

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF APRIL 24, 2013

REGULAR MEETING

TO: Don Mette, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #7: PUBLIC HEARING TO APPROVE MID-YEAR BUDGET
ADJUSTMENT AND TO CONSIDER AND ADOPT THE
PROPOSED BUDGET FOR FISCAL YEAR 2013-2014

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information for a mid-year budget adjustment for the current fiscal year
2. Receive the information related to the draft Proposed Budget for Fiscal Year 2013-2014;
3. Open the Public Hearing on this matter;
4. Approve the line item adjustment for the current fiscal year; and
5. Adopt the Proposed Budget for Fiscal Year 2013-2014.

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. The Commission has the discretion to adjust its budget mid-year to account for unforeseen expenses. By State Law, this agency adopts its own budget in a two-stage process with notice to all funding agencies.

BACKGROUND

Mid-Year Adjustment for Fiscal Year 2012-2013 Budget

Staff recommends adjusting the current year's budget by moving \$23,455 from personnel costs to legal expenses. The monies come from salary savings. The move is needed to compensate for the legal expenses associated with the negotiations over the CalPERS contract. As it can be seen in Attachment A, this line item adjustment will have no impact in the total budget for the fiscal year. The move will provide staff with the additional flexibility it needs in the coming months.

As the Commission is aware, the negotiations over a retirement contract with the County and CalPERS have become protracted and extremely technical. Staff has requested the assistance of a CalPERS expert within LAFCO's Counsel Best, Best and Krieger. However, this assistance is an unforeseen expenditure that needs to be managed within the budget.

In the past the Commission has not authorized a reserve account to draw from in instances where additional expenditures in a line item exceed expectations. Consequently, LAFCO must absorb the increases within its adopted budget and staff must manage expenditures to compensate.

It must be stressed that while the legal expenditures are larger than expected, there are funds within the budget to accommodate the increase.

Since there are salary savings in this fiscal year, moving funds from one line item in the budget to another line item is warranted in this case. Doing so prevents the end of the fiscal year budget appear as if there are substantial savings in one line item and a significant overage in another. Attachment A shows that the overall salary expenditures are reduced by \$23,455 (General Account number 5100) and Legal Services (GL 6090) are increased by the same amount. Again, the overall size of the budget remains the same.

Fiscal Year 2013-2014 Budget 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 two-thirds lower to current, mostly because there is no large project in the horizon. The carryover from this fiscal year into next year is estimated to be slightly higher last year's carry over to current. The agency contributions are higher by over \$16,700. Salary expenses will be higher by 2% in the coming year, mostly because we cannot take advantage of the lower CalPERS contract employer rate. To compensate, most operational expenses are lower or flat; unfortunately not enough to offset lower projected revenues.

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.

This report will include summary tables for each subsection of the budget. The attachments to this report mirror the narrative in this report from this point forward:

- Attachment B contains the cash forecast through the end of the *current* fiscal year. This number is inputted into the budget as a source of revenue under GL 4100.
- Attachment C contains the estimated earned fee revenues from petitions and applications in the *next* fiscal year. This number is inputted into the budget as a source of revenue under GL 4000.
- Attachment D contains the salary expense and salary calculations
- Attachment E contains the operating expense calculations for most expenditures

- Attachment F contains the complete draft Proposed Budget

Overall Budget Highlights

As stated in the summary, on the revenue side staff calculates a decrease in fee revenue. While activity is picking up in the County Planning Department and with EID, LAFCO staff does not expect those projects to be filed with LAFCO until 2014. The carryover into next fiscal year is projected to be slightly higher, but it is essentially the same. Interest rate revenues will continue to be depressed because of the deflated Federal savings rate.

Lower revenues from all other sources means that the expected cumulative contribution amount for the funding agencies is expected to be higher, about \$16,700 total, over the current year's contributions. This translates to \$5,500 more per funding category (County, cities and special districts).

On the expenditure side, employee costs will increase by 2% over current year's funding levels. There are no raises for staff; however, an increase in the salary for the Policy Analyst is built into the budget in case she is promoted to Assistant Executive Officer.

Because the LAFCO CalPERS contract is not in place, neither the budget ad hoc committee nor staff thought it was fiscally prudent to plug a lower retirement employer rate into the budget (GL 5340). Consequently, the budget assumes no cost savings will be realized in this line item. The County's rate of 15.661% was used instead.

As in previous years, health benefit costs (GL 5320) are high, though staff forecasts a slightly lower overall amount. Aside from Overtime (GL 5230) and Payroll Tax (GL 5420), all other items were essentially flat.

The recommended funding for the operational expenses increases by 6%. Overall costs were flat or decreased. The two largest increases were for lease (GL 6070), staff development (GL 6750) and legal services (GL 6090). The lease's increase is contractual in nature. Legal expenses are up because LAFCO needs specialized legal services to assist this agency with the LAFCO CalPERS contract. Staff development costs are higher because more people will be going to the CALAFCO Conference in September since El Dorado LAFCO is a co-host for the event.

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 At A Glance

Budget Year	FY2012-13	FY2013-14
Employee Expense	\$371,729	\$377,961
Operating Expense	\$98,932	\$104,690
Contingency	\$9,893	\$10,469
Expense Total	\$480,555	\$493,120
Non-Agency Revenues	\$18,450	\$6,686
Agency Contributions	\$318,396	\$335,110
Previous FY Fund Balance	\$143,000	\$151,324
Revenue Total	\$480,555	\$493,120

Employee Expenses

As noted above, employee expense (salaries and benefits) are projected to increase 4% over the current year, although no staff raises are included in the budget. The practice of utilizing 3-day furloughs will continue.

As the Commission is aware, LAFCO is negotiating a new contract with the California Public Employee Retirement System; however, the new employer rate has not been determined since the contract has not been adopted. The budget ad hoc committee and staff determined it was fiscally prudent to utilize a higher employer rate. Consequently, retirement costs are expected to remain roughly the same as the current year and that assumption is reflected in the budget.

Operating Expenses

Overall operating expenses are approximately 6% higher. Most expenditures are expected to remain the same or decrease slightly. General liability insurance costs remain high because of the Commission's decision to continue to purchase insurance at the \$10M limit.

Long-Term Budget Outlook

This budget is higher than the previous year, breaking a three-year streak of smaller subsequent budgets. As warned last year, the past reductions could not be sustained long-term. Indeed, LAFCO became as small as it can ever be. Any further cuts would leave the agency able to carry out just a little more than its core functions. It should be recognized that the cost reduction strategies currently in place allows the agency to remain as cost effective as possible in the near future. Overall, budgets or agency contributions should be expected to increase modestly in the coming years.

Attachments

- Attachment A: Mid-Year Budget Adjustment for Fiscal Year 2012-2013
- Attachment B: Cash Forecast Fiscal Year 2012-2013
- Attachment C: Fiscal Year 2013-2014 Expected Project Revenue
- Attachment D: Employee Salary & Benefit Schedule
- Attachment E: Operating Budget Calculations
- Attachment F: Draft Proposed Budget FY 2013-2014