

# ***EXECUTIVE OFFICER'S REPORT***

To The

## ***Local Agency Formation Commission***

**TO:**

Commissioner	<b>MARIA NAVA-FROELICH</b>	[City]	Commissioner	<b>MICHAEL KELLEY</b> (Chair)	[Supervisor]
Commissioner	<b>JASON JACKSON</b>	[City]	Commissioner	<b>RAY CASTILLO</b>	[Supervisor]
Commissioner	<b>DAVID WEST</b> (Vice Chair)	[Public]			
	Alt Commissioner	<b>JACK TERRAZAS</b>		[Supervisor]	
	Alt Commissioner	<b>JIM PREDMORE</b>		[City]	
	Alt Commissioner	<b>RALPH MENVIELLE</b>		[Public]	

**REPORT DATE:** March 1, 2016

**FROM:** Jurg Heuberger, AICP, CEP, Executive Officer

**PROJECT:** PROPOSED 2016/2017 FINAL BUDGET FOR IMPERIAL LAFCO

**HEARING DATE:** May 26, 2016 **TIME:** 8:30 AM  
**AGENDA ITEM NO:** 9  
**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**” proposed FISCAL 2016/2017 Budget as required by CKH.

**OPTION #2:** Approve the “**Final**” proposed FISCAL 2016/2017 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 proposed Final Budget for fiscal 2016/2017 as presented in DRAFT on 3/24/16 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, 2016 and a final by June 15, 2016 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 was presented in March and 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 \$618,423 as approved draft, or \$666,423 with additional policy issue. This represents some uncontrollable increases as well as minor adjustments in various line items and one new additional line item for proposed policy issue #2 as listed below.

#### **POLICY ISSUES: (TWO)**

**# 1: 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. Two years ago we depleted most of this to pay off the building. At this time staff is recommending that we commence in achieving that goal and suggest funding this account to \$34,762.00 which is to use existing contingency and add what we expect to generate in savings and additional fees from this year.

**# 2: Building Replacement:** The building we own is now almost 50 years old and although we have made significant improvements since we purchased it, every building has a limited number of serviceable years. Given its current condition and absent any major change/disaster, staff expects this building to be serviceable for another 15 to 20 years. At some point however replacement must be a consideration. Staff is recommending that the Commission consider establishing a replacement cost line item in the budget. We have analyzed the potential replacement cost in twenty years to be in excess of one and a half million dollars. Based on this conservative estimate and with the use of only one million we would need to place into reserve about 48 thousand per year over the next twenty years. That would still not give us enough to replace the building; however it would pay for at least 60%.

## GENERAL LINE ITEMS:

- 82-2001**      **LAFCO SALARIES:** The increase in this category, approximately \$26,979.00, represent the 5% merit increase for two employees, an additional 12 month term plus 5 % merit increase for limited term employee and an increase in hours for maintenance employee. Attached hereto is the analysis.
- 82-2035**      **LAFCO EMPLOYEE BENEFITS:** The increase here reflects the uncontrollable mandated increases generally tied to the salaries plus other increased costs for benefits, including retirement, health insurance, workers compensation, etc.
- 82-2060**      **COMMUNICATIONS:**                      No change.
- 82-2100**      **INSURANCE PROPERTY:**                      No change.
- 82-2101**      **INSURANCE LIABILITY:**                      No change.
- 82-2120**      **MAINTENANCE OF EQUIPMENT:**                      The increase here, \$1,500.00 is due to the expiration of warranty/maintenance agreements for the plotters which now need to have a new contract.
- 82-2150**      **MEMBERSHIPS:**                      The increase here, \$179.00 is the CALAFCO Dues increase approved by the CALAFCO Board of Directors for fiscal 2016/2017.
- 82-2170**      **OFFICE EXPENSE (SUPPLIES):**                      The increase here, \$3,000.00 is primarily for the cost of direct mail notices for the WFD dissolution process.
- 82-2170**      **OFFICE EXPENSE (ELECTRONICS):**                      No change.
- 82-2170**      **OFFICE EXPENSE (SOFTWARE):**                      No change.
- 82-2170**      **OFFICE EXPENSE (FURNISHING):**                      No change.
- 82-2180**      **PROF. & SPEC. SERVICE (LEGAL):**                      An increase of \$1,000.00 as per your prior approval of the contract for legal services.
- 82-2180**      **PROF. & SPEC. SERVICE (OTHER):**                      The increase here, \$2,000.00 is due to increased costs for the paychecks service, the annual audit and an estimate to address a health care program.
- 82-2181**      **PROF & SPEC. SERVICES (DATA PROCESSING):**                      The increase here, \$1,000.00 is an anticipated cost increase for services based on current costs.
- 82-2182**      **PROF. & SPEC. SERVICES (GIS):**                      No change.
- 82-2190**      **PUBLIC & LEGAL NOTICES:**                      A slight reduction.
- 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 increase here, \$9,898.00 is based on prior year travel by Commissioners to Annual Conferences and the expected attendance at this year's conference including most if not all of the Commissioners.

- 82-4300 CAPITAL OUTLAY:** The increase here is \$10,000.00 as we need to replace the aging large format plotter/printer.
- 1122 LOAN PAYMENTS:** We no longer have any loans therefore there is no cost associated with this.
- 1122 R & M ON GOING EXPENSES:** No change.
- 1122 R & M REMODELING EXPENSES:** A reduction here of \$51,000.00 as we are only anticipating incurring cost to repair roof.
- 1122 UTILITIES:** The slight decrease \$ 158.00 is primarily due to decreased utility costs.

**Special Note:** During the last budget year we advised that no funding was included for costs associated with the NFD dissolution process. As you can see from the actual expenses, the NFD was a very expensive process. As we begin the same process for Winterhaven Fire District, and given the report also on your current agenda, it is quite likely that this dissolution review could be equally or higher in cost.

## EXECUTIVE OFFICERS RECOMMENDATION

### RECOMMENDATION:

The Executive Officer respectfully requests that the Commission consider approving the **Final 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.