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

AGENDA ITEM No. 13

DATE: **March 13, 2013**

TO: **Local Agency Formation Commission**

FROM: **Jeff Witte, Executive Officer**

SUBJECT: **Consider Approval – Preliminary Budget for Fiscal Year 2013-2014**

RECOMMENDATION:

Approve the Preliminary FY 2013-2014, LAFCo Budget estimates as shown on Exhibit A and seek direction with respect to any recommended changes that the Commission may desire to incorporate within the Proposed Budget that will be presented at the April 10, 2013 hearing.

EXECUTIVE SUMMARY:

This year's budget proposes an increase from \$480,169 to \$518,655 (↑) \$38,486. 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 \$341,509.86. Anticipated expenditures through the end of the Fiscal Year will draw that balance down to \$178,616. At the April 11th hearing, we should be able to present a more refined "Proposed Budget" for the Commission to consider.

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 Proposed Budget scheduled to be heard by the Commission at its regular hearing on April 10, 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 \$77,798 and \$103,731. 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 \$517,854, which is a 9.3% 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 \$1,055.

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 \$672.

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. The projected expense for this account as of 6/30/13 is \$6,214.

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 - \$403(↑)

This estimate was provided by the County and reflects Personnel costs for the two contract employees. It is a \$22 increase over last year. The projected expense for this account as of 6/30/13 is \$338.

Account Number 7287 - PeopleSoft Human Resources Financial Charge
Recommended Appropriation - \$684(↑)

This estimate was provided by the County and reflects the County's cost for payroll for the two contract employees. It is a \$7 increase over last year. The projected expense for this account as of 6/30/13 is \$378.

Account Number 7295 - Professional and Specialized Services
Recommended Appropriation - \$420,733(↑)

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 (\$3,600) 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 an increase of \$31,813 in this account over last year's budget.

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. The projected expense for this account as of 6/30/13 is \$14,937.

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 \$2,887.

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 \$25,296.

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 \$382 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. The projected expense for this account as of 6/30/13 is \$1,915.

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 Commission has declined the per diem increase and one Commissioner declines to accept the 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. 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 eight months of this year amounted to \$66,350 (\$46,350 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 \$20,000 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 \$15,000 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 our account balance, it appears that LAFCo's account balance should be drawn down to about \$178,616. As per the County Auditor's recommendation, we should maintain a minimum reserve of between \$77,798 and \$103,731 (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

		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
	Approved				
Budget Items					
Administrator, Personnel, Employee Relations	\$2,600	\$2,577	\$50	\$2,627	\$2,000
Financial Statements and General Accounting	\$7,100	\$2,153	\$1,600	\$3,753	\$3,000
Independent Financial Audit	\$7,000	\$3,270	\$3,730	\$7,000	\$0
Bookkeeping Service	\$0	\$0	\$0	\$1,200	\$3,600
Fresno County Assessor	\$4,000	\$1,700	\$1,700	\$3,400	\$4,500
LAFCo Counsel	\$80,000	\$73,455	\$15,000	\$88,455	\$85,000
Fresno County Elections	\$1,000	\$150	\$150	\$300	\$600
Fresno County Health	\$1,760	\$1,056	\$520	\$704	\$1,760
Special Counsel	\$6,000	\$0	\$500	\$500	\$6,000
Total	\$109,460	\$84,361	\$23,250	\$107,939	\$106,460
County Employee Compensation					
Salaries and Benefits	\$182,119	\$123,741	\$61,871	\$185,612	\$184,190
Total	\$182,119	\$123,741	\$61,871	\$185,612	\$184,190
Executive Officer Compensation					
Salary & Benefits	\$103,025	\$68,794	\$45,972	\$114,765	\$130,083
Total	\$103,025	\$68,794	\$45,972	\$114,766	\$130,083
Grand Total for Professional and Special Services	\$394,604	\$276,896	\$131,093	\$408,317	\$420,733

EXHIBIT 2
FISCAL YEAR 2013-2014 FINAL 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	\$403	
7287 PeopleSoft Financials Charge	\$677	\$684	
7295 Professional & Special Services	\$395,504	\$420,733	
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	\$6,600	
8300 Fixed Assets (Computers)	\$0	\$3,000	
8991 Contingencies	\$3,000	\$3,000	
Total	\$480,169	\$518,655	\$0

TOTAL RECOMMENDED APPROPRIATIONS FOR 2013-2014

EXHIBIT 3
FINAL 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	
Bookkeeping Service	\$0	\$3,600	
SUB-TOTAL	\$7,100	\$6,600	\$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	\$420,733	

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

EXHIBIT 4

FISCAL YEAR 2013-2014 FINAL 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 5

FINAL 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