
**FRESNO LOCAL AGENCY FORMATION COMMISSION (LAFCo)
EXECUTIVE OFFICER'S REPORT**

AGENDA ITEM No. 10

Date: April 15, 2009
To: Fresno Local Agency Formation Commission
From: Rick Ballantyne, Executive Officer
Subject: Proposed 2009-2010 Fresno LAFCo Budget

Summary

Both Fiscal Year (FY) 2008-2009 LAFCo Budget revenues and expenditures have generally been less than budgeted resulting in a fund balance amount approximating last year's. LAFCo's Special Fund balance estimated at \$350,000 at the end of this fiscal year is again proposed to be used to hold City and County contributions at the same level (\$175,787). The percentage of the budgeted amount remaining within the fund balance will be slightly increased from 20.01% to 21.32%. However, the actual amount of the fund balance after transfer would slightly decrease from \$143,089 to \$140,877.

While LAFCo had estimated annual income derived from fees at \$156,500 during FY 2008-2009, based upon the prior two years of activity, the actual amount of fees collected has been substantially less than estimated. Based upon the level of application activity experienced during the first eight months of the fiscal year, we would expect the amount of annual income received from fees to be reduced to approximately \$100,000.

This year's budget is being proposed to be reduced from \$714,959 to \$660,699—or \$54,260 (7.5%) less. This year's budget reflects only a one-half year position for the LAFCo Deputy Executive Officer (Senior Staff Analyst). The Executive Officer has indicated his intent to retire at the end of the calendar year. We understand that the Commission may commence a search for a new Executive Officer. This budget anticipates the interim appointment of the Deputy Executive Officer as Executive Officer during a recruitment period. However, the Commission may consider other options regarding staff, which may affect the budget. Also, the current LAFCo Office Assistant II position is proposed to be reduced to a 32-hour per week part-time position (Susan Pool). These two staffing reductions will allow the Cities and County to maintain their current contribution levels.

Discussion

California Government Code, Sections 56000 *et seq.*, requires the Commission to adopt a proposed budget by May 1st and a final budget by June 15th annually at a noticed public hearing. At today's hearing the Commission will consider and approve a Proposed Budget for Fiscal Year 2009-2010. All Commission recommendations will be incorporated into the Final Budget scheduled to be heard by the Commission at its regular hearing on May 13, 2009.

At a minimum, State law requires the budget must be equal to the previous fiscal year's budget unless reduced staffing or workload costs indicate that a reduction would be appropriate. This year's budget is less than last year's (\$660,699 as opposed to \$714,959). Costs for some line items are projected to increase to reflect recent experience; however, as a result of a significant carryover of funds from previous years and recovery of some operating expenses for applicant-

initiated proposals from fees, mandatory County and City contributions have been reduced over the last several years.

While LAFCo's level of contribution was originally contemplated covering approximately one-third of its annual operating expenses, the trend over the last several years has seen a significant increase in the level of LAFCo's contributions through its fees and transfer from its fund balance account. Last year, LAFCo funded 50.8% of its own operations, and this year's budget proposes that LAFCo fund 46.8% of its own budget. A prudent reserve fund balance is also recommended.

Special Considerations

Fresno LAFCo is expected to continue addressing the "independence" issue as supported by State law. LAFCo's decision to become totally independent could result in changes to personnel and personnel benefits (i.e. health insurance and other employee benefits) as well as other contractual services provided by the County. Preliminary investigations reveal that some increases in personnel benefits and insurance premiums will result. A sub-committee has been formed to review such costs and to report back to the Commission.

Consulting Services

Fresno LAFCo has previously contracted with Mike Noland to provide Special LAFCo Counsel when determined necessary. Staff is recommending that Mr. Noland continue to serve as Special Counsel and be budgeted for \$5,000 similar to last year for any services provided.

Summary of Budget Accounts and Recommendations

The discussion below presents an account by account analysis of the recommended Budget compared to the FY 2008-2009 Budget. The total recommended appropriation for FY 2009-2010 is \$660,699 which is a 7.58% decrease from the approved FY 2008-2009 Budget.

Account Number 7039 – Mobile Communications Recommended Appropriation - \$240

This is a new account established for cell phone usage. This estimate was provided by the County based on current usage. A single cell phone is utilized to provide office communication when the Executive Officer or other employees are attending conferences or performing work away from the office. The cell phone is securely stored at the LAFCo Office during non-business hours.

Account Number 7040 - Telephone/Communications Recommended Appropriation - \$4,727

This estimate was provided by the County based on current usage and is \$1,395 less than last year's recommended budget appropriation.

Account Number 7101 - Liability Insurance Recommended Appropriation - \$13,319

This amount is provided by the County. The current insurance coverage runs from September, 2008 through September, 2009, at a cost of \$11,014. A 15% increase has been added.

Account Number 7175 – Insurance-Other
Recommended Appropriation – \$17

This budgeted amount was provided by the County and reflects past experience.

Account Number 7205 - Maintenance – Equipment
Recommended Appropriation - \$600

This annual estimate is based upon actual copier maintenance costs. This amount is estimated based on current usage.

Account Number 7250 - Professional Memberships
Recommended Appropriation - \$6,395

The increased amount reflects a slight increase in CALAFCO membership dues.

Account Number 7265 - Office Operational Expenses
Recommended Appropriation - \$5,000

This reflects a decrease of \$2,750 in office supplies. The office is well stocked to handle next year's office requirements.

Account Number 7266 – Mailing Service
Recommended Appropriation - \$2,587

This new account reflects the County's cost for providing mailing service to LAFCo.

Account Number 7268 - Postage
Recommended Appropriation - \$5,000

This amount reflects anticipated activity and is the same as last year's budgeted amount.

Account Number 7286 - PeopleSoft Human Resources Charge
Recommended Appropriation - \$723

This is a new account that reflects the County's cost

Account Number 7287 - PeopleSoft Financials
Recommended Appropriation - \$3,508

This estimate was provided by the County and reflects a \$796 increase from last year's estimate.

Account Number 7294 - Special Projects
Recommended Appropriation - \$0

Last year, LAFCo Counsel had recommended that \$5,000 be budgeted to provide for a special assessment that was required by the County Retirement Association in relationship to LAFCo "Independence" efforts that will result in staff (currently County personnel) becoming Fresno LAFCo personnel. Given present economic circumstances and until such time as the Commission makes a preliminary determination that such effort is desirable, it is not recommended that such amount be budgeted.

Account Number 7295 - Professional and Specialized Services
Recommended Appropriation - \$540,845

This account includes LAFCo staff salaries and benefits; LAFCo Counsel expenses; and County Assessor, County Health Department, County Elections Department, County Personnel Department, and County Auditor Office contractual services. This account anticipates a \$39,402 decrease from last year's budgeted amount.

We have budgeted legal counsel expenses at the same level as last year's. We have also provided an annual step increase (5%) for our Program Tech II position. No cost of living adjustments (COLAs) are proposed. Included within this category is the unused annual leave payoff for the Executive Officer upon retirement from the County.

Account Number 7296 – Data Processing Services
Recommended Appropriation - \$18,909

This estimate has been provided by the County. The estimate has decreased \$3,397 over last year's estimate.

Account Number 7325 - Publications & Legal Notices
Recommended Appropriation - \$3,000

This figure is based on current year notification expenses.

Account Number 7340 - Rents & Leases-Buildings
Recommended Appropriation - \$39,787

This amount reflects the annual cost to lease LAFCo's office space for twelve months. The increase over last year's amount reflects a slight contractual increase as provided for in the lease agreement.

Account Number 7412 - Mileage
Recommended Appropriation - \$2,400

LAFCo does not maintain its own company vehicle due to limited necessity. Mileage is reimbursed to employees utilizing their own private vehicles at the standard government rate. LAFCo maintains annual records of proof of insurance and valid driver licenses for their employees.

Account Number 7415 - Transportation, Travel & Education - LAFCo Staff/Commissioners
Recommended Appropriation - \$6,000

The budgeted amount is the same as last year's. This reflects a desire to provide adequate training for staff and LAFCo Counsel at CALAFCO's annual staff workshop, annual Conference, and CALAFCO training courses. It provides selected Commissioners an opportunity to attend the CALAFCO State Conference and will allow educational opportunities for LAFCo's technician to allow her increased GIS and internet website training to assist LAFCo operations.

Account Number 7417 - Transportation & Travel - Commissions & Advisory Boards
Recommended Appropriation - \$4,500

This account pays the \$75.00 per diem to Commissioners for attending meetings. Twelve regular meetings have been budgeted for.

**Account Number 8300 - New Equipment
Recommended Appropriation - \$0**

No new equipment needs have been identified for this year.

**Account Number 8991 - Contingencies Fund
Recommended Appropriation - \$3,000**

This account sets aside money for unexpected costs and emergencies and is the same amount as last year's budgeted amount. No funds were expended under this account this last year.

REVENUES

Revenues to support LAFCo come from three sources: Fresno County, the 15 Cities in the County, and LAFCo's application processing fees. Based on the adopted 2008-2009 Budget, \$175,787 was contributed by the County and Cities (50% each) to offset LAFCo's net operating costs as required by State law. Application fees deposited during the first six months of the year amounted to \$44,400. This amount is substantially less than that necessary to meet the projected \$156,500 revenue estimates by June 30th of this fiscal year. However, it should be pointed out that expenses have also been reduced to a level that will maintain LAFCo's fund balance at its projected year-end level.

LAFCo Special Account

As revenues are received from the various sources, they are deposited in a Special Account created exclusively for LAFCo's use which is administered by the County Auditor-Controller's Office. Funds are drawn from this account as needed to meet our expenses. Funding not utilized during a given year remains available for use in future years.

Due to LAFCo's application activity, balanced budgets, a modest yearly surplus over the last several years, accrued interest, and a budgeted position that had remained unfilled for a time, LAFCo as of March 22nd had a Special Account fund balance of \$464,061, which we estimate will be drawn down to about \$350,000 (estimated by the County Auditor's Office) by the end of the fiscal year. This balance will increase again when the City and County contributions are paid shortly after the budget is adopted.

Prudent budget management dictates that we should maintain a reasonable balance in the account to carry us until the City and County contributions are received, and as a cushion against a significant reduction in application revenue. However, the fund balance should not be allowed to grow indefinitely. Excess funds should be allocated as revenue to pay for a portion of operating expenses when they reach a certain point.

Based on a recent review of our account balance, we are recommending that \$141,017 be maintained in this account, with the remainder, to be allocated as revenue in this year's budget. If this is approved we recommend that the Executive Officer be authorized to request the County Auditor to transfer \$208,983 from LAFCo's Special Account to its fund balance.

With revenues (*fees and contribution from LAFCo's reserve*) accounting for \$308,983 of the **\$660,557** total recommended appropriations, the "net operating cost" is **\$351,574**. Accordingly, the County and Cities would be required to contribute **\$175,787** each toward LAFCo support in accordance with State law. This would result in the County and Cities each contributing **the same as** last year's contribution requirement. A summary of estimated revenues for the proposed budget indicating a balanced budget is shown in Exhibit 2.

Recommended Action

The recommended 2009-2010 budget would balance anticipated costs with projected revenues, while maintaining a prudent reserve fund (Special Fund) of 21.35% of the estimated annual budget amount. The 2009-2010 Budget maintains City and County contributions at the same level.

Staff recommends approval of the Preliminary FY 2009-2010 LAFCo Budget estimates as shown on Exhibits 1 through 5. Staff also seeks direction with respect to any recommended changes the Commission may desire.

EXHIBIT 1
FISCAL YEAR 2009-2010 PROPOSED BUDGET
Total Services, Supplies and Capital Facilities - Appropriations

Fund No.: 4825 Special Fund
Subclass No.: 10000
Org No.: 9690 LAFCo Contract

BUDGET ITEM	Approp. 2008-2009	Est. Expense 2008-2009	Remaining at Year End	Recomm. 2009-10
7039 Mobile Communications	\$0	\$0	\$0	\$240
7040 Telephone Charges	\$6,122	\$4,470	\$1,652	\$4,727
7101 Liability Insurance	\$15,777	\$11,582	\$4,195	\$13,319
7175 Insurance-Other	\$30	\$0	\$30	\$17
7205 Maintenance-Equipment	\$1,200	\$536	\$664	\$600
7250 Professional Memberships	\$6,185	\$6,185	\$0	\$6,395
7265 Office Operations Expense	\$7,750	\$4,189	\$3,561	\$5,000
7266 Messenger Service	\$0	\$0	\$0	\$2,587
7268 Postage	\$5,000	\$4,007	\$993	\$5,000
7286 PeopleSoft Human Resources Charge	\$0	\$0	\$0	\$723
7287 PeopleSoft Financials Charge	\$2,712	\$4,068	(\$1,356)	\$3,508
7294 Professional & Special Serv. Contract	\$5,000	\$0	\$5,000	\$0
7295 Profess. & Special Serv. (w/ benefits & salaries)	\$580,247	\$485,789	\$94,458	\$540,845
7296 Data Processing Services	\$22,306	\$17,794	\$4,512	\$18,909
7325 Publication & Legal Notices	\$8,000	\$2,574	\$5,426	\$3,000
7340 Office Leases	\$37,230	\$38,221	(\$991)	\$39,787
7412 Mileage	\$2,400	\$1,400	\$1,000	\$2,400
7415 Trans, Travel & Education (Staff)	\$6,000	\$5,000	\$1,000	\$6,000
7417 Trans & Travel - Comm & Adv Bds	\$4,500	\$4,500	\$0	\$4,500
8300 Fixed Assets (Furnishings)	\$1,500	\$800	\$700	\$0
8991 Contingencies	\$3,000	\$0	\$3,000	\$3,000
Total	\$714,959	\$591,115	\$123,844	\$660,557

Total Recommended Appropriations for 2009-2010

\$660,557

EXHIBIT 2
FISCAL YEAR 2009-2010 PROPOSED BUDGET
Net Operating Cost and City/County Contribution Calculation 2009-2010

Total Budget	\$660,557.00
Net Operating Cost (Total Budget Minus Fees and Reserve Balance Transfer)	\$351,574.00
Estimated Revenue	
Fees	\$100,000.00
Special Fund Transfer To Revenue Account	\$208,983.00
Fee and Reserve Fund Revenue Transfer Subtotal	\$308,983.00
Cities' Contribution (The actual apportionment will be determined by the County Auditor)	\$175,787.00
County Contribution	\$175,787.00
City/County Contribution	\$351,574.00
Total Revenue	\$660,557.00

EXHIBIT 3
FISCAL YEAR 2009-2010 PROPOSED BUDGET
Special Fund Balance

Estimated Special Fund Balance as of June 30, 2009 *	\$350,000.00
Recommended Amount To Be Transferred to Revenue Account	\$208,983.00
Estimated Special Fund Balance After Transfer	\$141,017.00
Percentage of Budget Remaining In Special Fund After Transfer	21.35%

* Fund Estimate Prepared by Fresno County Auditor's Office

EXHIBIT 4
FISCAL YEAR 2009-2010 PROPOSED BUDGET
ACCOUNT #7295 - PROFESSIONAL AND SPECIALIZED SERVICES
General Administrative, Auditor-Controller, Professional and Specialized, Salaries/Benefits

BUDGET ITEM	Approp.2008-2009	Est. Exp. 2008-2009	Est. @ Year end	Recom. 2009-10
GENERAL COUNTY				
Administrator, Personnel, Employee Relations,	\$8,494	\$6,000	\$2,494	\$8,000
SUB-TOTAL	\$8,494	\$6,000	\$2,494	\$8,000
AUDITOR-CONTROLLER TREASURER-TAX COLLECTOR				
Financial Statements and General Accounting	\$6,000	\$6,000	\$0	\$6,000
Independent Financial Audit				\$7,000
SUB-TOTAL	\$6,000	\$6,000	\$0	\$13,000
PROFESSIONAL & SPECIALIZED SERVICES				
Fresno Co. Assessor	\$10,200	\$3,750	\$6,450	\$9,000
LAFCo Counsel	\$80,000	\$62,193	\$17,807	\$80,000
Fresno Co. Elections	\$5,000	\$2,000	\$3,000	\$5,000
Fresno Co. Health	\$3,360	\$2,464	\$896	\$3,520
Special Counsel	\$5,000	\$5,000	\$0	\$5,000
SUB-TOTAL	\$103,560	\$75,407	\$28,153	\$102,520
SALARIES AND BENEFITS				
6100 - Regular Salaries	\$299,614	\$259,124	\$40,490	\$257,684
6200 - Extra Help	\$0	\$18,710	(\$18,710)	\$20,661
6300 - Overtime	\$0	\$0	\$0	\$0
6350 - Unemployment Insurance	\$290	\$290	\$0	\$525
6400 - Retirement Contribution	\$105,766	\$96,600	\$9,166	\$87,292
6500 - Oasdi Contribution	\$22,790	\$18,560	\$4,230	\$21,591
6550 - Workers Comp Contribution	\$561	\$546	\$15	\$657
6600 - Health Insurance Contribution	\$31,733	\$26,548	\$5,185	\$27,750
6650 - Life & Disability Insurance	\$909	\$909	\$0	\$769
6670 - Benefit Administration	\$530	\$530	\$0	\$396
SUB-TOTAL	\$462,193	\$421,817	\$40,376	\$417,325 *
GRAND TOTAL	\$580,247	\$509,224	\$71,023	\$540,845

* Portion of County Support - Total Contribution of Salaries and Benefits

EXHIBIT 5

FISCAL YEAR 2009-2010 PROPOSED BUDGET

Salaries and Benefits

Fund No.: 0001 General Fund
Subclass No.: 10000
Org No.: Fresno Local Agency Formation Commission Contract

Account Number & Description	FY 2009-2010
6100 - Regular Salaries	\$257,684
6200 - Extra Help	\$20,661
6300 - Overtime	\$0
6350 - Unemployment Insurance	\$525
6400 - Retirement Contribution	\$87,292
6500 - Oasdi Contribution	\$21,591
6550 - Workers Comp Contribution	\$657
6600 - Health Insurance Contribution	\$27,750
6650 - Life & Disability Insurance	\$769
6670 - Benefit Administration	\$396
Total Salaries and Benefits	\$417,325