

# EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

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## *AGENDA OF MARCH 23, 2016*

### *REGULAR MEETING*

**TO:** Ken Humphreys, Chair, and  
Members of the El Dorado County Local Agency Formation  
Commission

**FROM:** José C. Henríquez, Executive Officer

**AGENDA ITEM #6:** PUBLIC HEARING TO CONSIDER AND ADOPT THE FINAL  
BUDGET FOR FISCAL YEAR 2016-17

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#### **RECOMMENDATION**

Staff recommends that the Commission:

1. Receive the information related to the adopted Proposed Budget for Fiscal Year 2016-2017;
2. Open the Public Hearing on this matter;
3. Adopt LAFCO Resolution L-2016-02 approving the Final Budget for Fiscal Year 2016-2017, which reflects the Commission's priorities for the coming fiscal year; and
4. Direct staff to transmit the Final Budget to the funding agencies and others as specified in Government Code §56381.

#### **REASON FOR RECOMMENDED ACTION**

The recommended LAFCO Budget provides adequate funding for El Dorado LAFCO to meet the responsibilities of the Cortese-Knox-Hertzberg Act. By State Law, this agency adopts its own budget in a two-stage process with notice to all funding agencies.

#### **BACKGROUND**

In January, the Commission discussed and approved the Proposed Budget that covered the agency's projected costs for employee and operating expenses. The size of next year's budget is expected to be 6% lower than the current year's budget. Employee costs will be 7% lower and the operating costs are essentially the same. The difficulty in the budget is that the carryover amount will be significantly lower, with little hopes that non-agency contribution revenues will offset the decrease. Application (fee) revenues are unknown, so staff recommends budgeting this line item conservatively. Interest revenue is expected to be low. As a result, agency contributions will go up significantly, up to 16%.

In terms of real numbers, the budget is \$26,000 lower and agency contributions will increase by a total of \$56,646.

### *Budget Summary*

- Revenues – On the revenue side, staff calculates a decrease in fee revenue because it is difficult to ascertain the level of application activity next year. As a result, the Ad Hoc Committee and staff determined it was more prudent to budget for a modest amount for fee revenues next fiscal year. There is a significant decrease in carryover monies from this fiscal into next year, by over \$84,000. In years past, carryover funds are the second largest source of revenue for LAFCO. This led to the already stated higher contribution amounts for the funding agencies.
- Employee Costs – Employee expense (salaries and benefits) are projected to decrease by 7% over the current year. The position of the Commission Clerk will be kept open, with no funds to hire out this position. In addition to the three days of furloughs, staff kept at the same level and not promoted will not see any raises or increases in compensation. There is a decrease in health care costs because a member of staff switched plans to a lower cost option.
- Operating Costs – These are kept almost the same, with an overall slight decrease in expenditures. The budget also includes a 10% contingency.

As detailed in January, this is a painful budget. But it was also stated that overall LAFCO is in great financial shape. It has paid off its unfunded liability with CalPERS. Its modest reserve is fully funded. It is finishing work on the MSRs for two of its larger entities. This budget is a victim of an odd mix of circumstances that coalesced in FY2016-17, up to and including an additional pay period. In addition, because the unfunded liability has been paid off as of August 2015, it shields LAFCO from significant increases in pension costs as a result of CalPERS adopting a lower “discounted rate,” which is the expected rate of return on its investments (the percentage was lowered from 7.5% to 4.5%). The lower discounted rate will translate into higher UAL payments and higher employer rates for CALPERS member agencies.

### *Budget at a Glance*

<b>Budget</b>	<b>FY2015-16</b>	<b>FY2016-17</b>
Employee Expense	\$344,466	\$318,719
Operating Expense	\$109,865	\$109,208
Operating Contingency	\$10,987	\$10,921
<b>Expense Total</b>	<b>\$465,317</b>	<b>\$438,848</b>
Non-Agency Revenues	\$6,977	\$6,977
Agency Contributions	\$365,075	\$423,501
Prior Year Fund Balance	\$93,265	\$8,370
<b>Revenue Total</b>	<b>\$465,317</b>	<b>\$438,848</b>

### Attachments

- Attachment A: Approved Work Plan, FY 2016-2017  
Attachment B: Proposed LAFCO Budget FY 2016-2017  
Attachment C: Draft Resolution L-2016-02