

MEMORANDUM

TO: Local Agency Formation Commission

FROM: LAFCO Budget Committee

SUBJECT: **Agenda Item 3.1 – Review and Consideration of Proposed Budget for Fiscal Year 2016/17**

DATE: March 30, 2016 for the Meeting of April 7, 2016

Pursuant to Government Code Section §56381, please find attached the Proposed Budget for Fiscal Year 2016/17 as unanimously recommended for adoption by the Budget Committee.

Summary

On March 10, 2016, the Budget Committee met to review and discuss the Preliminary Budget for FY 2016/17. 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 and the preliminary budget numbers for FY 2016/17.

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 (3.5 FTE), but consistent core staff of experienced individuals who provide superior service levels and local agency assistance.
3. The Commission's understanding that although economic conditions are improving, local agency budgets are likely to remain financially challenging.
4. The Commission through its staff has implemented cost saving measures, including employee furloughs, for the past nine budget cycles allowing it to successfully maintain FY 2015/16 member agency assessments through FY 2016/17; 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 2015/16) Budget Overview

Expenditure Categories	Budget	Estimated (6-30-2016)	Estimated Savings (6-30-2016)
Salaries & Wages and Benefits	458,618	453,231	5,397
Services & Supplies	145,539	147,138	-1,599
Appropriations	40,000	10,000	30,000
Total Estimated Expenditure Savings for FY 2015/16			33,798

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 (\$285,000 to date), it was a way to allow the agency to reasonably react to fluctuations in work load as well. However, beginning in FY 2014/15, the Commission chose to adopt a budget that reflected this furlough reduction in Salaries and Benefits. Therefore, within this current fiscal year, the budget figure for Salaries and Benefits reflects a small savings, primarily in the cost of Benefits.

Budget Committee Proposal for FY 2016/17 Budget

Funding Sources

The Proposed FY 2016/17 Budget totals \$647,225 which reflects a nominal increase of less than 1% from the prior years' budget. Sources include:

- Interest, \$5,000 accounting for 1%.
- Member Agency Assessments, \$586,654 accounting for 90%. While the Commission diligently maintained flat member agency assessments from FY 2006/07 through FY 2012/13; 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 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 no increase in member agency assessments for FY 2016/17; however, acknowledges that assessments have only increased on average 3% over the past nine years.
- Charges for Services, \$29,571 accounting for 5%.
- Miscellaneous Revenue, \$6,000 accounting for 1%.
- MSR/SOI Trust Fund Transfer, \$20,000 accounting for 3%.

Expenditures

With the exception of Salaries and Benefits, the Committee acknowledged the substantial savings of approximately \$10,400 as a result of the recently renegotiated lease agreement. With reference to other expenditures, there were no substantial changes. County Support Services remain integrated within Services & Supplies. Overall, base expenditures for operations has increased minimally by 3%.

Notice

Notice of the 2016/17 FY Preliminary Budget Committee meeting was posted on March 4, 2016 and subsequently circulated to all member agencies. Public notice for the 2016/17 FY Proposed Budget Hearing was published in the Chico Enterprise Record on Wednesday, March 15, 2016. In addition, the public notice was also posted on Wednesday, March 15, 2016 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 Fiscal Year 2016/17; and
2. Continue to eliminate the reliance upon fund balance; utilizing funds from within Municipal Service Review/Sphere of Influence Maintenance Fund when appropriate; and
3. Although an increase in member agency assessments is not proposed for Fiscal Year 2016/17, 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 May 7, 2015 for Fiscal Year 2016/17; and
6. Adopt the Proposed Budget for Fiscal Year 2016/17 for transmittal to affected agencies and continue item to the May 5, 2016 meeting for final adoption.

Attachment:

1. Proposed Budget & Narrative for Fiscal Year 2016/17



Butte Local Agency Formation Commission Proposed Budget for FY 2016/17

	2015/16			2016/17		
	Adopted: May 7, 2015			Preliminary		
	Base Budget	Special Projects	Total	Base Budget	Special Projects	Total
FUNDING SOURCES						
441000 Interest	5,000	-	5,000	5,000	-	5,000
453006 Other Government Agencies (County)	263,994	-	263,994	263,994	-	263,994
453008 Other Government Agencies (Cities)	263,994	-	263,994	263,994	-	263,994
454000 Other-In-Lieu Revenue (Special Districts)	58,666	-	58,666	58,666	-	58,666
462005 Charges for Services	35,000	-	35,000	29,571	-	29,571
473000 Miscellaneous Revenue	2,000	-	2,000	6,000	-	6,000
473000 Miscellaneous Revenue (SOI Trust Fund)	15,503	-	15,503	20,000	-	20,000
Total Funding Sources	644,157	-	644,157	647,225	-	647,225
EXPENDITURES						
Wages						
511000 Regular Help Wages	310,704	-	310,704	316,925	-	316,925
Benefits						
512010 ER PERS	42,206	-	42,206	22,000	-	22,000
512025 POB Safety SDI	-	-	-	2,760	-	2,760
512035 PERS EMPC	21,750	-	21,750	6,500	-	6,500
513000 Health Insurance	48,880	-	48,880	54,500	-	54,500
513010 Basic Life	132	-	132	144	-	144
513020 LTD Department Heads	964	-	964	1,046	-	1,046
513030 State Unemployment Insurance	3,593	-	3,593	757	-	757
515000 FICA & Medicare	23,769	-	23,769	24,100	-	24,100
516000 Employee Assistance Program	528	-	528	528	-	528
516001 Flex Spending Fees	25	-	25	40	-	40
516004 EE PERS	-	-	-	22,185	-	22,185
516010 Cash Back Payments	6,067	-	6,067	6,067	-	6,067
Total Benefits	147,914	-	147,914	140,627	-	140,627
Total Wages and Benefits	458,618	-	458,618	457,552	-	457,552
Services & Supplies						
523000 Telephone Charges	3,112	-	3,112	3,102	-	3,102
523010 Fax, Pagers & Cell Phones	840	-	840	840	-	840
525020 Janitorial	500	-	500	500	-	500
526010 Insurance: Outside Purchase	3,700	-	3,700	4,000	-	4,000
531000 Associations Memberships	4,350	-	4,350	4,850	-	4,850
533030 Small Office Equipment	6,000	-	6,000	6,000	-	6,000
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	8,000	-	8,000	11,625	-	11,625
Legal Counsel Fees	24,000	-	24,000	24,000	-	24,000
GIS Consulting Services	15,000	-	15,000	15,000	-	15,000
Total	63,936	-	63,936	67,561	-	67,561
534005 Claims Administration	1,900	-	1,900	2,300	-	2,300
534020 Data Processing	6,680	-	6,680	6,680	-	6,680
535000 Legally Required Publications	1,900	-	1,900	2,000	-	2,000
536000 Equipment: Rent and Lease	300	-	300	300	-	300
537000 Building: Rent and Lease	24,661	-	24,661	14,250	-	14,250
539001 Special Departmental Expense	3,500	-	3,500	3,500	-	3,500
540010 Vehicle Expense Reimbursement	-	-	-	11,040	-	11,040
540020 Travel/Transportation	19,750	-	19,750	18,000	-	18,000
541000 Electricity/Gas/Water/Sewer/CAM Charges	4,410	-	4,410	4,750	-	4,750
Total Services & Supplies	145,539	-	145,539	149,673	-	149,673
Appropriations						
580010 Appropriation Contingency	30,000	-	30,000	30,000	-	30,000
101001 Appropriation Reserve	10,000	-	10,000	10,000	-	10,000
Total Appropriations	40,000	-	40,000	40,000	-	40,000
Total Services & Supplies and Appropriations	185,539	-	185,539	189,673	-	189,673
Total	644,157	-	644,157	647,225	-	647,225

Proposed Budget Narrative for Fiscal Year 2016-2017

April 7, 2016

FUNDING SOURCES:

441000 – Interest Earned	\$5,000
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Interest income is accrued on treasury cash.

453006; 453008; 454000 – Member Agency Funding	\$586,654
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Allocation and Proportionate Share of Funding Requirement:

453006: Other Governmental Agencies (County @ 45%)	\$263,994
453008: Other Governmental Agencies (Cities @ 45%)	\$263,994
454000: Other-In-Lieu Revenue (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.

462005 – Charges for Services	\$29,571
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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
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CALAFCO Stipend.

473000 – Miscellaneous Revenue (SOI Trust Fund)	\$20,000
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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 **\$316,925**

Salaries reflect base wages pursuant to the adopted Salary Plan, including a 2% COLA.

5120010 thru 516010 – Benefits **\$140,627**

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 **\$4,000**

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

531000 – Associations Memberships **\$4,850**

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 **\$6,000**

General offices supplies, including computer software upgrades.

534000 – Consultants **\$67,561**

County Accounting Services (\$3,401); County Treasury Services (\$35); County Human Resources Services (\$13,500); Annual Audit Fees (\$11,625); Legal Counsel Fees (\$24,000) and GIS mapping services (\$15,000).

534005 – Claims Administration **\$2,300**

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

Expenditures: *Continued*

534020 – Data Processing **\$6,680**

County Data Processing/Information Services.

535000 – Legally Required Publications **\$2,000**

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

536000 – Equipment: Rent & Lease **\$300**

Office security system.

537000 – Building: Rent & Lease **\$14,250**

Pursuant to H.P. Downer Business Center, LLC lease agreement.

539001 – Special Departmental Expense **\$3,500**

Website maintenance; professional development and training.

540010 – Vehicle Expense Reimbursement **\$11,040**

Vehicle allowances.

540020 – Transportation/Travel **\$18,000**

Attendance at conferences, meetings, trainings; and CALAFCO participation.

541000 – Electricity/Gas/Water/Sewer/CAM Charges **\$4,750**

Electricity, natural gas, water, garbage disposal, janitorial and landscaping.

Appropriations:

580 - Contingency **\$30,000**

Unanticipated costs, i.e., budget shortfall coverage, special studies or legal fees.

797 - Reserve **\$10,000**

Isolated funding for accrued leave liabilities and other post employment benefits.