

EXECUTIVE OFFICER'S REPORT

To The

Local Agency Formation Commission

TO:

Commissioner **DAVID WEST**

Commissioner **JASON JACKSON**

Commissioner **MARIA NAVA-FROELICH**
(Chair)

[Public] Commissioner **MICHAEL KELLEY** [Supervisor]

[City] Commissioner **RAY CASTILLO** (Vice Chair) [Supervisor]

Alternate Commissioner **LUIS PLANCARTE** [Supervisor]

Alternate Commissioner **JAMES PREDMORE** [City]

Alternate Commissioner **RALPH MENVIELLE** [Public]

REPORT DATE:

March 9, 2018

FROM:

Jurg Heuberger, Executive Officer

PROJECT:

PROPOSED 2018-2019 (DRAFT) BUDGET FOR IMPERIAL LAFCO

HEARING DATE:

March 22, 2018

TIME: 8:30 AM

AGENDA ITEM NO:

6

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 "**Draft**" proposed FISCAL 2018-2019 Budget as required by CKH.

OPTION #2:

Approve the "**Draft**" proposed FISCAL 2018-2019 Budget as amended and as required by CKH.

REPORT:

The Commission per state regulation, is required on an annual basis to adopt a DRAFT and ultimately a FINAL budget to carry on the functions of the Local Agency Formation Commission for the following fiscal year.

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 you'll find two draft budgets as **EXHIBIT "A"** and **EXHIBIT "B"**, for fiscal year 2018/2019 prepared by staff pursuant to the Cortese-Knox-Hertzberg-Reorganization Act, also known as Government Code 5600 et seq.

The reason for 2 (two) budget alternatives is to show our routine budget (Exhibit A) and a budget that would be recommended if the special districts become part of the Commission. See Policy Discussions below.

As noted above, the Commission must adopt a draft budget by May 1, 2018 and a final by June 15, 2018 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 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.

EXHIBIT "A", represents the budget in the amount of \$664,663, which is the same as last year. This represents some uncontrollable increases as well as minor adjustments in various line items, while maintaining the same budget amount as the prior year. **EXHIBIT "B"** shows the proposed budget in the amount of \$700,005 reflecting minor cost increases by having Special District members on the Commission.

This year's budget includes some **POLICY** alternatives that include a) possible seating of special district representation on LAFCO, b) significant structural repairs to the building, c) web site revision, d) stipend for commissioners, e) litigation fund and f) contingency reserves.

POLICY ISSUES:

(A) Special District representation: As your Commission knows and has been discussed for many years, Special Districts can and should be on the LAFCO. Although we have tried for over a decade to make this a reality, at last it appears that it just may come to fruition. Recent meetings with the Special Districts indicates that there is interest and we may see resolutions from over 50% of the districts to join the LAFCO Commission.

If that does happen then we will incur some minor cost increases to our budget, predominately in "salaries", "out of county travel" and in "office expense". You will see those estimates in the **EXHIBIT B**.

(B) Structural renovations: Although we have remodeled and repaired most of the building the one item that we continued to delay was the roof. It now appears that we are at an end and must replace the roof. Unfortunately, we have a "flat roof" and the "replaced" roof was a foam and synthetic that was installed less than professionally. We are continuing to have damage to ceilings and floors whenever it rains, so we are now requesting that we proceed to replace the floor. At this time we do not have formal estimates, but will obtain them as soon as we can. For now we are asking that we budget \$80,000.00. Hopefully by the time we adopt the final budget we will have more specific numbers.

(C) WEB page update: A number of new laws/regulations required that we update our web page significantly. It has been a while since we made major changes and we are at this time preparing an outline of all of the new requirements and changes that we need to make. The estimate at this point is approximately \$9,000.00. Again prior to the final budget we expect to have a defined number.

(D) Commissioner Stipend: Over the years the Commission has discussed paying a stipend to the Commissioners attending the monthly hearing. Recently this issue has received a lot of discussion among the Executive Officers and it appears that quite a number of LAFCO's pay stipends for regular meetings along with mileage. We have not discussed this for many years. At this time, we are only addressing it since it is budget time. If your Commission were to receive stipends of \$100.00 each meeting the annual cost would be \$4,500.00

(E) Litigation Fund: Last year the Commission approved establishing reserves for a Litigation Fund. We currently have set aside \$40,000 in reserves for said fund. We are not requesting an increase only a reminder that it is there in case we need it.

(F) Contingency: The policy established by the Commission is to maintain about \$150,000 in reserves for a variety of emergency and other considerations. At this time we currently have met this goal. There is a likelihood of having additional available reserves which staff may recommend being utilized to offset operational costs; therefore, reducing or minimizing contributions from agencies.

GENERAL LINE ITEMS:

82-2001 **LAFCO SALARIES:** The change in this category, approximately a \$10,277 decrease is due to having reduced staff. The budgeted amount includes a potential 5% merit increase for current fulltime employees, the hiring if needed of a limited term employee for a 6-month term, and an increase in hours for maintenance employee. Attached hereto is the analysis.

Note for Exhibit B – The budgeted amount includes an additional 6 months term.

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:	No change.
82-2150	MEMBERSHIPS: The increase here, \$1,090 is for CALAFCO Dues increase approved by the CALAFCO Board of Directors for fiscal 2018/2019 and a \$1,500 sponsorship for the annual workshop.	
82-2170	OFFICE EXPENSE (SUPPLIES): The decrease here of \$2,400 is primarily for the reduction in cost and supplies associated with SAP review process. We are expecting a decrease in volume this fiscal year.	
	Note for Exhibit B - A slight increase due to having additional staff / commissioners.	
82-2170	OFFICE EXPENSE (ELECTRONICS): No change.	
	Note for Exhibit B - A slight increase due to having additional staff / commissioners.	
82-2170	OFFICE EXPENSE (SOFTWARE):	No change.
82-2170	OFFICE EXPENSE (FURNISHING):	A slight increase to replace chairs needed in the common area conference room.
82-2180	PROF. & SPEC. SERVICE (LEGAL):	A decrease of \$20,400.
82-2180	PROF. & SPEC. SERVICE (OTHER):	No change.
82-2181	PROF & SPEC. SERVICES (DATA PROCESSING): The increase here, \$10,060 is for web page update and a slight increase for services based on current costs.	
82-2182	PROF. & SPEC. SERVICES (GIS):	No change.
82-2190	PUBLIC & LEGAL NOTICES:	No change.
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: A \$1,452 increase is based on prior years travel by staff / Commissioners to attend the Annual Conferences and the expected attendance at this year's conference including most if not all of the Commissioners.	
	Note for Exhibit B - A slight increase due to having additional staff / commissioners.	
82-4300	CAPITAL OUTLAY:	No change.

1122	R & M ON GOING EXPENSES:	An increase of \$2,250 to accommodate volume of traffic and supplies.
1122	R & M REMODELING EXPENSES:	An increase to replace the State Street building roof.
1122	UTILITIES:	No change.
CONTINGENCY RESERVES:		Decrease from prior year as we have currently met our reserves policy goal.

EXECUTIVE OFFICERS RECOMMENDATION

RECOMMENDATION:

The Executive Officer respectfully requests that the Commission consider approving the **2018/2019 Draft 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.