

MEMORANDUM

TO: Local Agency Formation Commission

FROM: LAFCO Budget Committee

SUBJECT: **Agenda Item 3.1 – Review and Consideration of Proposed Budget for Fiscal Year 2018/19**

DATE: March 23, 2018 for the Meeting of April 5, 2018

Pursuant to Government Code Section §56381, please find attached the Proposed Budget for Fiscal Year 2018/19 as unanimously recommended for adoption by the Budget Committee.

Summary

On March 12, 2018, the Budget Committee met to review and discuss both the current year budget projections and the Preliminary Budget for FY 2018/19. 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'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 consistent core staff equivalent to 3.5 full-time employees, all of whom are experienced individuals who provide superior service levels and local agency assistance.
3. The Commission's understanding that although economic conditions are generally improving, local agency budgets remain financially challenging.
4. The Commission's diligent effort over the past ten years to implement cost saving measures, including employee furloughs, and conservatively maintaining increases in annual member agency apportionments to under 3%. In addition, the Commission has been persistent in that it continues to advise member agencies of its potential necessity to incrementally increase apportionments to meet state mandated functions.

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 2017/18) Budget Overview

Expenditure Categories	Budget	Estimated (6-30-2018)	Estimated Savings (6-30-2018)
Wages and Benefits	476,974	461,130	15,844
Services & Supplies	187,298	186,899	399
Appropriations	46,000	46,000	0
Total Estimated Expenditure Savings for FY 2017/18			16,243

While not reflected in the proposed budget, considerable savings in Wages 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 effort was initially implemented in FY 2008/09 as a flexible way to reduce personnel costs (approximately \$329,038 to date) and it allowed the agency to reasonably react to fluctuations in work load. Beginning in FY 2014/15, the Commission chose to adopt a budget that more transparently reflected this quasi permanent furlough reduction in Wages and Benefits.

Budget Committee Proposal for FY 2018/19 Budget

Funding Sources

The Proposed FY 2018/19 Budget totals \$669,883 and reflects a minute increase of 1% from the prior years' budget. Sources include:

- Interest - \$6,000 accounting for 1%.
- Member Agency Apportionments - \$616,459 accounting for 92%. While the Commission very intentionally maintained flat member agency apportionments for a number of years during the recession, it has consistently advised member agencies each year during the budget process and through adopted resolutions, that in order to achieve state mandated responsibilities consistent with GC56381, the potential need to incrementally increase agency apportionments would inevitably be required to meet the Commission's expectations. The Budget Committee has recommended a 1% increase in the total budget which translates into a 2% increase to member agency apportionments, which is consistent with average increases over the past ten years.
- Charges for Services - \$21,424 accounting for 3%.
- Miscellaneous Revenue - \$6,000 accounting for 1%.
- MSR/SOI Trust Fund Transfer, \$20,000 accounting for 3%.

Expenditures

- Wages and Benefits - \$468,120 accounting for 70%.
- Services & Supplies - \$146,763 accounting for 22%.
- Appropriations - \$55,000 accounting for 8%. Appropriations reflect an increase of \$9,000 within the Reserve as recommended by the Committee.

Notice

Notice of the 2018/19 FY Preliminary Budget Committee meeting was posted on March 7, 2018 and subsequently circulated to all member agencies. Public notice for the 2018/19 FY Proposed Budget Hearing was published in the Chico Enterprise Record on Thursday, March 15, 2018. In addition, the public notice was also posted on Thursday, March 15, 2018 at County Administration, LAFCO's office and website.

ACTIONS RECOMMENDED AND REQUESTED BY BUDGET COMMITTEE:

1. Receive comments from the public and affected agencies on the Proposed Budget for FY 2018/19; and
2. Continue to place language within the budget resolution that advises 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 June 1, 2017; and
6. Authorize a \$9,000 increase to the Appropriation for Reserve; and
7. Adopt the Proposed Budget for Fiscal Year 2018/19 for transmittal to affected agencies and continue item to the next regularly scheduled Commission meeting, prior to June 15, 2018 for final adoption.

Attachment:

1. Proposed Budget & Narrative for Fiscal Year 2018/19

Butte Local Agency Formation Commission
Proposed Budget for FY 2018/19

	2017/18			2018/19		
	Adopted: June 1, 2017			Preliminary		
	Base Budget	Special Projects	Total	Base Budget	Special Projects	Total
FUNDING SOURCES						
441000 Interest	5,000	-	5,000	6,000	-	6,000
441001 Unrealized Gain/Loss	2,320	-	-	-	-	-
453006 Other Government Agencies (County)	271,967	-	271,967	277,406	-	277,406
453008 Other Government Agencies (Cities)	271,967	-	271,967	277,406	-	277,406
453008 Other-In-Lieu Revenue (Special Districts)	60,438	-	60,438	61,647	-	61,647
454000 Other-In-Lieu Revenue	-	-	-	-	-	-
462005 Charges for Services	26,580	-	26,580	21,424	-	21,424
473000 Miscellaneous Revenue	6,000	-	6,000	6,000	-	6,000
473000 Miscellaneous Revenue (SOI Trust Fund)	20,000	-	20,000	20,000	-	20,000
Total Funding Sources	664,272	-	664,272	669,883	-	669,883
EXPENDITURES						
Wages						
511000 Regular Help Wages	323,257	-	323,257	309,258	-	309,258
511010 Extra Help Wages	-	-	-	19,780	-	19,780
Total Wages	323,257	-	323,257	329,038	-	329,038
Benefits						
512010 ER PERS	29,038	-	29,038	29,459	-	29,459
512035 PERS EMPC	7,525	-	7,525	9,676	-	9,676
513000 Health Insurance	59,000	-	59,000	37,000	-	37,000
513010 Basic Life	106	-	106	144	-	144
513020 LTD Department Heads	786	-	786	752	-	752
513030 State Unemployment Insurance	644	-	644	735	-	735
515000 FICA & Medicare	24,730	-	24,730	23,946	-	23,946
516000 Employee Assistance Program	336	-	336	334	-	334
516001 Flex Spending Fees	30	-	30	236	-	236
516002 SDI	2,827	-	2,827	3,018	-	3,018
516004 EE PERS	22,628	-	22,628	21,649	-	21,649
516010 Cash Back Payments	6,067	-	6,067	12,133	-	12,133
Total Benefits	153,717	-	153,717	139,082	-	139,082
Total Wages and Benefits	476,974	-	476,974	468,120	-	468,120
Services & Supplies						
523000 Telephone Charges	3,102	-	3,102	3,102	-	3,102
523010 Fax, Pagers & Cell Phones	840	-	840	840	-	840
525020 Janitorial	500	-	500	500	-	500
526010 Insurance: Outside Purchase	4,600	-	4,600	4,875	-	4,875
531000 Associations Memberships	5,200	-	5,200	5,365	-	5,365
533030 Small Office Equipment	5,000	-	5,000	5,000	-	5,000
534000 Consultants						
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	10,000	-	10,000	10,000	-	10,000
Legal Counsel Fees	24,000	-	24,000	24,000	-	24,000
GIS Consulting Services	15,000	-	15,000	18,000	-	18,000
Total	65,936	-	65,936	68,936	-	68,936
534005 Claims Administration	2,300	-	2,300	2,200	-	2,200
534020 Data Processing	6,680	-	6,680	6,680	-	6,680
535000 Legally Required Publications	2,000	-	2,000	2,000	-	2,000
536000 Equipment: Rent and Lease	300	-	300	300	-	300
537000 Building: Rent and Lease	14,500	-	14,500	14,675	-	14,675
539001 Special Departmental Expense	3,500	-	3,500	3,750	-	3,750
540010 Vehicle Expense Reimbursement	11,040	-	11,040	11,040	-	11,040
540020 Travel/Transportation	11,000	-	11,000	11,000	-	11,000
541000 Electricity/Gas/Water/Sewer/CAM Charges	4,800	-	4,800	6,500	-	6,500
Total Services & Supplies	141,298	-	141,298	146,763	-	146,763
Appropriations						
580010 Appropriation Contingency	30,000	-	30,000	30,000	-	30,000
101001 Appropriation Reserve	16,000	-	16,000	25,000	-	25,000
Total Appropriations	46,000	-	46,000	55,000	-	55,000
Total Services & Supplies and Appropriations	187,298	-	187,298	201,763	-	201,763
Total	664,272	-	664,272	669,883	-	669,883

Proposed Budget Narrative for Fiscal Year 2018-2019

April 5, 2018

FUNDING SOURCES:

441000 – Interest Earned **\$6,000**

Interest income is accrued on treasury cash.

453006; 453008 – Member Agency Funding **\$616,459**

Allocation and Proportionate Share of Funding Requirement:

453006: Other Governmental Agencies (County @ 45%)	\$277,406
453008: Other Governmental Agencies (Cities @ 45%)	\$277,406
453008: Other-In-Lieu Revenue (Special Districts @(10%))	\$61,647

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.

462005 – Charges for Services **\$21,424**

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.

473000 – Miscellaneous Revenue **\$6,000**

CALAFCO Stipend.

473000 – Miscellaneous Revenue (SOI Trust Fund) **\$20,000**

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:

511000 – Regular Help Wages **\$329,038**

Salaries reflect base wages pursuant to the adopted Salary Plan.

5120010 thru 516010 – Benefits **\$139,082**

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

523000 – Telephone Charges **\$3,102**

Communication County Services (\$162); Communications (\$2,940).

523010 – Fax, Pagers & Cell Phones **\$840**

Cell Phone Allowance.

525020 – Janitorial **\$500**

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

526010 – Insurance: Outside Purchase **\$4,875**

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

531000 – Associations Memberships **\$5,365**

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

533030 – Small Office Equipment **\$5,000**

General offices supplies, including computer software upgrades.

534000 – Consultants **\$68,936**

County Accounting Services (\$3,401); County Treasury Services (\$35); County Human Resources Services (\$13,500); Annual Audit Fees & CalPERS GASB 68 Report (\$10,000); Legal Counsel Fees (\$24,000) and GIS Mapping Services (\$18,000).

534005 – Claims Administration **\$2,200**

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

Expenditures: *Continued*

534020 – Data Processing	\$6,680
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County Data Processing/Information Services.

535000 – Legally Required Publications	\$2,000
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Subscriptions and publishing of legal notices, as required by LAFCO Policies and State Law.

536000 – Equipment: Rent & Lease	\$300
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Office security system.

537000 – Building: Rent & Lease	\$14,675
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Pursuant to H.P. Downer Business Center, LLC lease agreement.

539001 – Special Departmental Expense	\$3,750
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Website maintenance, including security updates; professional development and training.

540010 – Vehicle Expense Reimbursement	\$11,040
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Vehicle allowances.

540020 – Transportation/Travel	\$11,000
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Attendance at conferences, meetings, trainings; and CALAFCO participation.

541000 – Electricity/Gas/Water/Sewer/CAM Charges	\$6,500
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Electricity, natural gas, water, garbage disposal, janitorial 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	\$25,000
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Isolated funding for accrued leave liabilities and other post employment benefits.