

MEMORANDUM

TO: Local Agency Formation Commission

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

SUBJECT: **Agenda Item 4.2 – Review and Consideration of Proposed Budget for Fiscal Year 2014/15**

DATE: March 27, 2014 for the Meeting of April 3, 2014

Pursuant to Government Code Section §56381, please find attached the Proposed Budget for Fiscal Year 2014/15 as recommended for adoption by the Budget Committee.

Summary

On February 26, 2014, the Budget Committee met to review and discuss the Preliminary Budget for FY 2014/15. 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 2014/15.

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 six (6) 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 2013/14) Budget and Estimated Savings

Expenditure Categories	Budget	Estimated (6-30-2014)	Estimated Savings (6-30-2014)
Salaries & Wages and Benefits	477,410	435,534	41,876
Services & Supplies	134,299	133,728	571
County Support Services	26,341	26,341	0
Appropriations	40,000	10,000	30,000
Total Estimated Expenditure Savings for FY 2013/14			78,447

The majority of the estimated savings results from staff participation in a voluntary furlough program that equals a 10-15% reduction in pay depending on position and is committed to fund future employee compensation. 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. Other unspent expenditures or realized savings remain within the fund balance, which has nearly depleted, as a result of reliance over the past seven years of uncertainty and a filing fee revenue that has been reduced significantly.

Budget Committee Proposal for FY 2014/15 Budget

Funding Sources

The Proposed FY 2014/15 Budget totals \$628,010 which reflects a *decrease* of approximately 7% from the prior years' budget. Sources include:

- Fund Balance, \$7,654 accounting for 1%.
- Interest, \$5,000 accounting for 1%.
- Member Agency Assessments, \$558,718 accounting for 89%. 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 15% increase FY 2014/15, which equates to a 3.11% annual increase dating back seven years.
- Filing Fees, \$35,000 accounting for 6%.
- MSR/SOI Trust Fund Transfer, \$21,638 accounting for 3%.

Expenditures

With the exception of the server replacement and software/license updates purchased FY 2013/14; the Committee acknowledged that there were no substantial changes in expenditures from the current fiscal year budget. Although only a formatting issue, the County has informed LAFCO the necessity to integrate County Support Services within Services & Supplies within FY 2013/14 as well as future year budgets. Therefore, the shift accurately reflects where expenditures are to be charged and does not affect the overall budget figures. The overall base expenditures for operations has *decreased* by approximately 7%.

Although overall budget expenditures may continue to be flat, member agencies should continue to recognize that their assessments may continue to fluctuate based upon actual fee revenue generated.

Recommendations

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

1. Eliminate the reliance upon fund balance; utilize funds from within Municipal Service Review/Sphere of Influence Maintenance Fund when appropriate; and
2. Increase member agencies assessment by 15%, 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
3. Authorize permanent employee furloughs by 10-15%, resulting in a permanent reduction from 4 to 3.5 full-time equivalent employees; and
4. Following five years of zero salary amendments, authorize a 2% cost of living adjustment (COLA) to the adopted 2008 Salary Plan and Incentive Pay provisions of the Personal Policies for Fiscal Year 2014/15 in recognition that employees have voluntarily furloughed and waived COLA's for the past five years.

Notice

Notice of the 2014/15 FY Preliminary Budget Committee meeting was posted on February 21 and subsequently circulated to all member agencies.. Public notice for the 2014/15 FY Proposed Budget Hearing was published in the Gridley Herald, Chico Enterprise Record/Oroville Mercury Register and Paradise Post on Wednesday, March 12, 2014. In addition, public notice was also posted on Wednesday, March 12, 2014 at County Administration, the 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 Fiscal Year 2014/15; and
2. Authorize permanent employee furloughs by 10-15%, resulting in 3.5 full-time employees; and

3. Authorize a 2% cost of living adjustment (COLA) to the adopted 2008 Salary Plan and Incentive Pay provisions of the Personnel Policies for Fiscal Year 2014/15; and
4. Place language in 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
5. Adopt the Proposed Budget for Fiscal Year 2014/15 for transmittal to affected agencies and continue item to the May 1, 2014 meeting for final adoption.

Attachment:

1. Proposed Budget & Narrative for Fiscal Year 2014/15



**Butte Local Agency Formation Commission
Proposed Budget for FY 2014/15 - April 3, 2014**

	2013/14			2013/14			2014/15		
	As Adopted May 2, 2013			Reference Note Below			Proposed	Special Project	Total
	Adopted	Special Project	Total	Adopted	Special Project	Total			
FUNDING SOURCES									
101001 Fund Balance	93,986	-	93,986	93,986	6,224	100,210	7,654	-	7,654
4410101 Interest Earned	7,000	-	7,000	7,000	-	7,000	5,000	-	5,000
4547970 County Funding	218,628	-	218,628	218,628	-	218,628	251,423	-	251,423
4547971 Cities Funding	218,628	-	218,628	218,628	-	218,628	251,423	-	251,423
4547972 Special District Funding	48,584	-	48,584	48,584	-	48,584	55,872	-	55,872
4617230 Filing Fees	35,000	-	35,000	35,000	-	35,000	35,000	-	35,000
4711308 Sphere of Influence Trust Fund Transfers	50,000	-	50,000	50,000	-	50,000	21,638	-	21,638
4712523 Miscellaneous Income	-	-	-	-	-	-	-	-	-
4712531 Reimbursement of P/Y Expenditures	-	-	-	-	-	-	-	-	-
Total Funding Sources	671,826	-	671,826	671,826	6,224	678,050	628,010	-	628,010
EXPENDITURES									
Salaries & Wages									
511 Salaries & Wages	338,870	-	338,870	338,870	-	338,870	304,612	-	304,612
Benefits									
518002 PERS Miscellaneous Contribution	40,294	-	40,294	40,294	-	40,294	38,523	-	38,523
518003 ICMA Deferred Compensation & Medicare Tax	25,924	-	25,924	25,924	-	25,924	23,303	-	23,303
518004 Health, Dental & Vision Insurance	36,426	-	36,426	36,426	-	36,426	43,623	-	43,623
518005 Employee Assistance Program	528	-	528	528	-	528	528	-	528
518006 SUI, ETT & SDI	4,397	-	4,397	4,397	-	4,397	3,967	-	3,967
518007 PERS Buyout	23,721	-	23,721	23,721	-	23,721	21,323	-	21,323
518010 Cash Back Payments	6,067	-	6,067	6,067	-	6,067	6,067	-	6,067
518012 Flexible Spending Program	-	-	-	-	-	-	-	-	-
518014 Basic Life Insurance	132	-	132	132	-	132	132	-	132
518024 Long Term Disability Insurance	1,051	-	1,051	1,051	-	1,051	945	-	945
Total Benefits	138,540	-	138,540	138,540	-	138,540	138,411	-	138,411
Total Salaries & Wages and Benefits	477,410	-	477,410	477,410	-	477,410	443,023	-	443,023
Services & Supplies									
523 Communications Services	-	-	-	162	-	162	162	-	162
523201 Communications	2,900	-	2,900	2,900	-	2,900	2,900	-	2,900
523203 Communications - Cell Phone Allowance	840	-	840	840	-	840	840	-	840
526201 Household Expense	750	-	750	750	-	750	750	-	750
527201 General Insurance-Outside Purchase	4,096	-	4,096	4,096	-	4,096	4,096	-	4,096
528 Compensation Insurance	2,000	-	2,000	2,000	-	2,000	2,300	-	2,300
533 Memberships	4,220	-	4,220	4,220	-	4,220	4,167	-	4,167
535201 Office Expense-Outside Purchase/County General Services	3,750	11,000	14,750	6,313	11,000	17,313	6,313	-	6,313
536 Professional & Specialized Services	-	-	-	-	-	-	-	-	-
County Accounting Services	-	-	-	3,401	-	3,401	3,401	-	3,401
County Treasury Services	-	-	-	35	-	35	35	-	35
County Human Resources	-	-	-	13,500	-	13,500	13,500	-	13,500
Annual Audit Fees	7,350	-	7,350	7,350	-	7,350	7,571	-	7,571
Legal Counsel Fees	24,000	-	24,000	24,000	-	24,000	24,000	-	24,000
GIS Consulting Services	15,000	-	15,000	15,000	-	15,000	15,000	-	15,000
El Medio MSR Update & SOI Plan	-	-	-	-	6,224	6,224	-	-	-
	46,350	-	46,350	63,286	6,224	69,510	63,507	-	63,507
537 Publications & Legal Notices	1,900	-	1,900	1,900	-	1,900	1,900	-	1,900
538 Rents & Leases-Buildings	23,419	-	23,419	23,419	-	23,419	24,122	-	24,122
539 Rents & Leases-Equipment	300	-	300	300	-	300	300	-	300
541 Special Departmental Expense	3,500	-	3,500	3,500	-	3,500	3,500	-	3,500
542 Data Processing/County Information Services	-	-	-	6,680	-	6,680	6,680	-	6,680
543201 Transportation & Travel/Outside Purchase	19,750	-	19,750	19,750	-	19,750	19,750	-	19,750
544201 Utilities - Non-ISF Payments	3,300	-	3,300	3,300	-	3,300	3,700	-	3,700
Total Services & Supplies	117,075	11,000	128,075	143,416	17,224	160,640	144,987	-	144,987
County Support Services (See Note Below)									
554572 Procurement Services	2,563	-	2,563	-	-	-	-	-	-
554573 Auditor	3,401	-	3,401	-	-	-	-	-	-
554575 Treasurer - Tax Collector	35	-	35	-	-	-	-	-	-
554576 Human Resources	13,500	-	13,500	-	-	-	-	-	-
554578 Information Systems	6,842	-	6,842	-	-	-	-	-	-
Total County Support Services	26,341	-	26,341	-	-	-	-	-	-
Appropriations									
580 Contingency	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000
7970 Reserve	10,000	-	10,000	10,000	-	10,000	10,000	-	10,000
Total Appropriations	40,000	-	40,000	40,000	-	40,000	40,000	-	40,000
Total Services & Supplies,	183,416	11,000	194,416	183,416	17,224	200,640	184,987	-	184,987
County Support Services and Appropriations	183,416	11,000	194,416	183,416	17,224	200,640	184,987	-	184,987
Total	660,826	11,000	671,826	660,826	17,224	678,050	628,010	-	628,010

NOTE: Beginning in FY 2013/14, County Support Services have been integrated within Services & Supplies.

Proposed Budget Narrative for Fiscal Year 2014-2015

April 3, 2014

Funding Sources:

101001 - Fund Balance **\$7,654**

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

Interest income is accrued on treasury cash.

4547970; 4547971; 4547972 - Member Agency Funding **\$558,718**

Allocation and Proportionate Share of Funding Requirement:

4547970: County (45%) @ \$251,423
4547971: Cities (45%) @ \$251,423
4547972: Special Districts (10%) @ \$55,872

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.

4711308 - Sphere of Influence Trust Fund Transfers **\$21,638**

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 **\$304,612**

Salaries reflect base wages pursuant to the adopted Salary Plan.

518 - Employee Benefits **\$138,411**

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	\$3,902
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County Communication Services (\$162); Monthly expense (\$2,900) and cell phone allowance (\$840).

526 - Household Expenses	\$750
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Toiletries, cleaning supplies, floor tile buffing and other household items.

527 - General Insurance	\$4,096
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Property and General Liability coverage, provided through Special District Risk Management Authority.

528 - Workers' Compensation Insurance	\$2,300
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Workers' Compensation and Employer's Liability coverage, provided through Special District Risk Management Authority.

533 - Memberships	\$4,167
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Memberships to professional organizations, including various publications and subscriptions that support staff development on current issues affecting the agency's responsibilities.

535 - Office Expense	\$6,313
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County General Services, i.e., copier, printing and postage (\$2,563); General offices supplies, including computer software upgrades (\$3,750).

536 - Professional & Specialized Services	\$63,507
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County Accounting Services (\$3,401); County Treasury Services (\$35); County Human Resources Services (\$13,500); and other annual professional services including legal counsel fees (\$24,000), GIS mapping services (\$15,000) and financial audit (\$7,571).

537 - Publications & Legal Notices	\$1,900
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Subscriptions and publishing of legal notices, as required by LAFCO Policies and State Law.

538 - Rents & Leases - Buildings	\$24,122
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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	\$6,680
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County Information Services.

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

544 - Utilities	\$3,700
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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.