



Lou Ann Texeira
 Executive Officer

MEMBERS

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|---|--|
| Candace Andersen
<i>County Member</i> | Federal Glover
<i>County Member</i> |
| Donald A. Blubaugh
<i>Public Member</i> | Michael R. McGill
<i>Special District Member</i> |
| Gabriel Quinto
<i>City Member</i> | Scott Perkins
<i>City Member</i> |
| Patricia Bristow
<i>Special District Member</i> | |

ALTERNATE MEMBERS

- | |
|---|
| Diane Burgis
<i>County Member</i> |
| Vacant
<i>Special District Member</i> |
| Charles R. Lewis, IV
<i>Public Member</i> |
| Edi Birsan
<i>City Member</i> |

May 10, 2023 (Agenda)

Contra Costa Local Agency Formation Commission
 40 Muir Road, First Floor
 Martinez, CA 94553

**May 10, 2023
 Agenda Item 9**

FY 2023-24 Final LAFCO Budget

Dear Commissioners:

BUDGET SUMMARY

The Contra Costa Local Agency Formation Commission (LAFCO) must adopt proposed and final budgets each year. On March 8, 2023, the Commission approved the *FY 2023-24 Proposed Budget & Work Plan* (available at www.contracostalafco.org). In accordance with Government Code §56381, the Proposed Budget was circulated to all affected local agencies and interested parties. No comments were received.

The *FY 2023-24 Final Budget* includes appropriations totaling \$956,775 reflecting a 4.95% increase as compared to the FY 2022-23 budget. The increase is primarily attributable to replacing the half-time Executive Assistant with a full-time Clerk/Analyst, along with increases in *Salaries and Employee Benefits* and in *Services and Supplies* as detailed below.

LAFCO will realize cost savings in several accounts including suspension of the annual pre-fund/future liability contributions to Contra Costa County Employees’ Retirement Association (CCCERA) and Other Post-Employment Benefits (OPEB) accounts as LAFCO is nearly fully funded in both accounts. The Final FY 2023-24 Budget includes an \$87,000 contingency reserve fund per the Commission’s policy. Details regarding the expenditures and revenue are presented below.

EXPENDITURES: The LAFCO expenditures are divided into three categories: *Salaries & Employee Benefits, Services & Supplies, Contingency Reserve*, and future liability finds as summarized below.

Salaries & Benefits

The FY 2023-24 retains the current staffing level with one full-time Executive Officer and one full-time Clerk Analyst. LAFCO staff is supplemented with use of consultants and various County services.

The FY 2023-24 *Salaries & Benefits* account totals \$451,137 reflecting a 12% increase as compared to the FY 2022-23 budget. The increase is primarily attributable to the following: replacing the half-time Executive Assistant with a full-time Clerk Analyst, and increases in FICA, Unemployment

Insurance, Workers Compensation Insurance, and Retirement Expense. Costs associated with Retiree Health Insurance declined due to the passing of former LAFCO Executive Officer Dewey Mansfield.

LAFCO is also supported by public and private service providers on an as-needed basis. The County provides fiscal, drafting, mapping/GIS and legal services. LAFCO currently contracts with private firms for website maintenance, financial auditing, environmental planning, and to assist with preparing Municipal Service Reviews (MSRs) and special studies. The *Final FY 2023-24* budget assumes continuation of contract services as reflected in the *Services & Supplies* accounts.

Services & Supplies

The *Services & Supplies* account includes funding for various services, programs and projects including administrative/overhead (e.g., office, insurance, rent, utilities, equipment/systems, training, memberships, etc.), contract services (assessor, auditing, GIS, legal, planning, website, etc.), and programs/projects (e.g., MSRs, special studies, etc.).

The FY 2023-24 *Services & Supplies* account totals \$418,638 which is comparable to the FY 2022-23 budget. LAFCO staff anticipates increases in several accounts including *Publications & Legal Notices, Memberships, Computer Software, Financial Audit, Website Management, Data Processing, and Professional & Specialized Services*.

LAFCO staff anticipates FY 2022-23 year-end cost savings in various accounts including *Postage, Tele Exchange Services, Minor Computer Equipment, Building Maintenance, Employee Travel, Professional & Specialized Services, and Commissioner Training*.

Contingency Reserve Fund

Each year, the Commission appropriates funds for unanticipated expenses (i.e., special studies, potential litigation, etc.). The Commission's policy provides that *the annual budget shall include a contingency reserve of 10% of the budget as determined by the Commission*. To date, no contingency funds were used this fiscal year. The *FY 2023-24 Final Budget* includes an \$87,000 contingency reserve fund in accordance with the Commission's policy.

Other Post-Employment Benefits (OPEB)

Since FY 2011-12, LAFCO's budget has included an annual expense to pre-fund its OPEB liability. The FY 2011-12 through FY 2014-15 budgets included an appropriation of \$10,000 per year to fund this liability. Following LAFCO's first actuarial valuation in 2014, the Commission increased its annual appropriation to \$40,000. LAFCO's most recent GASB report shows that LAFCO is over 80% funded. In consultation with LAFCO's financial advisors, it is recommended that LAFCO forgo its annual OPEB pre-funding contribution in FY 2023-24.

Pre-funding Retirement Liability (CCCERA)

In FY 2017-18, LAFCO began pre-paying its unfunded retirement liability to receive a better contribution rate. Recent CCCERA reports show that LAFCO is nearly fully funded. In consultation with CCCERA and County staff, it is recommended that LAFCO forgo its annual CCCERA pre-funding contribution in FY 2023-24.

REVENUES

Revenues consist primarily of apportionments received from the County, cities, and independent special districts with each group paying one-third of LAFCO's net operating budget. The city and district shares are prorated based on general revenues reported to the State Controller. Other revenues include application fees, available year-end fund balance, and miscellaneous revenue (e.g., interest earnings).

Application Charges and Other Revenues

The *FY 2022-23 Budget* included an estimated \$25,000 in application fees. It is projected that LAFCO will receive an estimated \$40,000 in applications fees in the current fiscal year. This exceeds the budgeted amount due to a surge in application activity. The Final FY 2023-24 budget includes an estimated \$30,000 in application fees based on a multi-year historical average.

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 2022-23 fund balance is currently unknown and will be calculated at year end (typically by October). It is estimated that that the available fund balance will exceed \$500,000.

The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2023-24 revenues, thereby reducing contributions from the funding agencies (County, cities, districts); or placed in a reserve account, separate from the contingency reserve that is appropriated each year. The Final FY 2023-24 budget includes \$250,000 in fund balance to offset FY 2023-24 revenues.

LAFCO ACTIVITIES

As presented to the Commission on March 8, 2023, the *Proposed FY 2023-24 Budget* included a summary of LAFCO’s major responsibilities, and FY 2022-23 accomplishments and activities, some of which are summarized below.

Highlights of FY 2022-23

The following is a list of LAFCO’s goals and accomplishments for FY 2022-23:

Boundary Change and Related Applications

- a. Received and processed nine new applications to date
- b. Completed proceedings seven proposals including four out of agency service agreements, three annexations, and one sphere of influence amendment; and conducted corresponding public hearings
- c. Pending dissolution of CSA R-9

MSRs/SOI Updates

- a. Completed 2nd round “*Mosquito & Vector Control and Resource Conservation*” MSR/SOI updates
- b. Initiated 3rd round *Wastewater Services* MSR/SOI updates (currently underway)

Special Projects/Activities

- a. Adopted resolutions in conjunction with Assembly Bill 361 to conduct virtual meetings
- b. Participation in ongoing consolidation/reorganization discussions

Administrative and Other Activities

- a. Appointed 2023 LAFCO Chair (Glover) and Vice Chair (Blubaugh)
- b. Recognition of outgoing Commissioners Butt and Schroder
- c. Recognition of Sherrie Weis, retiring LAFCO Executive Assistant
- d. Welcomed Anna Seithel new LAFCO Clerk Analyst
- e. Updated LAFCO staffing, personnel and salary plan to add new Clerk Analyst position
- f. Updated the LAFCO Fee Schedule
- g. Completed 2021 Actuarial Valuation and 2022 GASB 75 Supplemental Schedules
- h. Ongoing update to LAFCO Directory of Local Agencies (nearly complete)
- i. Ongoing website updates and potential transition

- j. Training and transition to the County’s new finance system (“Workday”)
- k. Provide quarterly budget reports
- j. Conduct employee performance reviews
- k. Provide comments on local agency environmental documents
- l. Submit position letters on various bills affecting LAFCOs
- m. Participate in and support CALAFCO

FY 2023-24 Work Plan

The recommended work plan for FY 2023-24 includes the following activities:

- ❖ Complete 3rd round MSR/SOI updates covering wastewater services
- ❖ Initiate 2nd round Misc. County Service Areas MSR/SOI Updates (proposed)
- ❖ Initiate 3rd round Reclamation Services MSR/SOI Updates (proposed)
- ❖ Complete FY 2021-22 financial audit
- ❖ Complete annual actuarial valuation
- ❖ Policy and procedures updates

In conclusion, the Commission and LAFCO staff continue to exercise fiscal prudence, recognizing the financial constraints faced by our funding agencies. Approval of the *FY 2023-24 Final Budget* will enable the Commission to perform its core responsibilities and continue its work on MSRs/SOI updates, processing proposals, legislative activities, policy development, and other projects.

RECOMMENDATIONS

1. Receive this report and open the public hearing on the *FY 2023-24 Final Budget*.
2. After receiving public comments close the hearing.
3. After Commission discussion, adopt the *FY 2023-24 Final Budget*, with any desired changes, and authorize staff to distribute the *FY 2023-24 Final Budget* to the County, cities and independent special districts as required by Government Code §56381.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment - Final FY 2023-24 LAFCO Budget
c: Distribution

