



Lou Ann Teixeira
Executive Officer

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Federal Glover <i>County Member</i>	Dwight Meadows <i>Special District Member</i>
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City Member

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Special District Member

Mary N. Piepho
County Member

May 11, 2011 (Agenda)

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

May 11, 2011
 Agenda Item 9

Final FY 2011-12 LAFCO Budget

Dear Members of the Commission:

DISCUSSION

The Contra Costa Local Agency Formation Commission (LAFCO) is responsible for adopting a proposed and final budget each year. The LAFCO budget is jointly funded by the County, cities and special districts, with each group paying one-third of LAFCO’s net operating budget.

On March 9, the Commission approved the FY 2011-12 Proposed Budget and Work Plan (available on the LAFCO website at www.contracostalafco.org). The Proposed Budget was subsequently distributed to the County, cities and special districts for their review; no comments were received.

The Final Budget (attached) is similar to the Proposed Budget, and reflects an overall decrease of 2.15% as compared to the adopted FY 2010-11 budget. The decrease is primarily attributable to reductions in *Services & Supplies* with a decline in applications and related processing costs, and the winding down of Municipal Service Review (MSR) activity. The Final FY 2011-12 budget includes several revisions as discussed below. Also, we have updated FY 2010-11 year-end estimates to reflect an additional two months of actual expenses and revenues.

Expenditures - The estimated expenditures for FY 2011-12 are \$695,377, and include **Salaries & Benefits, Services & Supplies, Fixed Assets (new fund), Contingency Reserve, and OPEB Trust (new fund)** as summarized in the table below.

FY 2011-12 **Salaries & Benefits** maintains the current staffing of two full-time employees, and reflects a slight increase of 2.67% attributable to minor increases in salary and benefit costs.

Services & Supplies funds a range of items including rents/leases, equipment/supplies, communications, training/conferences, and professional/specialized (i.e., audit/fiscal, legal, planning, mapping) consulting services. These costs are expected to decrease by nearly 11% due to a decline in application activity and related costs, and the winding down of MSR work.

For the past several years, the LAFCO budget has included funding for LAFCO sponsored training. The last Contra Costa LAFCO sponsored training was held in 2004. Staff proposes that in FY 2011-12, LAFCO conduct a strategic workshop for Commissioners focusing on the uniqueness of LAFCO and its actions, emerging issues/hot topics for LAFCO, and adaptive challenges. LAFCO staff has

discussed these concepts with Bill Chiat, CALAFCO Executive Director and professional facilitator. If the Commission is interested, LAFCO staff will work with Mr. Chiat to prepare a draft program for consideration at the next LAFCO meeting.

The FY 2011-12 budget includes a new **Fixed Assets** account with funding for a stand-alone server to support the new LAFCO electronic document imaging system. In accordance with LAFCO's policies, the new server is a capital asset (value in excess of \$5,000), will be included on LAFCO's inventory of capital assets, and is subject to depreciation.

The FY 2011-12 budget also includes a **Contingency Reserve** comparable to FY 2010-11, and a new **OPEB Trust** account to fund the LAFCO liability which is currently estimated at \$68,000.

In March, the Commission discussed pension liability through Contra Costa County Employees' Retirement Association (CCCERA), and LAFCO's Other Post Employment Benefits (OPEB) liability. CCCERA indicates that as of December 31, 2009, LAFCO's Unfunded Actuarial Accrued Liability (UAAL) was \$378,000, and that our rates are amortized over an 18-year period. It is expected that our current rates will fund the LAFCO pension liability during the 18 year period.

With regard to the OPEB liability, LAFCO staff recently met with the County Finance Director and County Treasurer to discuss LAFCO's liability and possible participation in the County's Post Retirement Medical Benefits Trust Agreement through the Public Agencies Retirement Services (PARS) Public Agencies Post-Retirement Health Care Plan Trust. The County Finance Director recently requested a breakdown of LAFCO's unfunded OPEB liability, which is estimated at \$68,000. Given the relatively low liability, it was suggested that LAFCO begin funding this liability in the amount of \$5,000 per employee contribution per year. The Final FY 2011-12 LAFCO budget includes \$10,000 for the future OPEB Trust account as shown in the table below.

LAFCO staff will continue to work with County staff regarding participation in the PARS Trust. In addition, LAFCO staff will research options for controlling the future unfunded OPEB liability. This information will be presented to the Commission at a future date.

SUMMARY OF APPROPRIATIONS

Appropriations	FY 2010-11 Adopted Budget	FY 2011-12 Final Budget	Change
Salaries/Benefits	\$318,116	\$326,607	2.67%
Services/Supplies	312,576	278,770	(10.82%)
Fixed Assets		5,361	100%
Contingency	80,000	80,000	0%
OPEB Trust		10,000	100%
Total	\$710,692	\$695,377	(2.15%)

Revenues - LAFCO's funding sources include local agency (i.e., County, cities and independent special districts) contributions, application fees, other revenues (e.g. interest earnings, special projects), and available year-end fund balance as summarized in the table below.

SUMMARY OF REVENUES

Revenues	FY 2010-11 Adopted Budget	FY 2011-12 Final Budget
Agency Contributions	\$555,575	\$486,377
Application Fees	34,000	34,000
Other		
Fund Balance	121,117	175,000
Total	\$710,692	\$695,377

Local agency contributions represent the most significant LAFCO revenue source. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“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. Government Code §56381 describes how the County Auditor apportions and collects the revenues following adoption of the Final Budget. The city and district allocations are based on revenues reported to the State Controller and vary year to year.

FY 2010-11 application fees are expected to come close to the budgeted amounts. The FY 2011-12 budget includes application fees comparable to the current year. Due to the distressed financial market, we have included no interest earnings for the current year or for FY 2011-12.

With regard to the available 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 2010-11 fund balance is currently unknown and will be calculated at year end (typically by September-October). However, based on the beginning year fund balance, and projected FY 2010-11 revenues and expenses, it is estimated that the available fund balance will be in excess of \$100,000. The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2011-12 revenues, thereby reducing the revenues to be collected from the funding agencies; or placed in a reserve account, separate from the contingency that is appropriated each year. The FY 2011-12 budget provides that to the extent possible, the available fund balance be used to offset FY 2011-12 revenues thereby reducing the cost to the funding agencies by an estimated 12.46% for FY 2011-12.

CONCLUSION

The Commission and LAFCO staff continue to exercise fiscal prudence, and recognize the economic realities of the times and the current constraints on local government. Approval of the Final Budget will enable the Commission to perform its core responsibilities effectively, and to continue work on baseline and second round MSRs/SOI updates.

RECOMMENDATIONS

1. Receive this report and open the public hearing to accept testimony on the Final FY 2011-12 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Final Budget for FY 2011-12, 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 2011-12 LAFCO Budget

**CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
FINAL BUDGET FOR FISCAL YEAR 2011-12**

<u>Account name and number</u>	<u>FY 2010-11 Approved</u>	<u>FY 2010-11 Estimated</u>	<u>FY 2011-12 Proposed</u>	<u>% Change</u>
Salaries and Employee Benefits				
Permanent Salaries- 1011	\$ 184,500	\$ 181,487	\$ 188,340	
Deferred Comp Cty Contribution - 1015				
FICA- 1042	\$ 14,114	\$ 13,239	\$ 14,408	
Retirement expense- 1044	\$ 60,407	\$ 62,022	\$ 65,847	
Employee Group Insurance- 1060	\$ 36,228	\$ 36,205	\$ 36,228	
Retiree Health Insurance- 1061	\$ 20,000	\$ 18,687	\$ 20,000	
Unemployment Insurance- 1063	\$ 1,149	\$ 1,177	\$ 784	
Workers Comp Insurance- 1070	\$ 1,718	\$ 1,647	\$ 1,000	
Total Salaries and Benefits	\$ 318,116	\$ 314,464	\$ 326,607	2.67%
Services and Supplies				
Office Expense- 2100	\$ 5,000	\$ 2,925	\$ 4,000	
Publications -2102	\$ 300		\$ 300	
Postage -2103	\$ 3,000	\$ 1,498	\$ 3,000	
Communications - 2110	\$ 230	\$ 236	\$ 240	
Tele Exchange Services 2111	\$ 880	\$ 838	\$ 880	
Minor Comp Equipment - 2132	\$ 1,000		\$ 2,000	
Pubs & Legal Notices 2190	\$ 3,000	\$ 1,934	\$ 3,000	
Memberships - 2200	\$ 8,000	\$ 7,523	\$ 8,000	
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 3,145	\$ 4,000	
Computer Software - 2251		\$ 71	\$ 1,100	
Bldg Occupancy Costs - 2262	\$ 7,282	\$ 5,858	\$ 7,282	
Auto Mileage Emp. - 2301	\$ 600	\$ 163	\$ 500	
Other Travel Employees - 2303	\$ 10,000	\$ 12,220	\$ 10,000	
Prof & Spec Services - 2310	\$ 222,247	\$ 169,390	\$ 185,000	
Assessor	\$ 20,000	\$ 16,240	\$ 20,800	
Financial Audit	\$ 6,800	\$ 6,500	\$ 6,800	
GIS/Mapping	\$ 32,000	\$ 11,101	\$ 25,000	
Legal	\$ 45,000	\$ 45,000	\$ 40,000	
MSRs	\$ 25,000	\$ 25,000	\$ 35,000	
Planning	\$ 50,000	\$ 35,115	\$ 50,000	
Special Projects (document imaging)	\$ 40,947	\$ 30,434	\$ 4,400	
Investment Services	\$ 500		\$ 500	
LAFCO Sponsored Training	\$ 2,000		\$ 2,500	
Contracted Temp Help - 2314 (Web)	\$ 2,280	\$ 2,280	\$ 2,340	
Data Processing Services - 2315	\$ 2,150	\$ 4,010	\$ 4,000	
Data Processing Security - 2326	\$ 78	\$ 78	\$ 100	
Courier - 2331	\$ 2,113	\$ 2,113	\$ 2,200	
Other Inter-Dept Costs - 2340	\$ 194			
Liability/E&O Insurance - 2360	\$ 4,622	\$ 3,711	\$ 4,028	
Commission Training/Registration/Stipends - 2467	\$ 35,100	\$ 28,115	\$ 36,300	
NOD/NOE Filings - 2490	\$ 500	\$ 350	\$ 500	
Total Services & Supplies	\$ 312,576	\$ 246,458	\$ 278,770	-10.82%
Fixed Assets				
Office Equipment & Furniture - 4951		\$ 5,361		
Total Fixed Assets		\$ 5,361		
Total Expenditures	\$ 630,692	\$ 566,283	\$ 605,377	-4.01%
Contingency Reserve	\$ 80,000		\$ 80,000	
OPEB Trust			\$ 10,000	
TOTAL APPROPRIATIONS	\$ 710,692	\$ 566,283	\$ 695,377	-2.15%
TOTAL REVENUES				
Agency contributions - 9500 & 9800	\$ 555,575	\$ 555,728	\$ 486,377	-12.46%
Application & other revenues	\$ 34,000	\$ 32,800	\$ 34,000	
Interest Earnings				
Fund Balance	\$ 121,117		\$ 175,000	