



Lou Ann Teixeira
Executive Officer

June 12, 2024

June 12, 2024
Agenda Item 11

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

Final FY 2024-25 LAFCO Budget

Dear Commissioners:

BUDGET SUMMARY:

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 Final FY 2024-25 budget and work plan.

On April 10, 2024, the Commission provided comments and approved the *Proposed FY 2024-25 Budget and Work Plan*. In accordance with GC §56381, the *Proposed FY 2024-25 Budget and Work Plan* was circulated to all affected local agencies and interested parties. No comments were received.

The *FY 2024-25 Final Budget* is comparable to the proposed budget presented on April 10, 2024. The FY 2024-25 appropriations total \$1,034,702 and reflect an overall increase of approximately 6.7% as compared to the FY 2023-24 budget. The increase is primarily attributable to increases in some employee benefits and contributions to Other Post Employment (OPEB) and Contra Costa County Employee's Retirement Association (CCCERA). The final FY 2024-25 includes a contingency reserve of \$87,000. Details regarding expenditures and revenues are presented below.

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

Salaries & Benefits

The FY 2024-25 staffing level includes one full-time Executive Officer (EO) and one full-time Clerk Analyst (CA) and retains the current staffing level. LAFCO staff is supplemented with consultants and County services.

The Final FY 2024-25 *Salaries & Benefits* account totals \$480,492, reflecting a 6.5% increase as compared to the FY 2023-24 budget. This is primarily due to increases in group insurance, workers compensation insurance, and employee salaries.

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 contracts with private firms for financial auditing, environmental planning, and to assist with Municipal Service Reviews (MSRs) and

special studies. The FY 2024-25 Final Budget provides for 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 (i.e., MSRs, special studies).

The Final FY 2024-25 *Services & Supplies* account totals \$412,210 and reflects a 2% decrease from the FY 2023-24 budget. LAFCO staff anticipates slight increases in several accounts including membership fees, rents & leases, building occupancy, life cycle, and special studies/workshops/actuarial valuation.

Regarding the FY 2023-24 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, we will exceed budgeted line-item amounts in *Public & Legal Notices* and *Special Studies* (Cemetery District study).

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.*" Per the Commission's policy, we budget a contingency fund each year. The FY 2024-25 proposed budget includes an \$87,000 contingency.

Other Post-Employment Benefits (OPEB)

Since FY 2011-12, LAFCO has included in its budget an annual expense to pre-fund its OPEB liability. The most recent GASB report (*Measurement Period July 1, 2021 to June 30, 2022*) shows that LAFCO was under funded by approximately \$27,000. The proposed FY 2024-25 budget includes OPEB funding in the amount of \$30,000.

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. The FY 2024-25 budget includes \$25,000 to fund the OPEB liability and \$30,000 to fund the CCCERA liability.

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). The apportionments are discussed further below.

Application Charges and Other Revenues

The FY 2024-25 budget includes \$25,000 in application fees. It is projected that LAFCO will receive approximately \$22,000 in application fees in the current fiscal year, which is less than the budgeted

amount. The proposed FY 2024-25 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 2024-25 fund balance will be calculated at year end. Based on the beginning year fund balance, and projected FY 2024-25 revenues and expenses, it is estimated that the available fund balance will be in excess of \$800,000.

The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2024-25 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 2024-25 budget includes \$250,000 in fund balance to offset FY 2024-25 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 6.8%. The proposed use of the available fund balance will offset agency contributions for FY 2024-25. The total amount of revenue from funding agencies required to fund the FY 2024-25 budget is \$759,702, reflecting a 10% increase.

LAFCO RESPONSIBILITIES, ACCOMPLISHMENTS & GOALS

The FY 2024-25 budget schedule provides for public hearings and consideration of a Proposed Budget (April 10, 2024) and a Final Budget (June 12, 2024). 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 2023-24

The following is a list of LAFCO's goals and accomplishments for FY 2023-24:

Boundary Change and Related Applications

- a. Received and processed five new applications
- b. Completed proceedings for activation of latent powers for CSA R-7, two annexations, one detachment, and conducted corresponding public hearings
- c. Pending dissolution of CSA R-9

MSRs/SOI Updates

- a. 3rd round *Wastewater Services* MSR/SOI updates – June 30, 2024 completion date
- b. 2nd Round Misc County Service Areas (currently underway)

Special Projects/Activities

- a. Initiated special study covering finances and operations (cemetery districts)
- b. Completed recruitment for Public Member Alternate seat
- c. Ongoing discussions regarding fire and emergency medical services and other potential boundary reorganizations
- d. Plan a Strategic Planning session with Commissioners

Administrative and Other Activities

- a. Appointed 2024 LAFCO Chair (Blubaugh) and Vice Chair (McGill)
- b. Welcomed Commissioner Scott Pastor – Special District Alternate and Commissioner Rob Schroder – Public Member Alternate
- c. Bid Farewell to Commissioner Blubaugh
- d. Updated LAFCO Salary Plan
- e. Updated LAFCO Policies & Procedures
- f. Completed 2022-23 GASB 75 Supplemental Schedules
- g. Initiated major update to LAFCO Directory of Local Agencies (ongoing)
- h. Ongoing website updates
- i. Provided quarterly budget reports
- j. Conducted employee performance reviews
- k. Provide comments on local agency environmental documents
- l. Submitted position letters on various bills affecting LAFCOs
- m. Participated in and supported CALAFCO
- n. Approved 2024 LAFCO Meeting Schedule
- o. Approved list of pre-qualified MSR and CEQA consultants

FY 2024-25 Work Plan

The recommended work plan for FY 2024-25 includes the following activities:

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

In conclusion, the Commission and LAFCO staff continue to exercise fiscal prudence, recognizing the financial constraints of 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 Final FY 2024-25 LAFCO Budget,
2. After receiving public comments close the hearing, and
3. After Commission discussion, adopt the Final FY 2025-24 Budget, with any desired changes, and authorize staff to distribute the Final Budget to the County, cities and independent special districts as required by GC §56381.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment – Final FY 2024-25 LAFCO Budget

c: Distribution

FINAL FY 2024-25 BUDGET

12-Jun-24

FY 2023-24

Year-end

FY 2024-25

Proposed

Attachment

Salaries and Employee Benefits

	FY 2023-24	FY 2023-24	FY 2024-25
	Approved	(Estimated)	Budget
Permanent Salaries- 1011	\$ 265,000	\$ 278,316	\$ 292,232
Deferred Comp Cty Contribution - 1015	\$ 1,020	\$ 1,020	\$ 1,020
FICA- 1042	\$ 19,000	\$ 16,000	\$ 17,000
Retirement expense- 1044	\$ 106,200	\$ 95,000	\$ 104,000
Employee Group Insurance- 1060	\$ 45,000	\$ 45,600	\$ 49,900
Retiree Health Insurance- 1061	\$ 13,000	\$ 12,300	\$ 14,000
Unemployment Insurance- 1063	\$ 610	\$ 570	\$ 640
Workers Comp Insurance- 1070	\$ 1,307	\$ 1,500	\$ 1,700
Total Salaries and Benefits	\$ 451,137	\$ 450,306	\$ 480,492

Services and Supplies

Office Expense- 2100	\$ 3,000	\$ 2,300	\$ 3,000
Publications -2102	\$ 330	\$ 120	\$ 330
Postage -2103	\$ 1,100	\$ 800	\$ 1,100
Communications - 2110	\$ 2,200	\$ 1,800	\$ 2,200
Tele Exchange Services 2111	\$ 1,200	\$ 624	\$ 1,000
Minor Furniture/Equipment - 2131	\$ 1,200	\$ 400	\$ 1,200
Minor Comp Equipment - 2132	\$ 1,100	\$ 300	\$ 1,100
Pubs & Legal Notices 2190	\$ 2,700	\$ 3,233	\$ 2,500
Memberships - 2200	\$ 14,025	\$ 14,095	\$ 15,400
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 4,000	\$ 4,500
Computer Software - 2251	\$ 4,000	\$ 300	\$ 1,000
Bldg Occupancy Costs - 2260 & 2262	\$ 21,000	\$ 21,000	\$ 23,000
Bldg Life Cycle Costs - 2265	\$ 1,200	\$ 1,254	\$ 1,400
Bldg Maintennace - 2284	\$ 500	-	\$ 500
Auto Mileage Emp. - 2301	\$ 200	\$ 230	\$ 200
Other Travel Employees - 2303	\$ 15,000	\$ 15,000	\$ 15,000
Prof & Spec Services - 2310	\$ 292,440	\$ 251,438	\$ 285,240
Assessor	\$ 11,000	\$ 11,000	\$ 13,000
Financial Audit	\$ 10,000	\$ 8,938	\$ 10,000
GIS/Mapping	\$ 13,000	\$ 13,000	\$ 13,000
Legal	\$ 40,000	\$ 38,000	\$ 42,000
MSRs	\$ 190,000	\$ 120,000	\$ 180,000
Planning	\$ 10,000	\$ 8,300	\$ 10,000
Special Projects (document imaging)	\$ 2,000	-	\$ 2,000
Misc Investment Services/CCCERA Fees	\$ 240	\$ 100	\$ 240
Special Studies/Workshop/Actuarial Valuation	\$ 10,000	\$ 49,100	\$ 12,000
Website Management	\$ 6,200	\$ 3,000	\$ 3,000
Data Processing Services - 2110 & 2315	\$ 13,000	\$ 7,000	\$ 13,000
Data Processing Security - 2326	\$ 1,000	\$ 1,000	\$ 1,000
Courier - 2331	\$ 1,000	\$ 1,031	\$ 1,200
Telcomm Rents, Leases, Labor - 2335	\$ 120	\$ 120	\$ 120
Other Inter-Dept Costs - 2340	\$ 700	-	\$ 700
Liability/E&O Insurance - 2360	\$ 6,823	\$ 6,590	\$ 6,920
Commission Training/Registration/Stipends - 2467	\$ 30,000	\$ 24,000	\$ 30,000
NOD/NOE Filings - 2490	\$ 800	\$ 300	\$ 600
Total Services & Supplies	\$ 418,638	\$ 356,935	\$ 412,210

Total Expenditures \$ 869,775 \$ 807,241 \$ 892,702

Contingency Reserve \$ 87,000 \$ 87,000

OPEB Trust - \$ 30,000

CCCERA Pre-Fund \$ 12,000 - \$ 25,000

TOTAL APPROPRIATIONS \$ 968,775 \$ 1,034,702

TOTAL REVENUES \$ 968,775 \$ 1,034,702

Agency contributions - 9500 & 9800 \$ 688,775 \$ 759,702

Application & other revenues \$ 30,000 \$ 25,000

Fund Balance Contribution \$ 250,000 \$ 250,000