

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MARCH 26, 2008

REGULAR MEETING

TO: Francesca Loftis, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #5: PUBLIC HEARING TO CONSIDER AND ADOPT THE
REVISED PROPOSED BUDGET FOR FISCAL 2008-09

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the revised Proposed Budget for Fiscal Year 2008-2009;
2. Open the Public Hearing on this matter; and
3. Adopt the revised Proposed Budget for 2008-2009, notify the funding agencies of their projected contribution amounts and direct the Executive Officer to restructure the position of Commission Clerk.

REASON FOR RECOMMENDED ACTION

The revised Fiscal Year 2008-2009 LAFCO Budget should comply with the direction given by the Commission to cut spending by 10% of current. It should allow for the Commission to meet the responsibilities of the Cortese-Knox-Hertzberg Act. El Dorado LAFCO adopts its own budget in a two-stage process with notice to all funding agencies.

BACKGROUND

At the February 27, 2008 meeting, the Ad Hoc Committee presented a \$456,221 budget that was 2% below the current year's budget. The Commission directed the Ad Hoc Committee and staff to revise the budget to cut it by an additional 10% (or 12% from the current year). Because employee salaries and benefits comprise 71% of LAFCO's budget, it would not be possible to achieve such a percentage by cutting the operating expenses alone.

The revised Proposed Budget does not achieve the Commission's mandate. A revised budget that is 10% below the original Proposed Budget would mean cutting \$45,622 to have a spending plan of \$410,599. The revised Proposed Budget cuts expenses by 7%

from the original Proposed Budget (or 9% from the current year). Nevertheless, the Ad Hoc Committee and staff believe the revised Proposed Budget may meet the Commission's intent. The revised budget has been reduced by \$43,000 and the revised agency contributions were decreased by \$46,000 from the current year's budget. The revised funding contribution amount is \$4,011 over what the agency contribution amount would have been with a \$410,599 budget with all other assumptions from the original remaining the same. The chart below explains the differences in the plans:

Option	Budget Amount	Short of 10% Reduction Goal	Estimated Agency Contributions	Estimated Per Category Agency Share
Original Proposed Budget	\$456,221	\$45,622	\$369,218	\$123,073
Revised Proposed Budget	\$424,103	\$13,503	\$335,632	\$111,877
Commission's Mandate	\$410,600	\$0	\$323,597	\$107,866

The original Proposed Budget already contained a 3% reduction in agency contributions over the current year. The revised Proposed Budget now contains an additional 9% reduction in agency contributions, making it a total 12% reduction in contributions over the current year. The revised agency contributions are now at the same level they were two fiscal years ago and erased the \$45,000 increase in contributions the Commission approved last year.

The differences between the revised and the original Proposed Budgets are summarized as follows:

- Over \$20,000 were eliminated in the Operating Expenses across nine categories, most notably General Liability Insurance, Information Services, Staff Development and Commissioner Stipends.
- The Executive Officer's salary is frozen in the next Fiscal Year.
- The Policy Analyst has voluntarily requested a reduction in hours to 80% full-time (32 hours a week).
- The Clerk's position in its current form was eliminated on March 7, 2008. The salary and benefits savings from her position's elimination increased the estimated carryover into next year by \$10,000. The increase in carryover helped decrease the estimated agency contributions.
- The decrease in salaries was approximately \$18,000, but because the former Clerk was laid off, she is eligible for unemployment insurance (UI). According to the Employment Development Department, LAFCO is classified as "UI Reimbursable," meaning it assumes the full cost of an unemployed insurance claim against the agency. The former Clerk has applied for UI benefits, entitling her to a \$10,660 total payment to be paid between the current and the next fiscal years. This amount was added to the budget to protect the agency's finances. The amount due in the current year, approximately \$6,500 was added to the cash forecast. The remaining amount was added to next year's budget (line 18).

In the short term, the Clerk's functions will be backfilled by the remaining staff for as long as possible without hampering the business needs of the agency. However, staff does not recommend that this situation remain in the long term. The Analyst's reduced hours and the increase in the responsibilities for the remaining staff due to the Clerk vacancy will most likely have a detrimental impact on the agency's operations and service over time. In order to compensate for the Analyst's reduced hours and to backfill most of the critical Clerk functions, the Executive Officer will restructure the Clerk position in order to address the changed environment and to ensure that none of the agency's critical needs are hampered. While the restructured position will require a different set of skills and responsibilities, it is anticipated that a new person can be brought on board at or near the same salary scale as the downsized position. Even with the backfill, the Commission can realize some salary savings if the new person can be hired at a lower salary. In addition, other costs from the new person would not have to be assumed in the next fiscal year, such as LAFCO paying a portion of the employee share of the PERS benefit cost, a merit increase or accumulated sick/vacation time.

Because of the revision in the budget, staff recommends altering the Work Plan for the next fiscal year as indicated in Attachment F.

Potential implications of the Revised Budget on the FY 2009-2010 Budget

The revised Proposed Budget contains some salary savings; funds operational costs at minimums; and relied on a one-time event (the elimination of the Clerk position in the current year) to increase the carryover from FY 2007-2008 into next year. As noted above, all of these combined helped to reduce overall costs and agency contributions for FY 2008-2009 by a substantial amount. The Commission is aware that agency contributions are the single largest source of revenue for the agency. If in the next fiscal year there is no significant increase in earned application fees and if all expenditures are at or near the budgeted amounts, then it is a certainty that next year's carryover amount into FY 2009-2010 will not be as large as this year's projected carryover. This will mean that agency contributions will probably increase in FY 2009-2010. In addition, if there is a rise in costs for several items, then it is very likely that the percentage increase in agency contributions for FY 2009-2010 will not be a moderate one.

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 G/L 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.

Attachments

- Attachment A: Cash Forecast Fiscal Year 2007-08
- Attachment B: Fiscal Year 2007-08 Expected Project Revenue
- Attachment C: Employee Salary & Benefit Schedule
- Attachment D: Operating Budget Calculations
- Attachment E: Proposed Draft Budget
- Attachment F: Revised FY 2008-2009 Work Plan