



## Solano Local Agency Formation Commission

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### Staff Report

DATE: April 14, 2014

TO: Local Agency Formation Commission

FROM: Elliot Mulberg, Interim Executive Officer  
Michelle McIntyre, Analyst

SUBJECT: **PROPOSED BUDGET FISCAL YEAR 2014-2015**

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#### RECOMMENDATION:

It is recommended that the Commission:

1. Review the Proposed Budget for Fiscal Year 2014-2015, accept public testimony, and adopt or adopt with modifications the Proposed Budget.
2. Direct staff to distribute the Proposed Budget to Cities and the County pursuant to Government Code section (GC§) 56381.
3. Schedule a public hearing for June 9 to consider and adopt the Final Budget.

#### BACKGROUND:

LAFCO is an independent commission established by the legislature to carry out specific duties and objectives. It is responsible for adopting its budget to fulfill the purposes described in the Cortese-Knox-Hertzberg (CKH) Act. Pursuant to GC§56381, “[a]t minimum, the proposed and final budget shall be equal to the budget for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes programs of this chapter.” Furthermore, GC§56381 states, “[i]f, at the end of the fiscal year, the commission has funds in excess of what it needs, the commission may retain those funds and calculate them into the following fiscal year's budget.”

Last year LAFCO established a Finance Committee consisting of Commissioners Spring, Vasquez, and Batchelor. The Finance Committee met once in January and again in March. The January meeting set some guidelines for building this year’s budget. It was determined that the budget should include costs for a full time executive officer employee and that special districts should not be charged for MSR updates. The policy for MSRs was approved at the February 10 meeting (see Item 6A).

At the March 13 meeting the Finance Committee reviewed the Draft Proposed Budget. The Committee gave direction to add \$1000 for moving the office should we get a subtenant, reduce the per diem for

committee meetings to \$2,000 from the proposed \$3,500, and update our maps to include recent annexations and detachments. They decided not to add additional funds to our reserves and they suggested that LAFCO staff reach out to the City Manager’s Group for their input (Attachment C).

Based on the recommendations of the Finance Committee the Proposed Budget was presented at the monthly meeting of the Planning Directors on March 20. The Planning Directors had no comments.

On March 26 the Interim Executive Officer made a presentation to the City Manager’s Group. The City Managers expressed several concerns. 1) Staffing requirements for LAFCO and the allocation of time to various tasks by the Executive Officer and the Analyst/Clerk; 2) time spent on special district issues versus city issues; 3) cost share for FY 2014/15; 4) updating the special district MSRs at no charge; and 5) checking with the County about updating our maps.

In response, the city managers were sent an email that included our May 15, 2013 staffing analysis and a commitment to find the most cost effective way to update our maps. In addition, since the CKH Act requires that each city’s share be based on the most recent State Controller’s Cities Annual Report which would not be updated until the end of April, the email included a recommendation to use last year’s cost for budgeting purposes. The City Managers Group responded by sending out the Memorandum in Attachment D.

**DISCUSSION:**

The Proposed Budget for FY 2014-2015 was developed based on recommendations of the Finance Committee. The Proposed Budget is \$469,402, a decrease of \$60,760 or 11% of the current fiscal year budget. This is mostly due to reducing the Contracted Services used for municipal service reviews and other studies budget item by \$30,000 and eliminating the Judgments and Damages budget item which was used for the termination settlement for the previous executive officer. The Proposed Budget was developed with concurrence of the Finance Committee. The budget assumes an executive officer will be hired full time beginning the first full day of the fiscal year. Tables 1 and 2 summarizes the expenses and sources of funding by budget categories for the current and upcoming fiscal year. Table 3 summarizes the Cities and County’s share of the LAFCO budget. The proposed budget follows as Attachment A, a summary of key budget items follows as Attachment B, and the Finance Committee Minutes of March 13, 2014 as Attachment C.

**Table 1 - Summary of Expenses**

	2013-14 Budget (Adjusted)	2013-14 Projection	2014-2015 Proposed
Salaries and Benefits (1000s)	\$247,803	\$124,516	\$282,403
Services and Supplies (2000s)	\$252,359	\$280,859	\$187,096
Other Charges (3000s)	\$30,000	\$27,978	\$0
Total Expenses	\$530,162	\$433,353	\$469,402

Table 2 - Summary of Funding Sources

	2013-14 Budget (Adjusted)	2013-14 Projection	2014-2015 Proposed
Other Governmental Agencies (9511)	\$408,662	\$408,662	\$352,093
Licenses & Permits (9229)	\$20,000	\$20,000	\$20,000
Interest Income (9401)	\$1,500	\$436	\$500
Fund Balance From Previous Fiscal year (740)	\$114,041	\$114,041	\$96,809
<b>Total Funding Source</b>	<b>\$544,203</b>	<b>\$543,139</b>	<b>\$469,402</b>

Agency Contribution:

The CKH Act mandates funding for LAFCO shall be apportioned among the agencies represented on LAFCO by a formula provided in GC §56381. The County’s share of the budget is fixed at 50% annually, while the share for each city must be determined each year by the general revenues of each city (per an earlier agreement of Solano’s Cities) as reported in the most recent State Controller’s Cities Annual Report. Currently, the most recent report available is 2010-2011. The following calculations are unofficial estimates as a more current version of the report may be released prior to adoption of the Final Budget or the Solano County Auditor/Controller’s final official calculations. All final contributions are statutorily subject to the calculations of the Auditor/Controller.

Table 3 - Cities/County Estimated Share of LAFCO 2014-15 Budget

City	General Revenue	% of LAFCO Budget	Estimated Share
Benicia	\$27,389,207	7.21%	\$25,386
Dixon	\$9,323,542	2.46%	\$8,661
Fairfield	\$43,157,212	11.36%	\$39,998
Rio Vista	\$2,972,315	0.78%	\$2,746
Suisun City	\$7,379,528	1.94%	\$6,831
Vacaville	\$45,867,716	12.08%	\$42,533
Vallejo	\$53,830,587	14.17%	\$49,892
<b>Total City Share</b>			<b>\$176,047</b>
<b>Total County Share</b>			<b>\$176,046</b>
<b>Total</b>			<b>\$352,093</b>

Important Budgetary Deadlines:

- May 1 – Commission must adopt a proposed budget.  
LAFCO is scheduled to adopt a proposed budget on April 14, 2014.
- June 15 - Commission must approve a final budget.  
LAFCO is scheduled to adopt a final budget on June 9, 2014.
- July 1 - County Auditor shall request payment from required entities prior to this date.
- August 30 - Payments must be received by County Auditor.

Attachments:

- A - 2014-15 Proposed Budget
- B- Summary and Explanation of Key Budget Items
- C- Finance Committee Minutes of March 13, 2014
- D- City Manager's Group Memorandum

Insert Attachment A – Proposed Budget

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**Attachment B**

The following are notes on LAFCO's Proposed Budget for Fiscal Year 2014-15.

1000's Category-Salaries and Employee Benefits

The 2014-15 budget assumes an executive officer will be hired full time at the top step with full benefits and will begin work on July 1, 2014, the first day of the new fiscal year. The breakdown of employee salaries and benefits are as follows:

1110- Salary/Wages Regular - Executive Officer (EO) \$110,816. Analyst \$78,106, 2.5% longevity \$1,953  
Total for both employees \$190,876.

1210-Retirement Employer – The CalPERS rate is 17.692% for non new members. LAFCO pays 5% of the employee's contribution. EO \$25,146, Analyst \$17,724. Total \$42,870.

1212 – Deferred Comp match –\$5/pay period \$260 total.

1220 – FICA-Employer – Rate is 6.2% of taxable salaries, \$11,834 total for both employees.

1230 – Health Ins- EO: per policy eligible beginning the month following the month employee is employed (8/1/14) for up to 75% of the Kaiser Sacramento region family rate, \$15,931. Analyst cash back in lieu of medical, \$6,000. Total for both employees \$21,645.

1231 – Vision Insurance – EO: per policy eligible beginning the month following 3 months of continuous service (10/1/14) \$180 (family rate). Analyst \$240. Total \$420.

1240 – Compensation Insurance – Per SDRMA, the Workers Comp Insurance rate will increase 10% next FY, current rate is \$1300, next fiscal year \$1430.

1241 – Long Term Disability Insurance – EO: per policy eligible the month following the month employee is employed based on step 5 salary, age 60+ (highest rate) \$1,221. Analyst \$166 per year. Total \$1,387.

1250 – Unemployment Insurance – LAFCO's current rate is 5.7% of the first \$7000 of each employee's wages. Total \$798.

1260 – Dental Insurance – EO: per policy eligible the month following 6 months of continuous service (1-1-15) based on Delta Dental family rate \$624. Analyst: \$1,248. Total \$2,050.

1270 – Accrued Leave CTO Payoff – Per policy, employees may convert all unused Administrative Leave to their Retirement Health Savings Account. Total for both employees \$7,266.

1290 – Life Insurance – EO: per policy eligible beginning the month following 6 months of continuous service (1/1/15) based on step 5 salary, age 49+ (highest rate) \$648. Analyst \$490 total \$1,138.

**Attachment B (con't)**2000's Category – Services and Supplies

An explanation of various key expenses within this category follows:

- 2025 - Cellular Communications Services is eliminated phone not used.
- 2025 – Household Expense reduced from \$3,600 to \$3,000. Supplies only, not janitorial service.
- 2120 - Maintenance Equipment reduced from \$400 to \$50. Office equipment repair (if needed).
- 2140 – Maintenance Buildings & Improvement, \$500 for HVAC maintenance agreement.
- 2170 – Memberships. Includes CSDA (\$1,105) & CALAFCO (\$3,133), total increased from \$3,822 to \$4,238.
- 2202 – Controlled Assets increased from \$1,500 to \$2,000. Used for the purchase of PC, no new equipment purchased in FY 2013-14, new PC needed to replace an old PC with an outdated operating system.
- 2235 - Accounting and Financial Services increased from \$7,315 to \$20,507. LAFCO is due for its biennial audit which is expected to cost \$12,460, the remaining amount covers the cost for payroll \$4,600, general accounting \$2,600, cost of billing county/cities \$750.
- 2245 – Contracted services, used for contractors to conduct special studies, reduced from \$85,000 to \$50,000. Based on the workplan, staff anticipates up to 3 studies may be needed.
- 2250 – Professional Services, decreased from \$41,000 to \$37,000. Proposed expenses in this category include:
  - \$23,000 Legal Counsel (\$21,000 contract plus \$2,000 legal research)
  - \$7,000 GIS Consultant for updating LAFCO maps (\$70 @ 100 hours) to update the following maps
    - Sphere of Influence – Cities
    - Fire Districts
    - Cemetery Districts
    - Resource Conservation Districts
    - Water Districts (Maine Prairie & RNVWD)
    - Recreation District
    - Sewer District
  - \$4,000 (Commissioner per diem 10 meetings, \$50/meeting, 8 Commissioners)
  - \$2,000 (Committee per diem)
  - \$3,360 Janitorial Service
- 2280 – Publication and Legal Notices. Decreased from \$1,500 to \$1,000 to better reflect historical trend.
- 2285 – Rents & Leases – Equipment. Decreased from \$7,500 to \$5,500, covers lease of copier and large format copier lease through October 2014 per agreement.
- 2335 – Travel Expense – increased from \$2,700 to \$5,500. Allows for 2 Commissioners and EO to attend the CALAFCO Conference in Ontario and staff to attend CALAFCO workshop in Northern region.

3000's Category – Other Charges

3300 Judgments and Damages eliminated.

**Attachment B (con't)**

9200-Licenses, Permits & Franchise

The Proposed Budget anticipates revenue from applications (9229) of \$20,000 based on the 2014-15 Workplan.

000740 Fund Balance

Staff anticipates approximately \$96,800 may be applied from FY 2013-14 to FY 2014-15.

000730 Reserves

\$98,898 within the 000730 Reserves account is available due to unforeseen expenses. The Reserves account, which is available on the monthly Trial Balance report, remains unchanged from the previous fiscal year; however, interest earned is allocated as revenue to the Commission's annual budget.

**Attachment C**

Minutes  
Finance Committee Meeting Agenda  
March 13, 2014  
1:30 pm  
3700 Hilborn Rd. Suite 600  
Fairfield, CA 94534

Attendees: Commissioner Batchelor, Commissioner Vasquez

Members of the Public Present: Steve Pierce Solano County

Staff Present: Elliot Mulberg, Michelle McIntyre

Not Present: Commissioner Spering

1. Communications from the public – none.
2. Discussed the Draft Proposed Budget for Fiscal Year 2014-2015.
3. The Committee recommended three changes. 1) Add \$1000 back in for moving expenses should that occur. 2) Update maps to include annexations and detachments. 3) Reduce stipends for committee meetings to \$2,000 from \$3,500.
4. LAFCO's reserves stand at \$98,000 and the Committee decided not to increase that amount.
5. They also recommended offering the city managers a meeting to discuss the budget.
6. Adjourned at 2:30 pm.

# MEMORANDUM

## Solano County City Managers Group

DATE: April 2, 2014  
 TO: Elliot Mulberg, Interim Executive Officer  
 FROM: Solano County City Managers Group  
 SUBJECT: SOLANO LAFCO BUDGET REVIEW

Thank you for taking the time to meet with the Solano City Managers Group (the "Group") on March 26, 2014, to present the proposed Fiscal Year 2014/15 Budget for LAFCO. The proposed Budget shows a total of \$469,402 in expenses, which is approximately \$61,000 less than for Fiscal Year 2013/14.

Brad Kilger  
Benicia

Several questions were asked by the Group about the history of how agencies are charged for LAFCO's operations. We were advised that the costs for LAFCO are charged 50% to cities (spread over the 7 cities based on population) and 50% to the County of Solano. We understand that when this policy was set by the LAFCO Board, the 47 Special Districts were not included in the funding formula and they do not have a seat on the LAFCO Board.

Jim Lindley  
Dixon

Sean Quinn  
Fairfield

The draft Budget shows that \$20,000 would be received in application fees, resulting in 4.3% of the operational costs being recovered. Further, the Group asked if there was an analysis to show how much of the work conducted by LAFCO is done for the 7 cities and county, versus the 47 Special Districts. While you indicated that no study had been done to verify the breakdown of work by LAFCO, you estimated that 50% of the work was being done for or with Special Districts, additional time was spent on developing LAFCO policies and the rest was for city issues. Given this estimate, the Group identified that there is a disparity in cost recovery as only 4.3% is recovered from processing fees collected from applicant agencies.

Suzanne Bragdon  
Suisun City

Tim Chapa  
Rio Vista

Considering all of the issues raised, the Group formally requests additional information from Solano LAFCO in order to complete a review of the proposed budget. The information needed to complete the review is listed below:

Laura Kuhn  
Vacaville

Dan Keen  
Vallejo

1. Application Source, Volume and Type: The Group requests that LAFCO provide an analysis of the types, volume and source of applications and special studies being conducted. This information also needs to include the amount of staff time spent on the applications and studies, along with the revenue received from the applicants. The purpose of the information is to show the volume of staff work devoted to city, county, special district or other activities compared to revenues from the fees charged.
2. Please provide a copy of any existing funding policy regarding cost recovery from fees or other sources of revenue.
3. Please provide a copy of any existing funding policy regarding cost recovery from fees or other sources of revenue.

Birgitta Corsello  
County of Solano

Page 2  
Mr. Elliot Mulberg  
Solano LAFCO

4. The County has indicated that they provide an in-house mapping service through their Geographical Information System. At our meeting, you indicated that you would be using an outside firm for mapping. It is requested that a comparison be done to ensure that the most cost effective mapping solution be chosen so as to avoid excessive charges to the cities and the County. It our understanding that the County GIS staff option for mapping services is more cost effective than using another service. Therefore, it is in the best interest of the cities and the County to avoid excessive charges by LAFCO for these services.

In addition to providing the additional information requested above, review of the salaries and budget line items has raised several questions. A report was presented to the LAFCO Board on May 15, 2013. This study concluded that a total of 1.61 positions was needed to meet the staffing needs of the organization. However, at the March 26<sup>th</sup> meeting, you indicated that the LAFCO Board is interested in funding two full-time positions and the budget reflects two full –time postions. This proposal would have a 39% increase in cost to staff the positions beyond what the staffing study concludes. The budget also shows that the cost for the 2 employees' salaries is \$190,876 and \$91,527 for benefits. Given that the bulk of the costs for LAFCO's operations are funded by the cities and the County, more information is needed as to the basis for the two full-time positions, and a more detailed analysis of salaries and benefits is needed for both positions. Further, the costs for LAFCO's operations could be offset by additional fees, grants or other means. Analysis of cost recovery alternatives should be considered. Any information you have on such analysis would be helpful.

We understand that there are significant financial hardships for the Special Districts; however, the cities and the County are also experiencing difficult financial times. A better understanding of application and special study volume as compared to the benefitting agencies and fees charged, as well as the basis for funding twp full-time positions would be helpful to provide a framework for further discussion. Our next meeting is on April 23, 2014, at 12:00 noon at the same location as our meeting on March 26, 2014. We would appreciate your attendance at this meeting in order to present the information requested.

Thank you for your assistance in this matter. Should you have any questions, contact Laura Kuhn, Chair, Solano County City Managers Group at 707-449-5335 or at [laura.kuhn@cityofvacaville.com](mailto:laura.kuhn@cityofvacaville.com).

C (via email): Dr. John Saunderson, LAFCO Chair  
Harry Price, LAFCO Vice-Chair and Mayor of Fairfield  
Jack Batchelor, Mayor of Dixon  
Jim Spering, Solano County Supervisor  
John Vasquez, Solano County Supervisor  
Skip Thomson, Solano County Supervisor (Alternate)  
Pete Sanchez, Mayor of Suisun City (Alternate)  
Nancy Shopay, Public Member (Alternate)  
Solano County City Managers Group