



Executive Officer's Report

To: Imperial LAFCO Commissioners

From: Tyler Salcido, Executive Officer

TKS

Item: 8a

Subject: Draft Budget for Fiscal Year 2025-2026

Date: March 27, 2025

Time: 08:30 a.m.

Location: El Centro City Council Chambers
1275 W. Main Street, El Centro, CA 92243

Report

1. **Purpose of Draft Budget for Fiscal Year 2025-2026**

Per state law, the commission is required to adopt a draft budget and a final budget annually to conduct the functions of the Local Agency Formation Commission for the following fiscal year.

A. State Law

Cortese-Knox-Hertzberg Reorganization Act of 2000:

- i. **G.C. § 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 its proposed and final budgets to the board of supervisors, to each city, and to each independent special district.
- ii. **G.C. § 56381 (b)** After public hearings, consideration of comments, and adoption of a final budget by the commission pursuant to subdivision (a), the auditor shall apportion the net operating expenses of a commission in the following manner:
 - (1)(B) The cities' share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of the cities representing the majority of the combined cities' populations.

- (2) In counties in which there is no independent special district representation on the commission, the county and its cities shall each provide a one-half share of the commission's operational costs. The cities' share shall be apportioned in the manner described in paragraph (1).

2. Public Notice

In compliance with Government Code Section 56381, public notice for this hearing was issued at least 21 days in advance. Notices were published in the Imperial Valley Press, posted outside the LAFCo office, and made available on our website.

Fiscal Year 2025-2026 Draft Budget

For Fiscal Year 2025-2026, the overall budget is \$906,442. An increase of \$35,199 or 4.04%. Staff has prepared two budget scenarios for the Commission's review:

- Scenario 1: The Cities' and County's contributions increase by 4.04%.
- Scenario 2: The Cities' and County's contributions remain flat, with an additional \$27,092 taken from reserves.

Revenues:

The following summarizes the revenue categories of the Imperial LAFCo budget:

- **81-1928 Contributions from Cities**

These funds are provided by the seven cities. The cities collectively pay ½ of the total apportionment cost. Pursuant to G.C. 56381 (1) (B) the cities' share is apportioned in proportion to each city's total revenues, as reported in the most recent edition of the City's Annual Report published by the Controller, as a percentage of the combined city revenues.

- Scenario 1: The Cities' total contributions would increase \$13,546 or 4.04% from FY2024-2025 to \$348,841.
- Scenario 2: The Cities' total contributions would remain flat at \$335,295.

- **81-1933 Contribution from County**

These funds are provided by the County. The county pays ½ of the total apportionment cost.

- Scenario 1: The County's total contributions would increase \$13,546 or 4.04% from FY2024-2025 to \$348,841.
- Scenario 2: The County's total contributions would remain flat at \$335,295.

- **81-1808 LAFCo Fees**

These funds are provided by incoming project applications, including but not limited to municipal service reviews, annexations, reorganizations, incorporations, dissolutions, and consolidations. Fees are collected to offset Imperial LAFCo salaries, benefits, and other expenditures associated with applications.

LAFCo Fees budgeted for FY2025-2026 are \$38,000, in anticipation of approval of pending master tax-sharing agreements between the County and cities.

- **Rents - 1122 State**

These funds are provided by rental revenue. Imperial LAFCo owns the building located at 1122 W. State St., in El Centro. Three rental spaces are available, all of which are currently occupied.

FY2025-2026 rents are budgeted for \$51,288.

- **Interest Income**

Interest Income is anticipated to be approximately \$18,000 for FY2025-2026.

- **Use of Reserves**

- **Scenario 1:**

- **\$101,472** of reserves would be used to balance the budget.
- Estimated **total reserves remaining: \$572,194**, comprised of:
 - **Assigned Emergency Reserves: \$500,000**
 - **Unassigned Reserves: \$72,194**

- **Scenario 2:**

- **\$128,564** of reserves would be used to balance the budget.
- Estimated **total reserves remaining: \$545,102**, comprised of:
 - **Assigned Emergency Reserves: \$500,000**
 - **Unassigned Reserves: \$45,102**

- **Contingency - Emergency Reserves & Litigation**

- The commission maintains a **Litigation Fund** of **\$40,000**, which is included in the Assigned Emergency Reserves.

- The commission has set aside **\$460,000** for **catastrophic building damage**, also included in the Assigned Emergency Reserves.

- The **Assigned Emergency Reserves total \$500,000**, consistent with the figures in the Use of Reserves section.

- **Unassigned and available reserves after allocations:**

- **Scenario 1: \$72,194**
- **Scenario 2: \$45,102**

Expenditures:

The following summarizes the expenditure categories of the Imperial LAFCo budget for FY2025-2026:

- **82-2001 LAFCo Salaries**
This category includes costs for employee salaries. Imperial LAFCo staff is comprised of an Executive Officer, an Accountant, and a Clerk/Analyst. The budgeted amount for **FY2025–2026** is **\$434,099**.
- **82-2035 LAFCo Employee Benefits**
This category includes employer costs for retirement, life, accidental and disability insurance, health and dental insurance, workers' compensation, and Medicare. The budgeted amount for **FY2025-2026** is **\$226,544**.
- **82-2036 Commissioner Stipend**
This category provides a \$100 stipend per commission meeting attended. The budgeted amount for **FY2025-2026** is **\$5,000**.
- **82-2060 Communications**
This category covers costs for the phone system, including dedicated lines for security and fire alerts. By switching carriers and transitioning to a VoIP system, Imperial LAFCo will reduce communications expenditure by \$3,840 (76%) for **FY2025–2026**. Accordingly, the recommended budget for this category is **\$1,200**.
- **82-2100 Insurance - Property**
This category includes the cost of insurance coverage for the building and business property. The budgeted amount for **FY2025–2026** is **\$7,797**.
- **82-2101 Insurance Liability**
This category includes the cost of insurance for General Liability coverage, including the Commissioner's errors & omissions. The budgeted amount for **FY2025-2026** is **\$16,736**. Liability and property insurance estimates will be revised if updated quotes are received prior to Final Budget approval.
- **82-2120 Maintenance - Equipment**
This category includes the costs of maintenance agreements and repairs for large-format printers/scanners/plotters, copiers, postage meters, and other office equipment. No new maintenance agreements are anticipated for next year, resulting in a \$1,000 decrease from the FY2024–2025 budget. The **FY2025–2026** budgeted amount is **\$6,000**.
- **82-2150 Memberships**
This category includes the cost of annual membership dues to CALAFCO, along with an additional \$1,809 for the California Special Districts Association (CSDA) in **FY2025–2026**. The total budgeted amount is **\$6,159**.
- **82-2170 Office Expense (Office Supplies)**
This category covers costs related to the day-to-day purchase of office supplies and application processing materials. By reviewing past spending, monitoring office supply inventories, and shopping with multiple vendors, staff anticipates a \$2,000 (20%) reduction from the FY2024–2025 budget. The **FY2025–2026** budgeted amount is **\$8,000**.

- **82-2170 Office Expense (Electronics)**
This category covers upgrades, replacements, and supplies for computers and related peripherals. Because significant computer and peripheral upgrades were completed during FY2024–2025, staff projects a 25% reduction in electronics office expenses for FY2025–2026—equating to a decrease of approximately \$4,000. As a result, the recommended budget for this category in **FY2025–2026** is **\$12,000**.
- **82-2170 Office Expense (Software & Licenses)**
This category covers IT subscriptions, with no change from the previous year. The **FY2025–2026** budgeted amount remains **\$7,000**.
- **82-2170 Office Expense (Furnishings)**
This category covers the cost of replacements for desks, chairs, filing cabinets, and other office furnishings. There is no change for **FY2025–2026**; the budget remains **\$1,000**.
- **82-2180 Prof & Spec Services - Legal**
This category covers costs for general and specialized counsel services. LAFCo maintains an agreement with Walker & Driskill Professional Law Corporation for its general counsel needs. With the legal status of the IVHD formation confirmed and no anticipated need for specialized counsel, the **FY2025–2026** budget can be reduced by 50% to **\$30,000**.
- **82-2180 Prof & Spec Services - Other (Annual Audit & Paychex)**
This category covers the costs for annual audit services and payroll processing. Imperial LAFCo contracts with Paychex for payroll processing and engages an independent outside auditor for its annual audited financial statements. The **FY2025–2026** budget remains unchanged at **\$23,000**.
- **82-2181 Prof & Spec Serv - Data Processing/Network**
This category includes costs for internet services provided by the Imperial Valley Telecommunications Authority (IVTA), contracted IT network services, and web hosting services provided by Conveyor Group. Due to ongoing contractual increases, the **FY2025–2026** budget will rise by 3.93% to **\$30,138**.
- **82-2182 Prof & Spec Serv - Other (GIS/CAED)**
This category covers the cost of GIS and mapping services provided under an agreement with the County of Imperial. There is no increase for **FY2025–2026**; the budget remains **\$12,000**.
- **82-2190 Public & Legal Notices**
This category includes the costs incurred for required legal notices and communications such as agenda postings in newspapers and public hearing notices. The budget for **FY2025–2026** remains unchanged at **\$3,600**.
- **82-2200 Rents & Leases - Equipment**
This category covers payments for leased equipment, currently a large copier and a postage meter. The new copier lease agreement has resulted in cost efficiencies, reducing the **FY2025–2026** budget by \$1,608 (28%) to **\$4,092**.
- **82-2230 Special Department Expense**
This category is for miscellaneous items such as commissioner plaques, sponsorships of special workshops, and late fees. The **FY2025–2026** budget is reduced by approximately 28% from FY2024–2025, bringing the total to **\$1,000**.

- **82-2251 Travel in County**
This category covers reimbursements for travel within Imperial County. The **FY2025–2026** budget is reduced by half from FY2024–2025, to **\$250**.
- **82-2252 Travel out of County**
This category includes costs for registration and travel expenses for commissioners and staff attending the CALAFCO annual conference, staff workshops, board meetings, and other educational activities. Since next year's CALAFCO conference will be held in San Diego, CA, the **FY2025–2026** Travel out of County budget can be reduced by 15% from FY2024–2025, to **\$27,726**.
- **82-4300 Capital Outlay**
This category covers single-item equipment purchases exceeding \$3,500. No purchases are anticipated for FY2025–2026.
- **1122 Repair & Maint Costs / Ongoing Expense**
This category covers building-related repair and maintenance costs, including alarm monitoring, cleaning and restroom supplies, trash services, minor (non-remodeling) repairs (e.g., plumbing and electrical), pest control, and equipment upkeep such as air conditioners and sprinkler systems. With no major repairs anticipated next year, the FY2024–2025 budget is reduced by 32% for **FY2025–2026**, bringing the total to **\$20,000**.
- **1122 Repair & Maint Costs / Remodel**
This category covers costs associated with major interior and exterior remodeling of the building. As no remodeling is anticipated in FY2025–2026, the budget for this category will be eliminated, resulting in a \$9,000 savings.
- **1122 Utilities**
This category covers costs for water and electricity. For **FY2025–2026**, the budget remains flat at **\$23,100**, although the recently announced IID rate increase suggests that future budgets may need adjustments.

Summary

In preparation for this budget, staff conducted a thorough review of current revenues, expenditures, and anticipated costs for the upcoming fiscal year.

The proposed budget for **FY2025–2026** totals **\$906,442**, reflecting an increase of \$35,199 (4.04%) from the previous fiscal year. Attached as "Exhibit A," this draft is submitted for review and consideration.

Options

- Option #1:** Approve and adopt the draft budget for fiscal year 2025-2026 as presented in Scenario 1.
- Option #2:** Approve and adopt the draft budget for fiscal year 2025-2026 as presented in Scenario 2.
- Option #3:** Approve and adopt the draft budget for fiscal year 2025-2026 as amended by the commission.

When considering **Scenario 1 vs. Scenario 2**, the key financial trade-off revolves around the **use of reserves**.

- **Scenario 1** allows for a **balanced budget** with a **moderate reserve draw of \$101,472**, leaving **\$572,194** in total reserves. This approach **minimizes reliance on reserves**, ensuring stronger financial stability for future fiscal years.
- **Scenario 2**, on the other hand, **keeps city and county contributions flat**, requiring a **larger reserve draw of \$128,564**, reducing the total reserve balance to **\$545,102**. While this approach **eases the immediate financial burden on contributing agencies**, it **increases reliance on reserves**, potentially reducing flexibility for unforeseen future costs.

Both scenarios **maintain the commission's Assigned Emergency Reserves at \$500,000**, ensuring funding for litigation and catastrophic building repairs. However, Scenario 2 results in a **lower unassigned reserve balance of \$45,102 compared to \$72,194 in Scenario 1**, which may **impact LAFCo's ability to handle unexpected expenses** in future years.

Recommendation by the Executive Officer

The Executive Officer recommends 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 or #2: Approve and adopt the draft budget for fiscal year 2025-2026 as presented in Scenario 1, or as presented in Scenario 2.

EXHIBIT A: Draft Budget Fiscal Year 2025-2026

EXHIBIT B: Notice of Public Hearing

EXHIBIT A

Draft Budget for Fiscal Year 2025-2026

					Scenario 1			Scenario 2		
	ADOPTED FINAL Fiscal 2024-2025 (approved 5/23/24)	Preliminary Actuals @ 03/11/25	Estimated Annual for 2024-2025	2024/2025 over (under)	Fiscal 2025- 2026 Proposed DRAFT Budget	Fiscal 2025- 2026 Increase (Decrease)	% Increase (Decrease)	Fiscal 2025- 2026 Proposed DRAFT Budget	Fiscal 2025- 2026 Increase (Decrease)	% Increase (Decrease)
Income										
81-1928 CONTRB FROM OTHER AGENCIES (Cities)	335,295	335,295	335,295	(0)	348,841	13,546 a	4.04%	335,295	(0) a	0.00%
81-1933 COUNTY MATCHING FUNDS	335,295	335,295	335,295	(0)	348,841	13,546 a	4.04%	335,295	(0) a	0.00%
81-1808 LAFCO FEES	50,000	16,209	17,209	(32,791)	38,000	(12,000) b	-24.00%	38,000	(12,000) b	-24.00%
RENTS - 1122 STATE	47,028	34,193	47,474	446	51,288	4,260 c	9.06%	51,288	4,260 c	9.06%
*CONTINGENCY - EMERGENCY RESERVES (& LITIGATION)	103,623		103,623	0	101,472	(2,151) d	-2.08%	128,564	24,941 d	24.07%
INTEREST INCOME	0	17,788	17,788	17,788	18,000	18,000 o		18,000	18,000 o	
OTHER INCOME	0	977	977	977	0	0	0.00%	0	0	0.00%
Total Income	871,242	739,757	857,661	(13,580)	906,442	35,200	4.04%	906,442	35,200	4.04%
Expenses										
82-2001 LAFCO SALARIES	353,018	257,103	411,604	58,586	434,099	81,081 e	22.97%	434,099	81,081 e	22.97%
82-2035 LAFCO EMPLOYEE BENEFITS	211,833	113,669	174,593	(37,240)	226,544	14,712 e	6.94%	226,544	14,711 e	6.94%
82-2036 COMMISSIONER STIPEND	4,500	1,800	4,300	(200)	5,000	500 f	11.11%	5,000	500 f	11.11%
82-2060 COMMUNICATIONS	5,040	4,247	4,818	(222)	1,200	(3,840) g	-76.19%	1,200	(3,840) g	-76.19%
82-2100 INSURANCE PROPERTY	7,797	-8	7,797	0	7,797	0	0.00%	7,797	0	0.00%
82-2101 INSURANCE LIABILITY	14,125	13,811	13,811	(314)	16,736	2,611 h	18.48%	16,736	2,611 h	18.48%
82-2120 MAINTANCE -EQUIPMENT	7,000	1,840	5,609	(1,391)	6,000	(1,000) i	-14.29%	6,000	(1,000) i	-14.29%
82-2150 MEMBERSHIPS	4,500	0	4,350	(150)	6,159	1,659	36.87%	6,159	1,659	36.87%
82-2170 OFFICE EXPENSE (Office Supplies)	10,000	2,714	5,653	(4,347)	8,000	(2,000) b	-20.00%	8,000	(2,000) b	-20.00%
82-2170 OFFICE EXPENSE (Electronics)	16,000	6,397	10,967	(5,033)	12,000	(4,000) b	-25.00%	12,000	(4,000) b	-25.00%
82-2170 OFFICE EXPENSE (Software & Licenses)	7,000	4,387	5,987	(1,013)	7,000	0	0.00%	7,000	0	0.00%
82-2170 OFFICE EXPENSE (Furnishings)	1,000	0	0	(1,000)	1,000	0	0.00%	1,000	0	0.00%
82-2180 PROF & SPEC SERVICES-Legal	60,000	88,189	109,689	49,689	30,000	(30,000) j	-50.00%	30,000	(30,000) j	-50.00%
82-2180 PROF & SPEC SERVICES - Other (Annual Audit & Paychex)	23,000	10,452	17,872	(5,128)	23,000	0	0.00%	23,000	0	0.00%
82-2181 PROF & SPEC SERV-DATA PROCESSING/NETWORK	29,000	22,012	30,812	1,812	30,138	1,138 k	3.93%	30,138	1,138 k	3.93%
82-2182 PROF & SPEC SERV-OTHER (GIS/CAED)	12,000	0	12,000	0	12,000	0	0.00%	12,000	0	0.00%
82-2190 PUBLIC & LEGAL NOTICES	3,600	1,582	2,482	(1,118)	3,600	0	0.00%	3,600	0	0.00%
82-2200 RENTS & LEASES-EQUIPMENT	5,700	2,146	4,064	(1,636)	4,092	(1,608) l	-28.21%	4,092	(1,608) l	-28.21%
82-2230 SPECIAL DEPARTMENT EXPENSE	1,400	492	985	(415)	1,000	(400) b	-28.57%	1,000	(400) b	-28.57%
82-2251 TRAVEL IN COUNTY	500	0	250	(250)	250	(250) b	-50.00%	250	(250) b	-50.00%
82-2252 TRAVEL OUT OF COUNTY	32,609	17,019	17,819	(14,791)	27,726	(4,883) m	-14.98%	27,726	(4,883) m	-14.98%
82-4300 CAPITAL OUTLAY	0			0	0	0	0.00%	0	0	0.00%
1122 REPAIR & MAINT COSTS/ONGOING EXPENSE	29,520	7,195	14,391	(15,129)	20,000	(9,520) n	-32.25%	20,000	(9,520) n	-32.25%
1122 REPAIR & MAINT COSTS/REMODEL	9,000	0	0	(9,000)	0	(9,000) n	-100.00%	0	(9,000) n	-100.00%
1122 UTILITIES	23,100	8,812	17,624	(5,476)	23,100	0	0.00%	23,100	0	0.00%
*CONTINGENCY - EMERGENCY RESERVES	0			0	0	0	0.00%	0	0	0.00%
Total Expenses	871,242	563,861	877,477	6,234	906,442	35,199	4.04%	906,441	35,199	4.04%
estimated use of additional reserves FY2024-2025					19,816					

- Notes (Fiscal 2025-2026 Draft Proposal):
- a) increase in apportionment due to increase in budget
 - b) decrease due to project volume
 - c) increase as all suites are currently rented
 - d) increase in drawdown of estimated available reserves to offset expenses
 - e) increase to accommodate current salaries and potential merits and benefit premium increases
 - f) increase due to anticipation of having 10 meetings per fiscal year
 - g) decrease due to switching over to new phone plans
 - h) increase due to anticipation of about 18%
 - i) decrease due to not anticipating additional maintenance need
 - j) decrease due to litigations being completed
 - k) increase due to ongoing contractual increases
 - l) decrease due to new lease agreements
 - m) decrease due to Annual conference location being in San Diego
 - n) decrease do to not anticipating having additional repairs and renovations
 - o) increase as we are currently earning interest on CD

Projected Reserves	
797,105	Total Reserves as of 6.30.2024
(103,623)	Use of Reserves FY2024-2025
(19,816)	Est. Add. Reserves FY2024-2025
(500,000)	Assigned Emergency Reserves
173,666	
(101,472)	Use of Reserves FY2025-2026
72,194	Additional Unassigned Reserves

Projected Reserves	
797,105	Total Reserves as of 6.30.2024
(103,623)	Use of Reserves FY2024-2025
(19,816)	Est. Add. Reserves FY2024-2025
(500,000)	Assigned Emergency Reserves
173,666	
(128,564)	Use of Reserves FY2025-2026
45,102	Additional Unassigned Reserves

LAFCO Estimated Annual Cost of Salaries and Benefits for 2025-2026

EXHIBIT A

Position	Proposal FYE 6/30/26	Estimated 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 (Full Time Employee) full year	219,900	56,954	39,492	4,046	3,189	0	112	323,693
Analyst/Accountant full year	112,055	43,959	26,028	515	1,625	0	112	184,294
Analyst/Clerk full year	71,724	25,512	14,604	330	1,040	0	112	113,322
Building Maintenance	30,420	n/a	n/a	6,075	441	1,886	112	38,934
	<u>\$ 434,099</u>	<u>\$ 126,426</u>	<u>\$ 80,124</u>	<u>\$ 10,966</u>	<u>\$ 6,294</u>	<u>\$ 1,886</u>	<u>\$ 448</u>	<u>\$ 660,243</u>

Senior Analyst vacant

Retirement components

Health / medical 13.33%

Pension bond 6.040%

Employer 16.20% / 19.86%

EXHIBIT B

Notice of Public Hearing

NOTICE OF PUBLIC HEARING & SCHEDULED HEARING DATE

This notice is to advise you, the recipient of this notice, that the draft budget for fiscal year 2025-2026 will be considered by the Imperial County Local Agency Formation Commission (LAFCo) and will be heard on the date and time listed below. As an interested person or agency, you may comment on this draft budget by submitting written documentation to LAFCo or appearing at the public hearing. You are not required to attend this meeting; it is simply for your information. The Executive Officer's report and draft budget will be available on the LAFCo website at least 72 hours prior to the meeting date and time listed below.

Meeting Date:	March 27, 2025
Meeting Time:	08:30 a.m.
Meeting Location:	El Centro Board Chambers 1275 W. Main Street, El Centro, CA 92243
Description:	Public Hearing and related action to consider approval of the draft budget for fiscal year 2025-2026
Staff Contact:	Tyler Salcido, LAFCo Executive Officer 1122 W. State Street, Suite D, El Centro, CA 92243 (760) 353-4115 tylers@iclafco.com www.iclafco.com