



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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Sharon Burke <i>Public Member</i>
Tom Butt <i>City Member</i>
George H. Schmidt <i>Special District Member</i>
Mary N. Piepho <i>County Member</i>

March 14, 2012 (Agenda)

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Agenda Item 10

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

Proposed FY 2012-13 LAFCO Budget

Dear Members of the Commission:

BUDGET SUMMARY

The proposed FY 2012-13 budget (attached) shows appropriations totaling \$723,684 and reflects an overall increase of \$28,305 or 4% as compared to the FY 2011-12 budget. The increase is primarily attributable to increases in employee benefit costs. This is the first increase in the LAFCO budget since FY 2009-10, as the last three consecutive years, the LAFCO budget has decreased. Included in the total appropriations for FY 2012-13 is an \$80,000 contingency reserve fund, which is comparable to the current year's reserve. It is anticipated that FY 2012-13 revenues will decrease as a result of a projected decline in application activity and interest earnings. Details regarding expenditures and revenues are presented below.

EXPENDITURES

The expenditure portion of the budget is divided into three main objects: Salaries & Benefits, Services & Supplies, and Contingency.

Salaries & Benefits

In FY 2011-12, the Commission maintained a staffing level of two full-time employees; no change in LAFCO staffing is proposed in FY 2012-13. Of the 12 urban LAFCOs, Contra Costa LAFCO is one of three that operates with fewer than three full-time employees.

The amount budgeted in FY 2011-12 for *Salaries & Benefits* is \$326,607; the amount proposed for FY 2012-13 is \$335,466, reflecting an increase of \$8,859 or 2.71%. The difference is attributable to increases in employee health and retirement costs. In adopting the FY 2011-12 budget, the Commission directed staff to add a new expenditure line item for establishing an OPEB trust fund with \$10,000 from the fund balance. LAFCO staff has included an additional \$10,000 in the FY

2012-13 budget. LAFCO staff is currently reviewing potential OPEB trust options; in the interim, the funding is accounted for in the fund balance.

In addition to the two full-time LAFCO employees, staff support to the Commission is supplemented by private and public service providers. Outsourcing services minimizes costs associated with adding permanent staff and acquiring additional office space and equipment. LAFCO currently contracts with private firms for website maintenance, financial auditing, planning and environmental services. In FY 2011-12, LAFCO renewed contracts for these services following a competitive bid process. The County provides fiscal, drafting, mapping and legal services. The FY 2012-13 budget assumes the continuation of these County services. Also, LAFCO periodically retains consultant services to assist with Municipal Service Reviews (MSRs) and special projects.

Services & Supplies

The amount budgeted in FY 2011-12 for *Services & Supplies* is \$304,770 and includes funding for special projects including the library and miscellaneous County Service Area (CSA) MSRs, and the special study relating to Mt. Diablo Health Care District (MDHCD). The amount proposed for FY 2012-13 is \$298,218, reflecting a decrease of \$6,552 or approximately 2.15%. The decrease is primarily attributable to a decline in LAFCO applications and related processing costs. The FY 2012-13 budget includes funding for some second round MSR work. Services slated for possible second round reviews in FY 2012-13 include health care, water and wastewater.

Contingency Reserve Fund

Last year, the Commission appropriated \$80,000 for unanticipated expenses (i.e., special studies, potential litigation, etc.). These contingency funds do not accrue, and are re-appropriated each year. In August 2011, the Commission approved a budget adjustment of approximately \$26,000, and authorized an appropriation in that amount from the contingency reserve. The adjustment was related to the MDHCD special study. Staff recommends that the Commission continue to maintain an appropriated contingency reserve of \$80,000, which is consistent with prior years.

REVENUES

Revenues consist primarily of application charges, available year-end fund balance, miscellaneous revenues (e.g., interest earnings), and County, city and independent special district contributions, 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.

Application Charges and Other Revenue

The FY 2011-12 budget includes \$34,000 in proposal processing fees based on a multi-year historical average. It is estimated that LAFCO will receive approximately \$27,000 in application fees this year, less than projected. The projected application and other revenues for FY 2012-13 are \$30,000, which is reflective of the anticipated decline in application activity. To date, LAFCO has received six new applications this fiscal year, as compared to 10 during the same period last fiscal year. The FY 2012-13 budget also includes a \$3,000 CALAFCO stipend for the Contra Costa LAFCO Executive Officer's services as CALAFCO Executive Officer.

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 2011-12 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 2011-12 revenues and expenses, it is estimated that the available fund balance will be approximately \$147,000, which includes the OPEB trust fund.

The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2012-13 revenues, thereby reducing the revenues to be collected from the funding agencies (County, cities, districts); or placed in a reserve account, separate from the contingency reserve that is appropriated each year.

The FY 2012-13 budget, as proposed, provides that, to the extent possible, the available fund balance be used to offset FY 2012-13 revenues.

Interest Earnings

In November 2006, the Commission initiated an investment policy and directed LAFCO staff to work with the County Treasurer to invest the appropriate level of LAFCO funds.

The FY 2011-12 budget includes no anticipated interest earnings, based on the lack of investment activity and decline in the market. The County Treasurer’s office has advised LAFCO to refrain from investing until further notice. The FY 2012-13 budget includes an estimate of zero in investment income. LAFCO staff will continue to monitor the investment market.

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 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 is to make the apportionment and collect the revenues once LAFCO adopts a Final Budget. 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 4%. The proposed use of the available fund balance will offset agency contributions for FY 2012-13. The amount of revenue from other government agencies required to fund the FY 2011-12 LAFCO budget was \$486,377. As proposed, the total amount of revenue from other government agencies needed to fund the FY 2012-13 budget will be approximately \$593,684. The increase is primarily due to a reduction in available fund balance to offset the agency contributions.

GENERAL DISCUSSION

The CKH Act requires that each LAFCO adopt a proposed budget by May 1 and a final budget by June 15. In accordance with the 2012-13 Budget Schedule approved by your Commission in February, the hearing for the Proposed Budget is scheduled for March 14, and the hearing for the Final Budget is scheduled for May 9. The time between these Commission actions is to allow for review and comment by those agencies that fund LAFCO and other interested parties.

Major LAFCO Responsibilities

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

- Act on proposals for incorporation of cities; formations, dissolutions, consolidations and mergers of special districts; and annexations and detachments of territory to and from cities and special districts
- 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 services
- Act on requests for out-of-agency service extensions
- Serve as the Lead or Responsible Agency for compliance with the California Environmental Quality Act (CEQA)
- Serve as the conducting authority to conduct protest hearings relating to boundary changes
- Provide public information about LAFCO and public noticing of pending LAFCO actions
- Establish and maintain a website
- Adopt written policies and procedures
- Appoint an Executive Officer and Legal Counsel
- Adopt an annual budget

Highlights of FY 2011-12

The following represents some of the major accomplishments of the Commission in the current fiscal year:

Boundary Change and Related Applications

- a. Processed six applications including four annexations and two out of agency service requests. Staff conducted two protest hearings.

Municipal Service Reviews (MSRs)/Sphere of Influence (SOI) Updates

- a. Completed the law enforcement MSR; initiated a countywide MSR covering library services and a MSR covering miscellaneous county service areas (CSAs).
- b. Expect to complete several pending SOI updates as a result of previously prepared MSRs.

Special Projects

- a. Established an electronic document management system.
- b. Initiated and completed a special study for the Mt. Diablo Health Care District (MDHCD) and governance options, including dissolution.
- c. Held a Strategic Planning Workshop.
- d. Held a discussion on island annexations and expect to conduct a workshop in the Spring.

Administrative and Other Activities

- a. Solicited proposals and awarded contracts for financial auditing, planning, and website maintenance services.
- b. Conducted election for regular Special District member.
- c. Conducted recruitment for regular and alternate Public members.
- d. Completed the financial audit for FY 2010-11.
- e. Responded to one Grand Jury report.
- f. Updated LAFCO Directory of Local Agencies.

FY 2012-13 Work Plan

The recommended work plan for FY 2012-13 includes the following activities:

- ❖ Complete countywide library services MSR/SOI updates
- ❖ Initiate second round MSRs for some or all of the following services: health care, water, wastewater
- ❖ Resume work to update Commissioner Handbook including revisions/additions to changes of organization/reorganization, SOI, agriculture, open space and personnel sections, and development of CEQA Guidelines
- ❖ Complete FY 2011-12 Financial Audit

In addition to the above, LAFCO staff will continue to provide day-to-day and administrative tasks including Commission meeting management, records management, purchasing, budgeting, contract management; processing applications; inter-agency communications; and participation in CALAFCO training and activities.

In 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 proposed budget will enable the Commission to perform its core responsibilities effectively, and to continue its work on MSRs/SOI updates.

RECOMMENDATIONS

1. Receive the staff report and open the public hearing to accept testimony on the Proposed FY 2012-13 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Proposed Budget for FY 2012-13, 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 May 9 to adopt the Final FY 2012-13 LAFCO Budget.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment

**CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
PROPOSED BUDGET - FISCAL YEAR 2012-13**

<u>Account name and number</u>	<u>FY 2011-12 Approved (Adjusted)</u>	<u>FY 2011-12 Estimated</u>	<u>FY 2012-13 Proposed</u>	<u>% Change</u>
Salaries and Employee Benefits				
Permanent Salaries- 1011	\$ 188,340	\$ 183,734	\$ 188,327	
Deferred Comp Cty Contribution - 1015				
FICA- 1042	\$ 14,408	\$ 10,303	\$ 12,570	
Retirement expense- 1044	\$ 65,847	\$ 66,738	\$ 71,353	
Employee Group Insurance- 1060	\$ 36,228	\$ 41,964	\$ 41,500	
Retiree Health Insurance- 1061	\$ 20,000	\$ 19,174	\$ 20,000	
Unemployment Insurance- 1063	\$ 784	\$ 686	\$ 716	
Workers Comp Insurance- 1070	\$ 1,000	\$ 1,035	\$ 1,000	
Total Salaries and Benefits	\$ 326,607	\$ 323,634	\$ 335,466	2.71%
Services and Supplies				
Office Expense- 2100	\$ 4,000	\$ 3,407	\$ 4,000	
Publications -2102	\$ 300		\$ 300	
Postage -2103	\$ 3,000	\$ 1,661	\$ 2,000	
Communications - 2110	\$ 240	\$ 236	\$ 230	
Tele Exchange Services 2111	\$ 880	\$ 878	\$ 914	
Minor Comp Equipment - 2132	\$ 2,000	\$ 2,069	\$ 1,800	
Pubs & Legal Notices 2190	\$ 3,000	\$ 3,249	\$ 3,000	
Memberships - 2200	\$ 8,000	\$ 7,870	\$ 8,025	
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 3,309	\$ 4,000	
Computer Software - 2251	\$ 1,100	\$ 500	\$ 500	
Bldg Occupancy Costs - 2262	\$ 7,282	\$ 5,280	\$ 6,000	
Auto Mileage Emp. - 2301	\$ 500	\$ 943	\$ 900	
Other Travel Employees - 2303	\$ 10,000	\$ 8,609	\$ 10,000	
Prof & Spec Services - 2310	\$ 211,000	\$ 184,145	\$ 207,073	
Assessor	\$ 20,800	\$ 10,754	\$ 20,714	
Financial Audit	\$ 6,800	\$ 6,000	\$ 6,000	
GIS/Mapping	\$ 25,000	\$ 16,000	\$ 25,000	
Legal	\$ 40,000	\$ 55,000	\$ 60,000	
MSRs	\$ 35,000	\$ 53,342	\$ 60,000	
Planning	\$ 50,000	\$ 15,602	\$ 30,000	
Special Projects (document imaging)	\$ 4,400	\$ 3,159	\$ 4,859	
Investment Services	\$ 500		\$ 500	
LAFCO Sponsored Training	\$ 2,500	\$ 1,364	-	
Special Study (MDHCD)	\$ 26,000	\$ 22,925	-	
Contracted Temp Help - 2314 (Web)	\$ 2,340	\$ 2,340	\$ 2,340	
Data Processing Services - 2315	\$ 4,000	\$ 3,363	\$ 4,000	
Data Processing Security - 2326	\$ 100	\$ 81	\$ 100	
Courier - 2331	\$ 2,200	\$ 1,970	\$ 2,033	
Other Inter-Dept Costs - 2340		\$ 103	\$ 123	
Liability/E&O Insurance - 2360	\$ 4,028	\$ 4,080	\$ 4,080	
Commission Training/Registration/Stipends - 2467	\$ 36,300	\$ 29,258	\$ 36,300	
NOD/NOE Filings - 2490	\$ 500	\$ 500	\$ 500	
Total Services & Supplies	\$ 304,770	\$ 263,852	\$ 298,218	-2.15%
Fixed Assets				
Office Equipment & Furniture - 4951				
Total Fixed Assets				
Total Expenditures	\$ 631,377	\$ 587,486	\$ 633,684	
Contingency Reserve	\$ 54,000		\$ 80,000	
OPEB Trust	\$ 10,000	\$ 10,000	\$ 10,000	
TOTAL APPROPRIATIONS	\$ 695,377	\$ 597,486	\$ 723,684	4.07%
TOTAL REVENUES				
Agency contributions - 9500 & 9800	\$ 486,377	\$ 486,377	\$ 593,684	
Application & other revenues	\$ 34,000	\$ 26,591	\$ 30,000	
Interest Earnings				
Fund Balance	\$ 175,000		\$ 100,000	