

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MARCH 23, 2011

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 #7: PUBLIC HEARING TO CONSIDER AND ADOPT THE
PROPOSED BUDGET FOR FISCAL YEAR 2011-2012

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the draft Proposed Budget for Fiscal Year 2011-2012;
2. Open the Public Hearing on this matter; and
3. Adopt the appropriate Proposed Budget for Fiscal Year 2011-2012 that reflects the Commission's priorities for the coming fiscal year.

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

Summary

The Ad Hoc Committee has met to discuss and draft a budget that covered the agency's employee and operating expenses. Fee revenues are expected to be higher despite the low economic activity in the County. In addition, salary expenses will be higher in the coming year. To compensate, some operational expenses are lower and staff projects that the carryover from the current fiscal year into the next will be sufficient to lower the agency contributions. Changes instituted in this year, such as bundling phone and internet service, entering into a new leased contract for the copier and contracting with information technologies service, have been the leading factors in lowering operational costs.

How to Read the Attached Budget:

Budgetary items will be referred to by its description and line item. The line item number reflects the Fund Number [or General Ledger (GL) Account] in the Commission's accounting system. The Fund Number corresponds to the monthly Profit & Loss report the Commission receives as part of its hearing packet. Outdated GLs, consolidated GLs or GLs that have not been funded in the past two years, and will no longer be funded, have been deleted from the budget sheet.

This report will include summary tables for each subsection of the budget. The attachments to this report mirror this report's structure:

- Attachment A contains the cash forecast through the end of the *current* fiscal year
- Attachment B contains the estimated fee revenues from petitions and applications
- Attachment C contains the salary expense and salary calculations
- Attachment D contains the operating expense calculations for most expenditures
- Attachment E contains the complete draft Proposed Budget

Overall Budget Highlights

On the revenue side, staff calculates an increase in fee revenue because several agencies will submit their own projects to LAFCO. This is in contrast to prior years where LAFCO activity was driven by private interests submitting applications. The carryover into next fiscal year is projected to be about the same as the carryover brought into this fiscal year from FY2009-10. Staff expects four new projects in various stages of completion by June 30, 2012. Interest rate revenues will continue to be depressed because of the deflated Federal savings rate. Staff forecasts revenues from this source to be accrued at less than 1% a month.

Overall, revenues from all other sources means that the expected cumulative contribution amount for the funding agencies is expected to be lower by just over \$35,000 than the current year contributions.

On the expenditure side, employee costs will increase by 12% over current year's funding levels, all driven by an increase in the agency's health benefit costs and PERS. In terms of the cost of health benefits, the rate of increase is not expected to differ much from previous years; however, more LAFCO staff is now enrolled in the health program, spiking the costs upward. For retirement costs, CALPERS has confirmed that the employer contribution will increase from 13% to 17.4%. The employee share will remain at 7%. Both of these are paid by LAFCO for current staff.

The recommended funding for the operational expenses is either level with the current year or lower. Overall, operational costs are up by 2% over the current year. Switching to a bundled service package for information technologies (telephone, internet and web hosting), as well as switching IT services and renegotiating a new copier lease, have resulted in cost savings. The only increases were to the membership cost to CSDA (which actually appeared in this fiscal year) and in liability insurance because of LAFCO having a \$10M limit level. Should the Commission want to lower the agency's budget, it should consider purchasing liability insurance at a lower limit. Currently set at the \$10M limit, the agency could save approximately \$3,900 but lowering the limit to \$5M.

The Budget Ad Hoc Committee also budgeted a 10% contingency for any reasonable increase in operating expenses that may occur during the course of the fiscal year per your Policies and Guidelines.

Budget Year	FY2010-11	FY2011-12
Employee Expense	\$327,602	\$367,122
Operating Expense	\$168,607	\$106,119
Contingency	\$16,861	\$10,612
Expense Total	\$513,069	\$483,853
Non-Agency Revenues	\$8,456	\$12,650
Agency Contributions	\$349,613	\$315,103
Previous FY Fund Balance	\$155,000	\$155,500
Revenue Total	\$513,069	\$483,853

Employee Expenses

As noted above, employee expense (salaries and benefits) are projected to increase over the current year, with health benefits and retirement costs being the primary reasons. Again, the driver is an increase in the number of employees that now participate in the program, not necessarily because of an increase in rates. While the premiums are unknown at this time, the insurance rates are calculated to be 15% higher over the current rates. This is consistent with past experience. The employer portion for CALPERS will go up by 4% over the current year, resulting in an almost \$10,000 total increase in costs. The salary costs also include a proposed 3-day furlough. As in the past two years, this furlough would be structured so that staff may take the three days at any time during the fiscal year.

Operating Expenses

Overall operating expenses are at the same levels as the current year. General liability insurance costs are higher because of the Commission's decision to purchase insurance with a \$10M limit. However, several other expenses are projected to be lower, including costs for accounting, worker's compensation, equipment leases and office expenses. Staff is projecting a slightly higher cost for Commissioner and staff training costs due to the locations of the CALAFCO Conference (Napa) and Workshop (Murphys). Both locations are relatively close to Placerville but only accessible by car.

Attachments

- Attachment A: Cash Forecast Fiscal Year 2010-2011
- Attachment B: Fiscal Year 2011-2012 Expected Project Revenue
- Attachment C: Employee Salary & Benefit Schedule
- Attachment D: Operating Budget Calculations
- Attachment E: Draft Proposed Budget FY 2011-2012