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March 13, 2013 (Agenda)

March 13, 2013
 Agenda Item 9

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

Proposed FY 2013-14 LAFCO Budget

Dear Members of the Commission:

BUDGET SUMMARY

The proposed FY 2013-14 budget (attached) shows appropriations totaling \$762,697 and reflects an overall increase of \$17,472 2.25% as compared to the FY 2012-13 budget. The increase is primarily attributable to increases in employee salary/benefit costs. Included in the total appropriations for FY 2013-14 is an \$80,000 contingency reserve fund, which is comparable to the current year's reserve. It is anticipated that FY 2013-14 revenues will be on par with FY 2012-13 revenues, with a comparable level of application activity. 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 2012-13, the Commission maintained a staffing level of two full-time employees; no change in LAFCO staffing is proposed in FY 2013-14. 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 2012-13 for *Salaries & Benefits* is \$335,466; the amount proposed for FY 2013-14 is \$351,936, reflecting an increase of \$16,470 or 4.9%. The difference is attributable to projected increases in employee salary and retirement costs. The Contra Costa County Employees' Retirement Association (CCCERA) has informed LAFCO that both the employer and employee contributions have increased due to changes in the actuarial valuations. Since FY 2011-12, LAFCO has included in its budget an annual expense of \$10,000 to fund its OPEB liability. LAFCO staff has \$10,000 in the FY 2013-14 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 2013-14 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 2012-13 for *Services & Supplies* is \$319,759 and included funding for library and miscellaneous County Service Areas (CSAs) MSRs. The amount proposed for FY 2013-14 is \$320,761, reflecting an increase of \$1,002 (less than 1%). The FY 2013-14 budget includes funding for second round water and wastewater MSRs.

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. The FY 2013-14 includes an \$80,000 contingency reserve fund, 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 2012-13 budget includes \$30,000 in proposal processing fees based on a multi-year historical average. It is estimated that LAFCO will receive approximately \$33,762 in application fees this year, more than projected. The projected application and other revenues for FY 2013-14 are \$30,000, which is comparable to the FY 2012-13 budgeted amount. As of March 1, 2013, LAFCO has received eight new applications this fiscal year, which is the same number received as during the same time period last fiscal year. The FY 2013-14 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 2012-13 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 2012-13 revenues and expenses, it is estimated that the available fund balance will be over \$150,000.

The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2013-14 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 2013-14 budget, as proposed, provides that, to the extent possible, the available fund balance be used to offset FY 2013-14 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 2012-13 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 2013-14 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 2.25%. The proposed use of the available fund balance will offset agency contributions for FY 2013-14. The amount of revenue from other government agencies required to fund the FY 2012-13 LAFCO budget was \$593,684. As proposed, the total amount of revenue from other government agencies needed to fund the FY 2013-14 budget will be approximately \$582,016, reflecting a 2% decrease. The decrease in cost to contributing agencies is primarily due to a projected increase in available fund balance to be used to offset these costs.

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 2013-14 Budget Schedule approved by your Commission in February, the hearing for the Proposed Budget is scheduled for March 13, and the hearing for the Final Budget is scheduled for May 8. 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 2012-13

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

Boundary Change and Related Applications

- a. Processed eight new applications including four annexations, one reorganization, two out of agency service requests, and one SOI expansion. Completed four reorganizations. Conducted two protest hearings.

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

- a. Completed an inaugural countywide MSR covering library services and four corresponding SOI updates. Completed an MSR covering seven CSAs; corresponding SOI updates for the seven CSAs are expected to be completed by April 2013. This will complete LAFCO's inaugural MSR cycle.

Special Projects

- a. Completed the reorganization of the Mt. Diablo Health Care District.
- b. Initiated planning for a second Strategic Planning Workshop to be held on April 15, 2013.
- c. Hosted a countywide discussion on fire and emergency medical services.
- d. Implemented the AB 54 requirements – developed a list of private mutual water companies (MWCs), sent a survey and request for information to 28 MWC. Currently compiling the responses received from about 50% of the MWCs

Administrative and Other Activities

- a. Initiated, and will complete, the financial audit for FY 2011-12.

- b. Responded to two Grand Jury reports and one inquiry from the Contra Costa Chapter of the California Grand Jurors Association.
- c. Updated LAFCO Conflict of Interest and island annexation policies.
- d. Initiated an update to the LAFCO Directory of Local Agencies.

FY 2013-14 Work Plan

The recommended work plan for FY 2013-14 includes the following activities:

- ❖ Initiate second round MSRs covering water and wastewater services
- ❖ Update the Commissioner Handbook including revisions/additions to changes of organization/reorganization, SOI, agriculture, open space and personnel sections, and development of CEQA Guidelines
- ❖ Initiate and complete FY 2012-13 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 2013-14 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Proposed Budget for FY 2013-14, 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 8, 2013 to adopt the Final FY 2013-14 LAFCO Budget.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment

PROPOSED FY 2013-14 LAFCO BUDGET

	FY 2012-13		FY 2013-14		
	<u>FY 2012-13</u>	<u>Year-End</u>	<u>FY 2013-14</u>	<u>% Change</u>	
	<u>Approved</u>	<u>(Estimated)</u>	<u>Proposed</u>		
Salaries and Employee Benefits					
Permanent Salaries- 1011	\$ 188,327	\$ 193,505	\$ 193,046		
Deferred Comp Cty Contribution - 1015					
FICA- 1042	\$ 12,570	\$ 11,246	\$ 14,768		
Retirement expense- 1044	\$ 71,353	\$ 73,433	\$ 79,328		
Employee Group Insurance- 1060	\$ 41,500	\$ 42,175	\$ 42,960		
Retiree Health Insurance- 1061	\$ 20,000	\$ 19,174	\$ 20,000		
Unemployment Insurance- 1063	\$ 716	\$ 773	\$ 734		
Workers Comp Insurance- 1070	\$ 1,000	\$ 1,080	\$ 1,100		
Total Salaries and Benefits	\$ 335,466	\$ 341,386	\$ 351,936		4.91%
Services and Supplies					
Office Expense- 2100	\$ 4,000	\$ 2,474	\$ 4,000		
Publications -2102	\$ 300	\$ 25	\$ 300		
Postage -2103	\$ 2,000	\$ 1,439	\$ 2,000		
Communications - 2110	\$ 230	\$ 234	\$ 230		
Tele Exchange Services 2111	\$ 914	\$ 913	\$ 914		
Minor Comp Equipment - 2132	\$ 1,000		\$ 1,000		
Pubs & Legal Notices 2190	\$ 3,000	\$ 2,976	\$ 3,000		
Memberships - 2200	\$ 8,025	\$ 8,089	\$ 8,319		
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 4,097	\$ 4,000		
Computer Software - 2251	\$ 500	\$ 500	\$ 500		
Bldg Occupancy Costs - 2262	\$ 6,000	\$ 5,326	\$ 5,392		
Bldg Life Cycle Costs - 2265			\$ 276		
Auto Mileage Emp. – 2301	\$ 900	\$ 882	\$ 900		
Other Travel Employees – 2303	\$ 12,500	\$ 11,687	\$ 12,000		
Prof & Spec Services – 2310	\$ 226,914	\$ 176,841			
Assessor	\$ 17,000	\$ 6,716	\$ 13,000		
Financial Audit	\$ 6,000	\$ 6,000	\$ 6,000		
GIS/Mapping	\$ 20,000	\$ 14,244	\$ 20,000		
Legal	\$ 80,000	\$ 80,000	\$ 73,000		
MSRs	\$ 68,555	\$ 35,000	\$ 80,000		
Planning	\$ 30,000	\$ 28,687	\$ 30,000		
Special Projects (document imaging)	\$ 4,859	\$ 3,654	\$ 4,859		
Investment Services	\$ 500		\$ 500		
LAFCO Sponsored Training	-	\$ 2,540			
Contracted Temp Help - 2314 (Web)	\$ 2,340	\$ 2,340	\$ 2,820		
Data Processing Services - 2315	\$ 4,000	\$ 2,978	\$ 4,000		
Data Processing Security - 2326	\$ 100	\$ 87	\$ 126		
Courier - 2331	\$ 2,033	\$ 2,154	\$ 2,041		
Other Inter-Dept Costs - 2340	\$ 123	\$ 92	\$ 123		
Liability/E&O Insurance - 2360	\$ 4,080	\$ 4,020	\$ 4,080		
Commission Training/Registration/Stipends - 2467	\$ 36,300	\$ 35,605	\$ 36,300		
NOD/NOE Filings - 2490	\$ 500	\$ 500	\$ 400		
Total Services & Supplies	\$ 319,759	\$ 263,259	\$ 320,080		0.10%
Fixed Assets					
Office Equipment & Furniture - 4951					
Total Fixed Assets					
Total Expenditures	\$ 655,225	\$ 604,645	\$ 672,016		
Contingency Reserve	\$ 80,000		\$ 80,000		
OPEB Trust	\$ 10,000	\$ 10,000	\$ 10,000		
TOTAL APPROPRIATIONS	\$ 745,225	\$ 614,645	\$ 762,016		2.25%
TOTAL REVENUES	\$ 745,225	\$ 627,446	\$ 762,016		
Agency contributions - 9500 & 9800	\$ 593,684	\$ 593,684	\$ 582,016		-1.97%
Application & other revenues	\$ 30,000	\$ 33,762	\$ 30,000		
Interest Earnings					
Fund Balance	\$ 121,541		\$ 150,000		