

EXECUTIVE OFFICER'S REPORT

To The
Local Agency Formation Commission

TO:

Commissioner	DAVID WEST (Chair)	[Public]	Commissioner	MICHAEL KELLEY	[Supervisor]
Commissioner	JASON JACKSON	[City]	Commissioner	RAY CASTILLO	[Supervisor]
Commissioner	MARIA NAVA-FROELICH	[City]			
	(Vice-Chair)				
	Alt Commissioner	LUIS PLANCARTE		[Supervisor]	
	Alt Commissioner	JIM PREDMORE		[City]	
	Alt Commissioner	RALPH MENVIELLE		[Public]	

REPORT DATE: May 1, 2017

FROM: Jurg Heuberger, AICP, CEP, Executive Officer

PROJECT: PROPOSED 2017-2018 (FINAL) BUDGET FOR IMPERIAL LAFCD

HEARING DATE: May 25, 2017 **TIME:** 8:30 AM

AGENDA ITEM NO: 8

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 2017-2018 Budget as required by CKH.

OPTION #2: Approve the "**FINAL**" proposed FISCAL 2017-2018 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 2017/2018 prepared by staff pursuant to the Cortese-Knox-Hertzberg-Reorganization Act, also known as Government Code 5600 et seq., and per the draft budget presented to you in February.

As noted above, the Commission must adopt a draft budget by May 1, 2017 and a final by June 15, 2017 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 February and is being 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 (as presented to you in February and approved as draft) in the amount of \$664,663. This represents some uncontrollable increases as well as minor adjustments in various line items. During your review in February you approved the draft as presented and this proposed final has no changes from that shown in February.

POLICY ISSUES:

(A) **Litigation Fund:** In prior years the budget did not include a litigation fund. The LAFCO policy has been that in the event of litigation against the LAFCO on a specific project, the project applicant if, said applicant desires to fight the litigation, is responsible to pay all the defense costs, including the LAFCO attorney time, the staff time and any other associated expenses.

It has been brought to our attention that in the event of litigation we may incur some expenses that an applicant cannot or will not be responsible for, and/or some upfront costs associated with dealing with the litigation before an agreement with the applicant for the defense is formalized.

Given this scenario, we are recommending that the LAFCO consider establishing a minimal amount in a line item should we face litigation.

This is a policy item but one that we believe is timely for consideration. Certainly staff has always worked hard to minimize litigation and we have been fortunate to have had only one case filed against us in the 32 years that I am aware of.

(B) Contingency: The policy established by the Commission is to maintain about \$100,000 in reserves for a variety of emergency and other considerations. At this time we currently have an additional \$75,969 in reserves that staff is recommending to be utilized to offset operational costs, to increase building reserves and establish a litigation fund; therefore to reduce or minimize contributions from agencies.

GENERAL LINE ITEMS:

- 82-2001 LAFCO SALARIES:** The increase in this category, approximately \$6,611, represents a 5% merit increase for current fulltime employees including limited term, extending limited term employee for an additional 12 month term, 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:** The decrease here is due to entering into a more cost effective plan..
- 82-2100 INSURANCE PROPERTY:** No change.
- 82-2101 INSURANCE LIABILITY:** No change.
- 82-2120 MAINTENANCE OF EQUIPMENT:** The increase here, \$2,720 is due to new contracts and or renewal of warranty/maintenance agreements for the plotters.
- 82-2150 MEMBERSHIPS:** The increase here, \$651 is for CALAFCO Dues increase approved by the CALAFCO Board of Directors for fiscal 2017/2018 and a \$500 sponsorship for the annual workshop.
- 82-2170 OFFICE EXPENSE (SUPPLIES):** The decrease here of \$3,100 is primarily for the reduction in cost and supplies associated with SAP review process. We are expecting a decrease in volume this fiscal year.
- 82-2170 OFFICE EXPENSE (ELECTRONICS):** No change.
- 82-2170 OFFICE EXPENSE (SOFTWARE):** An increase of \$1,010 due to increase in contractual cost.
- 82-2170 OFFICE EXPENSE (FURNISHING):** No change.
- 82-2180 PROF. & SPEC. SERVICE (LEGAL):** An increase of \$28,400 to accommodate any additional legal services, should the need arise, for potential litigation.
- 82-2180 PROF. & SPEC. SERVICE (OTHER):** No change.
- 82-2181 PROF & SPEC. SERVICES (DATA PROCESSING):** The increase here, \$1,690 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:** A slight reduction due to contractual costs.
- 82-2230** **SPECIAL DEPARTMENT EXPENSE:** No change.
- 82-2251** **TRAVEL IN COUNTY:** No change.
- 82-2252** **TRAVEL OUT OF COUNTY:** The decrease here, \$2,306 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:** A decrease here as we do not anticipate having to purchase additional equipment.
- 1122** **R & M ON GOING EXPENSES:** No change.
- 1122** **R & M REMODELING EXPENSES:** An increase to replace the State Street building roof.
- 1122** **UTILITIES:** The slight decrease \$ 158.00 is primarily due to decreased utility costs.

Special Note: At this time, we must advise you that the process for Winterhaven Fire District is substantially higher than NSD and again no budget was increased to cover this. As of this date we have incurred approximately \$10,370 in hard costs and \$19,500 Indirect costs.

We are of course recommending that LAFCO be reimbursed for its expenses from any proceeds that the successor agency receives from the disposition of assets from the District. That includes any value the successor enjoys even if they do not dispose of assets, but those assets have a defined value.

EXECUTIVE OFFICERS RECOMMENDATION

RECOMMENDATION:

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

As always, staff will be happy to answer questions. It also needs to be noted that this is the "Final" budget as required by the CKH Act in order to meet the June 15th deadline.