



Lou Ann Teixeira  
 Executive Officer

**MEMBERS**

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

**ALTERNATE MEMBERS**

- |                                                           |
|-----------------------------------------------------------|
| <b>Diane Burgis</b><br><i>County Member</i>               |
| <b>Stanley Caldwell</b><br><i>Special District Member</i> |
| <b>Charles R. Lewis, IV</b><br><i>Public Member</i>       |
| <b>Edi Birsan</b><br><i>City Member</i>                   |

June 9, 2021 (Agenda)

**June 9, 2021  
 Agenda Item 10**

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

**FY 2021-22 Final LAFCO Budget**

Dear Commissioners:

**BUDGET SUMMARY**

The Contra Costa Local Agency Formation Commission (LAFCO) must adopt proposed and final budgets each year. On April 14, 2021, the Commission approved the *FY 2021-22 Proposed Budget & Work Plan* (available at [www.contracostalafco.org](http://www.contracostalafco.org)). In accordance with Government Code §56381, the Proposed Budget was circulated to all affected local agencies and interested parties. No comments were received.

The *FY 2021-22 Final Budget* will be presented to the Commission on June 9, 2021 and includes appropriations totaling \$874,131 reflecting a decrease of approximately 14% as compared to the FY 2020-21 budget. The FY 2021-22 Final Budget maintains the status quo which includes funding for 1.5 employees, services and supplies, pre-funding Contra Costa County Employees’ Retirement Association (CCCERA) and Other Post-Employment Benefits (OPEB) liabilities, and a contingency reserve.

The decrease is primarily attributable to cost savings in several services & supplies accounts, and proposed reductions in Other Post Employment Benefit (OPEB) prefunding and the contingency reserve. A summary of the FY 2021-22 expenditures, revenues and workplan is presented in this report.

These are challenging times, and the financial fallout of COVID-19 continues to impact the County, cities, and districts, which fund the majority of LAFCO’s budget. In recognition of the financial constraints on local agencies, LAFCO staff submits a status quo budget which maintains the reductions implemented in FY 2020-21.

**EXPENDITURES:** The LAFCO expenditures are divided into three categories: *Salaries & Benefits, Services & Supplies, and Contingency/Liability* as summarized below.

### Salaries & Benefits

The FY 2021-22 staffing level includes one full-time Executive Officer and one half-time Executive Assistant/LAFCO Clerk. The *Final FY 2021-22* budget retains the current staffing level. LAFCO staff is supplemented with use of consultants and County services.

The FY 2021-22 *Salaries & Benefits* account totals \$380,045, reflecting a 2% decrease as compared to the FY 2020-21 budget. Cost savings include minor reductions in FICA, employee retirement, and group health insurance.

LAFCO is also 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 *Final FY 2021-22* budget assumes the continuation of these contract services as reflected in the *Services & Supplies* account.

### Services & Supplies

The *Services & Supplies* account includes funding for various services, programs and projects including administrative/overhead (e.g., office, insurance, rent, utilities, equipment/systems, training, memberships, etc.), contract services (assessor, auditing, GIS, legal, planning, website, etc.), and programs/projects (e.g., MSRs, special studies, etc.).

The FY 2021-22 *Services & Supplies* account totals \$359,086 and reflects a decrease of 22% as compared to the FY 2020-21 budget. LAFCO staff anticipate reductions in communications/equipment, publications/legal notices, building occupancy costs, environmental planning services, document imaging services, data processing, and liability 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 of 10% of the budget as determined by the Commission*. No contingency funds have been used this fiscal year. The *FY 2021-22 Final Budget* 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 pre-funded its OPEB liability. The most recent GASB report (measurement period 7/1/19 to 6/30/20) shows LAFCO's net OPEB liability is over 80% funded. Thus, the annual OPEB pre-funding amount is reduced from \$40,000 to \$25,000.

### Pre-funding Retirement Liability (CCCERA)

In FY 2017-18, LAFCO began prepaying a portion of its unfunded retirement liability to achieve a more favorable contribution rate. As in prior years, the FY 2021-22 budget includes a \$30,000 contribution to fund LAFCO's unfunded retirement liability. The most recent *CCCERA Contribution Rate Report* (12/31/19 Valuation) indicates LAFCO's Unfunded Actuarial Accrued Liability is \$82,000. LAFCO should reevaluate its liability with the next CCCERA report and consider reducing its annual prepayment.

**REVENUES:** Revenues consist primarily of apportionments provided by 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 interest earnings.

#### Application Charges and Other Revenues

The *FY 2020-21 Final Budget* includes a projected \$25,000 in application fees based on a multi-year historical average. It is anticipated that LAFCO will receive approximately \$22,500 in application fees in FY 2020-21, which is less than projected as application activity has slowed during the pandemic. The Final FY 2021-22 budget includes \$25,000 in projected application fees as we anticipate a slight increase in activity.

#### 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 2020-21 fund balance is currently unknown and will be calculated at year end (typically by October). Based on the beginning year fund balance, and projected 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 2021-22 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 Final FY 2021-22 budget provides that, to the extent possible, a portion of fund balance be used to offset FY 2021-22 revenues which will reduce agency contributions.

## **LAFCO ACTIVITIES**

As presented to the Commission on April 14, 2021, the *Proposed FY 2021-22 Budget*, included a summary of LAFCO’s major responsibilities, FY 2020-21 accomplishments, and FY 2021-22 activities some of which are summarized below.

### **FY 2020-21 Activities**

#### **Boundary Change and Related Applications**

- a. Completed proceedings for five changes of organization/reorganizations and one SOI amendment; conducted corresponding public hearings
- b. Received four new applications (i.e., two annexations and two out of agency service requests)

#### **MSRs/SOI Updates**

- a. Released *Public Review Draft* and *Final Draft 2<sup>nd</sup>* 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. Released *Public Review Draft 2<sup>nd</sup>* round *Cemetery Services* MSR/SOI updates

#### **Special Projects/Activities**

- a. Issued a Request for Proposals and hired a new environmental planning firm (Swale, Inc. and Baracco Associates)
- b. Participation in ongoing fire district consolidation study (Contra Costa County Fire Protection District, East Contra Costa Fire Protection District, Rodeo Hercules Fire Protection District)
- c. Pending Litigation (Los Medanos Community Health Care District vs. Contra Costa LAFCO)

***Administrative and Other Activities***

- a. Appointed 2021 LAFCO Chair (Skaredoff) and Vice Chair (Schroder)
- b. Welcomed new commissioner - Edi Birsan, City Member (Alternate)
- c. Completed FY 2018-19 financial audit
- d. Currently updating the LAFCO Directory of Local Agencies

**FY 2021-22 Work Plan**

As presented in the *FY 2021-22 Proposed Budget*, the FY 2021-22 workplan includes routine activities as well as the following projects:

- ❖ Complete 2<sup>nd</sup> round *Cemetery Services* MSRs/SOI updates
- ❖ Initiate 2<sup>nd</sup> round MSR/SOI updates covering either resource conservation, mosquito & vector control, county service area (CSAs), 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 2019-20 financial audit
- ❖ Complete annual actuarial valuation

In conclusion, the Commission and LAFCO staff continue to exercise fiscal prudence, recognizing the financial constraints faced by our funding agencies. Approval of the *FY 2021-22 Final 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 this report and open the public hearing on the *FY 2021-22 Final Budget*,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the *FY 2021-22 Final Budget*, with any desired changes, and authorize staff to distribute the *FY 2021-22 Final Budget* the County, cities and independent special districts as required by Government Code §56381.

Respectfully submitted,

LOU ANN TEXEIRA  
EXECUTIVE OFFICER

Attachment - Final FY 2021-22 LAFCO Budget

c: Distribution

**FINAL BUDGET****FY 2021-22****FY 2020-21****FY 2020-21****Year-end****FY 2021-22****Approved****(Estimated)****Final****Salaries and Employee Benefits**

Permanent Salaries- 1011	\$	208,000	\$	208,000	\$	218,000	
Deferred Comp Cty Contribution - 1015	\$	1,615	\$	2,040	\$	2,040	
FICA- 1042	\$	18,000	\$	13,705	\$	15,000	
Retirement expense- 1044	\$	82,120	\$	69,278	\$	72,000	
Employee Group Insurance- 1060	\$	46,000	\$	36,875	\$	40,000	
Retiree Health Insurance- 1061	\$	30,000	\$	30,150	\$	31,700	
Unemployment Insurance- 1063	\$	150	\$	218	\$	230	
Workers Comp Insurance- 1070	\$	1,115	\$	817	\$	1,075	
<b>Total Salaries and Benefits</b>	<b>\$</b>	<b>387,000</b>	<b>\$</b>	<b>361,083</b>	<b>\$</b>	<b>380,045</b>	<b>-2%</b>

**Services and Supplies**

Office Expense- 2100	\$	4,000	\$	1,230	\$	4,000	
Publications -2102	\$	25	\$	182	\$	250	
Postage -2103	\$	1,800	\$	2,891	\$	1,800	
Communications - 2110	\$	2,842	\$	1,518	\$	2,200	
Tele Exchange Services 2111	\$	2,382	\$	1,192	\$	2,000	
Minor Furniture/Equipment - 2131	\$	-	-	-			
Minor Comp Equipment - 2132	\$	2,000	-		\$	1,800	
Pubs & Legal Notices 2190	\$	3,800	\$	2,237	\$	2,200	
Memberships - 2200	\$	12,373	\$	12,344	\$	12,501	
Rents & Leases - 2250 (copier)	\$	5,600	\$	5,031	\$	5,600	
Computer Software - 2251	\$	1,000	\$	1,176	\$	1,000	
Bldg Occupancy Costs - 2262	\$	24,569	\$	22,488	\$	20,512	
Bldg Life Cycle Costs - 2265	\$	1,095	\$	1,113	\$	1,200	
Bldg Maintennace - 2284	\$	500	\$	1,019	\$	1,000	
Auto Mileage Emp. - 2301	\$	500	-		\$	500	
Other Travel Employees - 2303	\$	11,900	\$	7,200	\$	13,000	
Prof & Spec Services - 2310	\$	300,113	\$	145,969	\$	233,440	
Assessor	\$	8,000	\$	7,971	\$	8,000	
Financial Audit	\$	8,700	\$	5,233	\$	8,700	
GIS/Mapping	\$	12,000	\$	11,718	\$	12,000	
Legal	\$	60,000	\$	29,994	\$	50,000	
MSRs	\$	150,000	\$	86,153	\$	130,000	
Planning	\$	25,000	\$	3,000	\$	10,000	
Special Projects (document imaging)	\$	3,673	-		\$	2,000	
Misc Investment Services/CCCERA Fees	\$	240	\$	200	\$	240	
Special Studies/Workshop/Actuarial Valuation	\$	32,500	\$	1,700	\$	12,500	
Contracted Temp Help - 2314 (Web)	\$	3,060	\$	3,060	\$	3,060	
Data Processing Services - 2315	\$	19,700	\$	6,179	\$	13,000	
Data Processing Security - 2326	\$	250	\$	250	\$	250	
Courier - 2331	\$	1,000	\$	894	\$	1,000	
Telcomm Rents, Leases, Labor - 2335	\$	120	\$	110	\$	120	
Other Inter-Dept Costs - 2340	\$	599	\$	599	\$	650	
Liability/E&O Insurance - 2360	\$	6,854	\$	6,854	\$	6,203	
Commission Training/Registration/Stipends - 2467	\$	31,000	\$	13,200	\$	31,000	
NOD/NOE Filings - 2490	\$	800	\$	550	\$	800	
<b>Total Services &amp; Supplies</b>	<b>\$</b>	<b>437,882</b>	<b>\$</b>	<b>237,286</b>	<b>\$</b>	<b>359,086</b>	<b>-22%</b>

<b>Total Expenditures</b>	<b>\$</b>	<b>824,882</b>	<b>\$</b>	<b>598,369</b>	<b>\$</b>	<b>739,131</b>	<b>-12%</b>
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<b>Contingency Reserve</b>	<b>\$</b>	<b>100,000</b>			<b>\$</b>	<b>80,000</b>	
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<b>OPEB Trust</b>	<b>\$</b>	<b>40,000</b>	<b>\$</b>	<b>40,000</b>	<b>\$</b>	<b>25,000</b>	
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<b>CCCERA Pre-Fund</b>	<b>\$</b>	<b>30,000</b>	<b>\$</b>	<b>30,000</b>	<b>\$</b>	<b>30,000</b>	
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<b>TOTAL APPROPRIATIONS</b>	<b>\$</b>	<b>994,882</b>	<b>\$</b>	<b>668,369</b>	<b>\$</b>	<b>874,131</b>	<b>-14%</b>
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<b>TOTAL REVENUES</b>	<b>\$</b>	<b>994,882</b>	<b>\$</b>	<b>817,384</b>	<b>\$</b>	<b>874,131</b>	
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Agency contributions - 9500 & 9800	\$	794,882	\$	794,881	\$	674,131	-18%
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Application & other revenues	\$	25,000	\$	22,503	\$	25,000	
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Fund Balance	\$	175,000			\$	175,000	
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