



Lou Ann Teixeira
Executive Officer

March 8, 2023

March 8, 2023
Agenda Item 8

Contra Costa Local Agency Formation Commission
40 Muir Road, 1st Floor
Martinez, CA 94553

Proposed FY 2023-24 LAFCO Budget

Dear Members of the Commission:

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) establishes a process for preparing and adopting LAFCO's budget. Government Code ("GC") §56381 provides that the Commission shall annually adopt a proposed budget by May 1 and final budget by June 15, following noticed public hearings. This report presents the proposed budget and work plan for FY 2023-24.

BUDGET SUMMARY: The proposed FY 2023-24 budget (attached) includes appropriations totaling \$996,975 and reflects an overall increase of approximately 8.4% 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. The proposed FY 2023-24 includes a contingency of \$100,000 per the Commission's policy. Details regarding expenditures and revenues are presented below.

EXPENDITURES: Expenditure are divided into three main categories: *Salaries & Employee Benefits*, *Services & Supplies*, a *Contingency Reserve*, and future liability funds. A summary of expenditures is provided below.

Salaries & Benefits

The FY 2023-24 staffing level includes one full-time Executive Officer (EO) and one full-time Clerk Analyst (CA). As proposed, the FY 2023-24 budget retains the current staffing level. LAFCO staff is supplemented with consultants and County services.

The proposed FY 2023-24 *Salaries & Benefits* account totals \$468,420, reflecting a 17% increase as compared to the FY 2022-23 budget.

Regarding the FY 2022-23 budget year-end estimates, we note that *Salaries & Benefits* are higher than the budgeted amount due to replacing the part-time Executive Assistant position with a full-time Clerk Analyst position.

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

Services & Supplies

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

The proposed FY 2023-24 *Services & Supplies* account totals \$428,375 and reflects a 2% increase over the FY 2022-23 budget. LAFCO staff anticipates increases in several accounts including membership fees, computer software, and website management.

Regarding the current FY 2022-23 adopted budget compared to year-end estimates, we anticipate savings in several accounts including Postage, Tele Exchange, Copier Lease, Computer Equipment, and Special Studies. We anticipate increases in several accounts including Publications & Legal Notices, Memberships, Computer Software, Financial Audit, GIS/Mapping, and Website Management.

Based on mid-year estimates, it appears expenses will exceed budgeted amounts in Publications & Legal and Computer Software.

Contingency Reserve Fund

Each year, the Commission appropriates funds for unanticipated expenses (i.e., special studies, potential litigation, personnel changes, etc.). The Commission's policy provides that *"the annual budget shall include a contingency reserve (i.e., 10% of budget) as determined by the Commission. Funds budgeted in the contingency reserve shall not be used or transferred to any other expense account without prior approval of the Commission."* The FY 2023-24 budget, as proposed, includes a \$100,000 contingency reserve fund in accordance with the Commission's policy.

Other Post-Employment Benefits (OPEB)

Since FY 2011-12, LAFCO has included in its budget an annual expense to pre-fund its OPEB liability. 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. Subsequently, LAFCO has funded the OPEB account based on the annual GASB report (e.g., zero - \$40,000). The most recent GASB report (2020-21) shows that LAFCO is slightly over funded. Consequently, pre-funding is not needed for FY 2023-24.

Pre-funding Retirement Liability (CCCERA)

In FY 2017-18, LAFCO began pre-paying a portion of its unfunded retirement liability to have a better contribution rate. Recent CCCERA reports show that LAFCO is nearly fully funded; therefore, 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 the net operating LAFCO 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 includes \$25,000 in application fees. It is projected that LAFCO will receive approximately \$26,000 in application fees in the current fiscal year, which exceeds the budgeted amount.

The proposed FY 2023-24 budget includes an anticipated \$25,000 in application fees based on a multi-year historical average.

Fund Balance

GC §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. Based on the beginning year fund balance, and projected FY 2021-22 revenues and expenses, it is estimated that the available fund balance is in excess of \$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 proposed FY 2023-24 budget includes \$250,000 in fund balance to offset FY 2023-24 revenues thereby reducing contributions from the local agencies.

Revenues Received from the County, Cities, and Independent Special Districts

After processing fees, available fund balance, and other miscellaneous revenues, the balance of LAFCO’s financial support comes from local governmental agencies. Agency contributions represent the most significant LAFCO revenue source.

The 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. The CKH Act describes how the County Auditor is to make the apportionment and collect the revenues once LAFCO adopts a Final Budget (GC §56381). The city and district allocations are based on revenues reported to the State Controller and vary year to year.

As indicated above, the overall budget is expected to increase by approximately 5.1%. The proposed use of the available fund balance will offset agency contributions for FY 2023-24. The amount of revenue from funding agencies required to fund the FY 2023-24 budget is \$721,975, reflecting a 5.1% increase.

LAFCO RESPONSIBILITIES, ACCOMPLISHMENTS & GOALS

The FY 2023-24 budget schedule provides for public hearings and consideration of a Proposed Budget (March 8, 2023) and a Final Budget prior to June 15, 2023. The time between these Commission actions is to allow for review and comment by local agencies, the public, and other interested parties, as well as to gather updated budget information.

In accordance with the work plan and proposed budget, staff provides a summary of LAFCO responsibilities, and accomplishments as follows.

Major LAFCO Responsibilities

LAFCO receives its authority and statutory responsibilities from the CKH Act. Included among LAFCO’s major responsibilities are:

- Act on proposals for changes of organization/reorganizations (i.e., annexations/ detachments, out of agency service, incorporations, consolidations/mergers, district formations/ dissolutions, etc.)
- Establish, review, and update spheres of influence (SOIs) for cities and special districts
- Conduct MSRs prior to or in conjunction with establishing or updating SOIs

- Perform special studies relating to services and make recommendations about consolidations, mergers, or other governmental changes to improve/enhance services and efficiencies
- Serve as responsible or lead agency for compliance with CEQA
- Serve as the conducting authority to conduct protest hearings for changes of organization/reorganizations
- Provide public information about LAFCO and public noticing of pending LAFCO actions
- Maintain/update a LAFCO website
- Adopt and update written policies and procedures
- Adopt an annual budget

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 four new applications
- b. Completed proceedings for dissolution of CSA R-10, four annexations, one SOI amendment, four out of agency service agreements including one fire service contract; and conducted corresponding public and protest hearings
- c. Initiated and approved dissolution of CSA R-10
- d. 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 fire service 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. Welcome Anna Seithel new LAFCO Clerk Analyst
- e. Updated LAFCO staffing, personnel and salary plan to add new Clerk Analyst position
- f. Completed 2021 Actuarial Valuation and 2022 GASB 75 Supplemental Schedules
- g. Initiated major update to LAFCO Directory of Local Agencies (underway)
- h. Ongoing website updates and potential transition to new web manager
- i. Training and transition to the County's new finance system ("Workday")
- j. Provide quarterly budget reports
- k. Conduct employee performance reviews
- l. Provide comments on local agency environmental documents
- m. Submit position letters on various bills affecting LAFCOs
- n. 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)

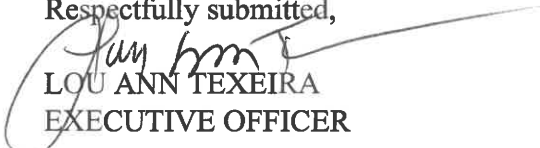
- ❖ Complete FY 2021-22 financial audit
- ❖ Complete annual actuarial valuation
- ❖ Policy and procedures updates

In conclusion, the Commission and LAFCO staff continue to exercise fiscal prudence, recognizing the financial constraints faced by our funding agencies. Approval of the proposed 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 the staff report and open the public hearing to accept testimony on the Proposed FY 2023-24 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Proposed FY 2023-24 Budget, with any desired changes, and authorize staff to distribute the Proposed Budget to the County, cities and independent special districts as required by GC §56381, and
4. Schedule a public hearing prior to June 15, 2023 to adopt the Final FY 2023-24 LAFCO Budget.

Respectfully submitted,



LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment – Proposed FY 2023-24 LAFCO Budget

c: Distribution

PROPOSED FY 2023-24 BUDGET

8-Mar-23

Attachment

	FY 2022-23	FY 2022-23	FY 2023-24
	Approved	Year-end	Proposed
		(Estimated)	Budget
Salaries and Employee Benefits			
Permanent Salaries-- 1011	\$ 224,000	\$ 245,000	\$ 275,000
Deferred Comp Cty Contribution - 1015	\$ 2,040	\$ 2,635	\$ 1,020
FICA- 1042	\$ 15,900	\$ 16,912	\$ 19,000
Retirement expense- 1044	\$ 79,000	\$ 93,897	\$ 106,200
Employee Group Insurance- 1060	\$ 47,000	\$ 44,000	\$ 46,000
Retiree Health Insurance- 1061	\$ 31,700	\$ 18,500	\$ 19,500
Unemployment Insurance- 1063	\$ 455	\$ 455	\$ 500
Workers Comp Insurance- 1070	\$ 972	\$ 972	\$ 1,020
Total Salaries and Benefits	\$ 401,067	\$ 422,371	\$ 468,240
Services and Supplies			
Office Expense- 2100	\$ 3,000	\$ 3,000	\$ 3,000
Publications -2102	\$ 300	\$ 300	\$ 300
Postage -2103	\$ 1,800	\$ 500	\$ 1,200
Communications - 2110	\$ 2,200	\$ 2,136	\$ 2,300
Tele Exchange Services 2111	\$ 2,000	\$ 800	\$ 1,000
Minor Furniture/Equipment - 2131	-		\$ 1,200
Minor Comp Equipment - 2132	\$ 1,800		\$ 1,100
Pubs & Legal Notices 2190	\$ 2,200	\$ 2,690	\$ 2,700
Memberships - 2200	\$ 13,043	\$ 13,121	\$ 14,025
Rents & Leases - 2250 (copier)	\$ 5,600	\$ 3,300	\$ 4,000
Computer Software - 2251	\$ 1,200	\$ 3,538	\$ 4,000
Bldg Occupancy Costs - 2260 & 2262	\$ 22,000	\$ 20,000	\$ 22,000
Bldg Life Cycle Costs - 2265	\$ 1,200	\$ 1,075	\$ 1,200
Bldg Maintennace - 2284	\$ 1,000	\$ 175	\$ 1,000
Auto Mileage Emp. - 2301	\$ 500	\$ 150	\$ 500
Other Travel Employees - 2303	\$ 17,000	\$ 7,900	\$ 17,000
Prof & Spec Services - 2310	\$ 288,640	\$ 158,320	\$ 289,240
Assessor	\$ 13,000	\$ 5,500	\$ 13,000
Financial Audit	\$ 8,900	\$ 7,600	\$ 10,000
GIS/Mapping	\$ 12,000	\$ 11,600	\$ 14,000
Legal	\$ 40,000	\$ 40,000	\$ 40,000
MSRs	\$ 190,000	\$ 89,000	\$ 190,000
Planning	\$ 10,000	\$ 2,000	\$ 10,000
Special Projects (document imaging)	\$ 2,000		\$ 2,000
Misc Investment Services/CCCERA Fees	\$ 240	\$ 20	\$ 240
Special Studies/Workshop/Actuarial Valuation	\$ 12,500	\$ 2,600	\$ 10,000
Website Management - 2314	\$ 3,060	\$ 3,060	\$ 10,000
Data Processing Services - 2315	\$ 13,000	\$ 10,000	\$ 13,000
Data Processing Security - 2326	\$ 600	-	\$ 600
Courier - 2331	\$ 1,000	\$ 974	\$ 1,000
Telcomm Rents, Leases, Labor - 2335	\$ 120	-	\$ 120
Other Inter-Dept Costs - 2340	\$ 650	-	\$ 650
Liability/E&O Insurance - 2360	\$ 6,833	\$ 6,345	\$ 6,800
Commission Training/Registration/Stipends - 2467	\$ 31,000	\$ 25,000	\$ 30,000
NOD/NOE Filings - 2490	\$ 800	\$ 800	\$ 800
Total Services & Supplies	\$ 420,546	\$ 263,184	\$ 428,735
Total Expenditures	\$ 821,613	\$ 685,555	\$ 896,975
Contingency Reserve	\$ 90,000		\$ 100,000
OPEB Trust			
CCCERA Pre-Fund			
TOTAL APPROPRIATIONS	\$ 911,613		\$ 996,975
TOTAL REVENUES	\$ 911,613	\$ 712,613	\$ 996,975
Agency contributions - 9500 & 9800	\$ 686,613	\$ 686,613	\$ 721,975
Application & other revenues	\$ 25,000	\$ 26,000	\$ 25,000
Fund Balance	\$ 200,000		\$ 250,000