

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF FEBRUARY 24, 2010

REGULAR MEETING

TO: Ken Humphreys, Chairman, 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 2010-11

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the draft Proposed Budget for Fiscal Year 2010-2011;
2. Open the Public Hearing on this matter;
3. Appoint an ad hoc committee to address and discuss the agency's lease;
4. Adopt the Proposed Budget for Fiscal Year 2010-2011, which reflects the Commission's priorities for the coming fiscal year; and
5. Authorize the Executive Officer to
 - a. File the necessary paperwork to contract with AT&T for bundled telephone/internet and web hosting services and to terminate the contracts with the existing providers for those services.
 - b. Replace existing telephone and network hardware and software as necessary and in the most cost effective manner possible.
 - c. Prepare and circulate a request for proposals for IT services.
 - d. Prepare and circulate a request for proposals for a consultant to prepare an EID MSR in FY2010-11.

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. Revenues are expected to be higher, mostly due to the carryover from this fiscal year into the next. For the coming year, staff recommends that the Commission outsource its MSR for El Dorado Irrigation District and, if possible, Georgetown Divide Public Utility District, to a consultant. Other changes include switching this agency's phone and internet services into a "bundled" service to a private contractor. Staff also recommends entering into a more robust information technologies service.

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 a significant carryover into the 2010-11 fiscal year. In the current FY2009-10, applicant revenues are estimated to be approximately \$4,000 more than budgeted. The increase in fee revenue plus other cost savings, either in the form of salary savings or over-budgeted amounts (such as \$17,000 for general liability insurance) resulted in an estimated carryover of \$155,000 from the current year into next year.

At an estimated \$7,856, next year's revenues are expected to be modest despite the sluggish economy. The reason is because several mid-sized projects are making their way through County planning that require LAFCO review and discretionary approval to be realized. At least one of the projects currently being processed in this fiscal year will carry over into next year. Staff expects three new projects in various stages of completion by June 30, 2011.

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 over \$12,500 lower than current year contribution.

On the expenditure side, employee costs will increase by 4% over current year's funding levels. Not taking outsourcing the EID MSR into account, operating costs are expected to be the same as current year expenses. While switching to a bundled service package for information technologies (telephone, internet and web hosting) will not result in any cost savings in the current year, staff forecasts increased long term savings and better network capabilities for the agency.

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 | FY2009-10 | FY2010-11 |
|--------------------------|------------------|------------------|
| Employee Expense | \$313,707 | \$327,602 |
| Operating Expense | \$123,426 | \$168,607 |
| Contingency | \$12,343 | \$16,861 |
| Expense Total | \$449,476 | \$513,069 |
| | | |
| Non-Agency Revenues | \$8,881 | \$8,456 |
| Agency Contributions | \$362,187 | \$349,613 |
| Previous FY Fund Balance | \$78,408 | \$155,000 |
| Revenue Total | \$449,476 | \$513,069 |

Employee Expenses

As noted above, employee expense (salaries and benefits) are projected to increase slightly over the FY2009-10. In addition, the salary costs include a proposed 3-day furlough. This furlough would be structured so that staff may take the three days at any time during the fiscal year. In addition, it is recommended that the analyst and administrative assistant receive a half step raise next fiscal year for exemplary service over the past two years. This raise would be the first one they received since FY2008-09 and the Executive Officer recommends retaining that in the budget.

LAFCO staff also recommends that the Commission participate in the State's Unemployment Insurance program. When LAFCO became an independent agency, it was structured to be a "reimbursable entity," meaning that it bore the full cost of benefits if a past employee applied for unemployment. LAFCO currently does not budget for this possibility, exposing it to a significant expense if the unexpected occurs. For example, when the Commission Clerk was laid off in 2008, which was an unexpected at the beginning of FY2007-08, her unemployment benefit costs could have impacted LAFCO by as much as \$10,660. The window to participate in the State UI program opens up next January, and the costs to participate are very minimal (3.6% for the first \$28,000 in payroll or \$980 annually). It would take almost 11 years of participation for the Unemployment Insurance premiums to be equal to the impact LAFCO would have to

absorb in one year under the current "reimbursable entity" environment. Those costs have been included in the cost estimates.

Operating Expenses

Operating expenses, aside from funding an MSR which will be addressed below, are at the same levels overall as the current year. General liability insurance costs were expected to decrease in FY2010-11 because it was over budgeted in this year; however, several other expenses are also projected to be lower, including costs for accounting, legal and office expenses. Most of the increases in expenditures are due to increases passed on to LAFCO from other vendors and agencies. For example, effective January 1, 2010 the Clerk-Recorder is charging recordation fees, an additional expense that LAFCO will have to take into account when it files notice of exemptions for MSRs. Regardless, any increases in some GLs are expected to be offset by decreases in other areas.

Early in the year, County IT notified LAFCO that this agency's current internet connection (through a DSL) is being discontinued by AT&T and will require the transition to a new platform, either a new DSL connection or a T-1. While it means purchasing new equipment and replacing outdated IT technology in the current fiscal year, this is an opportune moment for LAFCO to realize long term costs savings and better management of its network. This is because the transition allows for LAFCO to receive bundled services for its internet, web hosting and telephone services. LAFCO staff costed various options for IT/phone vendors, including utilizing programs offered by the County and AT&T. Using the latter as a vendor reduces costs by two-thirds; however, it does mean severing ties with County IT under LAFCO's current arrangement for IT support. On the other hand, the significant cost savings from the bundled services will create the opportunity for LAFCO to outsource IT support under a new arrangement that may be more advantageous and cost effective to this agency. With the Commission's consent, staff can start the transition in the current year to a bundled environment this month, an updated and more secure network and better IT support through contracted services.

The El Dorado Irrigation District and the Georgetown Public utilities District are two MSRs on the Commission's schedule for FY2010-11, along with South Tahoe PUD and Cameron Park and El Dorado Hills Community Services Districts. The level of effort to generate these MSRs was known to be high; but given that the Executive Officer is still managing the Fire Study on behalf of the County and the fire districts and attempting to finish the fire agency MSR from FY2008-09, the burden to complete these MSRs falls mostly on the analyst. The large carryover provides this Commission with the opportunity to outsource the municipal service review for EID and, if funds allow, the GDPUD. Staff recommends choosing this route because the EID MSR promises to demand more technical expertise and time that your staff currently does not command.

Agency's Lease

Currently, LAFCO is on the first two-year extension on its lease. This extension ends this August; however, the Commission has the option of exercising a second two-year extension. The Budget Ad Hoc Committee recommended that another ad hoc should be created to determine whether LAFCO should exercise the second extension, negotiate a new lease for the current office or explore other office spaces.

Attachments

- Attachment A: Cash Forecast Fiscal Year 2009-10
- Attachment B: Fiscal Year 2010-11 Expected Project Revenue
- Attachment C: Employee Salary & Benefit Schedule
- Attachment D: Operating Budget Calculations
- Attachment E: Draft Proposed Budget