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Executive Officer

April 9, 2025

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Agenda Item 7

Contra Costa Local Agency Formation Commission
40 Muir Road, 1st Floor
Martinez, CA 94553

Proposed FY 2025-26 LAFCO Budget

Dear Members of the Commission:

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) establishes a process for preparing and adopting LAFCO's budget. Government Code ("GC") §56381 provides that the Commission shall annually adopt a proposed budget by May 1 and final budget by June 15, following noticed public hearings. This report presents the proposed FY 2025-26 budget and work plan.

BUDGET SUMMARY: The proposed FY 2025-26 budget (attached) includes appropriations totaling \$1,047,614 and reflects an overall increase of approximately 0.12% as compared to the FY 2024-25 budget. The increase is primarily attributable to increases in employee salaries and benefits including retirement benefits. The proposed FY 2025-26 budget includes a contingency reserve of \$87,000. Details regarding expenditures and revenues are presented below.

EXPENDITURES: Expenditures are divided into three main categories: *Salaries & Employee Benefits*, *Services & Supplies*, a *Contingency Reserve*, along with future liability funds. A summary of expenditures is provided below.

Salaries & Benefits

The FY 2024-25 staffing level includes one full-time Executive Officer (EO) and one full-time Clerk Analyst (CA) and retains the current staffing level. LAFCO staff is supplemented with consultants and County services.

The proposed FY 2025-26 *Salaries & Benefits* account totals \$494,114, reflecting a 0.034% increase as compared to the FY 2024-25 budget. This is primarily due to increases in employee salaries, group insurance, and workers compensation 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. LAFCO also currently contracts with private firms for financial auditing, environmental planning, and to assist with Municipal Service Reviews (MSRs) and special studies. The FY 2025-26 budget assumes the continuation of these services as reflected in the *Services & Supplies* accounts.

Services & Supplies

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

The proposed FY 2025-26 *Services & Supplies* account totals \$408,500 and reflects a decrease of less than 1% from the FY 2025-26 budget. LAFCO staff anticipates slight decreases in several accounts including building occupancy, employee travel, planning services, data processing services, and CEQA filings.

Regarding the FY 2024-25 adopted budget compared to year-end estimates, we anticipate minor savings and minor increases in several accounts.

Contingency Reserve Fund

Each year, the Commission appropriates funds for unanticipated expenses (i.e., special studies, potential litigation, personnel changes, etc.). The Commission's policy provides that "*the annual budget shall include a contingency reserve (i.e., 10% of budget) as determined by the Commission. Funds budgeted in the contingency reserve shall not be used or transferred to any other expense account without prior approval of the Commission.*" Per the Commission's policy, we budget a contingency fund each year. The FY 2025-26 proposed budget includes an \$87,000 contingency.

Other Post-Employment Benefits (OPEB)

Since FY 2011-12, LAFCO has included in its budget an annual expense to pre-fund its OPEB liability. The most recent GASB report shows that the plan as a whole was underfunded. The proposed FY 2025-26 budget includes OPEB funding in the amount of \$30,000.

Pre-funding Retirement Liability (CCCERA)

In FY 2017-18, LAFCO began pre-paying a portion of its unfunded retirement liability to have a better contribution rate. The FY 2025-26 budget includes \$25,000 to fund the OPEB liability and \$30,000 to fund the CCCERA liability.

REVENUES

Revenues consist primarily of apportionments received from 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 miscellaneous revenue (e.g., interest earnings).

Application Charges and Other Revenues

The FY 2025-26 proposed budget includes \$25,000 in application fees. Application activity has been slow. It is projected that LAFCO will receive approximately \$22,000 in application fees in the current fiscal year. The proposed FY 2025-26 budget includes an anticipated \$25,000 in application fees based on a multi-year historical average.

Fund Balance

GC §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 2024-25 fund balance will be calculated at year end. Based on the beginning year fund

balance, and projected FY 2025-26 revenues and expenses, it is estimated that the available fund balance will approximately \$800,000.

The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2025-26 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 proposed FY 2025-26 budget includes \$250,000 in fund balance to offset FY 2025-26 revenues thereby reducing contributions from the local agencies.

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 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. The CKH Act describes how the County Auditor is to make the apportionment and collect the revenues once LAFCO adopts a Final Budget (GC §56381). The city and district allocations are based on revenues reported to the State Controller and vary year to year.

The overall budget is expected to increase by approximately 0.012%. The proposed use of the available fund balance will offset agency contributions for FY 2025-26. The total amount of revenue from funding agencies required to fund the FY 2024-25 budget is \$772,614, reflecting a 0.012% increase.

LAFCO RESPONSIBILITIES, ACCOMPLISHMENTS & GOALS

The FY 2025-26 budget schedule provides for public hearings and consideration of a Proposed Budget (April 9, 2025) and a Final Budget prior to June 15, 2024. The time between these Commission actions is to allow for review and comment by local agencies, the public, and other interested parties, as well as to gather updated budget information.

In accordance with the work plan and proposed budget, staff provide a summary of LAFCO responsibilities and accomplishments as follows.

Major LAFCO Responsibilities

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

- Act on proposals for changes of organization/reorganizations (i.e., annexations/ detachments, out of agency service, incorporations, consolidations/mergers, district formations/ dissolutions, etc.)
- Establish, review, and update spheres of influence (SOIs) for cities and special districts
- Conduct MSRs 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/enhance services and efficiencies
- Serve as responsible or lead agency for compliance with CEQA
- Serve as the conducting authority to conduct protest hearings for changes of organization/reorganizations
- Provide public information about LAFCO and public noticing of pending LAFCO actions
- Maintain/update a LAFCO website
- Adopt and update written policies and procedures
- Adopt an annual budget

Highlights of FY 2024-25

The following is a list of LAFCO's accomplishments and goals for FY 2024-25:

Boundary Change and Related Applications

- a. Received and processed four new applications
- b. Completed proceedings for four applications including a SOI expansion, two reorganizations, and activation of a latent power, along with corresponding public hearings
- c. Pending dissolution of CSA R-9

MSRs/SOI Updates

- a. 3rd round *Wastewater Services* MSR/SOI updates - completed June 30, 2024
- b. Initiated 2nd Round Misc County Service Areas MSR (near completion)
- c. Initiated 2nd round reclamation district MSR (currently underway)

Special Projects/Activities

- a. Completed special study covering finances and operations (cemetery districts)
- b. Completed recruitment for Public Member Alternate seat
- c. Ongoing discussions regarding several future annexations/reorganizations

Administrative and Other Activities

- a. Appointed 2024 LAFCO Chair Lewis and Vice Chair (McGill) and in January 2025 appointed Commissioner McGill as Chair and Commissioner Quinto as Vice Chair
- b. Held a LAFCO Commissioner Workshop in September 2024
- c. Welcomed Commissioner Rob Schroder – Public Member Alternate
- d. Updated LAFCO Salary Plan
- e. Updated LAFCO Policies & Procedures
- f. Completed GASB 68 report
- g. Initiated major update to LAFCO Directory of Local Agencies (ongoing)
- h. Ongoing website updates
- i. Provided quarterly budget reports
- j. Conducted employee performance reviews
- k. Provide comments on local agency environmental documents
- l. Submitted position letters on various bills affecting LAFCOs
- m. Participated in and supported CALAFCO
- n. Approved 2025 LAFCO Meeting Schedule
- o. Updated the list of LAFCO pre-qualified MSR and CEQA consultants

FY 2025-26 Work Plan

The recommended work plan for FY 2025-26 includes the following activities:

- ❖ Complete 3rd round Reclamation Districts MSR/SOI Updates (underway)
- ❖ Initiate MSRs – next in the queue include irrigation districts (two), municipal improvement district (one), and water districts (three)
- ❖ Complete annual financial audit
- ❖ Complete annual actuarial valuation
- ❖ Policy and procedures updates as needed

In conclusion, the Commission and LAFCO staff continue to exercise fiscal prudence, recognizing the financial constraints of our funding agencies. Approval of the proposed 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 the staff report and open the public hearing to accept testimony on the Proposed FY 2025-26 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Proposed FY 2025-26 Budget, with any desired changes, and authorize staff to distribute the Proposed Budget to the County, cities and independent special districts as required by GC §56381, and
4. Schedule a public hearing prior to June 15, 2024 to adopt the Final FY 2025-26 LAFCO Budget.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment – Proposed FY 2025-26 LAFCO Budget

c: Distribution

PROPOSED FY 2025-26 BUDGET

April 9 2025

Attachment

	FY 2024-25	FY 2024-25	Proposed
	<u>Approved</u>	<u>Year-end</u>	<u>(2025-26 Budget</u>
		<u>Estimated</u>	
Salaries and Employee Benefits			
Permanent Salaries– 1011	\$ 292,232	\$ 296,144	\$ 306,844
Deferred Comp Cty Contribution - 1015	\$ 1,020	\$ 1,020	\$ 1,020
FICA- 1042	\$ 17,000	\$ 17,000	\$ 18,000
Retirement expense- 1044	\$ 104,000	\$ 104,000	\$ 109,000
Employee Group Insurance- 1060	\$ 49,900	\$ 49,900	\$ 52,400
Retiree Health Insurance- 1061	\$ 14,000	\$ 6,000	\$ 7,500
Unemployment Insurance- 1063	\$ 640	\$ 630	\$ 650
Workers Comp Insurance- 1070	\$ 1,700	\$ 1,600	\$ 1,700
Total Salaries and Benefits	\$ 480,492	\$ 476,294	\$ 497,114
Services and Supplies			
Office Expense- 2100	\$ 3,000	\$ 2,700	\$ 3,000
Publications -2102	\$ 330	100	\$ 300
Postage -2103	\$ 1,100	250	\$ 1,100
Communications - 2110	\$ 2,200	600	\$ 1,200
Tele Exchange Services 2111	\$ 1,000	1,300	\$ 2,300
Minor Furniture/Equipment - 2131	\$ 1,200	400	\$ 1,200
Minor Comp Equipment - 2132	\$ 1,100	800	\$ 7,400
Pubs & Legal Notices 2190	\$ 2,500	\$ 2,400	\$ 2,500
Memberships - 2200	\$ 15,400	13,000	\$ 16,000
Rents & Leases - 2250 (copier)	\$ 4,500	4,500	\$ 5,500
Computer Software - 2251	\$ 1,000	300	\$ 1,000
Bldg Occupancy Costs - 2262	\$ 23,000	\$ 23,000	\$ 11,000
Bldg Life Cycle Costs - 2265	\$ 1,400	\$ 615	\$ 1,055
Bldg Maintennace - 2284	\$ 500	\$ 500	\$ 500
Auto Mileage Emp. – 2301	\$ 200	\$ 200	\$ 200
Other Travel Employees – 2303	\$ 15,000	\$ 8,404	\$ 10,500
Prof & Spec Services – 2310	\$ 285,240	\$ 264,775	\$ 291,665
Assessor	\$ 13,000	\$ 6,000	\$ 18,425
Financial Audit	\$ 10,000	\$ 8,035	\$ 11,000
GIS/Mapping	\$ 13,000	\$ 6,000	\$ 13,000
Legal	\$ 42,000	\$ 37,000	\$ 42,000
MSRs	\$ 180,000	\$ 180,000	\$ 180,000
Planning	\$ 10,000	\$ 10,000	\$ 8,000
Special Projects (document imaging)	\$ 2,000	\$ 2,000	\$ 2,000
Misc Investment Services/CCERA Fees	\$ 240	\$ 240	\$ 240
Special Studies/Workshop/Actuarial Valuation	\$ 12,000	\$ 12,000	\$ 12,000
Website Management	\$ 3,000	\$ 3,500	\$ 5,000
Data Processing Services - 2110 & 2315	\$ 13,000	\$ 2,329	\$ 11,000
Data Processing Security - 2326	\$ 1,000	-	\$ 1,000
Courier - 3622	\$ 1,200	\$ 250	\$ 1,200
Telcomm Rents, Leases, Labor - 2335	\$ 120	-	\$ 120
Other Inter-Dept Costs - 2340	\$ 700	-	\$ 700
Liability/E&O Insurance - 2360	\$ 6,920	\$ 8,143	\$ 7,760
Commission Training/Registration/Stipends - 2467	\$ 30,000	\$ 21,000	\$ 30,000
NOD/NOE Filings - 2490	600	\$ 150	\$ 300
Total Services & Supplies	\$ 412,210	\$ 320,812	\$ 408,500
Total Expenditures	\$ 892,702		\$ 905,614
Contingency Reserve	\$ 87,000		\$ 87,000
OPEB Trust	\$ 30,000		\$ 30,000
CCERA Pre-Fund	\$ 25,000		\$ 25,000
TOTAL APPROPRIATIONS	\$ 1,034,702		\$ 1,047,614
TOTAL REVENUES	\$ 1,034,702		\$ 1,047,614
Agency contributions - 9500 & 9800	\$ 759,702		\$ 772,614
Application & other revenues	\$ 25,000		\$ 25,000
Fund Balance Contribution	\$ 250,000		\$ 250,000