

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF FEBRUARY 28, 2007

REGULAR MEETING

TO: Ted Long, Chairman, 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 2007-08

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the adopted Proposed Budget for Fiscal Year 2007-08;
2. Open the Public Hearing on this Matter;
3. Amend the Proposed Budget as needed, approve the Final Budget for 2007-08 by adopting Resolution L-2007-06; 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 approved Proposed LAFCO Budget provides adequate funding for the El Dorado LAFCO to meet the responsibilities of the Cortese-Knox-Hertzberg Act. El Dorado LAFCO adopts its own budget with notice to all funding agencies.

BACKGROUND

At the February 28, 2007 meeting, the Commission approved the Work Plan (refer to Attachment B) and the Proposed Budget "Option C" for Fiscal Year 2007-08 as drafted and presented by the Ad Hoc Budget Committee. The Proposed Budget "Option C" contains sufficient funding to implement the Work Plan and this agency's responsibilities under the Cortese-Knox-Hertzberg Act. After the Commission's approval, staff circulated the Proposed Budget to all agencies on March 1, 2007 as required by Government Code §56381.

Budget Summary and Highlights

Proposed Budget "Option C" contains sufficient funding to cover the agency's employee and operating expenses as well as \$45,000 to fully fund the completion of all municipal service reviews (MSRs) by the January 1, 2008 deadline. Despite the MSR funding, the size of the budget is expected to be lower than last year's budget by at least \$68,000.

Revenues from non-agency sources are projected to be lower across the board. Due to a significant decrease in applications, earned fee revenues in FY 2006-07 were lower than budgeted, affecting the estimated size of the projected carryover balance into the next fiscal year. Staff anticipates that the slow application trend will continue into next year; consequently earned fee revenues are budgeted to be lower. As noted earlier, to fully fund the completion of the MSRs there will be an increase of slightly less than \$51,000 in agency contributions.

Most salary expenditures remain at last year's funding levels or experienced a modest increase. Several operating expenditures will be lower or budgeted at the same level as the current fiscal year. The notable exception was a 500% increase in the cost for General Liability Insurance. A 10% contingency for any reasonable increase in operating expenses that may occur during the course of the fiscal year was retained, consistent with the Commission's Policies and Guidelines.

Since State Law requires that, at a minimum, the proposed and final budgets be equal to the approved budget from the previous fiscal year, the Commission will have to find that, if approved, this lower budget will nevertheless allow LAFCO to fulfill the purposes and programs specified in Cortese-Knox-Hertzberg.

Budget Year	FY 2006-07	FY 2007-08
Employee Expense	\$276,712	\$294,459
Operating Expense	\$239,411	\$161,116
Operating Contingency	\$23,941	\$16,112
Expense Total	\$540,064	471,687
Non Agency Revenues	\$37,825	\$14,141
Agency Contributions	\$335,670	\$386,558
Fund Balance From Prior Year	\$166,569	\$70,988
Revenue Total	\$540,064	\$471,687

How to Read the Attached Budget:

The Approved Proposed Budget is found on Attachment A. Budgetary items will be referred to by its description and line item. The line item number reflects the Fund Number (general ledger 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.

This report will include summary tables for each subsection of the budget. Attachment A contains the approved Proposed Budget spreadsheet as well as the current budget for comparative purposes. Some of the budget details will be discussed in this report. For further detail on the calculations or methodologies for deriving these line items,

please refer to the February 28, 2007 draft Proposed Budget Staff Report (February meeting agenda item #7).

Revenues

4000	Fees Collected from FY 2007-08	\$11,741
4100	Fund Balance (Carry Forward from FY2006-07)	\$70,988
4120	Revenue - Agency Payments	\$386,558
4700	Revenue Interest	\$2,400
(5)	Sub-Total - Revenues	\$471,786

- The estimated earned fee revenue from applications were derived from four applications staff believes has a more than reasonable chance to be submitted in the next fiscal year. Staff anticipates the aforementioned slowdown experienced this year to continue into the next, with the majority number of applications ranging from “simple” petitions (such as single-parcel annexations to EID) to complex projects. No “very complex” projects are expected next year.
- The Ad Hoc Committee reviewed staff’s projections for revenues and expenses for the remainder of 2006-07 fiscal year. These projections determined that the difference between the estimated revenues and expenditures through June 30, 2007 would yield a carryover amount of \$70,638.
- Based upon the Commission’s decision to approve “Budget Option C,” which fully funds the completion of the MSRs, agency contributions will increase by \$50,887 based upon the expenditure allocations at that time.
- Staff estimated that revenue interest to remain the same as last year, with the agency’s accounts to earn a conservative \$200.00 per month.

In addition, as of March 12, 2007, LAFCO has approximately \$2,500 in “unearned fees” (fees collected for applications but LAFCO has not worked the hours to earn those fees) that staff is currently tracking. This amount will be carried over into next fiscal year because the Garret Annexation to EID was recently launched. With the exception of a few hundred dollars, it is unlikely this amount will be earned by June 30, 2007. Unearned fees are not included in the carryover amount.

Expenditures

Several expenditures are recommended to be budgeted at either the same levels as the current year and others are at a lower amount. As it was done in the February budget memo, this report will outline only the biggest changes in the budget from last year:

Employee Expense

5200	Employee Wage - Regular	\$195,419.00
5210	Employee Wage - Temporary	\$ 1,000.00
5230	Employee Wage - Overtime	\$ 1,000.00
5300	Deferred Comp Match	\$ 800.00
5310	Flex Benefits	\$ 6,000.00
5311	Employee Assistance	\$ 471.00
5320	Health Insurance (Less In Lieu)	\$ 25,195.00

Employee Expense (cont'd)

5340	Retirement - CALPERS	\$ 33,528.00
5350	In-Lieu Health Insurance	\$ 2,250.00
5400	Payroll Tax - Medicare (1.45% of Base)	\$ 2,736.00
5440	Disability Insurance (.53% of Base)	\$ 1,038.00
6800	Accrued Leave	\$ 25,022.00
5100	Sub-Total Employee Expenses	\$294,459.00

The total salary expenditures are projected to increase by a modest 6% from the current year; however, some individual line items will experience a higher increase, such as health insurance and Public Employee Retiree System (PERS) retirement. The allocated amounts on the latter reflect the Commission paying a portion of the PERS employee contribution (as outlined in the County Memorandum of Understanding or MOU) and any future increases in salary during FY 2007-08, pending positive evaluations, as indicated in the employee's contracts. Other highlights in this section include:

- The amounts for health insurance and benefits were calculated based upon advice from the County Human Resources Department. The costs included in the Proposed Budget include any anticipated increase in costs.
- The Proposed Budget also includes a budgeted line item for any accrued leave from the current fiscal year that may carry over into the next fiscal year. This appropriation reflects the Commission's preference and past practice of protecting the budget by fully funding any leave time liability for all employees.
- After staff's suggestion that a potential budgetary cost savings option would be to determine if there is another insurance pool for local agencies that LAFCO may join, the Commission directed staff to review the costs of contracting with PERS for health benefits if the choice of health plans is comparable to the current employee benefits. Staff contacted PERS and other insurance carriers and its findings are included in this package as Attachment D. In summary, while there are cost savings on the surface (approximately \$1,400 if utilizing the available programs to cover health, dental and vision insurance), these savings are negligible compared to the agency switching to medical plans that provide less coverage, asking employees to switch insurance carriers, coordinating with various insurance brokers (as opposed to only one) and the unknown costs LAFCO would incur to offer retiree health benefits. At a minimum, these implications should be considered in a more methodical, deliberate pace rather than attempting to complete all necessary filings by July 1. *Staff recommends against switching insurance providers.*

Operating Expenses

The operating expenses were calculated based on actual expenses plus any anticipated adjustments. Some of the highlights include:

- General Liability Insurance (line item 5460): This amount is determined by the County's Risk Management. A change in the State methodology for allocating costs to pool participants and a higher overall charge for the County pool drove a 500% increase in LAFCO's cost. At the February meeting, the Commission decided to retain coverage under the County system. County and LAFCO staffs' projections

indicate that, barring unforeseen events, this cost should decrease next year and normalize thereafter.

- Accounting Services (line item 6020): LAFCO currently outsources its payroll service to an independent, private firm in order to minimize the potential of conflict of interest or fraud. LAFCO is realizing some costs savings with Terrie Prud'hon's accounting firm, which currently performs the agency's payroll.
- Annual Audit (line item 6030): At the time the Commission approved the Proposed Budget, the amount budgeted for audit services was \$8,000. This was staff's estimate for a new audit agreement absent of any response to the audit RFP. As noted during staff's budget presentation at the February meeting, Moreland & Associates was judged to be the more qualified and cost-effective firm to provide this service starting with the current fiscal year. *Staff recommends reducing the budgeted amount by \$4,500 pending the Commission's approval of the Moreland and Associates contract (agenda item #2e).*
- GIS Maps (line item 6060): Additional costs are expected as LAFCO updates its spheres of influence.
- Lease Payment – Building (line item 6070): This line item includes an additional \$130 per month to lease the adjacent office for on-site storage. As noted in agenda item #5, the LAFCO office is nearing storage capacity for its files and office supplies. Should the Commission determine that this additional space is not needed, then this allocated amount should be adjusted to \$16,275 (a reduction of \$1,560). *Staff recommends leaving the allocated amount as originally budgeted.*
- Professional Services (line item 6501): In February the Commission approved the allocation of \$45,000 to contract with consulting firms to complete its Municipal Service Reviews before the January 1, 2008 deadline. Staff anticipates using these funds to outsource two MSR's. The third MSR will be completed in-house.
- Rental Vehicles (line item 6700), Staff Development (line item 6750) and Transportation (line item 6770): The CALAFCO Annual Conference will be in Sacramento and the Staff Workshop will be in the Bay Area during FY 2007-08. The allocated expenditures reflect the estimated costs of registration, transportation, rental vehicles and accommodations. As a result, the budgeted costs are expected to be lower than the current year. In addition, there is money in the budget for additional training sessions or classes for staff at the UC Extension and Los Rios Community College District.

Budget Considerations

At the time the Commission approves the Final Budget for 2007-08, the following adjustments should be addressed:

- An adjustment, if any, to reduce the Health Insurance (Less in Lieu) allocation by \$1,400 if the Commission switches to PERS as its health insurance provider.
- An adjustment to reduce the Annual Audit allocation by \$4,500 if the Commission accepts the Moreland and Associates, Inc. contract

- An adjustment, if any, to reduce the Lease Payment – Building allocation by \$1,560 if the Commission opts not to rent additional space
- A corresponding adjustment to the total agency contributions as a result of the considerations above

Attachments

Attachment A: Approved Proposed LAFCO Budget FY 2007-08

Attachment B: Approved Work Plan, FY 2007-08

Attachment C: LAFCO Resolution L-2007-06

Attachment D: Cost Comparison of Health Benefit Plans