



Lou Ann Teixeira  
Executive Officer

June 10, 2026

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Agenda Item 6

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

**Final FY 2026-27 Budget and Work Plan - Hearing to consider approving the final FY 2026-27 LAFCO Budget and Work Plan**

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 mid-May and final budget by mid-June following noticed public hearings. This report presents the Final FY 2026-27 budget and work plan.

**BUDGET SUMMARY:** The Final FY 2026-27 budget (attached) includes appropriations totaling approximately \$1,158,914 and reflects an overall increase of approximately 0.19% as compared to the FY 2025-26 budget. The increases are primarily attributable to increases in employee salaries and benefits including health and dental insurance and retirement benefits. The Final FY 2026-27 budget also includes a contingency reserve of \$89,000. 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 2025-26 staffing level included one full-time Executive Officer (EO) and one full-time Clerk Analyst (CA) and retained the current staffing level. LAFCO staff is supplemented with consultants and County services. The Final FY 2026-27 retains the current staffing level.

The Final FY 2026-27 *Salaries & Benefits* account totals \$499,876, reflecting a 0.054% increase as compared to the FY 2025-26 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 provided 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 2026-27 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 Final FY 2026-27 *Services & Supplies* account totals \$408,500 and reflects a slight 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 2025-26 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 2026-27 Final 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 funded. The Final FY 2026-27 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 Final FY 2026-27 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 2026-27 Final budget includes \$25,000 in application fees. Application activity was moderate in FY 2025-26. It is projected that LAFCO will receive approximately \$22,000 in application fees in FY 2026-27. The Final FY 2026-27 budget includes an anticipated \$23,000 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 2025-26 fund balance will be calculated at year end. Based on the beginning year fund

balance, and projected FY 2026-27 revenues and expenses, it is estimated that the available fund balance will be approximately \$800,000.

The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2026-27 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 2026-27 budget includes \$250,000 in fund balance to offset FY 2026-27 revenues, thereby slightly 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 0.040%. The proposed use of the available fund balance will offset agency contributions for FY 2026-27. The total amount of revenue from funding agencies required to fund the FY 2026-27 budget is \$789,889, reflecting a 0.037% increase.

#### **LAFCO RESPONSIBILITIES, ACCOMPLISHMENTS & GOALS**

The FY 2026-27 budget schedule provides for public hearings and consideration of a Final budget prior to June 19, 2026. 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 Final 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 2025-26**

The following is a list of LAFCO's accomplishments for FY 2025-26:

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

- a. Received and processed seven new applications
- b. Completed proceedings for one annexation/dissolution, one out-of-agency service application, and five new annexation applications along with corresponding public hearings
- c. The Commission continued LAFCO Pending dissolution of CSA R-9

### **MSRs/SOI Updates**

- a. Completed County Service Areas MSR/SOI updates
- b. Completed 3<sup>rd</sup> Round Reclamation Districts MSR/SOI updates
- c. Initiated 2<sup>nd</sup> second round irrigation and water districts MSR/SOI updates (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

### **Administration and Other Activities**

- a. In January 2025, the Commission appointed McGill as Chair, and Gabriel Quinto as Vice Chair; in January 2026, the Commission appointed Vice Chair Quinto as Chair and Diane Burgis as Vice Chair
- b. In 2025, LAFCO welcomed new Commissioners Dawn Morrow (Specia District Member), Laura Nakamura (City Member), and Marisol Rubio (City Member)
- c. LAFCO updated the LAFCO Salary Plan
- d. The LAFCO Polices & Procedures Committee provided updates to LAFCO policies needed
- e. LAFCO staff assisted in completing the GASB 68 report
- f. A new GASB report is currently underway
- g. LAFCO staff-initiated updates to LAFCO Directory of Local Agencies (ongoing)
- h. LAFCO staff updated the LAFCO website updates
- i. LAFCO staff provided quarterly budget reports
- j. Commissioners and the LAFCO Executive Officer conducted employee performance reviews
- k. LAFCO staff provided comments on local agency environmental documents
- l. LAFCO staff submitted position letters on various bills affecting LAFCOs
- m. LAFCO staff participated in CALAFCO meetings and supported CALAFCO
- n. The Commission approved the 2025 and 2026 LAFCO Meeting Schedules
- o. LAFCO staff updated the list of LAFCO pre-qualified MSR and CEQA consultants

## **FY 2026-27 Work Plan**

The recommended work plan for FY 2026-27 includes the following activities:

- ❖ Complete annual financial audit
- ❖ Complete annual actuarial valuation
- ❖ Update policies and procedures as needed
- ❖ Third Round MSRs/SOI Updates – to be determined

Conclusion, the Commission and LAFCO staff continue to exercise fiscal prudence, recognizing the financial constraints of our funding agencies. Approval of the FY 2026-27 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 the staff report and open the public hearing and accept testimony regarding the Final FY 2026-27 LAFCO Budget,
2. After receiving public comments, close the hearing,
3. After Commission discussion, adopt the Final FY 2026-27 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 §56381.

Respectfully submitted,

*Lou Ann Texeira*

LOU ANN TEXEIRA  
EXECUTIVE OFFICER

c: Distribution  
Attachment 6.1 – Budget and Work Plan

**FINAL FY 2026-27 BUDGET**

June 11 2026

Attachment 6.1

	<b>FY 2025-26</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>
	<b>Final Budget</b>	<b>Year-end</b>	
	<b>Approved</b>	<b>Estimated</b>	<b>Final Budget</b>
<b>Salaries and Employee Benefits</b>			
Permanent Salaries- 1011	\$ 306,844	\$ 305,987	\$380,000
Deferred Comp Cty Contribution - 1015	\$ 1,020	\$ 1,020	\$1,090
FICA- 1042	\$ 18,000	\$ 17,000	\$22,000
Retirement expense- 1044	\$ 109,000	\$ 104,000	\$110,000
Employee Group Insurance- 1060	\$ 52,400	\$ 49,900	54,998
Retiree Health Insurance- 1061	\$ 7,500	\$ 6,000	\$7,000
Unemployment Insurance- 1063	\$ 650	\$ 630	\$670
Workers Comp Insurance- 1070	\$ 1,700	\$ 1,600	\$19,000
<b>Total Salaries and Benefits</b>	<b>\$ 497,114</b>	<b>\$ 486,137</b>	<b>\$594,758</b>
<b>Services and Supplies</b>			
Office Expense- 2100	\$ 3,000	\$ 2,700	\$2,800
Publications -2102	\$ 300	100	\$300
Postage -2103	\$ 1,100	250	\$900
Communications - 2110	\$ 1,200	600	\$1,100
Tele Exchange Services 2111	\$ 2,300	1,300	\$2,300
Minor Furniture/Equipment - 2131	\$ 1,200	400	\$1,100
Minor Comp Equipment - 2132	\$ 7,400	800	\$900
Pubs & Legal Notices 2190	\$ 2,500	\$ 2,400	\$2,400
Memberships - 2200	\$ 16,000	13,000	\$14,000
Rents & Leases - 2250 (copier)	\$ 5,500	4,500	\$4,500
Computer Software - 2251	\$ 1,000	300	\$600
Bldg Occupancy Costs - 2262	\$ 11,000	\$ 23,000	\$23,000
Bldg Life Cycle Costs - 2265	\$ 1,055	\$ 615	\$700
Bldg Maintennace - 2284	\$ 500	\$ 500	\$550
Auto Mileage Emp. - 2301	\$ 200	\$ 200	\$200
Other Travel Employees - 2303	\$ 10,500	\$ 8,404	\$7,000
Prof & Spec Services - 2310	<b>\$ 291,665</b>	<b>\$ 264,775</b>	<b>\$306,870</b>
Assessor	\$ 18,425	\$ 6,000	\$15,000
Financial Audit	\$ 11,000	\$ 8,035	\$10,000
GIS/Mapping	\$ 13,000	\$ 6,000	\$12,000
Legal	\$ 42,000	\$ 37,000	\$42,000
MSRs	\$ 180,000	\$ 180,000	\$195,000
Planning	\$ 8,000	\$ 10,000	\$10,000
Special Projects (document imaging)	\$ 2,000	\$ 2,000	\$2,300
Misc Investment Services/CCERA Fees	\$ 240	\$ 240	\$250
Special Studies/Workshop/Actuarial Valuation	\$ 12,000	\$ 12,000	\$13,000
Website Management	\$ 5,000	\$ 3,500	\$3,500
Data Processing Services - 2110 & 2315	\$ 11,000	\$ 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	\$ 7,760	\$ 8,143	\$8,400
Commission Training/Registration/Stipends - 2467	\$ 30,000	\$ 21,000	\$30,000
NOD/NOE Filings - 2490	\$ 300	\$ 150	
<b>Total Services &amp; Supplies</b>	<b>\$ 408,500</b>	<b>\$ 320,812</b>	<b>\$ 407,200</b>
<b>Total Expenditures</b>	<b>\$ 905,614</b>	<b>\$ 806,949</b>	<b>\$901,628</b>
<b>Contingency Reserve</b>	\$ 87,000		\$ 87,000
<b>OPEB Trust</b>	\$ 30,000		\$ 30,000
<b>CCERA Pre-Fund</b>	\$ 25,000		\$ 25,000
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 1,047,614</b>		<b>\$ 1,043,628</b>
<b>TOTAL REVENUES</b>	<b>\$ 1,047,614</b>		<b>\$1,043,628</b>
Agency contributions - 9500 & 9800	\$ 772,614		\$792,456
Application & other revenues	\$ 25,000		\$ 25,000
Fund Balance Contribution	\$ 250,000		\$ 250,000