

EXECUTIVE OFFICER'S REPORT

To The

Local Agency Formation Commission

TO:

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

REPORT DATE: April 16, , 2015

FROM: Jurg Heuberger, AICP, CEP, Executive Officer

PROJECT: PROPOSED 2015/2016 (FINAL) BUDGET FOR IMPERIAL LAFCO

HEARING DATE: **May 28, 2015** **TIME:** 8:30 AM

AGENDA ITEM NO: 12 (b)

HEARING LOCATION: El Centro City Council Chambers, 1275 Main Street, El Centro, CA

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

OPTION #1: Approve the "**Final**" FISCAL 2015/2016 Budget as required by CKH and recommended by the Executive Officer.

OPTION #2: Approve the "**Final**" FISCAL 2015/2016 Budget as amended and as required by the 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

General:

Attached hereto **EXHIBIT A**, the Commission will find the Final Proposed Budget for fiscal 2015/2016 as previously presented to the Commission and as 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, 2015** and a **final by June 15, 2015** 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 the amount of \$568,873.00. This represents some uncontrollable increases as well as approximately \$61,000.00 of renovation/remodeling costs (shown as item 12 a) that the Commission needs to consider. Specific renovation being proposed is for compliance with the American for Disabilities Act, and water conservation. It also contemplates some funding to meet our emergency reserve policy.

POLICY ISSUES:

- (A) The renovation and landscaping details are shown as item 12-a.
- (B) **Contingency:** The policy established by the Commission is to try and maintain about \$100,000.00 in reserves for a variety of emergency and other considerations. Last year we depleted most of this to pay off the building. At this time staff is recommending that we fund this account with current funds allocated (\$37,779.00) by adding the carryover balance at the close of this fiscal year. In the event your Commission approves one or both of the above items and the costs are higher than estimated this would allow some flexibility.

Both of these items are policy issues. The renovation of the restrooms is also a potential legal issue therefore staff recommends both of these to be done. If approved as part of the budget, plans and contract costs would be brought back to the Commission for final approval and any budget adjustment that may be necessary.

GENERAL LINE ITEMS:

- 82-2001** **LAFCO SALARIES:** the increase in this category, approximately \$14,881.00, represent the 5% merit increase for both employees, and an increase in the Executive Officer's pay. Attached hereto is the analysis.
- 82-2035** **LAFCO EMPLOYEE BENEFITS:** the increase here in the amount of \$ 12,099.00, reflects the uncontrollable mandated increases generally tied to the salaries plus other increased costs for benefits, including retirement, workers compensation, etc.
- 82-2060** **COMMUNICATIONS:** the decrease here in the amount of \$2,066.00 is strictly a decrease in provider charges.
- 82-2100** **INSURANCE PROPERTY:** No change.
- 82-2101** **INSURANCE LIABILITY:** No change.
- 82-2120** **MAINTENANCE OF EQUIPMENT:** the increase here, \$3,800.00 is due to the expiration of warranty/maintenance agreements for the servers which now need to have a new contract.
- 82-2150** **MEMBERSHIPS:** the increase here, \$65.00 is the CALAFCO Dues increase approved by the CALAFCO Board of Directors for fiscal 2015/2016.
- 82-2170** **OFFICE EXPENSE (SUPPLIES):** the increase here, \$1,500 is primarily for the cost of direct mail notices for the NFD dissolution.
- 82-2170** **OFFICE EXPENSE (ELECTRONICS):** the increase here, \$2,000.00 is to replace some duplicators, printers and computers that are nearing life expectancy.
- 82-2170** **OFFICE EXPENSE (SOFTWARE):** the increase here, \$800.00 is for increased costs for program licenses that LAFCO utilizes, including off-site backup storage of data.
- 82-2170** **OFFICE EXPENSE (FURNISHING):** the decrease here, -\$1,800.00 is based on no anticipated costs to replace or purchase new furniture.
- 82-2180** **PRO. & SPEC. SERVICE (LEGAL):** no increase as we are in the final year of a contract for services.
- 82-2180** **PRO. & SPEC. SERVICE (OTHER):** the increase here, \$6,000.00 is due to increased costs for the paychecks service, the annual audit and an estimate to address a health care program.
- 82-2181** **PRO & SPEC. SERVICES (DATA PROCESSING):** the increase here, \$1,000.00 is an anticipated cost increase for services based on current costs.
- 82-2182** **PRO. & SPEC. SERVICES (GIS):** No change.
- 82-2190** **PUBLIC & LEGAL NOTICES:** the increase here, \$500.00 is due to the additional notices required for the NFD dissolution.
- 82-2000** **RENTS AND LEASES EQUIPMENT:** No change.
- 82-2230** **SPECIAL DEPARTMENT EXPENSE:** No change.
- 82-2251** **TRAVEL IN COUNTY:** No change.

- 82-2252 TRAVEL OUT OF COUNTY:** the decrease here, \$8,548.00 is based on prior year travel by Commissioners to Annual Conferences. Note that should all Commissioners travel to this year's Annual Conference in Sacramento, this amount will not be sufficient.
- 82-4300 CAPITAL OUTLAY:** the decrease here is -\$10,000.00 as no expenditures are expected this year in this category.
- 1122 LOAN PAYMENTS:** we no longer have any loans therefore there is no cost associated with this.
- 1122 R & M ON GOING EXPENSES:** the increase here, \$7,660.00 is due to increase general supplies for restrooms and cleaning, with most of the cleaning costs all due in part to the increased traffic, and for the replacement of the hot water system.
- 1122 UTILITIES:** the increase here \$ 750.00 is primarily due to increased power and some utility costs

Special Note: During the last budget year we advised that no funding was included for costs associated with the NFD dissolution process. Although we intended to be further along at this point and return to your Commission for potential additional funding we have not due to several factors. One being it has taken longer and two because we have attempted to work with the County for some services that might reduce our costs. However, there is the real possibility that we will need some outside services, particularly in the area of accounting and potentially legal, so while there is again no substantive amount added for this, the Commission should be aware that we may have to return for a budget adjustment at some time during 2015/2016.

EXECUTIVE OFFICERS RECOMMENDATION

RECOMMENDATION:

The Executive Officer respectfully requests that the Commission consider approving the **Budget** as proposed. This will meet the intent of the CHK and allow us to submit the final budget to the agencies as required for them to include in their budgets.

As always staff will be happy to answer questions.

LAFCO's FINAL BUDGET FOR FISCAL 2015-2016

EXHIBIT A

	Fiscal 2013-2014 Adopted Budget (approved 5/23/13)	Fiscal 2014-2015 Adopted Budget (approved 5/22/14)	estimated actuals thru year end	increase (decrease) from prior year	Final Proposal for Fiscal 2015 / 2016
Income					
81-1928 CONTRB FRM OTR AGENCIES	202,594	202,594	202,594	30,523	233,117
81-1933 COUNTY MATCHING FUNDS	202,594	202,594	202,594	30,523	233,117
81-1808 LAFCO FEES	40,000	12,500	21,934	7,500 j	20,000
RENTS - 1122 STATE	36,447	47,057	48,533	-2,197 k	44,860
*CONTINGENCY - EMERGENCY RESERVES	10,000	292,875	292,875	-255,096	37,779
INTEREST INCOME	0	0	537	0	0
OTHER INCOME	0	0	0	0	0
Total Income (including transfer in from reserves to pay off building loan)	491,635	757,620	769,067	-188,747	568,873
For Comparison Purposes - Removal of Building Loan payoff	0	-301,261	-303,576	301,261	0
Total Income (exclusive of transfer to pay off building loan)	491,635	456,359	465,491	112,514	568,873
Expenses					
82-2001 LAFCO SALARIES	172,424	178,756	178,674	14,881 a	193,637
82-2035 LAFCO EMPLOYEE BENEFITS	66,247	69,928	70,936	12,099 b	82,027
82-2060 COMMUNICATIONS	9,200	10,716	11,463	-2,066 c	8,650
82-2100 INS. PROPERTY	5,800	5,800	3,652	0	5,800
82-2101 INS LIABILITY	9,000	9,500	8,716	0	9,500
82-2120 MAINT -EQUIPMENT	6,500	3,000	3,936	3,800 h	6,800
82-2150 MEMBERSHIPS	3,200	3,315	3,235	65 g	3,380
82-2170 OFFICE EXPENSE (Office Supplies)	46,000	18,000 *2	17,462 *2	1,500 i	19,500
82-2170 OFFICE EXPENSE (Electronics)	-	14,000	19,504	2,000	16,000
82-2170 OFFICE EXPENSE (Software & Licenses)	-	7,200	8,470	800	8,000
82-2170 OFFICE EXPENSE (Furnishings)	-	2,800	1,500	-1,800	1,000
82-2180 PROF & SPEC SERVICES-Legal	6,000	6,000	6,200	0	6,000
82-2180 PROF & SPEC SERVICES - Other (Annual Audit & Paychex)	13,500	12,500	12,146	6,000 d	18,500
82-2181 PROF & SPEC SERV-DATA P	11,000	12,250 *2	11,765 *2	1,000 e	13,250
82-2182 PROF & SPEC SERV-OTHER (GIS/CAED)	5,000	8,000	8,000	0	8,000
82-2190 PUBLIC & LEGAL NOTICES	1,500	2,700 *2	2,684 *2	500 i	3,200
82-2200 RENTS & LEASES-EQUIP	4,700	4,700	4,615	0	4,700
82-2230 SPECIAL DEPT EXPENSE	900	900	900	0	900
82-2251 TRAVEL IN COUNTY	500	500	500	0	500
82-2252 TRAVEL OUT OF COUNTY	35,658	27,548	17,100	-8,548 j	19,000
82-4300 CAPITAL OUTLAY	10,000	10,000	8,046	-10,000 f	0
1122 LOAN PAYMENTS	27,006	301,261	303,576	-301,261	0
1122 R & M COSTS/ONGOING EXPENSE	11,500	12,340	21,506	7,660 **	20,000
1122 R & M COSTS/REMODEL	25,000	0	0	61,000 **	61,000
1122 UTILITIES	21,000	21,000	20,219	750 **	21,750
*CONTINGENCY - EMERGENCY RESERVES	0	14,906	0	22,873	37,779
Total Expenses (including payoff of building loan)	491,635	757,620 *1	744,806	-188,748	568,873
For Comparison Purposes - Removal of Building Loan payoff	0	-301,261	-303,576	301,261	0
Total Expenses (exclusive of building loan payments)	491,635	456,359 *3	441,230	112,513	568,873
Net Income	0	0	24,261		0

NOTES (FISCAL 2014-2015):

- *1 Total budget with payoff of building / using current contingency (leaves us with little or no contingency)
- *2 May not include additional costs for NFD or other special projects
This budget does not include the costs associated with the NFD dissolution costs. Estimated to be \$ 9,400 to 35,000
- *3 \$35,276 reduction from prior budget

NOTES (FISCAL 2015 / 2016 Draft Proposal/Draft Final):

- a Increase in salaries due to annual merit increases
- b Ongoing increase in cost for employment related benefits such as retirement/ health insurance /payroll taxes / workmen's comp insurance / retiree health
- c Increase due to service provider increased costs / updated 4-30-15 to reflect discounted rates
- d Increase due to contractual increases / plus an additional estimated 5k for retiree health benefit plan setup
- e Estimated increase due to ongoing trends
- f Anticipating not having any capital equipment purchases for this fiscal
- ** Building repairs & maintenance - R & M ongoing (estimated increase to include costs for hot water heaters and recirculating pumps)
- ** Building repairs & maintenance -R&M remodeling (estimated for women's restroom for handicap compliance, hallway repairs, artificial turf)
- ** Utilities (estimates to include increase 2k + for electricity rate increase)
- g CALAFCO dues increase by 2%
- h Maintenance package for servers expires / plan to renew for all 3 servers / estimate \$3800
- i Add'l cost associated with mailing of notices for NFD
- j Revenue from fees estimated on the low end at \$20k, high end estimate would be \$40k
- k Decrease due to upcoming vacancy
- l Decrease - not budgeting for full staff & commission to attend annual conference / CCL meetings / staffworkshops

LAFCO Estimated Annual Cost of Salaries and Benefits for 2015/2016

Position	Salary	Retirement	Estimated Medical, Dental, Vision, AD&D, Life	Estimated W/comp	Medicare (Employer's portion)	FICA (Employer's portion)	Estimated State Unemployment	TOTALS	
Executive Officer	2015-2016	61,000	n/a	n/a	2,428	885	3,782	273	68,367
	2014-2015	51,000	n/a	n/a	2,091	740	3,162	392	57,385
Analyst/Accountant	2015-2016	85,067	32,325	16,174	876	1,233		273	135,949
	2014-2015	81,016	24,572	15,819	859	1,175	n/a	392	123,832
Clerk	2015-2016	39,250	14,915	5,166	404	569		273	60,577
	2014-2015	37,367	11,333	5,070	396	542	n/a	392	55,101
Building Maintenance	2015-2016	8,320	n/a	n/a	1,488	121	516	324	10,769
	2014-2015	8,320	n/a	n/a	1,550	121	516	466	10,972
		\$ 193,637	\$ 47,240	\$ 21,340	\$ 5,197	\$ 2,808	\$ 4,298	\$ 1,143	\$ 275,663
	2014-2015	\$ 177,703	\$ 35,906	\$ 20,889	\$ 4,895	\$ 2,577	\$ 3,678	\$ 1,642	\$ 247,289
	2015-2016 increase	15,934	11,335	451	301	231	620	-498	28,373
	percentage of increase	8.97%	31.57%	2.16%	6.15%	8.97%	16.85%	-30.36%	11.47%

Retirement components

Health / medical 13.33%

Pension bond 6.47%

Employer 18.20%

totals:

2015-2016 = 38%

2014-2015=30.33%

2013-2014=28.90%

2012-2013 =27.79%

2011-2012=24.69%