



Lou Ann Teixeira  
 Executive Officer

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*Public Member*  
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*City Member*  
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*Special District Member*

May 11, 2016  
 Agenda Item 10

May 11, 2016 (Agenda)

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

**FY 2016-17 Final LAFCO Budget**

Dear Members of the Commission:

**SYNOPSIS**

The Contra Costa Local Agency Formation Commission (LAFCO) is responsible for adopting a proposed and final budget each year. On March 9, 2016, the Commission approved the FY 2016-17 Proposed Budget and Work Plan (available at [www.contracostalafco.org](http://www.contracostalafco.org)). The Proposed Budget was subsequently distributed to the County, cities, special districts and other interested parties; no comments were received. The FY 2016-17 Final Budget will be presented to the Commission on May 11<sup>th</sup>.

The FY 2016-17 Final Budget is comparable to the Proposed Budget, and will enable Contra Costa LAFCO to focus on the following **priorities** as identified by the Commission:

- ❖ 2<sup>nd</sup> round Municipal Service Reviews (MSRs)
- ❖ Incoming applications
- ❖ Policies and procedures
- ❖ Special studies
- ❖ Growing Contra Costa LAFCO

LAFCO's **expenditures** consist of *Salaries & Benefits, Services & Supplies, Contingency Reserve, and Other Post Employment Benefit (OPEB) Trust*. The Final Budget reflects an overall increase of 10.3% in expenditures as compared to the FY 2015-16 budget. The increase is primarily attributable to increases in *Services & Supplies* as discussed below.

LAFCO's **revenue** sources include funding from the County, cities and independent special districts, application fees, interest earnings, and available fund balance. The FY 2016-17 budget reflects a slight increase in application fees due to anticipated growth in application activity.

The FY 2016-17 Final Budget is discussed below and summarized on the attached.

## **EXPENDITURES**

The Final Budget, as proposed, includes expenditures totaling \$893,733, which consists of *Salaries & Benefits, Services & Supplies, Contingency Reserve, and OPEB Trust*.

FY 2016-17 *Salaries & Benefits* total \$403,257, maintain the current staffing of two full-time employees, and reflect a decrease of approximately 1.0% which is primarily attributable to a projected reduction in retirement costs resulting from a higher investment return, lower than expected employee salary and retiree/beneficiary COLA increases, and other experience gains.

FY 2016-17 *Services & Supplies* total \$370,476 and fund a range of items including rents/leases, equipment/supplies, communications, training/conferences, insurance, memberships, and professional/specialized services (i.e., audit/fiscal, legal, planning, mapping, MSRs/special studies, website maintenance, etc.) some of which supplement LAFCO staffing. These expenses are expected to increase by approximately 22.7%. The increase is related to conducting various studies including 2<sup>nd</sup> round *MSRs* (i.e., healthcare districts, cities/community services districts), and *special studies* (i.e., West Contra Costa Healthcare District study currently underway, Rollingwood Wilart Park Recreation & Park District study to be initiated in FY 2016-17), and a triennial *actuarial valuation*; and *relocation* of the LAFCO office as discussed below.

In developing LAFCO's FY 2016-017 work plan, the Commission expressed an interest in growing Contra Costa LAFCO in order to:

- keep pace with increased application activity
- meet State directives to update SOIs every five years and conduct corresponding MSRs
- initiate special studies and embark on other inventive projects and programs
- policy development including updating existing policies and procedures (e.g., agricultural & open space preservation); developing new policies to address recently enacted legislation (e.g., disadvantaged communities, water agency consolidations, fire service contracts); and developing policies to address future legislative mandates
- enhance public outreach and education efforts
- maintain involvement at a statewide level with CALAFCO and other stakeholders

The Commission recognizes that in order to expand and enhance our activities, LAFCO will need to grow. Our current location at 651 Pine Street does not afford this opportunity.

In conjunction with the Proposed Budget, the Commission discussed office and staffing options (please refer to the March 9, 2016 staff report for details). Based on the Commission's direction, the FY 2016-17 Final Budget includes costs associated with *relocation* of the LAFCO office to 40 Muir Road in Martinez, with a projected relocation date of February 2017.

The addition of LAFCO staff is contingent upon relocating, and will require further analysis regarding the level and type of staffing. It is anticipated that staffing options will be presented with the FY 2017-18 budget.

The FY 2016-17 budget includes a **Contingency Reserve** of \$80,000 which is comparable to FY 2015-16. In March 2016, the Commission authorized an expenditure of \$25,000 from the Contingency Reserve to fund a special study of the West Contra Costa Health Care District. Expenditure of these funds will be reflected in the FY 2015-16 year-end report.

The FY 2016-17 budget also includes a contribution of \$40,000 to LAFCO's **OPEB Trust**, which was established in FY 2011-12 to fund LAFCO's liability. In response to an actuarial assessment completed in March 2014, the Commission increased its annual OPEB contribution from \$10,000 annually to \$40,000 in FY 2015-16. As noted above, the FY 2016-17 budget includes funding to prepare an actuarial valuation to re-assess LAFCO's OPEB liability.

### **REVENUES**

LAFCO's primary source of **revenue** is funding from the County, cities and independent special districts, with each group paying one-third of the LAFCO budget. The city and district shares are prorated based on general revenues reported to the State Controller's Office. LAFCO also receives revenue through application fees and interest earnings. The FY 2016-17 budget reflects an increase in anticipation of increased application activity. Finally, when available, LAFCO uses year end fund balance to help offset costs to the funding agencies.

### **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 LAFCO to perform its core responsibilities effectively, to continue its work on MSRs/SOI updates, policies & procedures, and other special projects.

### **RECOMMENDATIONS**

1. Receive this report and open the public hearing to accept testimony on the Final FY 2016-17 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the FY 2016-17 Final Budget, 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 2016-17 LAFCO Budget

**PROPOSED FY 2016-17 LAFCO BUDGET**

	<b>FY 2015-16</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	
	<b>Approved</b>	<b>Year-End</b>	<b>Final</b>	<b>% Change</b>
		<b>(Estimated)</b>		
<b>Salaries and Employee Benefits</b>				
Permanent Salaries- 1011	\$ 208,432	\$ 205,330	\$ 213,401	2.3%
Deferred Comp Cty Contribution - 1015	\$ 1,020	255	\$ 1,020	0.0%
FICA- 1042	\$ 16,049	\$ 15,810	\$ 16,432	2.3%
Retirement expense- 1044	\$ 109,740	\$ 95,543	\$ 97,418	-12.6%
Employee Group Insurance- 1060	\$ 50,387	\$ 52,253	\$ 53,410	5.7%
Retiree Health Insurance- 1061	\$ 20,000	\$ 18,990	\$ 20,000	0.0%
Unemployment Insurance- 1063	\$ 625	\$ 616	\$ 576	-8.5%
Workers Comp Insurance- 1070	\$ 1,000	\$ 987	\$ 1,000	0.0%
<b>Total Salaries and Benefits</b>	<b>\$ 407,253</b>	<b>\$ 389,784</b>	<b>\$ 403,257</b>	<b>-1.0%</b>
<b>Services and Supplies</b>				
Office Expense- 2100	\$ 3,000	\$ 852	\$ 4,000	25.0%
Publications -2102	\$ 50	\$ 20	\$ 30	-66.7%
Postage -2103	\$ 1,500	\$ 772	\$ 1,800	16.7%
Communications - 2110	\$ 230	\$ 728	\$ 1,000	77.0%
Tele Exchange Services 2111	\$ 1,375	\$ 1,376	\$ 1,404	2.1%
Minor Comp Equipment - 2132	\$ 1,000	\$ -	\$ 1,000	0.0%
Pubs & Legal Notices 2190	\$ 2,000	\$ 1,772	\$ 2,000	0.0%
Memberships - 2200	\$ 8,858	\$ 8,933	\$ 9,579	7.5%
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 3,558	\$ 4,000	0.0%
Computer Software - 2251	\$ 500	\$ -	\$ 500	0.0%
Bldg Occupancy Costs - 2262	\$ 7,623	\$ 7,363	\$ 14,865	48.7%
Bldg Life Cycle Costs - 2265	\$ 381	\$ 355	\$ 422	9.7%
Bldg Maintenance - 2284	\$ -			
Auto Mileage Emp. - 2301		\$ 607	\$ 1,000	100.0%
Other Travel Employees - 2303	\$ 10,000	\$ 11,158	\$ 11,000	9.1%
Prof & Spec Services - 2310	\$ 198,250	\$ 230,696	\$ 274,250	27.7%
Assessor	\$ 13,000	\$ 8,900	\$ 13,000	0.0%
Financial Audit	\$ 7,000	\$ 7,000	\$ 7,900	11.4%
GIS/Mapping	\$ 20,000	\$ 19,216	\$ 24,000	16.7%
Legal	\$ 35,000	\$ 39,954	\$ 40,000	12.5%
MSRs	\$ 80,000	\$ 134,337	\$ 117,950	32.2%
Planning	\$ 38,000	\$ 16,539	\$ 38,000	0.0%
Special Projects (document imaging)	\$ 3,750	\$ 3,414	\$ 4,900	23.5%
Investment Services		\$ -		
LAFCO Sponsored Training	\$ 1,500	\$ 1,336	\$ 1,500	0.0%
Special Study		\$ -	\$ 27,000	100.0%
Contracted Temp Help - 2314 (Web)	\$ 2,880	\$ 2,880	\$ 3,380	14.8%
Data Processing Services - 2315	\$ 3,000	\$ 2,850	\$ 3,500	14.3%
Data Processing Security - 2326	\$ 223	\$ 223	\$ 173	-28.9%
Courier - 2331	\$ 2,130	\$ 2,064	\$ 1,963	-8.5%
Other Inter-Dept Costs - 2340	\$ 97	\$ 92	\$ 110	11.8%
Liability/E&O Insurance - 2360	\$ 4,100	\$ 4,163	\$ 4,200	2.4%
Commission Training/Registration/Stipends - 2467	\$ 35,000	\$ 25,453	\$ 30,000	-16.7%
NOD/NOE Filings - 2490	\$ 300	\$ 300	\$ 300	0.0%
<b>Total Services &amp; Supplies</b>	<b>\$ 286,497</b>	<b>\$ 306,215</b>	<b>\$ 370,476</b>	<b>22.7%</b>
<b>Fixed Assets</b>				
Office Equipment & Furniture - 4951		\$ -		
<b>Total Fixed Assets</b>				
<b>Total Expenditures</b>	<b>\$ 693,750</b>	<b>\$ 695,999</b>	<b>\$ 773,733</b>	<b>10.3%</b>
<b>Contingency Reserve</b>	<b>\$ 80,000</b>	<b>\$ -</b>	<b>\$ 80,000</b>	
<b>OPEB Trust</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 813,750</b>	<b>\$ 735,999</b>	<b>\$ 893,733</b>	<b>8.9%</b>
<b>TOTAL REVENUES</b>				
<b>TOTAL REVENUES</b>	<b>\$ 813,730</b>	<b>\$ 682,753</b>	<b>\$ 893,733</b>	<b>9.0%</b>
Agency contributions - 9500 & 9800	\$ 651,730	\$ 651,730	\$ 723,733	9.9%
Application & other revenues	\$ 12,000	\$ 31,023	\$ 20,000	40.0%
Interest Earnings				
Fund Balance	\$ 150,000		\$ 150,000	