

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF FEBRUARY 27, 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 #7: PUBLIC HEARING TO CONSIDER AND ADOPT THE
PROPOSED BUDGET FOR FISCAL 2008-09**

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the draft Proposed Budget for Fiscal Year 2008-2009;
2. Open the Public Hearing on this Matter; and
3. Adopt the recommended Proposed Budget for 2008-2009 that reflects the Commission's priorities for the coming fiscal year.

REASON FOR RECOMMENDED ACTION

The recommended 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 in a two-stage process with notice to all funding agencies.

BACKGROUND

Summary

The Budget Ad Hoc Committee has met and drafted a proposed budget. The Ad Hoc Committee submits the draft Proposed Budget to the Commission for its review, and consideration. This budget, in summary, lowers the agency contributions from last year and is driven to maximize the effectiveness of the agency, utilizing existing resources to accomplish more in the next fiscal year. Strict cost control measures instituted in the past will be observed so that a majority of expenditures in line with the Commission's allocated amounts.

In terms of revenues, there are two clear trends. First, due to a significant decrease in economic activity, earned fee revenues are budgeted at a much lower level. Second, the projected carryover at the end of the current fiscal year is expected to be relatively healthy due to three factors: the closing of the last long-standing project and unspent expenditures in MSR outsourcing and salary and benefits (please refer to Attachment A).

For expenditures, most items either remained the same, are projected to be lower or increased by a moderate amount (10% or less). The cost for some items has increased, most notably in legal expenditures, office supplies and staff/Commissioner development. A few items will continue to be costly, such as General Liability Insurance.

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.

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

As with the effort began two fiscal years ago, next year's budget seeks to achieve the most out of the allocated revenue and maintain a transparency in this agency's budgetary practices. The Budget Ad Hoc Committee was also mindful of retaining this Commission's past practice of budgeting individual expense items at minimum levels and adding a 10% contingency for any reasonable increase in operating expenses that may occur during the course of the fiscal year.

Revenues from non-agency sources are projected to be lower. A slowdown in the local economy and in the housing market were the most likely reasons why the number of applications has been down for the last couple of years. For the past two years, the fee revenue came not from new projects but from the closure of large and/or long-standing petitions (Bell Woods and Marble Valley in 2006-07 and Briggs in 2007-08). With the pending closure of Briggs, this is unlikely to be repeated at the end of 2008-09. The slowdown in applications will most likely continue; consequently fee revenues were estimated extremely conservatively. The budget does not assume the receipt of a very complex project such as Marble Valley. Interest revenue is expected to remain the same.

Most of the increase in salary expenditures was due to the increase in salary to the Executive Officer approved in December. All other salaries and benefits experienced a modest increase. However, increases in salary also drive other expenditures, such as CalPERS, Medicare, Disability Insurance and accrued leave. Several operating expenditures will be lower or budgeted at the same level as the current fiscal year. The budget for FY 2007-08 is expected to be approximately \$10,000 lower than the current levels.

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.

Employee Expense	\$321,917
Operating Expense	\$122,095
Operating Contingency	\$12,209
Expense Total	456,221
Non Agency Revenues	\$7,344
Agency Contributions	\$369,218
(FY2007-08) Fund Balance	\$79,695
Revenue Total	\$456,221

Expenditures

Several expenditures are recommended to be budgeted at either the same levels as the current year and others are at a lower amount. This report will outline only the biggest changes in the budget from last year:

Employee Expense

5200	Employee Wage - Regular	\$	213,643
5210	Employee Wage - Temporary	\$	1,000
5230	Employee Wage - Overtime	\$	1,000
5300	Deferred Comp Match	\$	800
5310	Flex Benefits	\$	6,000
5311	Employee Assistance	\$	472
5320	Health Insurance (Less In Lieu)	\$	19,605
5340	Retirement - CALPERS	\$	40,848
5350	In-Lieu Health Insurance	\$	6,751
5400	Payroll Tax - Medicare (1.45% of Base)	\$	3,098
5440	Disability Insurance (.53% of Base)	\$	1,132
6800	Accrued Leave	\$	27,568
5100	Sub-Total Employee Expenses	\$	321,917

The total salary expenditures are projected to increase by a modest 9% from the current year. As noted above, most of the wage increase was driven by the raise given to the Executive Officer last December. The single largest percentage increase was for PERS since the Commission now also pays for the employee-portion. The allocated amounts reflect the projected Commission commitments and any future increases in salary during FY 2008-09, pending positive evaluations, as indicated in the Commission's

Salary Schedule (please refer to Attachment C). Other highlights in this section include:

- The County Human Resources Department could not calculate the appropriate amounts for health insurance and benefits at the time the budget was prepared. The amounts reflected were calculated based upon current cost plus CPI. The goal is that this amount will reflect the actual costs and absorb any potential increase.
- 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 (for the calculations and methodologies, please refer to Attachment C). This appropriation reflects the Commission's preference and past practice of protecting the budget by fully funding any leave time liability for all employees.

Operating Expenses

The operating expenses were calculated based on actual expenses plus any anticipated adjustments (refer to Attachment D). Some of the highlights include:

- Worker's Compensation Insurance (line item 5450): SDRMA will not determine the insurance rates until May. The budgeted number is an estimate of current costs times CPI
- General Liability Insurance (line item 5460): Staff contacted Risk Management to request next year's insurance cost; however, County staff had not completed its calculations. This amount is determined by budgeting at current year's level times CPI.
- Several items are estimated to be lower next year:
 - Information Services (line item 6000) – Costs for website and computer maintenance are trending downward; however, a one-time cost for the purchase of a full GIS license is included in this item
 - Accounting Services (line item 6020) – Several items are being cleaned up and processes are being implemented to minimize consulting with Terrie Prud'Hon's office. In addition, payroll costs are trending downwards
 - GIS Maps (line item 6060) – Costs for GIS should be lower because there will not be as many SOI updates as there were this year
 - Postage (line item 6400) – Costs for mail outs should decrease because the MSR/SOI activity levels will not be as high
- Staff projects a significant increase for several items recommends budgeting accordingly:
 - Copies (line item 6050) – costs for copies have increased
 - Legal Services (line item 6090) – The amounts budgeted for this item has remained the same since 2005. Last year (and projected for this year) these costs have exceeded the budgeted amount
 - Office Expense (line item 6210) – The costs for paper and other related materials are going up

- o Staff Development (line item 6750) – The Commission Conference is in Southern California this year and next year’s staff workshop is in San Luis Obispo. Both of these are driving costs slightly upwards

Revenues

4000	Fees Collected from FY 2007-08	\$ 4,844
4100	Fund Balance (Carry Forward from FY2006-07)	\$ 79,695
4120	Revenue - Agency Payments	\$ 369,218
4700	Revenue Interest	\$ 2,500
(5)	Sub-Total - Revenues	\$ 456,221

The Ad Hoc Committee reviewed staff’s projections for expenses for the remainder of FY 2008-09 and determining the difference between the estimated revenues and expenditures through June 30, 2008. The carryover amount at the end of FY 2007-08 is estimated to be \$79,695 (refer to Attachment A). Staff estimated that revenue interest to remain the same as last year, with the agency’s accounts to earn just below \$210.00 per month.

The estimated earned fee revenue from applications were derived from two “simple” applications (such as single-parcel annexations to EID) staff believes has a more than reasonable chance to be submitted in the next fiscal year (refer to Attachment B). No “very complex” projects are expected next year.

In addition, as of February 15, 2008, LAFCO has \$8,042 in “unearned fees” (fees collected for applications but LAFCO staff has not worked the hours to earn those fees) that staff is currently tracking. Staff is reasonably confident that most of this balance will be earned by the end of this fiscal year; thus, resulting in a minimal amount of unearned fees that will be carried over into FY 2008-09. Consequently most of these fees will become earned by June 30th and part of the carry forward into the next fiscal year.

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