Auto Mileage Emp. - 2301	\$ 900	\$ 212		
Other Travel Employees - 2303	\$ 10,500	\$ 9,779	\$ 10,000	
Prof & Spec Services - 2310	\$ 213,750	\$ 118,794	\$ 198,250	
Assessor	\$ 15,000	\$ 8,939	\$ 13,000	
Financial Audit	\$ 7,000	\$ 7,000	\$ 7,000	
GIS/Mapping	\$ 22,500	\$ 9,726	\$ 20,000	
Legal	\$ 35,000	\$ 19,970	\$ 35,000	
MSRs	\$ 90,000	\$ 48,000	\$ 80,000	
Planning	\$ 40,000	\$ 21,098	\$ 38,000	
Special Projects (document imaging)	\$ 3,750	\$ 4,061	\$ 3,750	
Investment Services	\$ 500	\$ -	\$ -	
LAFCO Sponsored Training	\$ -	\$ -	\$ 1,500	
Special Study		\$ -	\$ -	
Contracted Temp Help - 2314 (Web)	\$ 2,820	\$ 2,820	\$ 2,880	
Data Processing Services - 2315	\$ 4,000	\$ 2,571	\$ 3,000	
Data Processing Security - 2326	\$ 131	\$ 121	\$ 223	
Courier - 2331	\$ 2,174	\$ 2,130	\$ 2,130	
Other Inter-Dept Costs - 2340	\$ 124	\$ 81	\$ 97	
Liability/E&O Insurance - 2360	\$ 4,300	\$ 4,037	\$ 4,100	
Commission Training/Registration/Stipends - 2467	\$ 35,000	\$ 28,502	\$ 35,000	
NOD/NOE Filings - 2490	\$ 400	\$ 250	\$ 300	
Total Services & Supplies	\$ 301,374	\$ 193,515	\$ 286,477	-4.9%
Fixed Assets				
Office Equipment & Furniture - 4951	\$ -	\$ -		
Total Fixed Assets				
Total Expenditures	\$ 692,152	\$ 573,893	\$ 693,730	
Contingency Reserve	\$ 80,000	\$ -	\$ 80,000	
OPEB Trust	\$ 10,000	\$ 10,000	\$ 40,000	300%
TOTAL APPROPRIATIONS	\$ 782,152	\$ 583,893	\$ 813,730	4.0%
TOTAL REVENUES				
Agency contributions - 9500 & 9800	\$ 610,152	\$ 610,152	\$ 651,730	6.8%
Application & other revenues	\$ 22,000	\$ 10,000	\$ 12,000	
Interest Earnings				
Fund Balance	\$ 150,000		\$ 150,000	