



**Solano Local Agency Formation Commission**

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**Staff Report**

DATE: April 13, 2015  
TO: Local Agency Formation Commission  
FROM: Elliot Mulberg, Executive Officer  
Michelle McIntyre, Analyst  
SUBJECT: **PROPOSED BUDGET FISCAL YEAR 2015-2016**

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RECOMMENDATION:

It is recommended that the Commission:

1. Review the Proposed Budget for Fiscal Year 2015-2016, accept public testimony, and adopt or adopt with modifications.
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 8 to consider and adopt the Final Budget.

BACKGROUND:

On March 24<sup>th</sup>, the Finance Committee met to review the draft proposed budget. They were asked to recommend policy directives in three areas 1) how to allocate the fund balance 2) per diem for commissioners and 3) whether to include a COLA in salaries and benefits.

The Finance Committee recommended drafting the proposed budget with the following changes:

- a. Amend the reserve policy to be 20% of expenses. Transfer the difference between current reserves of \$98,898 and the proposed reserves of 20% of expenses to the studies account.
- b. Refund the fund balance from fiscal year 2014-2015 of approximately \$25,000 to the County/Cities.
- c. Adjust salaries and benefits to reflect a 2% COLA.
- d. Change commissioner's per diem rate from \$50/meeting to \$100/meeting and establish a policy of a maximum of \$200/commissioner/month.

- e. Include in the budget \$600 for HR services.
- f. Add footnotes to travel expense account. Proposed travel expenses include attendance at CALAFCO Conference in Sacramento for 8 Commissioners and 1 staff along with 1 staff attendance at the CALAFCO Staff Workshop.
- g. Reduce office supplies expense from \$4,000 to \$2,500 to better reflect past trends.

**DISCUSSION:**

The Proposed Budget (Attachment A) for fiscal year 2015-2016 was developed based on the recommendations of the Finance Committee. The Proposed Budget is \$394,235, a decrease of \$75,167 or 16% of the current fiscal year budget. The savings can mostly be attributed to the Commission hiring a part time independent contractor as Executive Officer, which eliminated the cost of employee benefits for that position, savings as result of moving the LAFCO office, and a reduction in financial services since our biennial audit was completed in FY 14/15.

**Expenses**

Expenses for the proposed FY15/16 budget are summarized in Table 1. It is important to note that anticipated expenses are reduced by approximately \$75,000 for reasons discussed above.

**Table 1 - Summary of Expenses**

Sub Object	2014-15 Adopted Budget	2015-16 Proposed Budget
Salaries and Benefits (1000s)	\$282,403	\$124,655
Services and Supplies (2000s)	\$186,999	\$269,580
Total Expenses	\$469,402	\$394,235

Last year, the Commission’s adopted budget included approximately \$282,000 for salaries and benefits (1000s account) for a full time Executive Officer and Analyst. In July 2014, the Commission voted to hire a consultant; consultants are paid from the services and supplies 2000s account. The proposed budget calls for a decrease of \$158,000 to salaries and benefits from \$282,000 to approximately \$124,600 due to changes to the Commission’s staffing status.

As a result of the Committee’s recommendation to reduce reserves to 20% of expenses and transfer the remainder to studies, the budget line item for contracted services is \$40,000 (0002245). This is a \$10,000 reduction from the prior year. The contract services line item, are funds dedicated to LAFCO’s mandated special studies. These studies can include municipal service reviews and sphere of influence updates. The Commission prioritizes these studies when adopting its annual work plan. Contract services can also be used for special studies should the need arise during the fiscal year.

Other Professional Services (0002250 line item) increased from \$39,000 to approximately

\$158,000. This is mostly due to the Executive Officer’s contract which in the past has been included in the 1000s account. Legal counsel, website maintenance/update, HR services, and Commissioner per diem are also included in the 0002250 line item.

In making a recommendation to increase the per diem, the Finance Committee reviewed the data in Table 2. It shows that most LAFCOs in the region authorize at least \$100 per meeting. Consequently, the Committee recommends changing the per diem rate from \$50/meeting to \$100/meeting and setting a maximum of \$200/commissioner/month. Implementing this change will require an amendment to Article 8 Section 6 of the Commission’s bylaws. Should the Commission approve the Committee’s recommendation, LAFCO’s bylaws should be amended when the Commission approves the final budget at its June meeting.

Table 2 – Per Diem Survey Results of Bay Area LAFCOs

LAFCO	Commissioner per diems
Alameda	\$100/Meeting
Contra Costa	\$150/Meeting and \$150/day CALAFCO meeting
Marin	\$100/Meeting for Commissioners, \$50/meeting for Alternates
Napa	\$125/Meeting and \$125/day CALAFCO meeting
San Mateo	\$100/Meeting
Sonoma	\$75/Meeting
Solano	\$50/Meeting

The Proposed Budget reflects a decrease of approximately \$10,000 in the Rents and Leases (0002285) line item. This savings is a result of moving the LAFCO office. Our Hilborn Road lease does not expire until August 31 so two months’ rent is included in the proposed budget.

The Proposed Budget reflects an increase to the Commission’s anticipated expenses for education and training, travel, and mileage. In the upcoming fiscal year, the CALAFCO Conference will be held in Sacramento. The budget anticipates that Commission and staff will attend as the location will be within driving distance. Staff is also anticipating taking additional training related to CEQA and land use planning.

Finally, the Finance Committee recommends the Commission return the fund balance from the current fiscal year to the County and cities. As staff reported at mid-year, the fund balance for fiscal year 2014-2015 is approximately \$24,500.

Sources of Funding

Table 3 summarizes funding sources for FY15/16. Funding for LAFCO is apportioned amongst the agencies represented on LAFCO. Solano County’s share of the budget is fixed at 50% annually. The remaining 50% is split amongst the seven cities.

Other sources of funding include \$15,000 in anticipated revenues from changes of organization projects. This item is estimated using the information from the Commission’s work plan. The work plan anticipates staff’s administrative time will be mostly dedicated to updating studies and policies and less to processing applications. In addition, there is \$500 in anticipated interest income and \$20,000 from the reserve account which the Finance Committee is recommending the Commission transfer to the contracted services line item.

Table 3 - Summary of Funding Sources

Line Item	2014-15 Adopted Budget	2015-16 Proposed By Finance Committee
Other Governmental Agencies (0009511)	\$350,795	\$354,185
Reserves (0000730)		\$20,000
Licenses & Permits (0009229)	\$20,000	\$15,000
Interest Income (0009401)	\$500	\$500
<b>Total Funding</b>	<b>\$371,295</b>	<b>\$394,235</b>

Cities/County Shares

The CKH Act mandates funding for LAFCO shall be apportioned amongst the agencies represented on LAFCO by a formula provided in GC §56381 or some other formula as agreed to by the funding agencies. The County’s share of the budget is fixed at 50% annually, while the share for each city must be determined each year as a proportion of the general revenue of all cities as reported in the most recent State Controller’s Cities Annual Report. Currently, the most recent report available is 2011-2012. 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 4 - Cities/County Estimated Share of LAFCO 2015-16 Proposed Budget

City	General Revenue	% of LAFCO Budget	Share FY 14/15	Estimated Share FY 2015/16
Benicia	\$ 28,722,733	7.136%	\$25,036	\$25,275
Dixon	\$ 10,459,914	2.599%	\$9,117	\$9,204
Fairfield	\$ 48,703,582	12.100%	\$42,451	\$42,857
Rio Vista	\$ 3,083,152	0.766%	\$2,687	\$2,713
Suisun City	\$ 6,455,476	1.604%	\$5,627	\$5,681
Vacaville	\$ 47,160,706	11.717%	\$41,107	\$41,500
Vallejo	\$ 56,664,083	14.078%	\$49,373	\$49,862
<b>Total City Share</b>		50%	<b>\$175,398</b>	<b>\$177,092</b>
<b>Total County Share</b>		50%	<b>\$175,397</b>	<b>\$177,093</b>
<b>Total</b>		100%	<b>\$350,795</b>	<b>\$354,185</b>

Should the Commission approve the Finance Committee’s recommendations the Commission must also concurrently approve the following at its June 8 meeting:

- a. Adopt a resolution with the finding that the Commission can fulfill its purposes with a decrease in its operating budget.
- b. Amend the Commission’s bylaws to increase the per diem rate.
- c. Amend its Reserve Policy which is currently set at \$200,000 to 20% of total expenses.
- d. Transfer \$20,000 from its reserve account to the contracted services line item.
- e. Return the fund balance from FY 2014-15 of approximately \$24,500 to the County and Cities.

Statutory Deadlines

(GC§) 56381 specifies certain statutory deadlines for adopting the budget. Table 5 lists the deadlines and how Solano LAFCO proposes to comply with the statute. That requires the Commission to adopt the proposed budget in April and the final budget at its June meeting.

Table 5: Important Budgetary Deadlines:

- May 1 – Commission must adopt a proposed budget.  
LAFCO is scheduled to adopt a proposed budget on April 13, 2015.
- June 15 - Commission must approve a final budget.  
LAFCO is scheduled to adopt a final budget on June 8, 2015.
- July 1 - County Auditor shall request payment from required entities prior to this date.
- August 30 - Payments must be received by County Auditor.

Staff Recommendation:

- 1. Adopt the Proposed Budget for Fiscal Year 2015-2016 as recommended by the Finance Committee.
- 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 8 to consider and adopt the Final Budget.

Attachments:

- A –2015-16 Proposed Budget
- B- Information provided to Finance Committee - includes explanation of key budget Items
- C- Finance Committee Minutes of March 24, 2015

SOLANO LAFCO					
DRAFT PROPOSED BUDGET 2015/16 w Finance Committee Recommendations					
SUBJECT CATEGORY		ADOPTED	2014-2015	PROPOSED	
DESCRIPTIONS	2013-2014	2014-2015	PROJECTED	2015-2016	
	ACTUAL	BUDGET		BUDGET	
1000 - Salaries and Employee Benefits					
0001110	SALARY/WAGES REGULAR	\$ 80,366.88	\$ 190,876.00	\$ 83,894.60	\$ 91,494.00
0001210	RETIREMENT-EMPLOYER	\$ 17,956.59	\$ 42,870.00	\$ 16,613.37	\$ 9,674.00
0001212	DEFERRED COMP-COUNTY MATCH	\$ 130.50	\$ 260.00	\$ 130.00	\$ 130.00
0001220	FICA-EMPLOYER	\$ 7,099.45	\$ 11,834.00	\$ 2,654.78	\$ 1,334.00
0001230	HEALTH INS-EMPLOYER	\$ 6,060.90	\$ 22,003.00	\$ 10,807.70	\$ 15,204.00
0001231	VISION CARE INSURANCE	\$ 147.01	\$ 420.00	\$ 152.00	\$ 152.00
0001240	COMPENSATION INSURANCE	\$ 835.72	\$ 1,430.00	\$ 836.00	\$ 836.00
0001241	LT DISABILITY INSURANCE ER	\$ 508.03	\$ 1,387.00	\$ 166.00	\$ 166.00
0001250	UNEMPLOYMENT INSURANCE	\$ 434.00	\$ 798.00	\$ 434.00	\$ 434.00
0001260	DENTAL INS-EMPLOYER	\$ 1,299.65	\$ 1,872.00	\$ 1,247.00	\$ 1,247.00
0001270	ACCRUED LEAVE CTO PAYOFF	\$ 3,079.19	\$ 7,266.00	\$ 3,369.00	\$ 3,519.00
0001290	LIFE INSURANCE-EMPLOYER	\$ 506.34	\$ 1,387.00	\$ 465.00	\$ 465.00
<b>TOTAL Salaries and Employee Benefits</b>		<b>\$ 118,424.26</b>	<b>\$ 282,403.00</b>	<b>\$ 120,769.44</b>	<b>\$ 124,655.00</b>
2000 - Services and Supplies					
0002025	CELLULAR COMMUNICATION SERVICES	\$ 50.00	\$ -	\$ -	\$ -
0002028	TELEPHONE SERVICES	\$ 1,993.21	\$ 2,000.00	\$ 2,187.58	\$ 2,100.00
0002035	HOUSEHOLD EXPENSE	\$ 124.00	\$ 300.00	\$ -	\$ 500.00
0002051	LIABILITY INSURANCE	\$ 3,926.51	\$ 3,927.00	\$ 5,784.00	\$ 4,700.00
0002120	MAINTENANCE EQUIPMENT		\$ 50.00	\$ -	
0002140	MAINTENANCE-BLDGS & IMPROVE	\$ 124.00	\$ 500.00	\$ 248.00	\$ 150.00
0002170	MEMBERSHIPS	\$ 4,429.66	\$ 4,238.00	\$ 5,122.66	\$ 4,430.00
0002171	PROFESSIONAL LICENSES & CERT	\$ -	\$ 800.00	\$ -	\$ 800.00
0002180	BOOKS & SUBSCRIPTIONS	\$ 30.00	\$ 400.00	\$ 200.00	\$ 400.00
0002200	OFFICE EXPENSE	\$ 1,083.17	\$ 4,000.00	\$ 2,000.00	\$ 2,500.00
0002201	EQUIPMENT UNDER \$1,500			\$ -	
0002202	CONTROLLED ASSETS \$1500-\$4999		\$ 2,000.00	\$ 1,955.15	
0002203	COMPUTER COMPONENTS <\$1,500	\$ 85.99	\$ 500.00	\$ 500.00	\$ 500.00
0002205	POSTAGE	\$ 767.30	\$ 1,500.00	\$ 400.00	\$ 1,500.00
0002235	ACCOUNTING & FINANCIAL SERVICE	\$ 7,235.42	\$ 20,410.00	\$ 20,400.00	\$ 6,636.00
0002245	CONTRACTED SERVICES	\$ 19,188.12	\$ 50,000.00	\$ 62,968.56	\$ 40,000.00 (Includes \$20,000 transferred from reserves)
0002250	OTHER PROFESSIONAL SERVICES	\$ 143,010.60	\$ 39,400.00	\$ 158,000.00	\$ 157,600.00
0002261	SOFTWARE MAINTENANCE & SUPPORT	\$ 278.92		\$ 139.99	\$ -
0002266	CENTRAL DATA PROCESSING SVCE	\$ 6,671.05	\$ 8,674.00	\$ 8,674.00	\$ 8,872.00
0002270	SOFTWARE	\$ 99.84	\$ 500.00	\$ 500.00	\$ 600.00
0002280	PUBLICATIONS AND LEGAL NOTICES	\$ 350.44	\$ 1,000.00	\$ 600.00	\$ 1,000.00
0002285	RENTS & LEASES - EQUIPMENT	\$ 7,965.87	\$ 5,500.00	\$ 5,403.00	\$ 6,000.00
0002295	RENTS & LEASES-BUILDINGS/IMPR	\$ 27,600.00	\$ 28,500.00	\$ 31,000.00	\$ 18,942.00
0002310	EDUCATION & TRAINING	\$ 272.00	\$ 1,000.00	\$ 1,000.00	\$ 2,000.00
0002311	TUITION REIMBURSEMENT	\$ 745.00	\$ 2,200.00	\$ 1,100.00	\$ 1,100.00
0002335	TRAVEL EXPENSE	\$ 3,136.37	\$ 5,500.00	\$ 5,000.00	\$ 6,500.00
0002339	MANAGEMENT BUSINESS EXPENSE	\$ 159.63	\$ 300.00	\$ 300.00	\$ 300.00
0002355	PERSONAL MILEAGE	\$ 661.68	\$ 1,200.00	\$ 1,000.00	\$ 2,000.00
0002360	UTILITIES	\$ 2,379.28	\$ 2,600.00	\$ 2,800.00	\$ 450.00
<b>TOTAL Services and Supplies</b>		<b>\$ 232,368.06</b>	<b>\$ 186,999.00</b>	<b>\$ 317,282.94</b>	<b>\$ 269,580.00</b>
0003300	JUDGEMENTS AND DAMAGES	\$ 27,978.03			\$ -
<b>Total Expenses</b>		<b>\$ 378,770.35</b>	<b>\$ 469,402.00</b>	<b>\$ 438,052.38</b>	<b>\$ 394,235.00</b>
9200 - Licenses, Permits & Franchise					
0009229	LICENSES & PERMITS-OTHER	\$ 22,221.56	\$ 20,000.00	\$ 13,200.00	\$ 15,000.00
<b>TOTAL Licenses, Permits &amp; Franchise</b>		<b>\$ 22,221.56</b>	<b>\$ 20,000.00</b>	<b>\$ 13,200.00</b>	<b>\$ 15,000.00</b>
9400 - Revenue From Use Of Money/Prop					
0009401	INTEREST INCOME	\$ 1,385.26	\$ 500.00	\$ 500.00	\$ 500.00
<b>TOTAL Revenue From Use Of Money/Prop</b>		<b>\$ 1,385.26</b>	<b>\$ 500.00</b>	<b>\$ 500.00</b>	<b>\$ 500.00</b>
<b>Total Expenses minus revenue from applications and interest income</b>			<b>\$ 448,902.00</b>	<b>\$ 424,352.38</b>	<b>\$ 378,735.00</b>
<b>FUND BALANCE</b>		<b>\$ 91,107.00</b>		<b>\$ 24,549.62</b>	
					\$ 354,185 Expenses less fund balance

**Attachment B – Provided to Finance Committee March 24, 2015**

Policy Questions

1. How do we want to allocate the fund balance?
  - a. Add to reserves – city/county share \$361,330 expenses
  - b. Refund – city/county share \$336,780 expenses
  - c. Refund with increase of \$20,000 for a study – city/county share \$361,330 expenses
  
2. Do we want to increase the per diem?

LAFCO	Commissioner per diems
Alameda	\$100/Meeting
Contra Costa	\$150/Meeting and \$150/day CALAFCO meeting
Marin	\$100/Meeting for Commissioners, \$50/meeting for Alternates
Napa	\$125/Meeting
San Mateo	\$100/Meeting
Sonoma	\$75/Meeting

	<u>\$50/meeting</u>	<u>\$100/meeting (included in \$251,480)</u>
10 Commission Meetings	\$4,000	\$8,000
14 Committee Meetings	\$2,100	\$4,200

3. Do we want to include a COLA? Bay area COLA is 2.7%

	<u>Salaries</u>	<u>Share Cost (assume \$100 per diem)</u>
Salaries and Benefits with 2.7% COLA	\$125,350	\$361,330
Salaries and Benefits with 2% COLA	\$124,656	\$360,636
Salaries and Benefits without COLA	\$122,670	\$358,650

Other Costs

Office Rental Costs

**2051** – Liability Insurance. Suite 6700 12 months \$3927, Suite 3700 2 months \$700. Total \$4,700.

**2140** – Maintenance Buildings & Improvement, \$150 for HVAC maintenance agreement at 3700 Hilborn Rd.

**2295** – Rents and Leases – Building. Hilborn Rd. \$2494x2 months (\$4988), Suite 6700 \$1,280 x 4 months (\$5120), Suite 6700 \$1306 (2% increase per lease) x 6 months (\$7834). Total \$17,942

Other County Services – as a result of our separation MOU

2295 – Rent of conference rooms \$1,000.

2235 - Accounting and Financial Services. Payroll and processing voucher claims \$5836 cost of billing county/cities \$800. No audit this FY. Total \$6,636 ( Reduced from \$20,410 FY14/15)

2250 – Professional Services.

- \$1,000 HR Services MOU with the County HR Department



**Attachment C**



**Finance Committee**

Members: Commissioner Batchelor, Commissioner Sperring, Commissioner Vasquez

**Minutes**

Meeting Date/Time: March 24, 2015 1:00 pm

Meeting Location: 675 Texas St. Ste. 6700 Fairfield

Attendees: Commissioners Sperring and Vasquez. Staff - Elliot Mulberg and Michelle McIntyre. Public attendee

Absent: Commissioner Batchelor due to illness

1. – Comments from the Public. There were no comments.

2. – Discuss the Proposed Budget for Fiscal Year 2015-2016.

The discussion centered on three policy questions 1) how do we want to allocate the fund balance? 2) do we want to increase the per diem? and 3) do we want to include a COLA? The Committee also reviewed the line items relating to office rental costs and other County service costs as a result of the separation MOU.

The Finance Committee recommended that staff draft the proposed budget with the following:

- a. Refund the fund balance from fiscal year 2014-2015 of approximately \$25,000 to the County/Cities.
- b. Amend the reserve policy to be 20% of expenses. Transfer the difference between current reserves of \$98,898 and the proposed reserves of 20% of expenses to the studies account.
- c. Adjust salaries and benefits to reflect a 2% COLA.
- d. Change commissioner's per diem rate from \$50/meeting to \$100/meeting and establish a policy of a maximum of \$200/commissioner/month.
- e. Include in the budget \$600 for HR services.
- f. Add footnotes to travel expense account. Proposed travel expenses include attendance at CALAFCO Conference in Sacramento for 8 Commissioners and 1 staff along with 1 staff attendance at the CALAFCO Staff Workshop.
- g. Reduce office supplies expense from \$4,000 to \$2,500 to better reflect past trends.

The meeting was adjourned at 2:00 pm.