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

AGENDA ITEM No. 9

DATE: April 10, 2013

TO: Local Agency Formation Commission

FROM: Jeff Witte, Executive Officer

SUBJECT: Consider Approval – Proposed Fiscal Year 2013-2014 LAFCo Budget

RECOMMENDATION:

Approve the Proposed FY 2013-2014, LAFCo Budget estimates as shown on the attached Exhibits and seek direction with respect to any recommended changes that the Commission may desire to incorporate within the Final Budget that will be presented at the May 1, 2013 hearing.

EXECUTIVE SUMMARY:

This year's budget proposes an increase from \$480,169 to \$521,486 (↑) \$41,317. This increase reflects the projected salary and benefits for the new Executive Officer (↑) \$27,516. As you may recall, your present Executive Officer has been working under a contract that did not include health insurance or retirement benefits. To date, our fund balance is \$307,749. Anticipated expenditures through the end of the Fiscal Year will draw that balance down to \$170,011. Even though there is a budget increase of \$41,317, staff anticipates that LAFCo should be able to contribute \$50,000 from its General Fund as opposed to last year's contribution of \$18,574. With this year's contribution of \$50,000 from the General Fund, the Cities' and County's share will only increase from \$216,532 to \$220,743, or \$4,211 each.

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 Preliminary Budget for Fiscal Year 2013-2014. All Commission recommendations will be incorporated into the Final Budget scheduled to be heard by the Commission at its regular hearing in May, 2013.

State law requires the budget must be equal to the previous fiscal year's budget unless staffing or program costs have been reduced, which is not anticipated for the next fiscal year. LAFCo will experience cost increases in several areas and a budget reduction would not be appropriate.

A prudent reserve fund balance in the amount of 15% to 20% of the total operating budget was previously recommended by Vicki Crow, Fresno County Auditor/Controller-Tax-Collector which would be between \$78,223 and \$104,297. LAFCo also maintains a legal reserve in the amount of \$60,000 that is held separate from LAFCo's general fund.

Summary of Budget Accounts and Recommendations

The discussion below presents an account by account analysis of the recommended Budget compared to the FY 2012-2013 Budget. The total recommended appropriation for FY 2013-2014 is \$521,305, which is a 9.14% increase from the approved FY 2012-2013 Budget.

Account Number 7040 - Telephone/Communications Recommended Appropriation - \$1,108(↓)

This estimate was provided by the County based on current usage and is \$ 354 less than last year's recommended budget appropriation of \$1,462. The projected expense for this account as of 6/30/13 is \$1,097.

Account Number 7101 - Liability Insurance Recommended Appropriation - \$12,203(↑)

The above amount is the estimated cost for Liability Insurance, provided by Alliant Insurance Services for September, 2013 through September, 2014. This amount includes an estimated 10% increase over last year's cost (\$11,094) as recommended by the insurance company.

Account Number 7205 - Maintenance – Equipment Recommended Appropriation - \$676(↑)

This estimate is based upon actual copier maintenance costs on current usage. The projected expense for this account as of 6/30/13 is \$668.

Account Number 7250 - Professional Membership Dues Recommended Appropriation - \$6,466(↑)

This figure was provided by CALACO and is an increase of \$145 over last year's dues for CALAFCO membership.

Account Number 7265 - Office Operational Expenses (Office Supplies) Recommended Appropriation - \$6,000(↑)

This is an increase of \$1,000 over last year's request. The amount budgeted in this account has not been increased for several years and the \$6,000 more accurately reflects LAFCo's current needs and includes additional costs associated with preparing MSRs. The projected expense for this account as of 6/30/13 is \$6,767.

Account Number 7268 - Postage Recommended Appropriation - \$5000(=)

This amount is the same as last year's budget. The projected expense for this account as of 6/30/13 is \$3,671.

Account Number 7286 - PeopleSoft Human Resources Charge
Recommended Appropriation - \$605(↑)

This estimate was provided by the County and reflects Personnel costs for the two contract employees. It is a \$224 increase over last year. The projected expense for this account as of 6/2013 is \$343.

Account Number 7287 - PeopleSoft Human Resources Financial Charge
Recommended Appropriation - \$663(↓)

This estimate was provided by the County and reflects the County's cost for payroll for the two contract employees. It is a \$14 decrease over last year. The projected expense for this account as of 6/3013 is \$785.

Account Number 7295 - Professional and Specialized Services
Recommended Appropriation - \$423,983(↑)

This account includes LAFCo staff salaries and benefits (\$314,273), estimates for services based on current costs for LAFCo Counsel (\$85,000), Special Counsel (\$6,000), accounting services provided by the Auditor's Office (\$3,000), Administration and Personnel services (\$2000), Bookkeeping Service (\$6,000), Payroll Services (\$850), Assessor's Office (\$4,500), Health Department (\$1,760), and Elections (\$600). The salaries and benefits account assumes an increase of \$27,213 for the new Executive Officer, but does not include any cost increase for the two County employees. This is a total increase of \$35,479 in this account over last year's budget. The projected expense for this account as of 6/3013 is \$427,583.

Account Number 7296 – Data Processing Services
Recommended Appropriation - \$16,652(↑)

This estimate was provided by the County and reflects an increase of \$5,270 over last year's estimate, which was \$11,328. This account charges LAFCo for computer and phone rental and maintenance services. The projected expense for this account as of 6/30/13 is \$14,999.

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

This figure is based on current year notification expenses and is the same as last year's estimate. The projected expense for this account as of 6/30/13 is \$3,145.

Account Number 7340 - Rents & Leases-Buildings
Recommended Appropriation - \$26,248(↑)

This amount reflects the annual cost to lease LAFCo's office space for twelve months. The above estimate was provided by the Milner Klein Realty Company. The projected expense for this account as of 6/30/13 is \$25,248.

Account Number 7355 – Postage Equipment Rental
Recommended Appropriation - \$382(↑)

This amount reflects the annual cost to lease LAFCo's postage meter. The above estimate is based on the current year's cost which is projected to be \$383 by the end of 6/30/13.

Account Number 7412 – Mileage/Auto Allowance
Recommended Appropriation - \$2,000(↑)

This amount is an increase of \$1,000 over last year's estimate. This account is to reimburse the Commission and staff for mileage for attending Commission meetings and conferences. The projected expense for this account as of 6/30/13 is \$1,699.

Account Number 7415 – Commissioner Per Diem
Recommended Appropriation - \$4,500(=)

This amount provides for twelve regular meetings and does not include any special meetings. Although the per diem was increased from \$75.00 to \$100.00, the amount remains the same because one Commissioner declines to accept the per diem increase and one Commissioner declines to accept any per diem.

Account Number 7416 – Transportation, Travel & Education for Commissioners & Staff
Recommended Appropriation - \$6,600(↑)

This account reflects a \$2,600 increase in response to the Commission's desire for more educational opportunities. Many of the Commissioners have recently been appointed to LAFCo and desire to attend more training that is provided by CALAFCO outside our area. The projected expense for this account as of 6/30/13 is \$4,844.

Account Number 8300 – Fixed Assets (Computers)
Recommended Appropriation - \$3,000(↑)

Three thousand dollars would be placed in a "reserve account" toward buying computers for the office and contracting for computer services outside of the County's system in the near future. The County estimates LAFCo's cost for leasing their computers and using their services for the 2013-2014 fiscal year is \$16,652. Staff is researching the costs to see if there would be a savings by using outside services.

Account Number 8991 – Contingencies
Recommended Appropriation - \$3,000(=)

This amount is the same as last year's recommendation. To date, no funds have been used out of this account.

Revenues

In the past, revenues to support LAFCo have come from three sources: Fresno County, the 15 Cities in the County, and LAFCo's application processing fees. Based on the adopted 2012-2013 Budget, \$216,532 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 nine months of this year amounted to \$79,750 (\$54,750 above what was estimated at June 30, 2013). Most of the Cities, which in the past have been the biggest source of annexation applications, continue to have sufficient lots in inventory due to the very slow rate of absorption in the present economy. Because of these discussions, staff is recommending an estimate of \$30,000 in application fees that will be collected in the next fiscal year.

Reserve Funds

Previously staff set aside \$60,000 for legal reserve. Staff also recommends keeping around \$19,000 held in reserve for benefits payouts. While this amount is needed to offset the cost of employee retained benefit, exact calculation of this amount can be difficult because it is based on balances for sick leave and vacation which fluctuate during an employee's time with the agency.

Summary

Based on a recent review of LAFCo's General Fund account balance, if LAFCo contributes \$50,000 to offset the Cities' and County's share of LAFCo's support, the General Fund account balance should be drawn down to about \$120,011. LAFCo anticipates paying out an estimated amount of \$19,000 in benefits payout within the next six months that would draw down the General Fund balance to \$101,011. Staff is also recommending setting aside \$3,000 for the future purchase of computers and phone system outside of the County's system, as staff feels there would be some savings in that area. This will draw down the General Fund Balance to \$98,011 (18.79%). As per the County Auditor's recommendation, we should maintain a minimum reserve of between \$78,220 and \$104,297 (based on 15% to 20% of LAFCo's operating budget).

Recommended Action

Approve the Preliminary Fiscal Year 2013-2014 Budget, as it would balance anticipated costs, while maintaining a prudent reserve fund (Special Fund) of 15% to 20% of the estimated annual budget amount.

JW:cf

EXHIBIT 1
FISCAL YEAR 2013-2014 PROPOSED BUDGET
Total Services, Supplies and Capital Facilities - Appropriations

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

BUDGET ITEM	ADOPTED FY 2012-2013 BUDGET	RECOMMENDED FINAL FY 2013-2014 BUDGET	ADOPTED FINAL FY 2013-2014 BUDGET
7040 Telephone Charges	\$1,467	\$1,108	
7101 Liability Insurance	\$11,790	\$12,203	
7175 Property/Other Insurance	\$18	\$0	
7205 Maintenance-Equipment	\$600	\$676	
7250 Professional Memberships	\$6,321	\$6,466	
7265 Office Operations Expense	\$5,000	\$6,000	
7266 Messenger Service	\$0	\$0	
7268 Postage	\$5,000	\$5,000	
7286 PeopleSoft Human Resources Charge	\$381	\$605	
7287 PeopleSoft Financials Charge	\$677	\$663	
7295 Professional & Special Services	\$395,504	\$423,983	
7296 Data Processing Services	\$11,382	\$16,652	
7325 Publication & Legal Notices	\$3,000	\$3,000	
7340 Office Leases	\$26,029	\$26,248	
7355 Postage Equipment Rental	\$0	\$382	
7412 Mileage	\$1,000	\$2,000	
7415 Commissioner Per Diem	\$4,500	\$4,500	
7417 Trans & Travel - Comm & Adv Bds	\$4,500	\$6,000	
8300 Fixed Assets (Computers)	\$0	\$3,000	
8991 Contingencies	\$3,000	\$3,000	
Total	\$480,169	\$521,486	\$0

TOTAL RECOMMENDED APPROPRIATIONS FOR 2011-2012

EXHIBIT 2
FISCAL YEAR 2013-2014 PROPOSED BUDGET
Net Operating Cost and City/County Contribution Calculation

	RECOMMENDED FINAL FY 2013-2014 BUDGET
Total Operating Budget	\$521,486.00
Net Operating Cost (Total Budget Minus Fees and Reserve Contribution)	\$441,486.00
Contribution from General Fund	\$50,000.00
Fees	\$30,000.00
Fees and Fund Balance Contribution	\$80,000.00
Cities' Contribution (The actual apportionment will be determined by the County Auditor)	\$220,743.00
County Contribution	\$220,743.00
City/County Contribution	\$441,486.00
Total Revenue	\$521,486.00

EXHIBIT 3
FISCAL YEAR 2013-2014 PROPOSED BUDGET
Special Fund Balance

	RECOMMENDED FINAL FY 2013-2014 BUDGET
Estimated Fund Balance as of June 30, 2013	\$170,011.00
(Funds Held In Separate Legal Reserve Account Not Included in General Fund Balance)	\$60,000.00
Estimate of Benefits Payout	\$19,000.00
Office Equipment Reserve Account	\$3,000.00
Contribution from General Fund	\$50,000.00
General Fund Balance After Benefit Payout and Contribution	\$98,011.00
Percentage of Budget Remaining In Special Fund After Transfer	18.79%

EXHIBIT 4
PROPOSED FISCAL YEAR 2013-2014 BUDGET
ACCOUNT #7295 - PROFESSIONAL AND SPECIALIZED SERVICES
General Administrative, Auditor-Controller, Professional and Specialized, Salaries/Benefits

BUDGET ITEM	ADOPTED FY 2012-2013 BUDGET	RECOMMENDED FINAL FY 2013-2014 BUDGET	ADOPTED FINAL FY 2013-2014 BUDGET
GENERAL COUNTY			
Administrator, Personnel, Employee Relations,	\$2,000	\$2,000	
SUB-TOTAL	\$2,000	\$2,000	\$0
AUDITOR-CONTROLLER TREASURER-TAX COLLECTOR			
Financial Statements and General Accounting	\$7,100	\$3,000	
Payroll Services		\$850	
Bookkeeping Service	\$0	\$6,000	
SUB-TOTAL	\$7,100	\$9,850	\$0
PROFESSIONAL & SPECIALIZED SERVICES			
Fresno Co. Assessor	\$4,500	\$4,500	
LAFCo Counsel	\$80,000	\$85,000	
Fresno Co. Elections	\$500	\$600	
Fresno Co. Health	\$1,760	\$1,760	
Special Counsel	\$6,000	\$6,000	
Executive Officer Compensation	\$102,567	\$130,083	
SUB-TOTAL	\$195,327	\$227,943	\$0
SALARIES AND BENEFITS			
6100 - Regular Salaries	\$103,825	\$101,842	
6200 - Extra Help	\$0	\$0	
6300 - Overtime	\$0	\$0	
6350 - Unemployment Insurance	\$1,590	\$617	
6400 - Retirement Contribution	\$54,754	\$57,337	
6500 - Oasdi Contribution	\$7,761	\$7,792	
6550 - Workers Comp Contribution	\$235	\$235	
6600 - Health Insurance Contribution	\$15,760	\$15,820	
6650 - Life & Disability Insurance	\$288	\$292	
6670 - Benefit Administration	\$280	\$255	
SUB-TOTAL	\$184,493	\$184,190	
GRAND TOTAL	\$388,920	\$423,983	

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

EXHIBIT 5

FISCAL YEAR 2013-2014 PROPOSED BUDGET
Salaries and Benefits - County Employees

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

Account Number & Description	ADOPTED FY 2012-2013 BUDGET	RECOMMENDED FINAL FY 2013-2014 BUDGET	ADOPTED FINAL FY 2013-2014 BUDGET
6100 - Regular Salaries	\$103,825	\$101,842	
6200 - Extra Help	\$0	\$0	
6300 - Overtime	\$0	\$0	
6350 - Unemployment Insurance	\$1,590	\$617	
6400 - Retirement Contribution	\$42,111	\$57,337	
6500 - Oasdi Contribution	\$7,761	\$7,792	
6550 - Workers Comp Contribution	\$235	\$235	
6600 - Health Insurance Contribution	\$15,820	\$15,820	
6650 - Life & Disability Insurance	\$288	\$292	
6670 - Benefit Administration	\$280	\$255	
Total Salaries and Benefits	\$171,910	\$184,190	

EXHIBIT 6

PROPOSED FISCAL YEAR 2013-2014 BUDGET

Salaries and Benefits - Executive Officer

Executive Officer

Org No.: Fresno Local Agency Formation Commission Contract

Account Number & Description	ADOPTED 2012-2013 BUDGET	RECOMMENDED FINAL FY 2013-2014 BUDGET	ADOPTED FINAL FY 2013-2014 BUDGET
Salary	\$90,000	\$100,000	
Car Allowance (\$400/month)	4,800	\$4,800	
Worker's Comp (Quote from insurance company)	660	\$720	
6350 - Unemployment Insurance	846	\$846	
6400 - Retirement	0	\$7,500	
6500 - Oasdi Contribution	6,885	\$8,017	
6600 - Health Insurance	0	\$7,908	
6650 - Life & Disability	0	\$292	
Total Salaries and Benefits	103,191	\$130,083	

OASDI rate of .062 + Medicare rate of .0145 times gross salary

		Approved 2012/2013	Actual 7-1-12 to 3-15-13	Proposed Expenses from 4/15/13 to 6/30/13	Projected Expenses as of 6/30/13	Recommended 2013/2014
	Budget Items					
7040	Telecommunications	\$1,467	\$823	\$274	\$1,097	\$1,108
7101	Liability Insurance	\$11,790	\$11,094	\$0	\$11,094	\$12,203
7175	Property/Other Insurance	\$18	\$18	\$0	\$18	\$0
7205	Maintenance-Equipment	\$600	\$501	\$167	\$668	\$676
7250	Professional Memberships	\$6,321	\$6,321	\$0	\$6,321	\$6,466
7265	Office Operations Expense	\$5,000	\$5,075	\$1,692	\$6,767	\$6,000
7268	Postage	\$5,000	\$2,826	\$942	\$3,768	\$5,000
7286	PeopleSoft Human Service	\$381	\$257	\$86	\$343	\$605
7287	PeopleSoft Human Financial Charges	\$677	\$589	\$196	\$785	\$663
7295	*Professional & Special Services	\$395,504	\$306,087	\$121,496	\$427,583	\$423,983
7296	Data Processing Charges	\$11,382	\$11,249	\$3,750	\$14,999	\$16,652
7325	Publication & Legal Notices	\$3,000	\$2,351	\$794	\$3,145	\$3,000
7340	Office Leases	\$26,029	\$18,922	\$6,307	\$25,229	\$26,248
7355	Postage Equipment Rental		\$287	\$96	\$383	\$382
7412	Mileage	\$1,000	\$1,486	\$213	\$1,699	\$2,000
7415	Trans, Travel & Education (Per Diem)	\$4,500	\$3,800	\$1,125	\$4,925	\$4,500
7416	Trans & Travel - Conferences	\$4,500	\$4,344	\$500	\$4,844	\$6,000
8300	Fixed Assets	\$0	\$6,754	\$0	\$6,754	\$3,000
	Contingencies	\$3,000	\$0	\$0	\$0	\$3,000
	Total	\$480,169	\$382,784	\$137,638	\$520,422	\$521,486
	Designated Reserves					
	General	\$8,000	\$0	\$0	\$0	\$15,000
	Legal	\$60,000	\$0	\$0	\$0	\$60,000
	Office Equipment	\$10,000	\$6,754	\$0	\$3,246	\$3,000
	Benefits	\$20,000	\$0	\$0	\$0	\$15,000
	Total	\$98,000	\$6,754	\$0	\$3,246	\$93,000
	Source of Funds					
	Estimated Beginning Fund Balance (Less	\$108,520			\$108,520	
	City Contribution	\$216,532			\$216,532	
	County Contribution	\$216,532			\$216,532	
	Fees	\$25,000	\$79,750	\$0	\$79,750	
	Total	\$566,584	\$79,750	\$0	\$621,334	

		Approved	Actual 7-1-12 to 2-15-13	Proposed 3-15-13 to 6-30-13	Projected Expenses as of 6- 30-13	Recommended 2013/2014
	Budget Items					
	Administrator, Personnel, Employee Relations	\$2,600	\$2,577	\$50	\$2,627	\$2,000
	Financial Statements and General Accounting	\$7,100	\$2,153	\$1,174	\$3,327	\$3,000
	Payroll Services					\$850
	Independent Financial Audit	\$7,000	\$3,270	\$3,730	\$7,000	\$0
	Bookkeeping Service	\$0	\$1,369	\$840	\$2,209	\$6,000
	Fresno County Assessor	\$4,000	\$1,700	\$1,700	\$3,400	\$4,500
	LAFCo Counsel	\$80,000	\$79,223	\$15,000	\$94,223	\$85,000
	Fresno County Elections	\$1,000	\$150	\$150	\$300	\$600
	Fresno County Health	\$1,760	\$1,056	\$704	\$1,760	\$1,760
	Special Counsel	\$6,000	\$0	\$500	\$500	\$6,000
	Total	\$109,460	\$91,498	\$23,848	\$115,346	\$109,710
	County Employee Compensation					
	Salaries and Benefits	\$182,119	\$137,256	\$61,871	\$199,127	\$184,190
	Total	\$182,119	\$137,256	\$61,871	\$199,127	\$184,190
	Executive Officer Compensation					
	Salary & Benefits	\$103,025	\$77,333	\$35,777	\$114,765	\$130,083
	Total	\$103,025	\$77,333	\$35,777	\$113,110	\$130,083