



Solano Local Agency Formation Commission

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Staff Report

DATE: April 11, 2016
TO: Local Agency Formation Commission
FROM: Elliot Mulberg, Executive Officer
Michelle McIntyre, Analyst
SUBJECT: **PROPOSED BUDGET FISCAL YEAR 2016-2017**

RECOMMENDATION:

It is recommended that the Commission:

1. Review the Proposed Budget for Fiscal Year 2016-2017, 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 13 to consider and adopt the Final Budget.

BACKGROUND:

On March 21th, the Finance Committee met to review the draft proposed budget. They were asked to recommend policy directives in five areas 1) allocation of the fund balance 2) whether to budget for a full time EO after the current EO's contract expires 3) hiring an intern 4) a COLA for the analyst and 5) CalPERS unfunded liability.

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

- a. Use the fund balance from FY 15-16 to:
 1. Make a payment on the CalPERS unfunded liability with a goal of eliminating the unfunded liability of \$24,077 in five years.
 2. Transfer to Reserve Fund to comply with the reserve policy of 20% of expenses.
 3. Refund the balance to County and cities
- b. Continue the current practice of filling the EO position with a part time consultant.
- c. Set aside \$20,000 for extra help.

- d. Review the pay scale for LAFCO analysts, adjust the PSR, determine that the Analyst should not be “Y” rated.

DISCUSSION:

The Proposed Budget (Attachment A) for fiscal year 2016-2017 was developed based on the recommendations of the Finance Committee. The Proposed Budget is \$419,514, an increase of \$25,279 or 6% of the current fiscal year budget. The extra cost can mostly be attributed to our biannual audit which is due this fiscal year, travel to the staff workshop in Fresno, the CALAFCO conference in Santa Barbara, and funding for an extra help position. The payment for our unfunded liabilities of \$5,500 will be made by a transfer from the fund balance account.

Expenses

Expenses for the proposed FY16/17 budget are summarized in Table 1.

Table 1 - Summary of Expenses

Sub Object	2015-16 Adopted Budget	2016-17 Proposed Budget
Salaries and Benefits (1000s)	\$124,655	\$129,745
Services and Supplies (2000s)	\$269,580	\$285,565
Fund Balance to Reserves		\$ 4,204
Total Expenses	\$394,235	\$419,514

The Committee discussed at some length how to fund our unfunded liability of \$24,077. Each year LAFCO pays the current unfunded liability plus makes a payment on the pre-2013 unfunded liability. Paying out a small portion of the pre-2013 amount could end up costing LAFCO in excess of \$44,000. Owing to the interest charged on the balance the Committee determined to pay it off in 5 years using money from the fund balance account. This year’s budget includes \$5,500 in line item 1210 for unfunded liability.

The Finance Committee discussed using an intern for filing, assistance with scanning our old files, and possibly assisting with research on policies. The committee thought the best approach was to hire temporary help as extra help. Staff researched the County’s pay scale for extra help and found it ranges from \$11/hour to \$145/hour. For our purposes we are assuming extra help for \$20/hour for 16 hours per week. That comes to around \$16,640. The remaining funds in the line item would cover the cost of a service review based on the schedule in the work plan. The total amount of \$40,000 is the same as this fiscal year.

Other line item expenses that differ from the current fiscal year is the cost of our biannual audit, which was assumed to be \$15,000. The last two audits were done by the County Auditor. This year we intend to go out to bid the audit as best practices are to not use the same firm too

often to provide a more objective report. Also included is \$8,000 for financial and payroll services and \$1000 consulting services with HR.

The Proposed Budget reflects an increase in rent to \$1345 per month beginning in January and estimates \$2,000 for the use of conference rooms (line item 0002285). This is some \$800 less than FY 15/16 because last year we had to include two months' rent at the Hilborn Rd. office.

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 Santa Barbara, while the CALAFCO Staff Workshop is in Fresno. The budget anticipates that Commission will want to attend the Santa Barbara Conference and provides for registration, lodging and mileage for one staff person at the Staff Workshop. The EO usually attends at his own expense.

Finally, the Finance Committee recommends the Commission return the estimated fund balance of \$21,609 from the current fiscal year to the County and cities. In the last fiscal year staff learned of a separate fund balance account that contained \$40,271. The committee recommended funds from this account be applied to the unfunded liability and reserves in order to comply with our policy of maintaining reserves at 20% of expenses.

Sources of Funding

Table 2 summarizes funding sources for FY16/17. 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 fees assessed for 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 \$1000 in anticipated interest income which is paid based on cash on hand twice a year.

Table 2 – Corrected Summary of Funding Sources

Line Item	2015-16 Adopted Budget	2016-17 Proposed By Finance Committee
Other Governmental Agencies (0009511)	\$334,185	\$372,201
Licenses & Permits (0009229)	\$15,000	\$15,000
Interest Income (0009401)	\$500	\$1000
Fund Balance	\$24,550	\$31,313
Total Funding	\$394,235	\$419,514

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 2013-2014. Table 3 shows the estimate of costs for each jurisdiction. The 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 2016-17 Proposed Budget

City	General Revenue	% of LAFCO Budget	Share FY 15/16	Estimated Share FY 16/17
Benicia	\$28,508,688	5.78%	\$23,848	\$ 21,512
Dixon	\$10,538,357	2.14%	\$8,685	\$ 7,952
Fairfield	\$75,704,963	15.35%	\$40,437	\$ 57,126
Rio Vista	\$3,709,297	0.75%	\$2,560	\$ 2,799
Suisun City	\$6,859,883	1.39%	\$5,360	\$ 5,176
Vacaville	\$51,534,409	10.45%	\$39,156	\$ 38,887
Vallejo	\$69,768,788	14.14%	\$47,047	\$ 52,647
Total City Share		50%	\$167,092	\$186,101
Total County Share		50%	\$167,093	\$186,101
Total		100%	\$334,185	\$372,201

Statutory Deadlines

(GC§) 56381 specifies certain statutory deadlines for adopting the budget. Table 4 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 4: Important Budgetary Deadlines:

- May 1 – Commission must adopt a proposed budget.
LAFCO is scheduled to adopt a proposed budget on April 11, 2016.
- June 15 - Commission must approve a final budget.
LAFCO is scheduled to adopt a final budget on June 13, 2016.
- 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 2016-2017 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 13 to consider and adopt the Final Budget.

Attachments:

A –2015-16 Proposed Budget

B- Finance Committee Minutes of March 21, 2016

Item 6B Attachment A		4/11/2016				
3450	Solano LAFCO - Draft 2016-2017 Budget	2014-2015 Actual	2015-2016 Budget	2015-2016 Projection	2016-2017 Budget 3/29/16	% difference from FY 15/16
1000	SALARIES AND EMPLOYEE BENEFITS					
1110	SALARY/WAGES REGULAR	\$ 88,036.59	\$ 91,494.00	\$ 91,494	\$ 91,434	0%
1210	RETIREMENT-EMPLOYER	\$ 16,553.85	\$ 9,674.00	\$ 10,093	\$ 8,621	-11%
1210	UNFUNDED LIABILITY				\$ 5,500	
1212	DEFERRED COMP-COUNTY MATCH	\$ 130.50	\$ 130.00	\$ 130	\$ 130	0%
1220	FICA-EMPLOYER	\$ 2,738.28	\$ 1,334.00	\$ 1,280	\$ 1,326	-1%
1230	HEALTH INS-EMPLOYER	\$ 16,529.67	\$ 15,204.00	\$ 15,720	\$ 15,969	5%
1231	VISION CARE INSURANCE	\$ 147.01	\$ 152.00	\$ 138	\$ 240	58%
1240	COMPENSATION INSURANCE	\$ 1,074.43	\$ 836.00	\$ 811	\$ 702	-16%
1241	LT DISABILITY INSURANCE ER	\$ 187.60	\$ 166.00	\$ 171	\$ 200	20%
1250	UNEMPLOYMENT INSURANCE	\$ 434.00	\$ 434.00	\$ 434	\$ 434	0%
1260	DENTAL INS-EMPLOYER	\$ 1,252.47	\$ 1,247.00	\$ 1,168	\$ 1,283	3%
1270	ACCRUED LEAVE CTO PAYOFF	\$ 2,503.48	\$ 3,519.00	\$ 3,519	\$ 3,431	-3%
1290	LIFE INSURANCE-EMPLOYER	\$ 506.34	\$ 465.00	\$ 475	\$ 475	2%
1000	SALARIES AND EMPLOYEE BENEFITS	\$ 130,094.22	\$ 124,655.00	\$ 125,432	\$ 129,745	4%
2000	SERVICES AND SUPPLIES					
2021	COMMUNICATION-TELEPHONE SYSTEM	\$ 417.80	\$ -	\$ 300	\$ 300	
2022	COMMUNICATION-TELEPHONE AMC	\$ 63.00	\$ -	\$ -	\$ -	
2028	TELEPHONE SERVICES	\$ 2,029.99	\$ 2,100.00	\$ 2,100	\$ 2,100	0%
2035	HOUSEHOLD EXPENSE	\$ -	\$ 500.00	\$ 500	\$ 500	0%
2051	LIABILITY INSURANCE	\$ 3,893.38	\$ 4,700.00	\$ 3,563	\$ 3,563	-24%
2140	MAINTENANCE-BLDGS & IMPROVE	\$ 256.00	\$ 150.00	\$ 150	\$ 150	0%
2170	MEMBERSHIPS	\$ 5,122.66	\$ 4,430.00	\$ 4,351	\$ 4,657	5%
2171	PROFESSIONAL LICENSES & CERT	\$ -	\$ 800.00	\$ -	\$ 800	0%
2180	BOOKS & SUBSCRIPTIONS	\$ 100.00	\$ 400.00	\$ 400	\$ 400	0%
2200	OFFICE EXPENSE	\$ 1,308.89	\$ 2,500.00	\$ 1,000	\$ 1,500	-40%
2202	CONTROLLED ASSETS \$1500-4900	\$ 1,955.15	\$ -	\$ -	\$ -	
2203	COMPUTER COMPONENTS <\$1,500	\$ -	\$ 500.00	\$ 500	\$ 500	0%
2205	POSTAGE	\$ 400.73	\$ 1,500.00	\$ 500	\$ 1,000	-33%
2235	ACCOUNTING & FINANCIAL SERVICE	\$ 19,917.30	\$ 6,636.00	\$ 6,636	\$ 24,000	262%
2245	CONTRACTED SERVICES	\$ 61,149.65	\$ 40,000.00	\$ 26,850	\$ 40,000	0%
2250	OTHER PROFESSIONAL SERVICES	\$ 147,403.60	\$ 157,600.00	\$ 157,600	\$ 154,300	-2%
2261	SOFTWARE MAINTENANCE & SUPPORT	\$ 139.99	\$ -	\$ -	\$ -	
2266	CENTRAL DATA PROCESSING SVCE	\$ 8,674.08	\$ 8,872.00	\$ 8,872	\$ 8,450	-5%
2270	SOFTWARE	\$ 198.00	\$ 600.00	\$ 600	\$ 600	0%
2280	PUBLICATIONS AND LEGAL NOTICES	\$ 148.45	\$ 1,000.00	\$ 1,215	\$ 2,800	180%
2285	RENTS & LEASES - EQUIPMENT	\$ 4,923.26	\$ 6,000.00	\$ 6,000	\$ 6,000	0%
2295	RENTS & LEASES-BUILDINGS/IMPR	\$ 30,988.04	\$ 18,942.00	\$ 17,941	\$ 18,145	-4%
2310	EDUCATION & TRAINING	\$ 238.37	\$ 2,000.00	\$ 1,000	\$ 2,000	0%
2311	TUITION REIMBURSEMENT	\$ -	\$ 1,100.00	\$ 1,100	\$ 1,100	0%
2335	TRAVEL EXPENSE	\$ 3,648.63	\$ 6,500.00	\$ 2,254	\$ 10,400	60%
2339	MANAGEMENT BUSINESS EXPENSE	\$ 60.21	\$ 300.00	\$ 300	\$ 300	0%
2355	PERSONAL MILEAGE	\$ 282.04	\$ 2,000.00	\$ 1,000	\$ 2,000	0%
2360	UTILITIES	\$ 2,488.84	\$ 450.00	\$ 138	\$ -	
2000	SERVICES AND SUPPLIES	\$ 295,808.06	\$ 269,580.00	\$ 244,870	\$ 285,565	6%
	To Reserves					
9200	LICENSES, PERMITS & FRANCHISE					
9229	LICENSES & PERMITS-OTHER	\$ 14,542.56	\$ 15,000.00	\$ 12,175	\$ 15,000	0%
9200	LICENSES, PERMITS & FRANCHISE	\$ 14,542.56	\$ 15,000.00	\$ 12,175	\$ 15,000	0%
9400	REVENUE FROM USE OF MONEY/PROP					
9401	INTEREST INCOME	\$ 1,789.99	\$ 500.00	\$ 1,000	\$ 1,000	100%
9400	REVENUE FROM USE OF MONEY/PROP		\$ 500.00	\$ 1,000	\$ 1,000	100%
9500	INTERGOVERNMENTAL REVENUES					
9511	OTHER GOVERNMENTAL AGENCIES	\$ 312,158.00	\$ 334,185.00	\$ 334,186	\$ 372,201	11%
9500	INTERGOVERNMENTAL REVENUES	\$ 312,158.00	\$ 334,185.00	\$ 334,186	\$ 372,201	11%
740	Fund Balance		\$ 24,550.00	\$ 21,609	\$ 31,313	28%
	TOTAL REVENUE	\$ 328,490.55	\$ 394,235.00	\$ 391,911	\$ 419,514	6%
	TOTAL EXPENSE	\$ 425,902.28	\$ 394,235.00	\$ 370,302	\$ 415,310	5%
		\$ (97,411.73)	\$ -			
	To Reserves			\$ 78,858	\$ 4,204	
	Fund Balance 740 Account			\$ 40,271	\$ 30,567	
	FINAL Revenues				\$ 419,514	
	Final Expenses				\$ 419,514	
	Final Reserves				\$ 83,062	

ATTACHMENT B



Solano Local Agency Formation Commission

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Special Finance Committee Meeting

Members: Commissioner Batchelor, Commissioner Spering, Commissioner Vasquez, Commissioner Sanchez

Minutes

March 21, 2016

12:30 pm

675 Texas St. Suite 6700

Fairfield, CA 94533

The meeting was called to order at 12:30. All members were present including one member of the public Michelle Heppner. Elliot Mulberg of LAFCO Staff was also present.

1. Communications from the public – there were no communications from the public.
2. Financial and Payroll services (Information)

The Committee decided to take Item 3 first. We reviewed three items requested from the previous meeting. The included unfunded liability, the MOU with the Auditor, costs for services from Vacaville.

It was determined LAFCO's unfunded liability was \$24,077 and LAFCO pays an annual fee to reduce unfunded liability plus the cost of current employees. It was estimated for one employee it would cost \$1,181. There was some discussion about paying out the lump sum this year or spreading it out over 5 years. This will factor into next year's budget.

The MOU with the auditor was reviewed. There were some comments about staff's analysis but the general consensus was to try to resolve the problem and if that was not possible to look to Vacaville's bid which was \$7300 setup and \$1,200 per month.

3. FY 2016-7 Budget issues (Information)
 - a. EO Contract – budget for an EO as an independent contractor.
 - b. COLA for analyst – There was a need to resolve the pay scale for the analyst compared to the pay scale in the PSR and review comparable pay with other

LAFCO's to determine whether our Analyst pay should be Y rated. We would need to adjust the pay scale before adding a COLA.

- c. Unfunded liability – set up a five year plan to eliminate past unfunded liability and use fund balance from fund 740 (or past fund balance) to pay for it.
- d. Hiring an intern – The intern would complete the scan of LAFCO SOI files, assist with filings, and conduct research needed for policy development. The Committee felt it should be considered extra help and did not want staff without a LAFCO or planning background in policy development.
- e. 2235 Discussed cost for an audit next year estimated at \$14,000
- f. 2270 Discussed purchasing Dropbox and Dreamweaver for the website. There was concern the EO would be spending his time on the website but were in agreement that the ability to update the website with committee or LAFCO agendas was worthy of his time.
- g. 2295 rents is up to \$1.78 per square foot in January for 750 square feet of space.
- h. 2335 Travel to CALAFCO in Santa Barbara and the staff workshop in Fresno was agreed upon.

The meeting was adjourned at 1:30 pm.