

MEMORANDUM

TO: Local Agency Formation Commission

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

SUBJECT: **Agenda Item 3.1 – Review and Consideration of Proposed Budget for Fiscal Year 2013/14**

DATE: March 28, 2013 for the Meeting of April 4, 2013

Pursuant to Government Code Section §56381, please find attached the Proposed Budget for Fiscal Year 2013/14 as recommended by the Budget Committee.

Summary

On February 28, 2013, the Budget Committee met to review and discuss the Preliminary Budget for FY 2013/14. 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 balances) and the preliminary budget numbers for FY 2013/14.

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;
 - 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 five (5) 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; and

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 2012/13) Budget and Estimated Savings

Expenditure Categories	Budget	Estimated (6-30-2013)	Estimated Savings (6-30-2013)
Salaries & Wages and Benefits	490,900	436,667	54,223
Services & Supplies	131,246	131,203	43
County Support Services	39,824	39,768	56
Appropriations	40,000	10,000	30,000
Total Estimated Expenditure Savings for FY 2012/13			84,322

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. This program was initially implemented in FY 2008/09 as a flexible way to reduce personnel costs while allowing the agency to reasonably react to fluctuations in work load. To offset employee costs, the reported savings of \$54,223 has been included within the proposed FY 2013/14 Budget. Since implementation, the voluntary furlough program has resulted in an approximate savings of \$216,000.

Other unspent expenditures or realized savings remain within the overall uncommitted fund balance.

Budget Committee Proposal for FY 2013/14 Budget

Funding Sources

The Proposed FY 2013/14 Budget totals \$671,826 which reflects a *decrease* of approximately 4% from the prior years' budget. Sources include:

- Fund Balance, \$93,986 of which approximately \$52,223 is from furlough, accounting for 14%.
- Interest, \$7,000 accounting for 1%.
- Member Agency Assessments, \$485,840 accounting for 72%. While the Commission has maintained member agency assessments since FY 2006/07, it has 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 modest 10% increase FY 2013/14, which equates to a 1.67% annual increase dating back six years.
- Filing Fees, \$35,000 accounting for 5%.

- MSR/SOI Trust Fund Transfer, \$50,000 accounting for 7%.

Expenditures

The Committee acknowledged that there were no substantial changes in expenditures from the current fiscal year budget with the exception of the necessity to replace the existing server and to purchase software updates and licenses at an estimated expense of \$11,000 which occurs approximately every five years. The proposed budget also recognizes incremental increases in employee costs related to a single merit increase and associated benefits. Notwithstanding one time expenditures, the overall base expenditures for operations has *decreased* by approximately 4%.

Recommendations

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

1. Utilize \$93,986 from Fund Balance; \$50,000 from the Municipal Service Review/Sphere of Influence Maintenance Fund; and
2. Authorize the continuation of a voluntary furlough program to be executed at the discretion of the Executive Officer based on application activity and projected revenues for Fiscal Year 2013/14. This measure allows the Executive Officer to have greater flexibility in reacting to market conditions and changes in projected budget revenue shortfalls throughout the budget year and would allow employee cost savings to be utilized for future year employee compensation; and
3. Accept employee's voluntary elimination of a estimated 2% cost of living adjustment (COLA) to the adopted 2008 Salary Plan and Incentive Pay provisions of the Personal Policies for Fiscal Year 2013/14 (*fifth year of employee waiver of COLA*); 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.

Comments Received

The 2012/13 FY Proposed Budget was circulated to all member agencies on March 28, 2013 for review and comment. As of the writing of this report, staff has received no comments or inquiries.

ACTIONS RECOMMENDED AND REQUESTED BY BUDGET COMMITTEE:

1. Receive comments from the public and affected agencies on the Proposed Budget for Fiscal Year 2013/14; and
2. Authorize the continuation of a furlough program to be executed at the discretion of the Executive Officer based on application activity and projected revenues for Fiscal Year 2013/14; and

3. Accept employee's voluntary elimination of cost of living adjustments (COLA) to the adopted 2008 Salary Plan and Incentive Pay provisions of the Personal Policies for Fiscal Year 2013/14; 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 2013/14 for transmittal to affected agencies and continue item to the May 2, 2013 meeting for final adoption.

Attachments:

1. Proposed Budget & Narrative for Fiscal Year 2013/14



Butte Local Agency Formation Commission Proposed Budget for FY 2013/14 - April 4, 2013

	2012/13			2013/14			
	Adopted	Special Project	Total	Proposed	Special Project	Total	
FUNDING SOURCES							
101001 Fund Balance	97,511	-	97,511	93,986	-	93,986	
101001 Fund Balance, Reserve	50,000	-	50,000	-	-	-	
4410101 Interest Earned	9,000	-	9,000	7,000	-	7,000	
4547970 County Funding	198,753	-	198,753	218,628	-	218,628	
4547971 Cities Funding	198,753	-	198,753	218,628	-	218,628	
4547972 Special District Funding	44,167	-	44,167	48,584	-	48,584	
4617230 Filing Fees	35,000	15,786	50,786	35,000	-	35,000	
4711308 Sphere of Influence Trust Fund Transfers	50,000	-	50,000	50,000	-	50,000	
4712523 Miscellaneous Income	3,000	-	3,000	-	-	-	
4712531 Reimbursement of P/Y Expenditures	-	-	-	-	-	-	
Total Funding Sources	686,184	15,786	701,970	671,826	-	671,826	-4%
EXPENDITURES							
Salaries & Wages							
511 Salaries & Wages	335,470	-	335,470	338,870	-	338,870	
Benefits							
518002 PERS Miscellaneous Contribution	38,840	-	38,840	40,294	-	40,294	
518003 ICMA Deferred Compensation & Medicare Tax	25,665	-	25,665	25,924	-	25,924	
518004 Health, Dental & Vision Insurance	54,450	-	54,450	36,426	-	36,426	
518005 Employee Assistance Program	528	-	528	528	-	528	
518006 SUI, ETT & SDI	5,224	-	5,224	4,397	-	4,397	
518007 PERS Buyout	23,483	-	23,483	23,721	-	23,721	
518010 Cash Back Payments	6,067	-	6,067	6,067	-	6,067	
518014 Basic Life Insurance	132	-	132	132	-	132	
518024 Long Term Disability Insurance	1,041	-	1,041	1,051	-	1,051	
Total Benefits	155,430	-	155,430	138,540	-	138,540	-11%
Total Salaries & Wages and Benefits	490,900	-	490,900	477,410	-	477,410	-3%
Services & Supplies							
523201 Communications	2,995	-	2,995	2,900	-	2,900	
523203 Communications - Cell Phone Allowance	840	-	840	840	-	840	
526201 Household Expense	750	-	750	750	-	750	
527201 General Insurance-Outside Purchase	3,816	-	3,816	4,096	-	4,096	
528 Compensation Insurance	2,200	-	2,200	2,000	-	2,000	
533 Memberships	3,900	-	3,900	4,220	-	4,220	
535201 Office Expense-Outside Purchase	3,750	-	3,750	3,750	11,000	14,750	
536 Professional & Specialized Services						-	
Annual Audit Fees	6,600	-	6,600	-	-	-	
Legal Counsel Fees	24,000	-	24,000	7,350	-	7,350	
GIS Consulting Services	15,000	-	15,000	24,000	-	24,000	
El Medio MSR Update & SOI Plan	-	15,786	15,786	15,000	-	15,000	
	45,600	15,786	61,386	46,350	-	46,350	
537 Publications & Legal Notices	1,900	-	1,900	1,900	-	1,900	
538 Rents & Leases-Buildings	22,737	-	22,737	23,419	-	23,419	
539 Rents & Leases-Equipment	300	-	300	300	-	300	
541 Special Departmental Expense	3,622	-	3,622	3,500	-	3,500	
543201 Transportation & Travel/Outside Purchase	19,750	-	19,750	19,750	-	19,750	
544201 Utilities - Non-ISF Payments	3,300	-	3,300	3,300	-	3,300	
Total Services & Supplies	115,460	15,786	131,246	117,075	11,000	128,075	-2%
County Support Services							
554571 Administration	1,264	-	1,264	-	-	-	
554572 Procurement Services	8,204	-	8,204	2,563	-	2,563	
554573 Auditor	1,366	-	1,366	3,401	-	3,401	
554575 Treasurer - Tax Collector	34	-	34	35	-	35	
554576 Human Resources	3,762	-	3,762	13,500	-	13,500	
554578 Information Systems	6,979	-	6,979	6,842	-	6,842	
554579 Finance Management	2,035	-	2,035	-	-	-	
554599 Carry Forward	16,180	-	16,180	-	-	-	
Total County Support Services	39,824	-	39,824	26,341	-	26,341	-34%
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	0%
Total Services & Supplies, County Support Services and Appropriations	195,284	15,786	211,070	183,416	11,000	194,416	-8%
Total	686,184	15,786	701,970	660,826	11,000	671,826	-4%

Proposed Budget Narrative for Fiscal Year 2013-2014

April 4, 2013

Funding Sources:

101001 - Fund Balance	Proposed:	\$93,986
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4410101 - Interest	Proposed:	\$7,000
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Interest income is accrued on treasury cash.

4547970; 4547971; 4547972 - Member Agency Funding	Proposed:	\$485,840
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Allocation and Proportionate Share of Funding Requirement:

County	45%	\$218,628
Cities	45%	\$218,628
Special Districts	10%	\$ 48,584

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	Proposed:	\$35,000
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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.

4711308 - Sphere of Influence Trust Fund Transfers	Proposed:	\$50,000
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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:

511 - Salaries & Wages	Proposed:	\$338,870
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Salaries reflect base wages pursuant to the adopted Salary Plan.

518 - Employee Benefits	Proposed:	\$138,530
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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	Proposed:	\$3,740
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Communication expense (\$2,995) and cell phone allowance (\$840).

526 - Household Expenses **Proposed: \$750**

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

527 - General Insurance **Proposed: \$4,096**

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

528 - Workers' Compensation Insurance **Proposed: \$2,000**

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

533 - Memberships **Proposed: \$4,220**

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

535 - Office Expense **Proposed: \$14,750**

Offices supplies, server replacement (\$5,500) and computer software upgrades, i.e., Microsoft Office 2013 (\$2,200) & GIS licenses (\$5,550).

536 - Professional & Specialized Services **Proposed: \$46,350**

Annual professional services include legal counsel fees (\$24,000); GIS mapping services (\$15,000) and financial audit (\$7,350).

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

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

538 - Rents & Leases - Buildings **Proposed: \$23,419**

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

539 - Rents & Leases - Equipment **Proposed: \$300**

Office security system.

541 - Special Department Expense **Proposed: \$3,500**

Website maintenance; professional development and training.

543 - Transportation & Travel **Proposed: \$19,750**

Attendance at conferences, meetings, trainings; CALAFCO participation and monthly vehicle allowances.

544 - Utilities **Proposed: \$3,300**

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

County Support Services:

554 - Support Services

Proposed: \$26,341

Pursuant to Contractual Services Agreement between Butte County and Butte Local Agency Formation Commission.

554572: Procurement Services @ \$2,563
554573: Auditor @ \$3,401
554573: Treasurer - Tax Collector @ \$35
554576: Human Resources @ \$13,500
554578: Information Systems @ \$6,842

Appropriations:

580 - Contingency

Proposed: \$30,000

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

797 - Reserve

Proposed: \$10,000

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

Summary:

Proposed Budget for FY 2013-14	
Funding Sources	<u>\$671,826</u>
Expenditures:	
Salaries & Wages	477,410
Services & Supplies	128,075
County Support Services	26,341
Appropriations	<u>40,000</u>
	<u>\$671,826</u>