

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MARCH 24, 2021

REGULAR MEETING

TO: Tim Palmer, 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 2021-22

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the draft Proposed Budget for Fiscal Year 2021-22;
2. Open the Public Hearing on this matter; and
3. Adopt the Proposed Budget for Fiscal Year 2021-22.

REASON FOR RECOMMENDED ACTION

The enclosed LAFCO Budget reflects the financial priorities for the agency for next year under the Cortese-Knox-Hertzberg Act. El Dorado LAFCO adopts its own budget in a two-stage process with notice to all funding agencies. This is the first of two hearings.

BACKGROUND

Summary

This budget contains the initiatives the Commission wants to prioritize for the coming fiscal year. The twin goals from the Budget Ad Hoc Committee were to keep the agency contributions from increasing and to fund an MSR to study the medium-to-small water agencies in El Dorado County. Because of a larger-than-expected carryover amount, there are sufficient funds to accomplish both goals despite the budget being larger than the current year budget. In addition, the budget contains funds to refill the Assistant Analyst position in the fourth quarter of next Fiscal Year. The successful candidate would start on or about March 1, 2022. There are no changes to the salaries or benefits of existing staff.

How to Read the Attached Budget:

Budgetary items will be referred to by its description and either General Ledger (GL) Account or by the term “fund.” The GL number reflects the Fund Number in the Commission’s accounting system. The Fund Number corresponds to the monthly Profit & Loss report the Commission receives as part of its meeting packet.

The attachments to this report mirror the narrative from this point forward:

- Attachment A contains the calculated carryover from FY2019-20. This number is inputted into next year’s budget as a source of revenue under GL 4100, consistent with both your direction from last year as well as with your policies.
- Attachment B contains the earned fee revenues accrued throughout calendar year 2020. This number is inputted into the budget as a source of revenue under GL 4000, consistent with both your direction from last year as well as with your policies.
- Attachment C contains the calculations for Operating Expenses.
- Attachment D contains the salary calculations and expenses for all employees.
- Attachment E contains the complete draft Proposed Budget for FY2021-22.

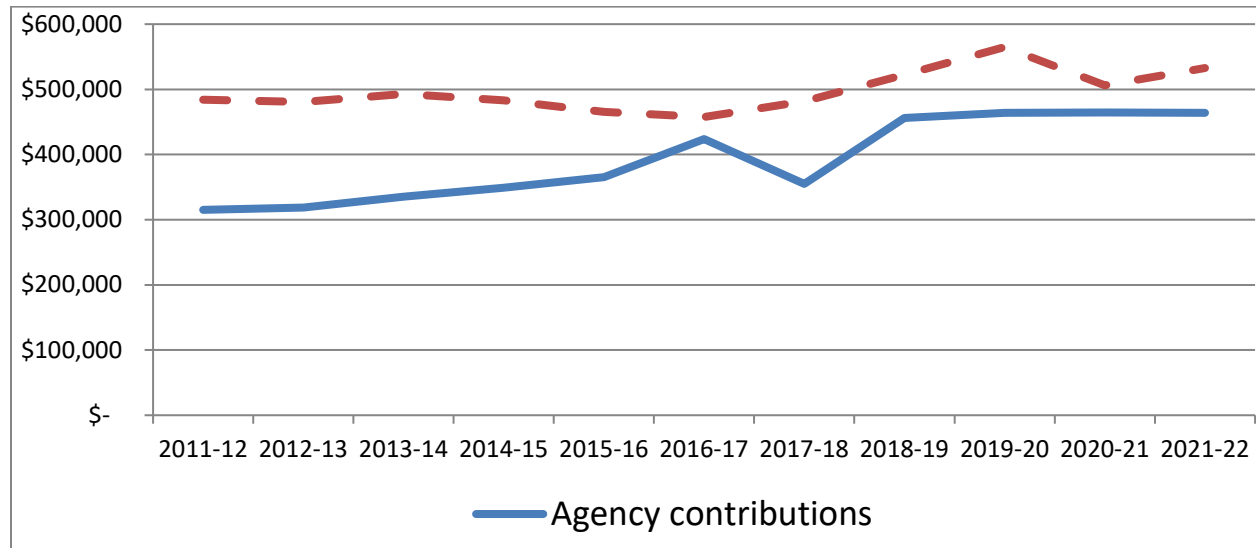
Overall Budget Highlights

In this budget, three of the four revenue sources are known numbers. The fund balance is the carryover from FY2019-20 and is found in Attachment A. In addition, the carryover/fund balance at the end of FY2019-20 is larger than expected. The applicant fees are the earned fees collected by LAFCO in calendar year 2020. LAFCO collected a comparable amount in applicant fees in 2020 as it did in 2019, despite the pandemic. The agency contributions have always been known numbers since they bridge the gap between the total budget and the other revenue sources. Adding these three items together means more revenues are available, resulting in having the opportunity to fund the mid-to-small water agencies MSR (depending on the cost) and keeping the agency contributions at about the same level as the current budget.

As outlined above, the Ad Hoc Committee’s goal was to keep agency contributions as low as possible in order to minimize the impact of fitting the cost of contracting out another MSR in the FY2021-22 budget. As a whole, employee and operating costs were kept low, increasing by 12% and 13%, respectively. These calculations included fully funding the part time Administrative Assistant for the fiscal year and the hiring of an Assistant Policy Analyst in the last quarter of the next fiscal year. Operating costs include all contractual and estimated expenses for all items and places \$43,000 in the MSR outsourcing category. This last number is an estimate, as RFP responses have not been returned.

The lump-sum payment to CalPERS for the unfunded liability in FY2020-11 will be \$8,259.

LAFCO 10-Year Budget History



The chart above shows that agency contributions as a revenue source has remained fairly flat since FY2018-19 even though the size of the overall budget has changed.

Budget at a Glance

Budget	FY2020-21	FY2021-22
Employee Expense	\$299,244	\$338,992
Operating Expense	\$194,755	\$179,873
Operating Contingency	\$12,276	\$13,687
Expense Total	\$506,275	\$532,552
Non-Agency Revenues	\$18,350	\$20,205
Agency Contributions	\$464,503	\$463,817
Prior Year Fund Balance	\$23,422	\$48,530
Revenue Total	\$538,580	\$532,552

Expenditures

As the Commission knows, expenditures are usually broken down into three broad categories: Employee Expense, Operating Costs and Operating Contingency.

Operating Costs

Operating costs are all overhead costs to the agency that do not fall into expenses for employees. About a third of operating costs are budgeted at the same levels as the current year. Three items saw decreases. The remainder are modest increases except for General Liability Insurance (GL 5460), Legal Notices (GL 6080) and Staff Development (GL 6750).

By far the biggest operating expense in the budget will be small and medium water district MSR-SOI study. Staff circulated a request for proposals (RFP) earlier this month. While responses have not been received, we expect costs to be in the \$40,000 range. Staff expects to have a contract for the Commission to consider in the May-June 2021 timeframe so that the project starts on July 1, 2021.

Employee Expense

Overall employee costs are up 13%. As indicated above, these costs include funding the part time Administrative Assistant position for the full year. Costs also include refilling the Assistant Analyst position in the last quarter of FY2021-22; meaning this person would start on or after March 1, 2022. The ad hoc committee determined that the reason LAFCO falls behind on its MSR project plan is because of understaffing. The ad hoc committee's goal was for El Dorado LAFCO to regain its traditional 3 & 1/2-person operating headcount (EO, AEO, PA, half-AA) by FY2022-23. While the increased staff will commit the Commission to larger future budgetary costs, full staffing will ensure that LAFCO is in a good position to complete its MSR project plan in a timely basis.

CalPERS Outlook

The CalPERS Board of Directors' decision to cut the "discount rate" in January 2017. The repercussions are dramatic. This is what the employer rate is forecast to be in the next few years, according to LAFCO's latest valuation report. The employer rate is forecasted to remain essentially flat; however, it is unknown whether that will change because of the market volatility experienced in the last few years. The UAL is forecasted to level off at \$13,000 annually starting in 2025-26:

	Employer contribution	Projected future employer contributions*			
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26
Employer Rate	10.88%	10.9%	10.9%	10.9%	10.9%
UAL Payment	\$8,218	\$10,000	\$11,000	\$12,000	\$13,000

*From the July 2020 Valuation Report

The funded ratio of LAFCO's plan has been around 90% since LAFCO adopted its own contract with CalPERS in 2013.

Operating Contingency

By your policy, the operating contingency is funded at 10% of operating costs. Staff recommends keeping it that way since the true cost of the MSR is not known at this time. The contingency provides a little leeway in case the costs of a qualified consultant come a little over the budgeted amount.

Attachments

- Attachment A: Carryover/Fund Balance Calculations Fiscal Year 2019-2020
- Attachment B: Earned Project Revenue from Calendar Year 2020
- Attachment C: Operating Budget Calculations
- Attachment D: Employee Salary & Benefit Schedule
- Attachment E: Draft Proposed Budget FY 2021-2022