



Lou Ann Texeira
 Executive Officer

MEMBERS

Candace Andersen <i>County Member</i>	Federal Glover <i>County Member</i>
Donald A. Blubaugh <i>Public Member</i>	Michael R. McGill <i>Special District Member</i>
Tom Butt <i>City Member</i>	Rob Schroder <i>City Member</i>
Igor Skaredoff <i>Special District Member</i>	

ALTERNATE MEMBERS

Diane Burgis <i>County Member</i>
Stanley Caldwell <i>Special District Member</i>
Charles R. Lewis, IV <i>Public Member</i>
Sean Wright <i>City Member</i>

June 12, 2019 (Agenda)

June 12, 2019
 Agenda Item 11

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

FY 2019-20 Final LAFCO Budget

Dear Members of the Commission:

SYNOPSIS: The Contra Costa Local Agency Formation Commission (LAFCO) must adopt a proposed and final budget each year. On April 17, 2019, the Commission approved the FY 2019-20 Proposed Budget & Work Plan (available at www.contracostalafco.org). The FY 2019-20 Final Budget (attached) will be presented to the Commission on June 12th.

The Final FY 2019-20 budget includes appropriations totaling \$1,080,493 and reflects an overall increase of 9% as compared to the FY 2018-19 budget. The increase is primarily attributable to relocation of the LAFCO office, adding an Analyst position, and purchase of office furniture and a new server. The FY 2019-20 budget will enable Contra Costa LAFCO to focus on the following priorities as identified by the Commission:

- ❖ Growing Contra Costa LAFCO (office relocation and staffing enhancements)
- ❖ Continuing work on 2nd round Municipal Service Reviews (i.e., parks & recreation services, county service areas)
- ❖ Resuming work on updating, developing and enhancing LAFCO policies and procedures

LAFCO's **revenue** sources include funding from the County, cities and independent special districts, application fees, interest earnings, and available fund balance. The FY 2019-20 budget reflects steady application activity and associated fees.

The FY 2019-20 Final Budget is discussed below and summarized on the attached. For additional details, including goals, accomplishments and work plan, please refer to the *FY 2019-20 Proposed LAFCO Budget* as presented in the April 17, 2019 LAFCO staff report.

EXPENDITURES: LAFCO's **expenditures** consist of *Salaries & Employee Benefits, Services & Supplies, Fixed Assets, Contingency Reserve, Other Post Employment Benefit (OPEB) Trust Fund, and Contra Costa County Employees' Retirement Association (CCCERA) pre-fund.*

FY 2019-20 **Salaries & Benefits** total \$530,435, reflecting an increase of 14% over the approved FY 2018-19 budget. The increase is primarily attributable to funding for a full-time Analyst position.

FY 2019-20 *Services & Supplies* total \$380,058 and fund a range of services, programs and projects including administrative (e.g., office, insurance, rent, utilities, equipment/systems, training/ conferences, memberships, etc.), contract services (assessor, auditing, mapping/GIS, legal, planning, website, etc.), and programs/projects (i.e., MSRs). The FY 2019-20 budget maintains the existing contract services and includes funding for MSR work. The FY 2019-20 *Services & Supplies* expenses reflect a 3% decrease as compared to the FY 2018-19 budget, as some of the costs associated with the relocation are being absorbed in the FY 2018-19 budget, including purchase of some of the office furniture and costs associated with relocation of the LAFCO office.

The FY 2019-20 budget includes an \$80,000 *Contingency Reserve*, which is comparable to prior years. The Commission's policy provides that "*the annual budget shall include a contingency reserve (i.e., 10% of budget) as determined by the Commission.*" The Commission has discretion to set the amount of the annual contingency.

The FY 2019-20 budget also includes a \$40,000 annual contribution to the *OPEB Trust* for LAFCO's unfunded liability, and a \$30,000 annual contribution to LAFCO's unfunded retirement liability.

Growing Contra Costa LAFCO

Since FY 2016-17, the Commission has discussed growing Contra Costa LAFCO and succession planning. The Commission directed staff to include in the budget costs associated with relocation of LAFCO offices and additional staff.

LAFCO Office Relocation - In the next several weeks, the LAFCO office will relocate to 40 Muir Road in Martinez. The new office space includes three offices and use of a conference room, break room and restroom. Since 2016, Contra Costa LAFCO planned to relocate to 40 Muir Road given our current office space at 651 Pine Street is limited in terms of space and duration.

Costs associated with the new office space include rent/debt service of \$12,569 per year, which is comparable to our current rent. Also, the FY 2019-20 budget includes a new annual cost of \$12,000 for LAFCO's share of tenant improvements (TI) at 40 Muir Road. For the past four years, the County provided LAFCO an estimate of \$60,000 for TI costs to be paid over a 5-year period. The County recently informed LAFCO that its share of the TI costs is \$175,000, which is a significant increase over the prior year estimates. LAFCO's share of the TI costs covers the three LAFCO offices and a prorated share of a conference room, breakroom and restroom. Subject to the Commission's approval, County and LAFCO staff have tentatively agreed that LAFCO will pay \$12,000 annually and only during the time in which LAFCO leases the space. Should LAFCO vacate the space, the TI improvement payments will cease.

Costs associated with the relocation are split between the current year and FY 2019-20. The current year budget includes costs of office furniture (two offices). The FY 2019-20 budget includes expenses for office furniture (one office space), one new computer, new phones and moving expenses. The FY 2019-20 budget also includes the cost of a new server and backup, as the existing equipment has reached the end of its useful life. These expenses are reflected in various *Services & Supplies* accounts.

LAFCO Staffing- Contra Costa LAFCO currently employs two full-time staff – an Executive Officer ("EO") and an Executive Assistant/LAFCO Clerk ("EA"). For the past several years, the Commission discussed augmenting LAFCO staff. The Commission agreed that to meet increased application activity demands, expand our work on policies and procedures, embark on inventive projects and programs, enhance our public outreach and education, and maintain our current level of involvement at a statewide level with CALAFCO and other stakeholders, it is desirable to enhance LAFCO staff.

In April 2019, the Commission approved a new staffing plan that provides for one full-time EO, one full-time Analyst and one half-time EA. Also, in April, the Commission learned that Kate Sibley, the current EA, will retire on July 31, 2019. In accordance with the revised staffing plan, and in anticipation of Kate's retirement, LAFCO initiated a recruitment for the half-time EA position. LAFCO received 23 applications. The first round of interviews is scheduled for June 7, 2019.

REVENUES: LAFCO's primary source of **revenue** is funding from the County, cities and independent special districts, with each group paying one-third of the LAFCO budget. The city and district shares are prorated based on general revenues reported to the State Controller's Office. LAFCO also receives revenue through application fees and interest earnings. Application activity is steady. The FY 2019-20 budget includes \$25,000 in application fees, which is comparable to the FY 2018-19 budget and consistent with the historical average. In addition, LAFCO receives interest earnings through its pre-funding of retirement and OPEB trust accounts. Interest earnings are nominal, subject to market fluctuations, and are not reflected in the revenue estimates.

When available, LAFCO uses year end fund balance to help offset costs to the funding agencies. The FY 2018-19 fund balance is currently unknown and will be calculated at year end (typically by October). However, based on the beginning year fund balance, and projected FY 2018-19 revenues and expenses, it is estimated that the available fund balance will be over \$175,000. The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2019-20 revenues, thereby reducing contributions from the funding agencies (County, cities, districts). The FY 2019-20 budget provides that, to the extent possible, the available fund balance be used to offset FY 2019-20 revenues.

CONCLUSION: The Commission and LAFCO staff exercise fiscal prudence and recognize the financial constraints on local government. Approval of the FY 2019-20 Final Budget will enable LAFCO to perform its core responsibilities, continue its work on MSRs/SOI updates, policies & procedures, and grow Contra Costa LAFCO.

RECOMMENDATIONS:

1. Receive this report and open the public hearing on the Final FY 2019-20 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the FY 2019-20 Final Budget, 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 2019-20 LAFCO Budget

c: Distribution

FINAL FY 2019-20 LAFCO BUDGET

	FY 2018-19		FY 2019-20		
	<u>FY 2018-19</u>	<u>Year-end</u>	<u>FY 2019-20</u>	<u>% Change</u>	
	<u>Approved</u>	<u>(Estimated)</u>	<u>Proposed</u>		
Salaries and Employee Benefits					
Permanent Salaries- 1011	\$ 244,970	\$ 228,634	\$ 286,575		
Deferred Comp Cty Contribution - 1015	\$ 1,700	\$ 2,040	\$ 1,105		
FICA- 1042	\$ 18,740	\$ 17,491	\$ 21,923		
Retirement expense- 1044	\$ 109,514	\$ 97,068	\$ 117,971		
Employee Group Insurance- 1060	\$ 59,575	\$ 53,841	\$ 73,039		
Retiree Health Insurance- 1061	\$ 19,100	\$ 18,609	\$ 28,406		
Unemployment Insurance- 1063	\$ 122	\$ 114	\$ 143		
Workers Comp Insurance- 1070	\$ 1,065	\$ 1,161	\$ 1,273		
Total Salaries and Benefits	\$ 454,786	\$ 418,958	\$ 530,435		14%
Services and Supplies					
Office Expense- 2100	\$ 6,000	\$ 3,500	\$ 5,000		
Publications -2102	\$ 30	\$ 21	\$ 25		
Postage -2103	\$ 1,800	\$ 1,041	\$ 1,800		
Communications - 2110	\$ 2,524	\$ 850	\$ 1,334		
Tele Exchange Services 2111	\$ 1,599	\$ 1,584	\$ 3,120		
Minor Furniture/Equipment - 2131		\$ 16,589	\$ 2,000		
Minor Comp Equipment - 2132	\$ 1,000		\$ 1,800		
Pubs & Legal Notices 2190	\$ 4,000	\$ 3,821	\$ 3,800		
Memberships - 2200	\$ 10,503	\$ 10,303	\$ 12,036		
Rents & Leases - 2250 (copier)	\$ 5,500	\$ 4,554	\$ 5,500		
Computer Software - 2251	\$ 500		\$ 612		
Bldg Occupancy Costs - 2262	\$ 18,622	\$ 7,108	\$ 24,569		
Bldg Life Cycle Costs - 2265	\$ 1,455	\$ 1,500	\$ 1,463		
Bldg Maintennace - 2284	\$ 150	\$ -	\$ 500		
Auto Mileage Emp. - 2301	\$ 500	\$ 336	\$ 500		
Other Travel Employees - 2303	\$ 12,000	\$ 11,736	\$ 17,370		
Prof & Spec Services - 2310	\$ 271,075	\$ 200,338	\$ 235,653		
Assessor	\$ 12,011	\$ 3,600	\$ 8,500		
Financial Audit	\$ 8,650	\$ 8,650	\$ 8,700		
GIS/Mapping	\$ 26,000	\$ 8,000	\$ 12,000		
Legal	\$ 75,000	\$ 71,100	\$ 60,000		
MSRs	\$ 135,000	\$ 95,000	\$ 130,000		
Planning	\$ 11,000	\$ 8,480	\$ 11,000		
Special Projects (document imaging)	\$ 3,414	\$ 3,413	\$ 5,213		
LAFCO Sponsored Training	-		\$ -		
Misc Investment Services/CCCERA Fees		\$ 220	\$ 240		
Special Studies	\$ -	\$ 1,875	\$ -		
Moving Service			\$ 1,500		
Contracted Temp Help - 2314 (Web)	\$ 2,880	\$ 3,360	\$ 3,060		
Data Processing Services - 2315	\$ 7,500	\$ 14,609	\$ 19,582		
Data Processing Security - 2326	\$ 231	\$ 196	\$ 210		
Courier - 2331	\$ 392	\$ 384	\$ 1,678		
Telcomm Rents, Leases, Labor - 2335		\$ 710			
Other Inter-Dept Costs - 2340	\$ 232	\$ 444	\$ 564		
Liability/E&O Insurance - 2360	\$ 5,436	\$ 5,029	\$ 5,682		
Commission Training/Registration/Stipends - 2467	\$ 37,000	\$ 30,000	\$ 30,000		
Application Refund - 2479		\$ -	\$ -		
NOD/NOE Filings - 2490	\$ 700	\$ 850	\$ 700		
Total Services & Supplies	\$ 391,629	\$ 318,863	\$ 380,058		-3%
Fixed Assets					
Office Equipment & Furniture - 4951			\$ 20,000		
Total Fixed Assets			\$ 20,000		
Total Expenditures	\$ 846,415	\$ 737,821	\$ 930,493		9%
Contingency Reserve	\$ 80,000		\$ 80,000		
OPEB Trust	\$ 40,000	\$ 40,000	\$ 40,000		
CCCERA Pre-Fund	\$ 30,000	\$ 30,000	\$ 30,000		
TOTAL APPROPRIATIONS	\$ 996,415	\$ 807,821	\$ 1,080,493		8%
TOTAL REVENUES					
Agency contributions - 9500 & 9800	\$ 796,415	\$ 755,210	\$ 885,493		10%
Application & other revenues	\$ 25,000	\$ 40,259	\$ 25,000		
Fund Balance	\$ 175,000		\$ 170,000		