

EXECUTIVE OFFICER'S REPORT

To The

Local Agency Formation Commission

TO:

Commissioner	DON CAMPBELL (Chair)	[City]	Commissioner	MICHAEL KELLEY	[Supervisor]
Commissioner	JASON JACKSON (Vice-Chair)	[City]	Commissioner	RAY CASTILLO	[Supervisor]
Commissioner	DAVID WEST	[Public]			
	Alt Commissioner	JACK TERRAZAS			[Supervisor]
	Alt Commissioner	MARIA NAVA-FROELICH			[City]
	Alt Commissioner	VACANT			[Public]

REPORT DATE: March 7, 2014

FROM: Jurg Heuberger, AICP, CEP, Executive Officer

PROJECT: PROPOSED 2014/2015 (DRAFT) BUDGET FOR IMPERIAL LAFCO

HEARING DATE: March 27, 2014 **TIME:** 8:30 AM

AGENDA ITEM NO: 9

HEARING LOCATION: IID Board Room, 1285 Broadway, El Centro, CA
(for directions call 760-353-4115)

RECOMMENDATION(S) BY THE EXECUTIVE OFFICER (In summary & order)

- OPTION #1:** Approve the proposed FISCAL 2014/2015 "DRAFT" Budget as required by CKH.
- OPTION #2:** Approve the proposed FISCAL 2014/2015 "DRAFT" Budget as amended as per CKH.

REPORT:

THE ACT: (Cortese Knox Hertzberg)

Gov. Code Section 56381:

(a) The Commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and a final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter. The commission shall transmit proposed and final budget to the Board of Supervisors, to each City and to each independent special district.

ANALYSIS

Attached hereto **EXHIBIT A**, the Commission will find a Draft Proposed Budget for fiscal 2014/2015 prepared by staff pursuant to the Cortese-Knox-Hertzberg-Reorganization Act, also known as Government Code 5600 et seq.

As noted above, the Commission must adopt a draft budget by May 1, 2014 and a final by June 15, 2014 and the Commission shall adopt at a minimum budget equal to the previous year's budget unless the Commission can make specific findings. This proposed budget is being presented in March and will be presented as final in May in order to meet the statutory deadlines without having to hold a special meeting in June.

In preparation of this budget, staff reviewed the current budget, the current expenditures and the anticipated or projected cost that LAFCO would incur during the next fiscal year.

The following **Exhibit A** represents the budget as proposed in two different scenarios. Option A is a proposal that would allow us to pay off the building and thereafter allow us to utilize all rents from the adjoining suites to offset operational costs, therefore reduce or minimize contributions from agencies. Discounting the "pay-off" this option reduces our present operating budget by \$ 35,636. Option B represents a proposal of \$483,365 without paying off building and is a decrease of \$8,270 from prior year's budget.

The following represents a summary and explanation as appropriate for the various line items in the draft budget.

Category:	Current Budget	Proposed Budget	Difference
82-2001 LAFCO Salaries:	\$ 172,424	\$ 189,955	\$ 17,531
82-2035 LAFCO Employee Benefits	\$ 66,247	\$ 73,635	\$ 7,388

This represents the total for all salaries, benefits, and associated employer's cost for LAFCO staff (Executive Officer, Accountant/Analyst, Analyst/Clerk, & X-Help Maintenance). The total current salary amounts are; Executive Officer \$ 51,000 flat rate with no benefits or stipends; LAFCO Analyst/Clerk \$ 49,462 plus benefits; LAFCO Accountant/Analyst \$ 82,992 plus benefits; and X-Help Maintenance \$6,500 without benefits. The proposed budget amount for 2014-2015 reflects the merit increase for administrative staff in the event that all criteria for merit increase has been met and the analyst/clerk adjustment. It should also be noted that with the part time Executive Officer position this represents a significant savings over an equivalent full time Executive Officer which averages around \$ 150,000 to 190,000 with benefits, and no adjustments have been made for the EO in the last five years..

82-2060 Communications:	\$ 9,200	\$ 10,716	\$ 1,516
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We are currently looking into our costs with AT & T in hopes to minimize costs. It should however be noted that our expected cost for this year will be right at \$10,716. It should also be noted that we need to maintain 2 dedicated lines required for the security and fire systems.

82-2100 Insurance – Property	\$ 5,800	\$ 5,800	\$ 0
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This is dependent on our carrier and while we have not received any notification to increase the coverage costs, we will be reviewing the policy with the carrier later this year and if changes are necessary, a change in this amount might occur.

82-2101 Insurance – Liability	\$ 9,000	\$ 9,500	\$ 500
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This is dependent on our carrier and while we have not received any official notification to increase the coverage costs, we are anticipating the slight increase based on historical cost. This amount could change.

82-2120 Maintenance Equipment	\$ 6,500	\$ 5,000	\$ (1,500)
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This category covers equipment such as the large format copier, large format scanners, and AutoCAD & GIS programs. The primary change here is the result of having newer equipment which should require less maintenance.

82-2150 Memberships	\$ 3,200	\$ 3,315	\$ 115
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The CALAFCO board has advised that we should expect an approved increase to memberships dues.

82-2170 Office Expense	\$ 46,000	\$40,000	\$ (6,000)
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Decrease in amount. We expect to be able to maintain same level during next year.

82-2180 Professional & Special Serv -Legal	\$ 6,000	\$ 6,000	\$ 0
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No change in cost to cover current contracted legal services.

82-2180 Professional & Special Serv –Other (Annual Audit & Paychex)	\$ 13,500	\$ 12,500	\$ (1,000)
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Decrease is primarily due to reduced cost for annual audits and payroll services.

82-2181 Prof & Spec Serv-Data Processing	\$ 11,000	\$ 12,250	\$ 1,250
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This category covers IVTA; license users fees and updates for email accounts & offsite storage; and contracted technical services. The primary increase here is anticipated cost to do some revamping to our server.

82-2182 Prof & Spec Serv-GIS/ CAED	\$ 5,000	\$ 8,000	\$ 3,000
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This category covers contracted technical services for GIS and CAED services. Increase is to cover additional services we expect to incur due to SAP / MSR updates planned for next fiscal year.

82-2190 Public & Legal Notices	\$ 1,500	\$ 1,500	\$ 0
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No change. It should be noted that we have exceeded our current year budget due to unexpected necessary advertising for vacant rental space and change in commissioner status.

82-2200 Rents & Leases – Equipment	\$ 4,700	\$ 4,700	\$ 0
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No change – cost is to cover current equipment leases.

82-2230 Special Dept Expense	\$ 900	\$ 900	\$ 0
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This category is typically used to account for extraordinary expenses such as hosting workshops ect. Currently, there are no immediate plans to host such events, however, there may be in the near future.

82-2252 Travel In County	\$ 500	\$ 500	\$ 0
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No change in amount is being requested at this time. However, keep in mind that meetings are now being held at various locations around the County which may result in a need to increase amounts at a later date.

82-2253 Travel Out of County	\$ 35,658	\$ 28,748	\$ (6,910)
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Historically LAFCO has rarely exceeded the budget in this category. The substantial decrease is due primarily to the location of the annual CALAFCO conference being in Southern California vs Northern California. This category also covers cost for annual staff workshops; staff and Commissioners' attendance for the CCL quarterly meetings which are mostly held in Santa Ana; and Commissioner Kelley to attend CALAFCO Board of Directors and the CCL Board meetings which meet quarterly and all meetings have been scheduled out of town.

82-4300 Capital Outlay	\$ 10,000	\$ 10,000	\$ 0
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There are no anticipated capital items included at this time, however we may have to revisit this prior to the final budget being presented, so there may be an adjustment.

1122 State St -Loan Payments	\$ 27,006	\$ 301,261	\$ 274,255**
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We have presented the budget with two options. Option A is to pay off the building using most of our reserves, which would result in future savings of at least \$27,000.00 annually. However if we use all or at least most of our reserves we will for at least a few years not have the minimum \$100,000 reserve previously established as a policy. There are a couple of ways to address this. For example we could build up the reserve by dedicating a portion of the \$27,000 toward releveling the reserve. We may also have more income due to an increase in projects and could use some of that funding to bring the minimum reserve back to the agreed upon level.

The second option, Option B does not consider paying off the building, and that would still reduce our budget by about eight thousand.

1122 R&M Ongoing Cost	\$ 11,500	\$ 12,340	\$ 840
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This category is for all ongoing repairs and maintenance related cost to maintain the building. It does not cover major cost such as remodeling. The increase is to cover monitoring cost associated with the installation of the security/ fire system.

1122 R&M Remodeling	\$ 25,000	\$ 0	\$ (25,000)
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Decrease in amounts is due to major repairs having already been made to most all of the suites, therefore we do not expect any major repairs within the next budget year. However, it should be noted that we have exceed this year budget.

1122 Utilities	\$ 21,000	\$ 21,000	\$ 0
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No change to this category.

Contributions from Cities & County matching:

Contributions from other agency	\$202,594	\$202,594	\$ 0
County Matching Funds	\$202,594	\$202,594	\$ 0

No change here. Contributions from County and Cities are the same as previous year.

Contingency / Other Income:

Transfer From Prior Years Carryovers	\$ 10,000	\$ 292,875	\$ 282,875
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Increase in amount is due to utilization of reserves to pay off the building. It should be noted that the preliminary draft audit has reclassified \$189,860 of prior years deferred revenues to fund balance reserves based on GASB requirements.

81-1808 LAFCO Fees	\$ 40,000	\$ 12,500	\$ (27,500)
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In the past, LAFCO had recognized project revenue as earned when the project became finalized and closed out, all project revenue stayed deferred until the time the project became finalized and closed out. Our current auditors have reclassified the majority of deferred revenue as earned in the prior years even though the projects have not been finalized or closed out. Therefore, we have already realized majority of project revenue. Amounts budgeted for fiscal 2014-2015 are what we expect to bring in for new projects.

Interest Income	\$ 0	\$ 0	\$ 0
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No change here.

Other Income	\$ 0	\$ 0	\$ 0
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No change in amounts.

Rents – 1122 State Street Building	\$ 36,447	\$ 47,057	\$ 10,610
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We currently have one vacant suite. Increase is due to anticipation of vacant suite being rented starting new fiscal.

EXECUTIVE OFFICERS RECOMMENDATION
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RECOMMENDATION:

The Executive Officer respectfully requests that the Commission consider approving the **Draft Budget via Option A** which among other things maintains the contribution from agencies at the same level as last year and allows us to pay off the building which will result in future year savings of about \$27,000.00 in terms of having no loan payments and utilizing the income of the rental suites towards the operating budget.

As always staff will be happy to answer questions. It also needs to be noted that this is the “Draft” budget as required by the CKH Act and the final budget will be considered by your Commission in May in order to meet the June 15th deadline.

LAFCO's PROPOSED BUDGET FOR FISCAL 2014-2015

				Option A	Option B
	Fiscal 2013-2014 Adopted Budget (approved 9/23/13)	Actuals @ 2-25-2014	Estimated year end actuals for fiscal 2013- 2014	Draft Proposal for Fiscal 2014-2015	Draft Proposal for Fiscal 2014-2015
Income					
81-1928 CONTRB FRM OTR AGENCIES	202,594	202,594	202,594	202,594	211,904
81-1933 COUNTY MATCHING FUNDS	202,594	202,594	202,594	202,594	211,904
81-1808 LAFCO FEES	40,000	2,000	12,300	12,500	12,500
RENTS - 1122 STATE	36,447	18,463	26,898	47,057	47,057
*CONTINGENCY - (transfer in from reserves)	10,000	0	35,724	292,875	0
INTEREST INCOME	0	216	216	0	0
OTHER INCOME (Insurance Proceeds - Fire)	0	1,134	1,134	0	0
Total Income	491,635	427,002	481,461	757,620	483,365
Expenses					
82-2001 LAFCO SALARIES	172,424	116,848	173,534	189,955	189,955
82-2035 LAFCO EMPLOYEE BENEFITS	68,247	42,673	64,010	73,635	73,635
82-2060 COMMUNICATIONS	9,200	6,083	10,123	10,716	10,716
82-2100 INS. PROPERTY	5,800	3,893	3,893	5,800	5,800
82-2101 INS LIABILITY	9,000	8,730	8,730	9,500	9,500
82-2120 MAINT -EQUIPMENT	6,500	1,795	3,795	5,000	5,000
82-2150 MEMBERSHIPS	3,200	3,212	3,212	3,315	3,315
82-2170 OFFICE EXPENSE	46,000	16,071	41,142	40,000	40,000
82-2180 PROF & SPEC SERVICES-Legal	8,000	3,333	5,000	6,000	6,000
82-2180 PROF & SPEC SERVICES - Other (Annual Audit & Paychex)	13,500	9,218	11,932	12,500	12,500
82-2181 PROF & SPEC SERV-DATA P	11,000	7,972	10,977	12,250	12,250
82-2182 PROF & SPEC SERV-OTHER (GIS/CAED)	5,000	0	4,730	8,000	8,000
82-2190 PUBLIC & LEGAL NOTICES	1,500	4,460	5,460	1,500	1,500
82-2200 RENTS & LEASES-EQUIP	4,700	2,830	4,407	4,700	4,700
82-2230 SPECIAL DEPT EXPENSE	900	184	368	900	900
82-2251 TRAVEL IN COUNTY	500	0	500	500	500
82-2252 TRAVEL OUT OF COUNTY	35,658	14,848	19,411	28,748	28,748
82-4300 CAPITAL OUTLAY	10,000	0	10,000	10,000	10,000
1122 BLDG REFI COSTS	0	0	0	0	0
1122 LOAN PAYMENTS	27,006	18,004	27,006	301,261	27,006
1122 R & M COSTS/ONGOING EXPENSE	11,500	8,252	12,378	12,340	12,340
1122 R & M COSTS/REMODEL	25,000	32,334	43,184	0	0
1122 UTILITIES	21,000	8,835	17,670	21,000	21,000
1122 FIRE DAMAGE /REPAIRS/REPLACEMENTS	0	0	0	0	0
Total Expenses	491,635	309,375	481,461	757,620	483,365
Net Income	0	117,626	0	0	0