



Lou Ann Teixeira
 Executive Officer

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April 13, 2022

**April 13, 2022
 Agenda Item 10**

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

Proposed FY 2022-23 LAFCO Budget

Dear Members of the Commission:

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) establishes a specific process for preparing and adopting LAFCO’s budget. Government Code §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 2022-23.

BUDGET SUMMARY: The proposed FY 2022-23 budget (attached) includes appropriations totaling \$861,563 and reflects an overall decrease of approximately 1% as compared to the FY 2021-22 budget. The decrease is primarily attributable to eliminating the annual pre-fund/future liability contributions to Contra Costa County Employees’ Retirement Association (CCCERA) and Other Post Employment Benefit (OPEB) accounts as LAFCO is nearly fully funded in both accounts. The proposed FY 2022-23 retains the annual \$80,000 contingency reserve fund per the Commission’s policy. Details regarding expenditures and revenues are presented below.

EXPENDITURES: The expenditure portion of the budget is divided into three main categories: *Salaries & Benefits*, *Services & Supplies*, and *Contingency/Liability*. A summary of expenditures and variances is provided below.

Salaries & Benefits

The FY 2022-23 staffing level includes one full-time Executive Officer (EO) and one half-time Executive Assistant/LAFCO Clerk (Clerk). As proposed, the FY 2022-23 budget retains the current staffing level. LAFCO staff is supplemented with use of consultants and County services.

The proposed FY 2022-23 *Salaries & Benefits* account totals \$401,067, reflecting a 5% increase as compared to the FY 2021-22 budget.

Regarding the FY 2021-22 budget year-end estimates, we note that *Salaries & Benefits* is lower than the budgeted amount. This is due to anticipated savings in salaries and related expenses

including FICA, retirement, employee and retiree group insurance, and workers compensation insurance.

LAFCO is supported by private and public service providers on an as-needed basis. The County provides fiscal, drafting, mapping/GIS and legal services. Also, LAFCO contracts with private firms for website maintenance, financial auditing, environmental planning, and to assist with Municipal Service Reviews (MSRs) and special studies. The FY 2022-23 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 audit/GASB report), and programs/projects (e.g., MSRs, special studies).

The proposed FY 2022-23 *Services & Supplies* account totals \$380,496 and reflects a 6% increase over the FY 2021-22 budget. LAFCO staff anticipates increases in several accounts including membership fees, building occupancy costs, training/travel, assessor fees, data/information technology, MSRs/special studies, and errors/omissions and liability insurance.

Regarding the current FY 2021-22 adopted budget compared to year-end estimates, we anticipate savings in several accounts (i.e., *Office Expense, Postage, Communications, Travel/Training, Legal, MSRs, Special Studies, Environmental Planning, Special Studies/Workshops, Data Processing Services, and Commissioner Training*). Based on 3rd quarter estimates, it appears expenses will exceed budgeted amounts in the following accounts: *Assessor services, GIS/mapping, and Liability/Errors & Omissions* insurance.

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 (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.*" No contingency funds have been used this fiscal year. The FY 2022-23 budget, as proposed, includes an \$80,000 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. 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 showed 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 2022-23.

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. In consultation with CCCERA staff, it is recommended that LAFCO forgo its annual CCCERA pre-funding contribution in FY 2022-23.

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 2021-22 budget includes \$25,000 in application fees. It is projected that LAFCO will receive approximately \$42,425 in application fees in the current fiscal year, which exceeds the budgeted amount due to a surge in application activity. The proposed FY 2022-23 budget includes an anticipated \$25,000 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 2021-22 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 will be in excess of \$500,000.

The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2022-23 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 2022-23 budget includes \$200,000 in fund balance to offset FY 2022-23 revenues.

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 (Gov. Code §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 decrease by approximately 1%. The proposed use of the available fund balance will offset agency contributions for FY 2022-23. The amount of revenue from funding agencies required to fund the FY 2022-23 budget is \$636,563, reflecting a 6% decrease.

LAFCO RESPONSIBILITIES, ACCOMPLISHMENTS & GOALS

The FY 2022-23 budget schedule provides for public hearings and consideration of a Proposed Budget (April 13, 2022) and a Final Budget (June 8, 2022). 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 update 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 MSR's 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 relating to changes of organization/ reorganizations
- Provide public information about LAFCO and public noticing of pending LAFCO actions
- Establish and maintain a website
- Adopt and update written policies and procedures
- Adopt an annual budget

Highlights of FY 2021-22

The following is a list of LAFCO's goals and accomplishments for FY 2021-22 as of April 6, 2022:

Boundary Change and Related Applications

- a. Received and processed 11 new applications
- b. Completed proceedings for two annexations, two boundary reorganizations, three SOI amendments, and one out of agency service agreement; and conducted corresponding public hearings
- c. Processed transfer of jurisdiction through Alameda LAFCO
- d. Pending dissolutions of CSA R-9 and CSA R-10

MSRs/SOI Updates

- a. Completed 2nd round "*Parks & Recreation Services*" MSR/SOI updates covering all 19 cities, four community services districts, three park & recreation districts, one regional parks district, and eight county service areas
- b. Completed 2nd round Cemetery Services MSR/SOI updates
- c. Initiated 2nd round MSR covering mosquito & vector control and resource conservation services

Special Projects/Activities

- a. Adoption of resolutions in conjunction with Assembly Bill 361 to conduct virtual meetings
- b. Participation in ongoing fire service matters

Administrative and Other Activities

- a. Appointed 2022 LAFCO Chair (Schroder) and Vice Chair (Glover)
- b. Recognition of Pamela Miller, CALAFCO Executive Director
- c. Updated LAFCO's Legislative Platform

- d. Completed FY 2019-2020- financial audit
- e. Update to LAFCO Directory of Local Agencies (underway)
- f. Ongoing website updates
- g. Quarterly budget reports
- h. Updated LAFCO Employee Salary Plan
- i. Conducted employee performance reviews
- j. Provided comments on local agency environmental documents
- k. Submitted position letters on various bills affecting LAFCOs
- l. Participated in and supported CALAFCO
- m. Los Medanos Community Healthcare District (LMCHD) Dissolution – The dissolution of LMCHD became final after the California Supreme Court denied LMCHD’s petition for review of the Court of Appeal’s decision in favor of LAFCO and the County.

FY 2022-23 Work Plan

The recommended work plan for FY 2022-23 includes the following activities:

- ❖ Complete 2nd round MSR covering resource conservation and mosquito & vector control services
- ❖ Initiate 3rd round MSR/SOI updates covering wastewater services, and/or other services as determined by the Commission
- ❖ Policy updates (i.e., SOIs, disadvantaged communities, procedures for processing multi-county boundary changes, environmental guidelines)
- ❖ Complete FY 2020-21 financial audit
- ❖ Complete annual actuarial valuation
- ❖ Continue to participate in and support CALAFCO

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 2022-23 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Proposed Budget for FY 2022-23, with any desired changes, and authorize staff to distribute the Proposed Budget to the County, cities and independent special districts as required by Government Code Section 56381, and
4. Schedule a public hearing for June 8, 2022 to adopt the Final FY 2022-23 LAFCO Budget.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment – Proposed FY 2022-23 LAFCO Budget

c: Distribution

PROPOSED FY 2022-23 BUDGET

1-Apr-22

Attachment

	FY 2021-22	FY 2021-22	FY 2022-23	
	<u>Approved</u>	<u>Year-end</u>	<u>Final</u>	
		<u>(Estimated)</u>		
Salaries and Employee Benefits				
Permanent Salaries- 1011	\$ 218,000	\$ 209,313	\$ 224,000	
Deferred Comp Cty Contribution - 1015	\$ 2,040	\$ 2,040	\$ 2,040	
FICA- 1042	\$ 15,000	\$ 13,590	\$ 15,900	
Retirement expense- 1044	\$ 72,000	\$ 68,456	\$ 79,000	
Employee Group Insurance- 1060	\$ 40,000	\$ 37,000	\$ 47,000	
Retiree Health Insurance- 1061	\$ 31,700	\$ 30,150	\$ 31,700	
Unemployment Insurance- 1063	\$ 230	\$ 430	\$ 455	
Workers Comp Insurance- 1070	\$ 1,075	\$ 926	\$ 972	
Total Salaries and Benefits	\$ 380,045	\$ 361,905	\$ 401,067	5%
Services and Supplies				
Office Expense- 2100	\$ 4,000	\$ 1,001	\$ 3,000	
Publications -2102	\$ 250	\$ 234	\$ 250	
Postage -2103	\$ 1,800	\$ 634	\$ 1,800	
Communications - 2110	\$ 2,200	\$ 1,608	\$ 2,200	
Tele Exchange Services 2111	\$ 2,000	\$ 1,215	\$ 2,000	
Minor Furniture/Equipment - 2131	\$ -	-	-	
Minor Comp Equipment - 2132	\$ 1,800	-	\$ 1,800	
Pubs & Legal Notices 2190	\$ 2,200	\$ 2,165	\$ 2,200	
Memberships - 2200	\$ 12,501	\$ 12,516	\$ 13,043	
Rents & Leases - 2250 (copier)	\$ 5,600	\$ 5,250	\$ 5,600	
Computer Software - 2251	\$ 1,000	\$ 1,176	\$ 1,200	
Bldg Occupancy Costs - 2262	\$ 20,512	\$ 21,042	\$ 22,000	
Bldg Life Cycle Costs - 2265	\$ 1,200	\$ 1,113	\$ 1,200	
Bldg Maintennace - 2284	\$ 1,000	\$ 500	\$ 1,000	
Auto Mileage Emp. - 2301	\$ 500	-	\$ 500	
Other Travel Employees - 2303	\$ 13,000	\$ 7,746	\$ 17,000	
Prof & Spec Services - 2310	\$ 233,440	\$ 119,409	\$ 248,640	
Assessor	\$ 8,000	\$ 12,350	\$ 13,000	
Financial Audit	\$ 8,700	\$ 7,563	\$ 8,900	
GIS/Mapping	\$ 12,000	\$ 14,293	\$ 12,000	
Legal	\$ 50,000	\$ 26,421	\$ 40,000	
MSRs	\$ 130,000	\$ 51,184	\$ 150,000	
Planning	\$ 10,000	\$ 5,898	\$ 10,000	
Special Projects (document imaging)	\$ 2,000	-	\$ 2,000	
Misc Investment Services/CCCERA Fees	\$ 240	\$ 100	\$ 240	
Special Studies/Workshop/Actuarial Valuation	\$ 12,500	\$ 1,600	\$ 12,500	
Contracted Temp Help - 2314 (Web)	\$ 3,060	\$ 3,060	\$ 3,060	
Data Processing Services - 2315	\$ 13,000	\$ 6,271	\$ 13,000	
Data Processing Security - 2326	\$ 250	\$ 250	\$ 600	
Courier - 2331	\$ 1,000	\$ 87	\$ 1,000	
Telcomm Rents, Leases, Labor - 2335	\$ 120	\$ 110	\$ 120	
Other Inter-Dept Costs - 2340	\$ 650	\$ 599	\$ 650	
Liability/E&O Insurance - 2360	\$ 6,203	\$ 6,439	\$ 6,833	
Commission Training/Registration/Stipends - 2467	\$ 31,000	\$ 15,816	\$ 31,000	
NOD/NOE Filings - 2490	\$ 800	\$ 450	\$ 800	
Total Services & Supplies	\$ 359,086	\$ 208,691	\$ 380,496	6%
Total Expenditures	\$ 739,131	\$ 570,596	\$ 781,563	5%
Contingency Reserve	\$ 80,000		\$ 80,000	
OPEB Trust	\$ 25,000	\$ 25,000		
CCCERA Pre-Fund	\$ 30,000	\$ 22,000		
TOTAL APPROPRIATIONS	\$ 874,131	\$ 617,596	\$ 861,563	-1%
TOTAL REVENUES	\$ 874,131	\$ 716,556	\$ 861,563	
Agency contributions - 9500 & 9800	\$ 674,131	\$ 674,131	\$ 636,563	-6%
Application & other revenues	\$ 25,000	\$ 42,425	\$ 25,000	
Fund Balance	\$ 175,000		\$ 200,000	13%