



Lou Ann Teixeira
 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> |
| Edi Birsan
<i>City Member</i> |

June 8, 2022 (Agenda)

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

**June 8, 2022
 Agenda Item 12**

FY 2022-23 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 13, 2022, the Commission approved the *FY 2022-23 Proposed Budget & Work Plan* (available at 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 2022-23 Final Budget* will be presented to the Commission on June 8, 2022 and includes appropriations totaling \$911,613 reflecting a 4% increase as compared to the FY 2021-22 budget. The increase is primarily attributable to increases in *Salaries and Employee Benefits* and in *Services and Supplies* as detailed below.

LAFCO will realize cost savings in several accounts including suspension of the annual pre-fund/future liability contributions to Contra Costa County Employees’ Retirement Association (CCCERA) and Other Post-Employment Benefits (OPEB) accounts as LAFCO is nearly fully funded in both accounts. The Final FY 2022-23 Budget includes a \$90,000 contingency reserve fund per the Commission’s policy. Details regarding the expenditures and revenue are presented below.

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, the FY 2022-23 budget maintains the status quo and increases the fund balance contribution to offset funding from the local agencies that fund LAFCO’s budget.

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

Salaries & Benefits

The current LAFCO staffing includes one full-time Executive Officer and one half-time Executive Assistant/LAFCO Clerk. The *Final FY 2022-23* budget retains the current staffing level. LAFCO staff is supplemented with use of consultants and various County services.

The FY 2022-23 *Salaries & Benefits* account totals \$401,067 reflecting a 5% increase as compared to the FY 2021-22 budget. The increase is primarily attributable to increases in Group Health Insurance and Unemployment Insurance.

LAFCO is supported by public and private 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 2022-23* budget assumes 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 2022-23 *Services & Supplies* account totals \$420,546 and reflects an increase of 15% as compared to the FY 2021-22 budget. LAFCO staff anticipates increases in several accounts including *Other Travel* and *Professional & Specialized Services*.

LAFCO staff anticipates FY 2021-22 year end cost savings in various accounts including *Office Expense*, *Postage*, *Communications*, *Travel/Training*, and *Professional & Specialized Services*.

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 2022-23 Final Budget* includes an \$90,000 contingency reserve fund in accordance with the Commission's policy.

Other Post-Employment Benefits (OPEB)

Since FY 2011-12, LAFCO's budget has included an annual expense to pre-fund its OPEB liability. The FY 2011-12 through FY 2014-15 budgets included an appropriation of \$10,000 per year to fund this liability. Following LAFCO's first actuarial valuation in 2014, the Commission increased its annual appropriation to \$40,000. LAFCO's most recent GASB report shows that LAFCO is over 80% funded. In consultation with LAFCO's financial advisors, it is recommended that LAFCO forgo its annual OPEB pre-funding contribution in FY 2022-23.

Pre-funding Retirement Liability (CCCERA)

In FY 2017-18, LAFCO began pre-paying its unfunded retirement liability to receive a better contribution rate. Recent CCCERA reports show that LAFCO is nearly fully funded. In consultation with CCCERA staff, it is recommended that LAFCO forgo its annual CCCERA pre-funding contribution in FY 2022-23.

Revenues

Revenues consist primarily of apportionments received from the County, cities, and independent special districts with each group paying one-third of LAFCO's net operating 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 miscellaneous revenue (e.g., interest earnings).

Application Charges and Other Revenues

The *FY 2021-22 Budget* includes an estimated \$25,000 in application fees. It is projected that LAFCO will receive approximately \$51,800 in applications fees in the current fiscal year. This exceeds the budgeted amount

due to a recent surge in application activity. The Final FY 2022-23 budget includes an estimated \$25,000 in application fees based on a multi-year historical average.

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 2021-22 fund balance is currently unknown and will be calculated at year end (typically by October). It is estimated that that the available fund balance will exceed \$500,000.

The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2022-23 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 2022-23 budget includes \$200,000 in fund balance to offset FY 2022-23 revenues.

LAFCO ACTIVITIES

As presented to the Commission on April 13, 2022, the *Proposed FY 2022-23 Budget*, included a summary of LAFCO’s major responsibilities, FY 2021-22 accomplishments, and FY 2022-23 activities some of which are summarized below.

FY 2021-22 Activities

The following is a list of LAFCO’s goals and accomplishments for FY 2021-22 as of June 1, 2022:

Boundary Change and Related Applications

- a. Received and processed 13 new applications
- b. Completed proceedings for three annexations, three boundary reorganizations, four SOI amendments, and one out of agency service agreement; and conducted corresponding public hearings
- c. Processed transfer of jurisdiction through Alameda LAFCO
- d. Pending dissolutions of CSA R-9 and CSA R-10

MSRs/SOI Updates

- a. Completed 2nd 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. Completed 2nd round Cemetery Services MSR/SOI updates
- c. 2nd round MSR covering mosquito & vector control and resource conservation services underway

Special Projects/Activities

- a. Adoption of resolutions in conjunction with Assembly Bill 361 to conduct virtual meetings
- b. Participation in ongoing fire service matters

Administrative and Other Activities

- a. Appointed 2022 LAFCO Chair (Schroder) and Vice Chair (Glover)
- b. Recognition of Pamela Miller, CALAFCO Executive Director
- c. Conducted election for LAFCO Special District Members
- d. Completed FY 2019-2020- financial audit and initiated FY 2020-21 audit
- e. Update to LAFCO Directory of Local Agencies (underway)
- f. Ongoing website updates
- g. Quarterly budget reports

- h. Updated LAFCO Employee Salary Plan
- i. Conducted employee performance reviews
- j. Provided comments on local agency environmental documents
- k. Submitted position letters on various bills affecting LAFCOs
- l. Participated in and supported CALAFCO
- m. Los Medanos Community Healthcare District (LMCHD) Dissolution – The dissolution of LMCHD became final after the California Supreme Court denied LMCHD’s petition for review of the Court of Appeal’s decision in favor of LAFCO and the County.

FY 2022-23 Work Plan

As approved by the Commission ins April 2022, the recommended work plan for FY 2022-23 includes the following activities:

- ❖ Complete 2nd round MSR covering resource conservation and mosquito & vector control services
- ❖ Initiate 3rd round MSR/SOI updates covering wastewater services, and/or other services as determined by the Commission
- ❖ Complete FY 2020-21 financial audit
- ❖ Complete annual actuarial valuation
- ❖ Policy updates (i.e., SOIs, disadvantaged communities, procedures for processing multi-county boundary changes, environmental guidelines)
- ❖ Continue to participate in and support CALAFCO

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 2022-23 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 2022-23 Final Budget*,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the *FY 2022-23 Final Budget*, with any desired changes, and authorize staff to distribute the *FY 2022-23 Final Budget* to the County, cities and independent special districts as required by Government Code §56381.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment - Final FY 2022-23 LAFCO Budget
c: Distribution

FINAL FY 2022-23 BUDGET

8-Jun-22

Attachment

	FY 2021-22	FY 2021-22	FY 2022-23	
	<u>Approved</u>	<u>Year-end</u>	<u>Final</u>	
		<u>(Estimated)</u>		
Salaries and Employee Benefits				
Permanent Salaries- 1011	\$ 218,000	\$ 215,000	\$ 224,000	
Deferred Comp Cty Contribution - 1015	\$ 2,040	\$ 2,040	\$ 2,040	
FICA- 1042	\$ 15,000	\$ 13,590	\$ 15,900	
Retirement expense- 1044	\$ 72,000	\$ 69,500	\$ 79,000	
Employee Group Insurance- 1060	\$ 40,000	\$ 37,000	\$ 47,000	
Retiree Health Insurance- 1061	\$ 31,700	\$ 31,000	\$ 31,700	
Unemployment Insurance- 1063	\$ 230	\$ 430	\$ 455	
Workers Comp Insurance- 1070	\$ 1,075	\$ 926	\$ 972	
Total Salaries and Benefits	\$ 380,045	\$ 369,486	\$ 401,067	5%
Services and Supplies				
Office Expense- 2100	\$ 4,000	\$ 1,100	\$ 3,000	
Publications -2102	\$ 250	\$ 250	\$ 300	
Postage -2103	\$ 1,800	\$ 700	\$ 1,800	
Communications - 2110	\$ 2,200	\$ 1,700	\$ 2,200	
Tele Exchange Services 2111	\$ 2,000	\$ 1,400	\$ 2,000	
Minor Furniture/Equipment - 2131	\$ -	-	-	
Minor Comp Equipment - 2132	\$ 1,800	-	\$ 1,800	
Pubs & Legal Notices 2190	\$ 2,200	\$ 2,165	\$ 2,200	
Memberships - 2200	\$ 12,501	\$ 12,516	\$ 13,043	
Rents & Leases - 2250 (copier)	\$ 5,600	\$ 5,250	\$ 5,600	
Computer Software - 2251	\$ 1,000	\$ 1,176	\$ 1,200	
Bldg Occupancy Costs - 2260 & 2262	\$ 20,512	\$ 21,042	\$ 22,000	
Bldg Life Cycle Costs - 2265	\$ 1,200	\$ 1,113	\$ 1,200	
Bldg Maintennace - 2284	\$ 1,000	\$ 500	\$ 1,000	
Auto Mileage Emp. - 2301	\$ 500	-	\$ 500	
Other Travel Employees - 2303	\$ 13,000	\$ 7,746	\$ 17,000	
Prof & Spec Services - 2310	\$ 233,440	\$ 119,728	\$ 288,640	
Assessor	\$ 8,000	\$ 12,350	\$ 13,000	
Financial Audit	\$ 8,700	\$ 7,563	\$ 8,900	
GIS/Mapping	\$ 12,000	\$ 11,770	\$ 12,000	
Legal	\$ 50,000	\$ 25,411	\$ 40,000	
MSRs	\$ 130,000	\$ 51,184	\$ 190,000	
Planning	\$ 10,000	\$ 9,750	\$ 10,000	
Special Projects (document imaging)	\$ 2,000	-	\$ 2,000	
Misc Investment Services/CCCERA Fees	\$ 240	\$ 100	\$ 240	
Special Studies/Workshop/Actuarial Valuation	\$ 12,500	\$ 1,600	\$ 12,500	
Contracted Temp Help - 2314 (Web)	\$ 3,060	\$ 3,060	\$ 3,060	
Data Processing Services - 2315	\$ 13,000	\$ 6,271	\$ 13,000	
Data Processing Security - 2326	\$ 250	\$ 250	\$ 600	
Courier - 2331	\$ 1,000	\$ 938	\$ 1,000	
Telcomm Rents, Leases, Labor - 2335	\$ 120	\$ 110	\$ 120	
Other Inter-Dept Costs - 2340	\$ 650	\$ 599	\$ 650	
Liability/E&O Insurance - 2360	\$ 6,203	\$ 6,439	\$ 6,833	
Commission Training/Registration/Stipends - 2467	\$ 31,000	\$ 14,916	\$ 31,000	
NOD/NOE Filings - 2490	\$ 800	\$ 500	\$ 800	
Total Services & Supplies	\$ 359,086	\$ 209,469	\$ 420,546	15%
Total Expenditures	\$ 739,131	\$ 578,955	\$ 821,613	10%
Contingency Reserve	\$ 80,000		\$ 90,000	
OPEB Trust	\$ 25,000	\$ 25,000		
CCCERA Pre-Fund	\$ 30,000	\$ 22,000		
TOTAL APPROPRIATIONS	\$ 874,131	\$ 625,955	\$ 911,613	4%
TOTAL REVENUES	\$ 874,131	\$ 725,931	\$ 911,613	
Agency contributions - 9500 & 9800	\$ 674,131	\$ 674,131	\$ 686,613	2%
Application & other revenues	\$ 25,000	\$ 51,800	\$ 25,000	
Fund Balance	\$ 175,000		\$ 200,000	13%