

EXECUTIVE OFFICER'S REPORT

To The
Local Agency Formation Commission

Commissioner **David West** [Public]

Commissioner **Michael Kelley** [Supervisor]

Commissioner **Jason Jackson** [City] (Vice-Chair)

Commissioner **Ray Castillo** [Supervisor] (Chair)

Commissioner **Maria Nava-Froelich** [City]

Alternate Commissioner **Jesus E. Escobar** [Supervisor]

Alternate Commissioner **Jim Predmore** [City]

Alternate Commissioner **Ed Snively** [Public]

REPORT DATE: March 25, 2019

FROM: Jurg Heuberger, Executive Officer



PROJECT: Proposed 2019-2020 (Draft) Budget

HEARING DATE: April 4, 2019

TIME: 08:30 a.m.

AGENDA ITEM NO: 9

HEARING LOCATION: El Centro City Council Chambers, 1275 Main St., El Centro, CA 92243

RECOMMENDATION(S) BY THE EXECUTIVE OFFICER (In Summary & Order)

OPTION #1: Approve the "Draft" proposed Fiscal Year 2019-2020 Budget as required by CKH

OPTION #2: Approved the "Draft" proposed Fiscal Year 2019-2020 Budget as amended and required by CKH

ANAYLSIS/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.

Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000

Government Code Section 56381:

- (a) The Commission shall adopt annually, following noticed public hearings, a proposed budget by May 1st and a final budget by June 15th. 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 the proposed and final budget to the Board of Supervisors, to each City and to each Independent Special District.

Attached hereto you'll find the DRAFT budget as EXHIBIT "A" in the amount of \$680,749 for fiscal year 2019/2020 prepared by staff pursuant to the Cortese-Knox-Hertzberg-Reorganization Act, also known as Government Code 56000 et seq. This represents an increase of \$16,086 (2.42%) over the prior year. **However, there is no increase to the contribution from the cities or the county.**

As noted above, the Commission must adopt a draft budget by May 1, 2019 and a final budget by June 15, 2019 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 April 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 \$680,749.

POLICY ISSUES:

- Litigation Fund:** 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.
- 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: Increase reflects amounts for potential employee merit increases. Attached hereto is the analysis.	An increase of \$10,136
82-2035	LAFCO EMPLOYEE BENEFITS: Increase reflects the uncontrollable mandates generally tied to salaries including increased costs for employment related benefits which include retirement, health insurance, workers compensation, etc.	An increase of \$7,872
82-2036	COMMISSIONER STIPEND:	NO CHANGE
82-2060	COMMUNICATIONS:	NO CHANGE
82-2100	INSURANCE PROPERTY:	NO CHANGE
82-2101	INSURANCE LIABILITY:	NO CHANGE
82-2120	MAINTENANCE OF EQUIPMENT: Reduction due to having newer equipment which should result in having less maintenance issues.	A reduction of \$2,020
82-2150	MEMBERSHIPS: Increase is to cover the CALAFCO annual dues increase as approved by the CALAFCO Board of Directors for fiscal 2019/2020.	An increase of \$800
82-2170	OFFICE EXPENSE (SUPPLIES): Reduction due to anticipating a reduced need based on project volume.	A reduction of \$1,000.
82-2170	OFFICE EXPENSE (ELECTRONICS):	NO CHANGE
82-2170	OFFICE EXPENSE (SOFTWARE): Increase reflects anticipated ongoing program license cost increases.	An increase of \$990
82-2170	OFFICE EXPENSE (FURNISHING): Reduction based on not having to replace as much furnishings as last fiscal year.	A reduction of \$1,200
82-2180	PROF. & SPEC. SERVICE (LEGAL):	NO CHANGE
82-2180	PROF. & SPEC. SERVICE (OTHER): Increase to cover ongoing contracts for audit and payroll services.	An increase of \$500
82-2181	PROF & SPEC. SERVICES (DATA PROCESSING):	NO CHANGE
82-2182	PROF. & SPEC. SERVICES (GIS):	NO CHANGE
82-2190	PUBLIC & LEGAL NOTICES:	NO CHANGE
82-2000	RENTS AND LEASES EQUIPMENT: Slight increase to cover current contractual amounts.	An increase of \$76
82-2230	SPECIAL DEPARTMENT EXPENSE:	NO CHANGE

82-2251	TRAVEL IN COUNTY:	NO CHANGE
82-2252	TRAVEL OUT OF COUNTY: Increased to accommodate ongoing cost increase of registration fees for both the annual conference and staff workshops, also to accommodate additional travel due to currently having 2 Commissioners on the CALAFCO Board.	An increase of \$4,565
82-4300	CAPITAL OUTLAY:	NO CHANGE
1122	R & M ON GOING EXPENSES:	NO CHANGE
1122	R&M ONGOING EXPENSES:	NO CHANGE
1122	UTILITIES:	NO CHANGE
	CONTINGENCY RESERVES: Proposal includes utilizing current reserves to offset operational costs; therefore, eliminating an increase in contributions from funding agencies.	

EXECUTIVE OFFICERS RECOMMENDATION

It is the recommendation of the Executive Officer that LAFCO conduct a public hearing and consider all information presented in both written and oral form. The Executive Officer then recommends, assuming no significant public input warrants to the contrary, that LAFCO take the following action:

OPTION #1: Approve the "Draft" proposed Fiscal Year 2019-2020 Budget as required by CKH

OPTION #2: Approved the "Draft" proposed Fiscal Year 2019-2020 Budget as amended and required by CKH

Attachments:

Exhibit A: Draft FY 2019/2020 Budget

**CC: Board of Supervisors
 Cities
 Independent Special Districts**

EXHIBIT A

LAFCO'S PROPOSED DRAFT BUDGET FOR FISCAL 2019-2020

EXHIBIT A

LAFCO's Proposed "DRAFT" BUDGET FOR FISCAL 2019-2020

	Fiscal 2017 / 2018 Adopted Budget (approved 5/25/17)	Fiscal 2018 / 2019 Adopted Budget (approved 6/24/18)	preliminary actuals @ 3-12-19	estimated actuals for year end 6/30/2019	Fiscal 2019 / 2020 Proposed Budget	increase (decrease) from prior year
Income						
81-1928 CONTRB FROM OTHER AGENCIES (Cities)	253,978	253,978	253,978	253,978	253,978	-
81-1933 COUNTY MATCHING FUNDS	253,978	253,978	253,978	253,978	253,978	-
81-1808 LAFCO FEES	35,000	35,000	24,322	27,837	30,000 a	(5,000)
RENTS - 1122 STATE	45,738	45,738	38,115	50,820	45,738	-
*CONTINGENCY - EMERGENCY RESERVES	75,969	75,969	-	-	97,055 b	21,086
INTEREST INCOME	0	0	858	1,324	0	-
OTHER INCOME	0	0	3,425	3,425	0	-
Total Income	\$ 664,663	\$ 664,663	\$ 574,677	\$ 591,363	\$ 680,749	\$ 16,086
Expenses						
82-2001 LAFCO SALARIES	243,182	236,987	150,573	218,242	247,123 c	10,136
82-2035 LAFCO EMPLOYEE BENEFITS	115,044	108,585	62,199	95,251	116,466 c	7,872
82-2036 COMMISSIONER STIPEND	0	4,500	1,300	2,800	4,500	-
82-2060 COMMUNICATIONS	5,040	5,040	2,633	4,233	5,040	-
82-2100 INSURANCE PROPERTY	5,800	5,800	-	5,800	5,800	-
82-2101 INSURANCE LIABILITY	9,500	9,500	8,877	8,877	9,500	-
82-2120 MAINTANCE -EQUIPMENT	11,020	11,020	2,815	8,915	9,000 d	(2,020)
82-2150 MEMBERSHIPS	4,210	5,300	2,013	4,213	6,100 e	800
82-2170 OFFICE EXPENSE (Office Supplies)	19,400	17,000	7,138	15,276	16,000 f	(1,000)
82-2170 OFFICE EXPENSE (Electronics)	16,000	16,000	7,371	16,242	16,000	-
82-2170 OFFICE EXPENSE (Software & Licenses)	9,010	9,010	4,113	8,563	10,000 f	990
82-2170 OFFICE EXPENSE (Furnishings)	1,000	2,200	779	1,559	1,000 f	(1,200)
82-2180 PROF & SPEC SERVICES-Legal	35,400	15,000	3,600	7,200	15,000	-
82-2180 PROF & SPEC SERVICES - Other (Annual Audit & Paychex)	20,500	20,500	12,497	14,997	21,000 g	500
82-2181 PROF & SPEC SERV-DATA PROCESSING/NETWORK	15,940	26,000	24,780	29,780	26,000	-
82-2182 PROF & SPEC SERV-OTHER (GIS/CAED)	8,000	8,000	-	-	8,000	-
82-2190 PUBLIC & LEGAL NOTICES	2,400	2,400	614	1,664	2,400	-
82-2200 RENTS & LEASES-EQUIPUIPMENT	4,224	4,224	2,928	4,256	4,300 h	76
82-2230 SPECIAL DEPARTMENT EXPENSE	900	900	132	132	900	-
82-2251 TRAVEL IN COUNTY	500	500	39	39	500	-
82-2252 TRAVEL OUT OF COUNTY	26,592	28,044	14,926	17,526	32,609 i	4,565
82-4300 CAPITAL OUTLAY	0	0	-	-	0	-
1122 REPAIR & MAINT COSTS/ONGOING EXPENSE	20,000	22,520	7,906	13,553	22,520	-
1122 REPAIR & MAINT COSTS/REMODEL	30,000	80,000	6,811	6,811	80,000	-
1122 UTILITIES	21,000	21,000	10,419	17,861	21,000	-
*CONTINGENCY - EMERGENCY RESERVES	40,000	4,633	-	88,000	- b	(4,633)
Total Expenses	\$ 664,663	\$ 664,663	\$ 334,462	\$ 591,789	\$ 680,749	\$ 16,086
Net Income	0	0	240,214	-426	0	0

Notes (Fiscal 2019/2020 Draft Proposal)

- a Reduction due to an expected decrease in billable projects
- b Policy Issue / Use of reserves includes 88K carryover for building repair (roof) and GIS services
- c Increase due to potential merit increases & ongoing increase in cost of employment benefits
- d Expect decrease due to having newer equipment
- e Increase due to CALAFCO annual due increase - (line item amount includes \$1500 sponsorship for CALAFCO conference)
- f Slight decrease due to reduced needs
- g Slight increase due to audit and payroll contracts
- h Slight increase to accommodate actual contract
- i Increase due to additional staff attendance / additional Commissioners at CALAFCO board level

LAFCO Estimated Annual Cost of Salaries and Benefits for 2019/2020

EXHIBIT A

Position	Salary	Retirement	Estimated Medical, Dental, Vision, AD&D, Life	Estimated W/comp	Medicare (Employer's portion)	FICA (Employer's portion)	Estimated State Unemployment	TOTAL Estimated Employment Costs
Executive Officer	61,000	n/a	n/a	2,489	885	3,782	189	68,344
2018-2019 (Approved Budget \$61,000)	61,000	n/a	n/a	2,891	885	3,782	189	68,747
Analyst/Accountant	91,499	35,172	14,946	686	1,327	0	189	143,820
2018-2019 (Approved Budget \$89,326)	89,326	34,900	14,642	759	1,295	0	189	141,111
Analyst/Clerk	57,533	22,116	12,979	431	834	0	189	94,082
2018-2019 (Approved Budget \$50,700)	50,700	17,101	12,607	431	735	0	189	81,763
Clerk (6 months)	21,091	8,107	7,473	158	306	0	189	37,325
2018-2019 Limited Term 6 months (Approved Budget \$20,608)	20,608	6,951	6,303	175	299	0	189	34,525
Building Maintenance	16,000	n/a	n/a	2,595	232	992	189	20,008
2018-2019 (Approved Budget \$15,354)	15,354	n/a	n/a	2,708	223	952	189	19,426
	<u>\$ 247,123</u>	<u>\$ 65,395</u>	<u>\$ 35,399</u>	<u>\$ 6,360</u>	<u>\$ 3,583</u>	<u>\$ 4,774</u>	<u>\$ 945</u>	<u>\$ 363,579</u>
	<u>\$ 236,988</u>	<u>\$ 58,952</u>	<u>\$ 33,553</u>	<u>\$ 6,965</u>	<u>\$ 3,436</u>	<u>\$ 4,734</u>	<u>\$ 945</u>	<u>\$ 345,572</u>
	10,136	6,444	1,846	(605)	147	40	0	18,007
	4.28%	10.93%	5.50%	-8.69%	4.28%	0.85%	0.00%	5.21%
	2019-2020 increase (decrease)							
	percentage of increase (decrease)							

Retirement components

Health / medical 13.33%

Pension bond 3.646%

Employer 21.46% (Tier 3 16.21%)