

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MAY 23, 2018

REGULAR MEETING

TO: Shiva Frentzen, 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 2018-19

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the adopted Proposed Budget for Fiscal Year 2018-2019;
2. Open the Public Hearing on this matter;
3. Adopt LAFCO Resolution L-2018-08 approving the Final Budget for Fiscal Year 2018-2019, 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

Budget Summary

- Revenues – In total, agency contributions will go up significantly, mostly due to the carryover being half of the amount that was used in this fiscal year. Two other dynamics played into the increase. First, this is the first year in which it was necessary to budget for 3.5 people for a full fiscal year. Second, your Commission is also trying to bring all staff salaries up to market by having a three-year phase-in.

- Employee Costs – Employee expense (salaries and benefits) are projected to increase 10%. While the three-year phase-in of increases to bump up staff salaries to market will continue, the FY2019-20 will budget for 3.5 people for only a partial amount of time. After that, staffing will remain at 3 full time employees.
- Operating Costs – These are kept almost the same, with an overall slight increase in expenditures. The budget also includes a 10% contingency.

As a reminder, the CalPERS rate is expected to increase steadily in the next few years because of the CalPERS Board of Directors’ decision to cut the “discount rate” in January 2017. This is what the employer rate is forecast to be in the next few years, according to LAFCO’s latest valuation report:

	Future employer contributions*			Projected future employer contributions**	
Fiscal Year	2018-19	2019-20	2020-21	2021-22	2022-23
Employer Rate	9.4%	9.9%	10.8%	10.8%	10.8%

*From the August 2017 Valuation Report

** From the January 2017 CalPERS Letter

There are a couple of “lights” at the end of the tunnel. First is that LAFCO could see a flat employer rate for a couple of years if the projections are correct for the rate beyond 2021. This is a realistic scenario in that a projected range for LAFCO’s employer rate was included in the 2017 letter announcing the cut in the discount rate. Based on those estimates, the employer rate was not expected to increase beyond 11.9% through 2023. The other is that the valuation reports keep seeing LAFCO’s plan’s funded ratio has been consistently above 90% since LAFCO adopted its own contract with CalPERS in 2013. Hopefully, at some point LAFCO could see a drop in the employer rate if the funded ratio continues at such a high rate.

Budget at a Glance

Budget	FY2017-18	FY2018-19
Employee Expense	\$351,421	\$382,783
Operating Expense	\$121,067	\$123,023
Operating Contingency	\$9,467	\$12,302
Expense Total	\$481,955	\$518,109
Non-Agency Revenues	\$6,977	\$7,277
Agency Contributions	\$355,003	\$451,533
Prior Year Fund Balance	\$119,975	\$59,299
Revenue Total	\$481,955	\$518,109

Attachments

- Attachment A: Approved Work Plan, FY 2018-2019
- Attachment B: Proposed LAFCO Budget FY 2018-2019
- Attachment C: Draft Resolution L-2018-08