



Lou Ann Texeira  
 Executive Officer

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May 9, 2018 (Agenda)

May 9, 2018  
 Agenda Item 9

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

**FY 2018-19 Final LAFCO Budget**

Dear Members of the Commission:

**SYNOPSIS:** The Contra Costa Local Agency Formation Commission (LAFCO) must adopt a proposed and final budget each year. On March 14, 2018, the Commission approved the FY 2018-19 Proposed Budget & Work Plan (available at [www.contracostalafco.org](http://www.contracostalafco.org)). The Proposed Budget was distributed to the County, cities, special districts and other interested parties. The FY 2018-19 Final Budget (attached) will be presented to the Commission on May 9<sup>th</sup>.

The Final FY 2018-19 budget includes appropriations totaling \$996,415 and reflects an overall increase of 5% as compared to the FY 2017-18 budget. The increase is primarily attributable to relocation of the LAFCO office and adding an Analyst position, 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 (“city services” MSR currently underway)
- ❖ Completing LAFCO-initiated dissolutions (i.e., Rollingwood Wilart Park Recreation & Park District, and potentially Reclamation District 2121)
- ❖ Processing incoming applications
- ❖ Updating and developing policies and procedures
- ❖ Growing Contra Costa LAFCO (office relocation and staffing enhancement plan)

LAFCO’s **expenditures** consist of *Salaries & Benefits, Services & Supplies, Contingency Reserve, Other Post Employment Benefit (OPEB) Trust Fund, and Contra Costa County Employees’ Retirement Association (CCCERA) pre-fund.*

LAFCO’s **revenue** sources include funding from the County, cities and independent special districts, application fees, interest earnings, and available fund balance. The FY 2018-19 budget reflects steady application activity and associated fees.

The FY 2018-19 Final Budget is discussed below and summarized on the attached. For additional details, including goals, accomplishments and a work plan, please refer to the *FY 2018-19 Proposed LAFCO Budget* as presented in the March 14, 2018 LAFCO staff report.

**EXPENDITURES:** The Final Budget, as proposed, includes expenditures totaling \$996,415, which consists of *Salaries & Benefits, Services & Supplies, Contingency Reserve, OPEB Trust Fund* and the *CCCERA pre-fund*.

FY 2018-19 *Salaries & Benefits* total \$454,786, reflecting an increase of 11% over the approved FY 2017-18 budget. The increase is primarily attributable to partial year funding of salary/benefits for an Analyst position.

FY 2018-19 *Services & Supplies* total \$391,629 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 2018-19 budget maintains the existing contract service providers, and includes funding for MSR work. The 2<sup>nd</sup> round "city services" MSR is just underway. A second MSR will likely be initiated in the spring of 2019. Services & Supplies expenses are expected to remain status quo.

The FY 2018-19 budget includes an \$80,000 *Contingency Reserve*, which is comparable to prior years. The Commission's policy 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 2018-19 budget also includes a \$40,000 annual contribution to the *OPEB Trust* for LAFCO's unfunded liability, and a \$30,000 annual contribution toward LAFCO's unfunded retirement (*CCCERA*) liability.

### **Growing Contra Costa LAFCO**

During the FY 2016-17 and FY 2017-18 budget deliberations, the Commission discussed growing Contra Costa LAFCO and succession planning. The Commission directed staff to include in the budget costs associated with relocation of LAFCO offices and additional staff.

**Office Space** - LAFCO currently leases office space at 651 Pine Street, 6<sup>th</sup> Floor in Martinez. The office space is restricted with limited opportunity to expand. Since 2016, Contra Costa LAFCO has planned to relocate and lease office space at 40 Muir Road in Martinez. This location offers advantages including close proximity to the County GIS division, with whom LAFCO has regular interaction, and the opportunity to lease additional office space than is currently available at 651 Pine Street. We understand that tenant improvements are underway and we have an anticipated move in date of September 2018. Costs associated with the move, rent, and related expenses are reflected various *Services & Supplies* accounts.

**LAFCO Staffing-** Contra Costa LAFCO currently employs two full-time staff – an Executive Officer and an Executive Assistant/LAFCO Clerk. For the past two years, the Commission discussed the potential to augment LAFCO staff in the future. The Commission agreed that in order to meet increased application activity demands, expand our work on policies and procedures, embark on inventive projects and programs, enhance our public outreach and education, and

maintain our current level of involvement at a statewide level with CALAFCO and other stakeholders, it is desirable to enhance LAFCO staff.

LAFCO staff is currently developing a staffing/succession plan, along with a job description and salary range for an Analyst position. This information, along with any amendments to LAFCO's classification, salary and benefit plans, will be presented to the Commission in the near 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. Application activity has increased. The FY 2018-19 budget includes an increase in revenues based on increased application activity and a multi-year historical average. In addition, LAFCO receives interest earnings through its pre-funding of retirement and OPEB trust accounts; however interest earnings are nominal and subject to market fluctuations, and are not reflected in the revenue estimates.

Finally, when available, LAFCO uses year end fund balance to help offset costs to the funding agencies. The FY 2017-18 fund balance is currently unknown and will be calculated at year end (typically by October). However, based on the beginning year fund balance, and projected FY 2017-18 revenues and expenses, it is estimated that the available fund balance will be over \$175,000. The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2018-19 revenues, thereby reducing contributions from the funding agencies (County, cities, districts). The proposed FY 2018-19 budget provides that, to the extent possible, the available fund balance be used to offset FY 2018-19 revenues.

**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, continue its work on MSRs/SOI updates, policies & procedures, and other special projects, and to grow Contra Costa LAFCO.

**RECOMMENDATIONS:**

1. Receive this report and open the public hearing to accept testimony on the Final FY 2018-19 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the FY 2018-19 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 2018-19 LAFCO Budget

c: Distribution

**FINAL FY 2018-19 LAFCO BUDGET**

Attachment

	<b>FY 2017-18</b>	<b>FY 2017-18</b>	<b>FY 2018-19</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	\$ 219,803	\$ 218,321	\$ 244,970	
Deferred Comp Cty Contribution - 1015	\$ 1,020	\$ 1,020	\$ 1,700	
FICA- 1042	\$ 16,925	\$ 15,574	\$ 18,740	
Retirement expense- 1044	\$ 83,576	\$ 94,681	\$ 109,514	
Employee Group Insurance- 1060	\$ 61,378	\$ 53,477	\$ 59,575	
Retiree Health Insurance- 1061	\$ 20,000	\$ 18,609	\$ 19,100	
Unemployment Insurance- 1063	\$ 593	\$ 499	\$ 122	
Workers Comp Insurance- 1070	\$ 1,075	\$ 1,001	\$ 1,065	
<b>Total Salaries and Benefits</b>	<b>\$ 404,370</b>	<b>\$ 403,182</b>	<b>\$ 454,786</b>	<b>11%</b>
<b>Services and Supplies</b>				
Office Expense- 2100	\$ 5,000	\$ 2,232	\$ 6,000	
Publications -2102	\$ 30	\$ 21	\$ 30	
Postage -2103	\$ 1,800	\$ 944	\$ 1,800	
Communications - 2110	\$ 2,130	\$ 811	\$ 2,524	
Tele Exchange Services 2111	\$ 1,551	\$ 1,552	\$ 1,599	
Minor Comp Equipment - 2132	\$ 1,000	\$ 2,547	\$ 1,000	
Pubs & Legal Notices 2190	\$ 3,000	\$ 3,514	\$ 4,000	
Memberships - 2200	\$ 10,228	\$ 10,173	\$ 10,503	
Rents & Leases - 2250 (copier)	\$ 4,291	\$ 5,655	\$ 5,500	
Computer Software - 2251	\$ 500	\$ 400	\$ 500	
Bldg Occupancy Costs - 2262	\$ 15,003	\$ 7,792	\$ 18,622	
Bldg Life Cycle Costs - 2265	\$ 1,565	\$ 1,565	\$ 1,455	
Bldg Maintenance - 2284	\$ 150	\$ -	\$ 150	
Auto Mileage Emp. - 2301	\$ 500	\$ 408	\$ 500	
Other Travel Employees - 2303	\$ 12,000	\$ 11,155	\$ 12,000	
Prof & Spec Services - 2310	\$ 277,414	\$ 142,753	\$ 271,075	
Assessor	\$ 10,000	\$ 10,000	\$ 12,011	
Financial Audit	\$ 8,000	\$ 8,000	\$ 8,650	
GIS/Mapping	\$ 20,000	\$ 20,000	\$ 26,000	
Legal	\$ 70,000	\$ 43,810	\$ 75,000	
MSRs	\$ 140,000	\$ 44,888	\$ 135,000	
Planning	\$ 22,000	\$ 10,990	\$ 11,000	
Special Projects (document imaging)	\$ 3,414	\$ 4,814	\$ 3,414	
LAFCO Sponsored Training	\$ 4,000	\$ 251	\$ -	
Special Studies	\$ -	\$ -	\$ -	
Contracted Temp Help - 2314 (Web)	\$ 3,380	\$ 3,380	\$ 2,880	
Data Processing Services - 2315	\$ 7,000	\$ 3,073	\$ 7,500	
Data Processing Security - 2326	\$ 221	\$ 221	\$ 231	
Courier - 2331	\$ 2,460	\$ 2,460	\$ 392	
Other Inter-Dept Costs - 2340	\$ 217	\$ 84	\$ 232	
Liability/E&O Insurance - 2360	\$ 4,700	\$ 4,990	\$ 5,436	
Commission Training/Registration/Stipends - 2467	\$ 36,000	\$ 36,138	\$ 37,000	
Application Refund - 2479	\$ -	\$ 515	\$ -	
NOD/NOE Filings - 2490	\$ 700	\$ 700	\$ 700	
<b>Total Services &amp; Supplies</b>	<b>\$ 390,840</b>	<b>\$ 243,083</b>	<b>\$ 391,629</b>	<b>0%</b>
<b>Fixed Assets</b>				
Office Equipment & Furniture - 4951				
<b>Total Fixed Assets</b>				
<b>Total Expenditures</b>	<b>\$ 795,210</b>	<b>\$ 646,265</b>	<b>\$ 846,415</b>	<b>6%</b>
<b>Contingency Reserve</b>	<b>\$ 80,000</b>		<b>\$ 80,000</b>	
<b>OPEB Trust</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	
<b>CCCERA Pre-Fund</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 945,210</b>	<b>\$ 716,265</b>	<b>\$ 996,415</b>	<b>5%</b>
<b>TOTAL REVENUES</b>	<b>\$ 945,210</b>	<b>\$ 795,469</b>	<b>\$ 996,415</b>	
Agency contributions - 9500 & 9800	\$ 755,210	\$ 755,210	\$ 796,415	5%
Application & other revenues	\$ 20,000	\$ 40,259	\$ 25,000	
Fund Balance	\$ 170,000		\$ 175,000	