



Lou Ann Teixeira
 Executive Officer

MEMBERS

Candace Andersen <i>County Member</i>	Michael R. McGill <i>Special District Member</i>
Donald A. Blubaugh <i>Public Member</i>	Rob Schroder <i>City Member</i>
Federal Glover <i>County Member</i>	Igor Skaredoff <i>Special District Member</i>
	Don Tatzin <i>City Member</i>

ALTERNATE MEMBERS

Diane Burgis <i>County Member</i>
Sharon Burke <i>Public Member</i>
Tom Butt <i>City Member</i>
Stanley Caldwell <i>Special District Member</i>

May 10, 2017 (Agenda)

May 10, 2017
 Agenda Item 9

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

FY 2017-18 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 8, 2017, the Commission approved the FY 2017-18 Proposed Budget and Work Plan (available at www.contracostalafco.org). The Proposed Budget was distributed to the County, cities, special districts and other interested parties. The FY 2017-18 Final Budget (attached) will be presented to the Commission on May 10th.

The Final FY 2017-18 budget includes appropriations totaling \$945,210 and reflects an overall increase of 5.45% as compared to the FY 2016-17 budget. The FY 2017-18 Final Budget will enable Contra Costa LAFCO to focus on the following priorities as identified by the Commission:

- ❖ 2nd round Municipal Service Reviews (MSRs)
- ❖ Completing reorganizations in conjunction with 2016 special studies
- ❖ Processing incoming applications
- ❖ Policies and procedures
- ❖ Hosting a strategic planning session
- ❖ Growing Contra Costa LAFCO (office relocation and staffing plan)

LAFCO's **expenditures** consist of *Salaries & Benefits, Services & Supplies, Contingency Reserve, Other Post Employment Benefit (OPEB) Trust, and Contra Costa County Employees' Retirement Association (CCCERA) fund*. The Final Budget reflects an overall increase of 5.45% in expenditures as compared to the FY 2016-17 budget. The increase is primarily attributable to the addition of the new CCCERA fund of \$30,000 to begin paying down LAFCO's retirement liability as directed by the Commission in March.

LAFCO's **revenue** sources include funding from the County, cities and independent special districts, application fees, interest earnings, and available fund balance. The FY 2017-18 budget reflects steady application activity and associated fees.

The FY 2017-18 Final Budget is discussed below and summarized on the attached. *For details regarding the FY 2017-18 LAFCO budget and work plan, please refer to the March 8, 2017 LAFCO staff report.

EXPENDITURES

The Final Budget, as proposed, includes expenditures totaling \$945,210, which consists of *Salaries & Benefits*, *Services & Supplies*, *Contingency Reserve*, *OPEB Trust* and the new *CCCERA fund*.

FY 2017-18 *Salaries & Benefits* total \$404,370, maintain the current staffing of two full-time employees, and reflect an increase of 0.28% which is primarily attributable to projected increases in health care premium costs, which are mostly offset by a projected reduction in retirement costs resulting from a higher investment return.

FY 2017-18 *Services & Supplies* total \$390,840 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. The FY 2017-18 budget maintains the existing contract service providers, and includes funding for two MSRs (healthcare services and cities/community services districts), a new copier lease, and a strategic planning session. Services & Supplies expenses are expected to increase by 5.21% due primarily to the anticipated relocation of the LAFCO office, and increased MSR and legal costs.

The FY 2017-18 budget includes an \$80,000 *Contingency Reserve*, which is comparable to prior years. It should be noted that the Commission has a policy which provides that "*the annual budget shall include a contingency reserve (i.e., 10% of budget) as determined by the Commission.*" The Commission has discretion to set the amount of the annual contingency.

The FY 2017-18 budget also a \$40,000 annual contribution to the *OPEB Trust* to fund LAFCO's unfunded liability; and the newly added \$30,000 annual contribution to fund LAFCO's unfunded retirement (*CCCERA liability*).

Growing Contra Costa LAFCO - During the FY 2016-17 budget deliberations, 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
- continue work on policy development including updating existing policies and procedures, 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

- expand public outreach and education efforts
- maintain involvement at a statewide level with CALAFCO and other stakeholders

Office Space - 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 both the FY 2016-17 and FY 2017-18 budgets, the Commission discussed office space and staffing options. For the past two years, LAFCO staff has been in discussions with the County regarding office relocation options. County staff recently informed LAFCO that the County will utilize 40 Muir Road (Martinez) space in conjunction with the construction of the new County Administration Building, and that space at 40 Muir Road can be made available to LAFCO in early 2018.

LAFCO staff's preferred option is to relocate to 40 Muir Road. Advantages of this location include close proximity to County GIS/Demographics with whom LAFCO has regular interaction. In addition, being close to County Planning provides for a "one-stop-shop" for those looking to develop their property and obtain needed municipal services through annexation.

The FY 2017-18 Final Budget includes costs associated with relocation of the LAFCO office to 40 Muir Road, with a projected relocation date of February 2018. The annual cost to lease space at 40 Muir Road reflect an increase in rent, building life cycle and related costs of approximately 10% over current lease costs.

LAFCO staff has also discussed with the County the option of leasing a space in the new County Administration Building. In February 2017, the Board of Supervisors approved moving forward with plans for the new building and demolishing the existing building at 651 Pine Street. LAFCO staff was consulted and was offered space in the new building, which staff has tentatively reserved. The County's project manager indicates that construction on the new building is expected to begin in 2018, with anticipated occupancy in December 2019. LAFCO staff requested estimate costs associated with leasing space in the new building; however, we did not receive a response. We expect the cost to lease space in the new building will exceed costs associated with leasing space at 40 Muir Road.

Staffing - In addition to office space, we discussed with the Commission increasing LAFCO staff in order to accomplish the goals and objectives outlined in the Commission's work plan, enhance LAFCO activities, and continue our involvement in CALAFCO and other regional and state activities.

While LAFCO staff believes that additional staff is reasonable and necessary, it is premature to add a staff position at this time due to office space limitations and uncertainties. Relocation is a prerequisite to adding staff, as there is no additional office space at our current location. LAFCO staff is developing a staffing plan that will be presented in the future.

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 2017-18 budget reflects application fees which are comparable to the current year. Finally, when available, LAFCO uses year end fund balance to help offset costs to the funding agencies.

CONCLUSION

The Commission and LAFCO staff 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, and 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 2017-18 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the FY 2017-18 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 2017-18 LAFCO Budget

c: Distribution

FINAL FY 2017-18 LAFCO BUDGET

	FY 2016-17	FY 2016-17	FY 2017-18	
	Approved	Year-end (Estimated)	Proposed	% Change
Salaries and Employee Benefits				
Permanent Salaries- 1011	\$ 213,401	\$ 211,322	\$ 219,803	
Deferred Comp Cty Contribution - 1015	\$ 1,020	\$ 1,020	\$ 1,020	
FICA- 1042	\$ 16,432	\$ 14,776	\$ 16,925	
Retirement expense- 1044	\$ 97,418	\$ 97,418	\$ 83,576	
Employee Group Insurance- 1060	\$ 53,410	\$ 56,310	\$ 61,378	
Retiree Health Insurance- 1061	\$ 20,000	\$ 18,609	\$ 20,000	
Unemployment Insurance- 1063	\$ 576	\$ 585	\$ 593	
Workers Comp Insurance- 1070	\$ 1,000	\$ 1,021	\$ 1,075	
Total Salaries and Benefits	\$ 403,257	\$ 401,061	\$ 404,370	0.28%
Services and Supplies				
Office Expense- 2100	\$ 4,000	\$ 1,944	\$ 5,000	
Publications -2102	\$ 30	\$ 20	\$ 30	
Postage -2103	\$ 1,800	\$ 652	\$ 1,800	
Communications - 2110	\$ 1,000	\$ 711	\$ 2,130	
Tele Exchange Services 2111	\$ 1,404	\$ 1,405	\$ 1,551	
Minor Comp Equipment - 2132	\$ 1,000	\$ 1,000	\$ 1,000	
Pubs & Legal Notices 2190	\$ 2,000	\$ 2,364	\$ 3,000	
Memberships - 2200	\$ 9,579	\$ 9,538	\$ 10,228	
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 3,605	\$ 4,291	
Computer Software - 2251	\$ 500	\$ 500	\$ 500	
Bldg Occupancy Costs - 2262	\$ 14,865	\$ 7,091	\$ 15,003	
Bldg Life Cycle Costs - 2265	\$ 422	\$ 422	\$ 1,565	
Bldg Maintennace - 2284		\$ 143	\$ 150	
Auto Mileage Emp. - 2301	\$ 1,000	\$ 238	\$ 500	
Other Travel Employees - 2303	\$ 11,000	\$ 9,717	\$ 12,000	
Prof & Spec Services - 2310	\$ 274,250	\$ 127,410	\$ 277,414	
Assessor	\$ 13,000	\$ 1,342	\$ 10,000	
Financial Audit	\$ 7,900	\$ 7,900	\$ 8,000	
GIS/Mapping	\$ 24,000	\$ 7,870	\$ 20,000	
Legal	\$ 40,000	\$ 60,906	\$ 70,000	
MSRs	\$ 117,950	\$ 8,960	\$ 140,000	
Planning	\$ 38,000	\$ 10,718	\$ 22,000	
Special Projects (document imaging)	\$ 4,900	\$ 4,814	\$ 3,414	
Investment Services				
LAFCO Sponsored Training	\$ 1,500	\$ -	\$ 4,000	
Special Studies	\$ 27,000	\$ 24,900	\$ -	
Contracted Temp Help - 2314 (Web)	\$ 3,380	\$ 3,380	\$ 3,380	
Data Processing Services - 2315	\$ 3,500	\$ 3,861	\$ 7,000	
Data Processing Security - 2326	\$ 173	\$ 158	\$ 221	
Courier - 2331	\$ 1,963	\$ 1,963	\$ 2,460	
Other Inter-Dept Costs - 2340	\$ 110	\$ 121	\$ 217	
Liability/E&O Insurance - 2360	\$ 4,200	\$ 4,244	\$ 4,700	
Commission Training/Registration/Stipends - 2467	\$ 30,000	\$ 35,668	\$ 36,000	
NOD/NOE Filings - 2490	\$ 300	\$ 650	\$ 700	
Total Services & Supplies	\$ 370,476	\$ 216,805	\$ 390,840	5.21%
Fixed Assets				
Office Equipment & Furniture - 4951				
Total Fixed Assets				
Total Expenditures	\$ 773,733	\$ 617,866	\$ 795,210	2.70%
Contingency Reserve	\$ 80,000		\$ 80,000	
OPEB Trust	\$ 40,000	\$ 40,000	\$ 40,000	
CCCERA Pre-Fund			\$ 30,000	
TOTAL APPROPRIATIONS	\$ 893,733	\$ 657,866	\$ 945,210	5.45%
TOTAL REVENUES	\$ 893,733	\$ 751,249	\$ 945,210	5.45%
Agency contributions - 9500 & 9800	\$ 723,733	\$ 723,733	\$ 755,210	4.17%
Application & other revenues	\$ 20,000	\$ 27,516	\$ 20,000	
Interest Earnings				
Fund Balance	\$ 150,000		\$ 170,000	