

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF FEBRUARY 22, 2012

REGULAR MEETING

TO: Ron Briggs, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #8: PUBLIC HEARING TO CONSIDER AND ADOPT THE
PROPOSED BUDGET FOR FISCAL YEAR 2012-2013

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the draft Proposed Budget for Fiscal Year 2012-2013;
2. Open the Public Hearing on this matter; and
3. Adopt the Proposed Budget for Fiscal Year 2012-2013.

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. This is essentially a flat budget. Fee revenues are expected to be similar to current, mostly because staff expects to process and complete the Rancheria reorganization proposal in the next fiscal year. The carryover is estimated to be lower. The agency contributions are higher by \$3,000 total. Salary expenses will be higher by 1% in the coming year to reflect increased responsibilities across the board. To compensate, some operational expenses are lower. This budget continues the agency's trend towards reduced budgets as a result of conservative management controls on spending and salary savings.

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 Outdated GLs, consolidated GLs or GLs that have not been funded in the past two years, and will no longer be funded, have been deleted from the budget sheet.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. This number is inputted into the budget as a source of revenue under GL 4100.
- Attachment B contains the estimated fee revenues from petitions and applications. This number is inputted into the budget as a source of revenue under GL 4000.
- 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 stated in the summary, this is a flat budget. On the revenue side, staff calculates an increase in fee revenue; not because of increased activity, but because the Shingle Spring Rancheria reorganization proposal, slated to be submitted in late March or early April of this year, will be completed in Fiscal Year 2012-2013. The carryover into next fiscal year is projected to be lower. Interest rate revenues will continue to be depressed, though slightly higher, because of the deflated Federal savings rate.

Overall, revenues from all other sources means that the expected cumulative contribution amount for the funding agencies is expected to be slightly higher, about \$3,000 total, over the current year's contributions. This translates to \$1,000 more per category (County, cities and special districts).

On the expenditure side, employee costs will increase by 1% over current year's funding levels. Salary costs will increase to commensurate with new responsibilities for staff; however, no significant expenditure is expected in any category. The largest percentage increase year over year (3%) is expected in health benefits (GL 5320). This increase was partially offset by the use of a new formula to calculate the accrued leave (GL 6800) costs, which reduced expenses by 7% while protecting the rest of the agency's budget.

The recommended funding for the operational expenses is also flat. Overall costs are down 7%. Most increases for any category are contractual in nature. There were sufficient decreases in other categories to offset them, however.

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	FY2011-12	FY2012-13
Employee Expense	\$367,122	\$371,729
Operating Expense	\$106,119	\$98,932
Contingency	\$10,612	\$9,893
Expense Total	\$483,853	\$480,555
Non-Agency Revenues	\$12,650	\$19,158
Agency Contributions	\$315,103	\$318,396
Previous FY Fund Balance	\$155,500	\$143,000
Revenue Total	\$483,853	\$480,555

Employee Expenses

As noted above, employee expense (salaries and benefits) are projected to increase slightly over the current year. Responsibilities placed on staff will increase next year, and the practice of utilizing 3-day furloughs will continue. In addition, as the Commission is aware, LAFCO is negotiating a new contract with the California Public Employee Retirement System. The new employer rate has not been determined; however, the rate is not expected to differ too much from the County of El Dorado. Consequently, retirement costs are expected to remain roughly the same as the current year and that assumption is reflected in the budget.

Operating Expenses

Overall operating expenses are at the same levels as the current year. General liability insurance costs remain high because of the Commission's decision to continue to purchase insurance at the \$10M limit. However, several other expenses are projected to be lower, including costs for accounting, worker's compensation, equipment leases, staff training and legal expenses. Information services costs will be slightly higher because several software and equipment are scheduled to be upgraded or replaced.

Long Term Budget Outlook

Six of the last seven budgets have been smaller than the previous year. Despite these reductions, the Commission has been able to invest in new equipment, systems and software while still being able to meet its mandated responsibilities. However, the reductions have also made LAFCO as small as it can ever be. Any further cuts would leave the agency able to carry out just a little more than its core functions. It should be recognized that the cost reduction strategies that have been utilized will allow the agency to remain as cost effective as possible in the near future, but budgets or agency contributions should be expected to increase in the coming years, even if the increase is a modest one.

Attachments

- Attachment A: Cash Forecast Fiscal Year 2011-2012
- Attachment B: Fiscal Year 2012-2013 Expected Project Revenue
- Attachment C: Employee Salary & Benefit Schedule
- Attachment D: Operating Budget Calculations
- Attachment E: Draft Proposed Budget FY 2012-2013