

M E M O R A N D U M

TO: Local Agency Formation Commission

FROM: LAFCO Budget Committee (Chair Leverenz, Connelly, Lotter & Duncan)

SUBJECT: **Agenda Item 3.1 – Review and Consideration of Proposed Budget for Fiscal Year 2015/16**

DATE: March 25, 2015 for the Meeting of April 2, 2014

Pursuant to Government Code Section §56381, please find attached the Proposed Budget for Fiscal Year 2015/16 as unanimously recommended for adoption by the Budget Committee.

Summary

On March 4, 2015, the Budget Committee met to review and discuss the Preliminary Budget for FY 2015/16. The Committee thoroughly considered the broad spectrum of fundamental responsibilities that LAFCO, as a regulatory body of the state, is expected to address beyond the specific processing of individual applications. With this perspective in mind, the Committee reviewed the current year budget projections (revenues, expenditures and fund balance) and the preliminary budget numbers for FY 2015/16.

In addition to reviewing budget line items, the Committee's review was influenced by the following factors:

1. The Commission's recognition of the ever increasing roles that LAFCO's have in:
 - Assisting local agencies in the understanding of governance options and providing guidance to smaller agencies seeking to enhance their service capabilities;
 - Addressing local government functions and service delivery capabilities;
 - Identifying gaps in the provision of services throughout their Counties; and
 - Addressing an increasing number of legislative mandates to consider disadvantaged populations and seek improved options and opportunities for cooperation between agencies to include consolidations and mergers.
2. The Commission's continued desire to maintain a small, but consistent core staff of experienced individuals who provide superior service levels and local agency assistance.
3. The Commission's understanding that difficult economic conditions are improving yet local agency budgets are likely to remain financially tight.
4. The Commission through its staff has implemented cost saving measures, including employee furloughs, for the past seven (7) budget cycles allowing it to successfully maintain FY 2006/07 member agency assessments through FY 2012/13; while each year, consistently advising member agencies of the potential necessity to incrementally increase assessments.

5. The Commission's fundamental interest in balancing its desired capability to meet statutory requirements (mandates) with the ability of contributing agencies to provide adequate levels of funding.

Current Year (FY 2014/15) Budget and Estimated Savings

Expenditure Categories	Budget	Estimated (6-30-2015)	Estimated Savings (6-30-2015)
Salaries & Wages and Benefits	443,023	443,926	-903
Services & Supplies	144,987	146,473	-1,486
Appropriations	40,000	10,000	30,000
Total Estimated Expenditure Savings for FY 2014/15			27,611

While not reflected in the proposed budget, considerable savings in Salaries and Benefits will continue from staff participation in a voluntary furlough program that equals a 10-15% reduction in pay depending on position. Although this program was initially implemented in FY 2008/09 as a flexible way to reduce personnel costs, it was a way to allow the agency to reasonably react to fluctuations in work load. However, beginning in FY 2014/15, the Commission chose to adopt a budget reflecting a budget figure for Salaries and Benefits which accurately incorporated the voluntary furlough program. Therefore, within this current fiscal year, the budget figure for Salaries and Benefits does not reflect a savings, as the savings was built into the actual adopted figure.

Budget Committee Proposal for FY 2015/16 Budget

Funding Sources

The Proposed FY 2015/16 Budget totals \$644,157 which reflects a increase of approximately 3% from the prior years' budget. Sources include:

- Interest, \$5,000 accounting for 1%.
- Member Agency Assessments, \$586,654 accounting for 91%. While the Commission maintained member agency assessments from FY 2006/07 through FY 2012/13; it diligently advised member agencies each year during the budget process and through adopted resolutions, that in order to achieve state mandated responsibilities consistent with GC 56381, the potential need to incrementally increase agency assessments would inevitably be required to meet the Commission's expectations. To this end, the Budget Committee has recommended a 5% increase FY 2015/16, which equates to a 3.74% year over year increase dating back nine years.
- Filing Fees, \$35,000 accounting for 5%.
- Miscellaneous Revenue, \$2,000 accounting for -1%.
- MSR/SOI Trust Fund Transfer, \$15,503 accounting for 2%.

Expenditures

With the exception of Salaries and Benefits, the Committee acknowledged that there were no substantial changes in other expenditures from the current fiscal year budget. County Support Services remain integrated within Services & Supplies. The overall base expenditures for operations has increased minimally by 3%.

Notice

Notice of the 2015/16 FY Preliminary Budget Committee meeting was posted on February 27, 2015 and subsequently circulated to all member agencies. Public notice for the 2015/16 FY Proposed Budget Hearing was published in the Gridley Herald, Chico Enterprise Record/Oroville Mercury Register and Paradise Post on Wednesday, March 11, 2015. In addition, public notice was also posted on Wednesday, March 11, 2015 at County Administration, the LAFCO's office and website.

ACTIONS RECOMMENDED AND REQUESTED BY BUDGET COMMITTEE:

In order to accomplish a structural, balanced budget, the Committee unanimously recommends and supports the following actions:

1. Receive comments from the public and affected agencies on the Proposed Budget for Fiscal Year 2015/16; and
2. Eliminate the reliance upon fund balance; utilize funds from within Municipal Service Review/Sphere of Influence Maintenance Fund when appropriate; and
3. Increase member agencies assessment by 5%, placing language within the budget resolution that continues to advise member agencies of the potential need to incrementally increase agency contribution rates in order to achieve the state mandated responsibilities consistent with GC56381; and
4. Authorize the continuation of permanent employee furloughs by 10-15%, resulting in 3.5 full-time employees; and
5. Authorize a 2% cost of living adjustment (COLA) to the adopted Salary Plan, as amended May 1, 2014 for Fiscal Year 2015/16; and
6. Adopt the Proposed Budget for Fiscal Year 2015/16 for transmittal to affected agencies and continue item to the May 7, 2015 meeting for final adoption.

Attachment:

1. Proposed Budget & Narrative for Fiscal Year 2015/16



Butte Local Agency Formation Commission
Proposed Budget for FY 2015/16

	2014/15			2015/16		
	Adopted: May 1, 2014			Proposed		
	Base Budget	Special Projects	Total	Base Budget	Special Projects	Total
FUNDING SOURCES						
101001 Fund Balance	7,654	-	7,654	-	-	-
4410101 Interest Earned	5,000	-	5,000	5,000	-	5,000
4410103 Unrealized Gain/Loss	-	-	-	-	-	-
4547970 County Funding	251,423	-	251,423	263,994	-	263,994
4547971 Cities Funding	251,423	-	251,423	263,994	-	263,994
4547972 Special District Funding	55,872	-	55,872	58,666	-	58,666
4617230 Filing Fees	35,000	-	35,000	35,000	-	35,000
4712523 Miscellaneous - Revenue	-	-	-	2,000	-	2,000
47125237 Miscellaneous - Refunds	-	-	-	-	-	-
4711308 Sphere of Influence Trust Fund Transfers	21,638	-	21,638	15,503	-	15,503
4712531 Reimbursement of P/Y Expenditures	-	-	-	-	-	-
Total Funding Sources	628,010	-	628,010	644,157	-	644,157
EXPENDITURES						
Salaries & Wages						
511 Salaries & Wages	304,612	-	304,612	310,704	-	310,704
Benefits						
518002 CalPERS (Employer)	38,523	-	38,523	42,206	-	42,206
518003 ICMA Deferred Compensation & Medicare Tax	23,303	-	23,303	23,769	-	23,769
518004 Health, Dental & Vision Insurance	43,623	-	43,623	48,880	-	48,880
518005 Employee Assistance Program	528	-	528	528	-	528
518006 SUI, ETT & SDI	3,967	-	3,967	3,593	-	3,593
518007 CalPERS (Employee)	21,323	-	21,323	21,750	-	21,750
518010 Cash Back Payments	6,067	-	6,067	6,067	-	6,067
518012 Flexible Spending Program	-	-	-	25	-	25
518014 Basic Life Insurance	132	-	132	132	-	132
518024 Long Term Disability Insurance	945	-	945	964	-	964
Total Benefits	138,411	-	138,411	147,914	-	147,914
Total Salaries & Wages and Benefits	443,023	-	443,023	458,618	-	458,618
Services & Supplies						
523 Communications County Services	162	-	162	162	-	162
523201 Communications	2,900	-	2,900	2,950	-	2,950
523203 Communications - Cell Phone Allowance	840	-	840	840	-	840
	3,902	-	3,902	3,952	-	3,952
526201 Household Expense	750	-	750	500	-	500
527201 General Insurance-Outside Purchase	4,096	-	4,096	3,700	-	3,700
528 Compensation Insurance	2,300	-	2,300	1,900	-	1,900
533 Memberships	4,167	-	4,167	4,350	-	4,350
535201 Office Expense-Outside Purchase	6,313	-	6,313	6,000	-	6,000
536 Professional & Specialized Services						
County Accounting Services	3,401	-	3,401	3,401	-	3,401
County Treasury Services	35	-	35	35	-	35
County Human Resource Services	13,500	-	13,500	13,500	-	13,500
Annual Audit Fees	7,571	-	7,571	8,000	-	8,000
Legal Counsel Fees	24,000	-	24,000	24,000	-	24,000
GIS Consulting Services	15,000	-	15,000	15,000	-	15,000
	63,507	-	63,507	63,936	-	63,936
537 Publications & Legal Notices	1,900	-	1,900	1,900	-	1,900
538 Rents & Leases-Buildings	24,122	-	24,122	24,661	-	24,661
539 Rents & Leases-Equipment	300	-	300	300	-	300
541 Special Departmental Expense	3,500	-	3,500	3,500	-	3,500
542 County Data Processing/Information Services	6,680	-	6,680	6,680	-	6,680
543201 Transportation & Travel/Outside Purchase	19,750	-	19,750	19,750	-	19,750
544201 Utilities - Non-ISF Payments	3,700	-	3,700	4,410	-	4,410
Total Services & Supplies	144,987	-	144,987	145,539	-	145,539
Appropriations						
580 Contingency	30,000	-	30,000	30,000	-	30,000
7970 Reserve	10,000	-	10,000	10,000	-	10,000
Total Appropriations	40,000	-	40,000	40,000	-	40,000
Total Services & Supplies and Appropriations	184,987	-	184,987	185,539	-	185,539
Total	628,010	-	628,010	644,157	-	644,157

Proposed Budget Narrative for Fiscal Year 2015-2016

April 2, 2015

FUNDING SOURCES:

101001 - Fund Balance **\$0.00**

4410101 - Interest Earned **\$5,000**

Interest income is accrued on treasury cash.

4547970; 4547971; 4547972 - Member Agency Funding **\$586,654**

Allocation and Proportionate Share of Funding Requirement:

4547970: County (45%) @ \$263,994
4547971: Cities (45%) @ \$263,994
4547972: Special Districts (10%) @ \$58,666

Calculations are prepared by the Butte County Auditor. Individual city shares are based on revenue as reported in the most recent edition of the Cities Annual Report published by the State Controller. Individual special district shares are based on revenues as reported in the most recent report of the "Financial Transactions Concerning Special Districts" published by the State Controller.

4617230 - Filing Fees **\$35,000**

Pursuant to the adopted Fee Schedule, application filing fees are charged to applicants for the processing of applications submitted for sphere of influence amendments, formations of special districts and changes of organization and reorganization. Application processing fees vary widely depending on the complexity of the action requested.

4712523 - Miscellaneous Revenue **\$2,000**

CALAFCO Stipend.

4711308 - Sphere of Influence Trust Fund Transfers **\$15,503**

Restricted monies held within the Sphere Trust Fund for the explicit purpose of funding Commission directed staff level review and maintenance of municipal service reviews and sphere of influence plans and related actions.

EXPENDITURES:

511 - Salaries & Wages **\$310,704**

Salaries reflect base wages pursuant to the adopted Salary Plan.

518 - Employee Benefits **\$147,914**

CalPERS Retirement; ICMA Deferred Compensation & Medicare; State Unemployment Insurance, Employment Training & State Disability Insurance; Health, Dental & Vision; Employee Assistance Program; Cash Back; and Basic/Long Term Life Insurance.

523 - Communications **\$3,952**

Communication County Services (\$162); Communications (\$2,950); Cell Phone Allowance (\$840).

526 - Household Expenses **\$500**

Toiletries, cleaning supplies, floor tile buffing and other household items.

527 - General Insurance **\$3,700**

Property and General Liability coverage, provided through Special District Risk Management Authority.

528 - Workers' Compensation Insurance **\$1,900**

Workers' Compensation and Employer's Liability coverage, provided through Special District Risk Management Authority.

533 - Memberships **\$4,350**

Memberships to professional organizations, including various publications and subscriptions that support staff development on current issues affecting the agency's responsibilities.

535 - Office Expense **\$6,000**

General offices supplies, including computer software upgrades.

536 - Professional & Specialized Services **\$63,936**

County Accounting Services (\$3,401); County Treasury Services (\$35); County Human Resources Services (\$13,500); Annual Audit Fees (\$8,000); Legal Counsel Fees (\$24,000) and GIS mapping services (\$15,000).

537 - Publications & Legal Notices **\$1,900**

Subscriptions and publishing of legal notices, as required by LAFCO Policies and State Law.

Expenditures: *Continued*

538 - Rents & Leases - Buildings	\$24,661
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Pursuant to H.D. Downer Business Center, LLC lease agreement.

539 - Rents & Leases - Equipment	\$300
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Office security system.

541 - Special Department Expense	\$3,500
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Website maintenance; professional development and training.

542 - Data Processing/Information Services	\$6,680
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County Data Processing/Information Services.

543 - Transportation & Travel	\$19,750
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Attendance at conferences, meetings, trainings; CALAFCO participation and monthly vehicle allowances

544 - Utilities	\$4,410
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Electricity, natural gas, water, garbage disposal and landscaping.

Appropriations:

580 - Contingency	\$30,000
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Unanticipated costs, i.e., budget shortfall coverage, special studies or legal fees.

797 - Reserve	\$10,000
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Isolated funding for accrued leave liabilities and other post employment benefits.