

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MAY 24, 2006

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
LAFCO BUDGET FOR FISCAL YEAR 2006-07**

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the information related to the Final Budget for Fiscal Year 2006-2007;
2. Open the public hearing to receive comments on the budget;
3. Amend the Proposed Budget as needed, approve the Proposed Budget for 2006-2007 by adopting Resolution L-2006-07; 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 affected agencies.

BACKGROUND

At the March 22, 2006 meeting, the Commission approved the Work Plan (refer to Attachment B) and Proposed Budget for Fiscal Year 2006-07 as drafted and presented by the Ad Hoc Budget Committee. The Proposed Budget contained 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 23, 2006 as required by Government Code §56381.

As indicated in March, the Proposed Budget holds the line in 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.

How to Read the Attached Budget:

The Approved Proposed Budget is found on Attachment A. The 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. For any item that does not currently have a Fund Number, the item will be given a generic line number that reflects its location within the spreadsheet. A Fund Number will be assigned should the Commission adopt the Final Budget in this format.

This report will include summary tables for each subsection of the budget. Attachment A is the approved Proposed Budget spreadsheet. 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 March 22, 2006 Staff Report on the draft Proposed Budget.

Budget Highlights and Summary

The goal of next year's budget is to achieve the most out of the allocated revenue while simultaneously introducing additional 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. A second priority was not to increase the budgetary burden on the funding agencies. Both of those goals will be achieved through utilizing existing resources in order to continue or enhance existing programs.

The Proposed Budget for FY 2006-07 is \$9,000 lower than last year's budget, primarily because of a reduction in employee expenses. Overall expenses were adjusted to reflect estimated costs based upon reasonable projection of this year's expenses and any other contracted amounts. Another highlight is that there is a budgeted line item to outsource municipal service reviews (MSRs) in order for this agency to meet the statutory deadline of January 1, 2008. This effort will be supplemented by finishing other MSRs in-house.

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, the Final Budget will nevertheless allow LAFCO to fulfill the purposes and programs specified in Cortese-Knox-Hertzberg.

Employee Expense	\$276,712
Operating Expense	\$239,411
Operating Contingency	\$23,941
Expense Total	\$540,064
Non Agency Revenues	\$37,825
Agency Contributions	\$335,670
(FY2005-06) Fund Balance	\$166,569
Revenue Total	\$540,064

Revenues

(1)	Fees Collected from FY 2006-07	\$35,425
4100	Fund Balance (Carry Forward from FY 2005-06)	\$166,569
4120	Revenue - Agency Payments	\$335,670
4700	Revenue Interest	\$2,400
(5)	Sub-Total - Revenues	\$540,064

- The Ad Hoc Committee reviewed staff's projections for expenses for the remainder of FY 2005-06 and determined the difference between the estimated revenues and expenditures through June 30, 2006. As indicated in March, the carryover amount at the end of FY 2005-06 is estimated to be \$166,569. A subsequent analysis in April by the Executive Officer found that this estimate was reasonable and that the agency is on target towards meeting it.
- The Ad Hoc Committee stressed the importance for minimizing or reducing the budgetary impact of the LAFCO budget on the funding agencies. Consequently, the budgeted revenues from the funding agencies will remain almost the same from last year.
- Staff estimated the revenue interest to increase slightly from last year, with the agency's accounts to earn a conservative amount of \$200.00 per month.
- Finally, the estimated earned fee revenue from applications were derived from ten applications staff believes have a more than reasonable chance to be submitted in the next fiscal year plus fees to be paid to LAFCO in the coming year for the eight currently active applications.

Expenditures

Several expenditures are recommended to remain the same as last year. Other line items either increased or decreased slightly, based on projections of these expenditures. As was done in March, this report will outline only the biggest changes in the budget from last year:

Employee Expense

5200	Employee Wage - Regular	\$191,574
5210	Employee Wage - Temporary	\$1,000
5230	Employee Wage - Overtime	\$1,000
5300	Deferred Comp Match	\$800
5310	Flex Benefits	\$6,000
5320	Health Insurance (Less In Lieu)	\$19,869
5340	Retirement - CALPERS	\$27,142
5350	In-Lieu Health Insurance	\$2,250
5400	Payroll Tax - Medicare (1.45% of Base)	\$2,682
5440	Disability Insurance (.53% of Base)	\$1,115
6800	Accrued Leave	\$22,808
(17)	Employee Assistance	\$471
5100	Sub-Total Employee Expenses	\$276,712

As expected with new staff, overall expenses are lower. The allocated amounts also 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 2006-07, pending positive evaluations, as indicated in the MOU. 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.
- The allocated amount for Employee Assistance (line item 17) reflects the costs of personal counseling services outlined in the County's MOU. In prior years this amount was not delineated in the budget and instead deducted from Employee Wages. It is given a separate line item in this budget to increase the visibility of expenditures.

Operating Expenses

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 SDRMA. In previous years, the premium was higher based upon the estimated risk of damage or lawsuits to this agency; however, SDRMA has concluded that the risk for 2006-07 is smaller since the Commission will not be considering a controversial project in the near future.
- 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. Currently LAFCO uses the services of Terrie Prud'hon's CPA firm. The budgeted amount was calculated using reasonable estimates of the number of hours that the CPA firm will spend on payroll multiplied by the contracted rate. As noted in the Work Plan, staff will explore the contracted rates of other payroll services to ensure the Commission is receiving the lowest rates for this service. In addition, this line item also budgets the expense of using payroll-related software that allows LAFCO to submit electronic direct deposit of paychecks.
- Copies (line item 6050) and Postage (line item 6400): The budgeted amounts from prior years were insufficient based on historical use. These amounts were increased to reflect both the estimated use and the higher costs.
- Professional Services (line items 6500, 46 and 47): In March the Commission approved the allocation of \$130,000 to contract with consulting firms to complete as many Municipal Service Reviews as possible (plus an additional \$10,000 for any necessary environmental reviews that will be necessary for these reports).

- Staff Development (line item 6750) and Transportation (line item 6770): Both the CALAFCO Annual Conference and Staff Workshop will be in Southern California during FY 2006-07. The allocated expenditures reflect the estimated costs of registration, air travel and accommodations for Commissioners and staff to attend these functions. 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.

Attachments

- Attachment A: Approved Proposed LAFCO Budget FY 2006-07
Attachment B: Approved Work Plan, FY 2006-07
Attachment C: LAFCO Resolution L-2006-07

**Agenda Item #6
Attachment A**

APPROVED PROPOSED LAFCO BUDGET FY 2006-2007			
	<i>Fund (or line item)</i>	<i>DESCRIPTION</i>	<i>Approved Proposed FY2006-07 LAFCO Budget</i>
Revenues	(1)	Fees Collected from FY2006-07	\$ 35,425.00
	4100	Fund Balance (Carry Forward from FY2005-06)	\$ 166,569.00
	4120	Revenue - Agency Payments	\$ 335,670.40
	4700	Revenue Interest	\$ 2,400.00
	(5)	Sub-Total - Revenues	\$ 540,064.40
Employee Expense	5200	Employee Wage - Regular	\$ 191,574.40
	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
	5320	Health Insurance (Less In Lieu)	\$ 19,869.46
	5340	Retirement - CALPERS	\$ 27,141.54
	5350	In-Lieu Health Insurance	\$ 2,250.04
	5400	Payroll Tax - Medicare (1.45% of Base)	\$ 2,682.04
	5440	Disability Insurance (.53% of Base)	\$ 1,115.34
	6800	Accrued Leave	\$ 22,808.36
	(17)	Employee Assistance	\$ 471.12
	5100	Sub-Total Employee Expenses	\$ 276,712.30
Operating Expense	5450	Workers Comp Insurance	\$ 2,188.00
	5460	General Liability Insurance	\$ 2,856.00
	6000	Information Services	\$ 6,000.00
	6020	Accounting Services	\$ 9,955.00
	6030	Annual Audit	\$ 3,000.00
	6040	Cell & Telephone Services	\$ 3,492.00
	6050	Copies	\$ 1,000.00
	6060	GIS Maps	\$ 1,000.00
	6070	Lease Payment - Building	\$ 15,340.00
	6080	Legal Notices	\$ 504.00
	6090	Legal Services	\$ 24,000.00
	6100	Memberships	\$ 655.00
	6105	Memberships - CALAFCO	\$ 1,800.00
	6200	Office Equipment	\$ 200.00
	6210	Office Expense	\$ 2,400.00
	6400	Postage	\$ 2,500.00
	6450	Private Auto Mileage	\$ 2,420.00
	(37)	Professional Services - MSR Outsourcing	\$ 130,000.00
	(38)	Professional Services - CEQA Studies	\$ 10,000.00
	6600	Publications	\$ 550.00
	6610	Records Storage	\$ 761.00
	6705	Rents/Lease - Equipment	\$ 1,440.00
	6750	Staff Development (incl. Commissioner Development)	\$ 11,000.00
	6760	Stipends	\$ 3,850.00
	6770	Transportation	\$ 2,500.00
	(44)	Sub-Total Operating Expense	\$ 239,411.00
	6300	Operating Contingency (10% of operating expenses)	\$ 23,941.10
	(46)	BUDGET TOTAL	\$ 540,064.40

Agenda Item # 6 Attachment B

New Initiatives for FY 2006-07 Work Plan

- Approximately ten new projects/applications will be received within the next fiscal year. This number is in addition to the eight applications that have a reasonable chance of carrying over to FY 2006-07. This number was derived from six preliminary inquiries to LAFCO, which in turn, were cross-referenced with the County Planning Department. All six had advanced sufficiently within the planning process to conclude reasonably that an application to LAFCO would be submitted within twelve months. Similarly, five petitioners to El Dorado Irrigation District are in advanced stages of the EID process to conclude LAFCO applications were imminent (one landowner had applications with both agencies).
- Enhance the Agency's accounting procedures to be more in conformity with the General Accounting Practices for public agencies.
- Training for staff should continue at all available and low-cost venues as possible, utilizing CALAFCO resources as well as intense, one-day courses offered through Los Rios Community Colleges and through the UC Davis Extension.
- The current LAFCO fee schedule was adopted in 2001. Staff will update a new fee schedule that is clearer and less cumbersome to applicants yet recovers the Agency's reasonable costs for service.
- Enhance the Commission's website to be more user-friendly and informative while being content-driven.
- Partner with agencies and County departments to identify opportunities for information sharing and process improvements. In addition, LAFCO staff should build or enhance working relationships with local agencies' governing boards and its staff.
- Partner with the City of Placerville and El Dorado Irrigation District (EID) on two separate multi-year projects of interest to all agencies. The City of Placerville is considering annexing unincorporated areas that are substantially surrounded by the City. EID is exploring annexing islands within its service territory.
- Plan and sponsor a low-cost AB 1234 Ethics Session for El Dorado agencies.
- Explore the possibility of contracting with a different payroll service and IT service provider.
- Explore digital archiving solutions for old files (1985-2003).

2005-06 Work Plan Initiatives to Continue In FY 2006-07

- Complete at least one, two if possible, Municipal Service Reviews (MSR) in-house during Fiscal Year 2006-2007. During the 2004-05 budget cycle, the Commission identified "water and wastewater" as services to be completed after the completion of the MSR for fire protection services. Other potential MSR subjects may be prioritized by the Commission during its discussion of using outsourcing as a solution to complete more MSRs. The Executive Officer, Policy Analyst and

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Attachment B
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Commission Clerk will be involved in the preparation, analysis and writing of the studies to be prepared in-house.

- Adopt spheres of influence for each agency whose MSR has been completed and adopted
- Process annexations within policy and legal time limits, possibly explore ways to shorten process turnaround time
- Coordinate LAFCO training sessions for new commissioners as time allows
- Continue to purge and organize records, maps and archive materials, both in physical and digital format, to speed research.

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

RESOLUTION NUMBER L-2006-07

Adoption of Final Budget Fiscal Year 2006-2007

WHEREAS, Government Code §56381 specifies that, following a noticed public hearing, the Commission shall adopt annually a proposed budget by May 1, 2006 and a final budget by June 15, 2006; and

WHEREAS, on March 22, 2006, following a noticed public hearing, the Commission considered its budget priorities, a work plan and a draft proposed budget to fulfill the purposes and programs of the Cortese-Knox-Hertzberg Act of 2000, commencing with Government Code §56000 et seq.; and

WHEREAS, the proposed budget and work plan was adopted on March 22, 2006, and transmitted to all parties specified in Government Code §56381(a); and

WHEREAS, a hearing was set for May 24, 2006 for the Commission to receive comment from the agencies and the public on the proposed budget; and

WHEREAS, the Executive Officer has given notice of hearing in the form and manner specified in law for the adoption of the final budget; and

WHEREAS, upon the date, time and place specified in said notice of hearing the Commission heard, discussed and considered all oral and written testimony submitted on the budget, including but not limited to, the approved budget priorities and work plan for Fiscal Year 2006-2007 and the Executive Officer's report and recommendation; and

WHEREAS, the proposed and final budgets for Fiscal Year 2006-2007 are less than the budgets adopted for prior fiscal years; and

WHEREAS, after thorough consideration and deliberation, the Commission, found that the reduced program costs will nevertheless allow the Commission to fulfill the purposes and programs of the Cortese-Knox-Hertzberg Act of 2000.

NOW, THEREFORE BE IT RESOLVED AND ORDERED that the El Dorado Local Agency Formation Commission approves and adopts the final budget for Fiscal Year 2006-2007 as shown in Exhibit A, attached hereto and incorporated herein, and does further orders and direct s the following:

Section 1. The Executive Officer shall transmit the final budget to the County Auditor and all parties specified in Government Code §56381(a) as promptly as possible.

Section 2. The El Dorado County Board of Supervisors shall transmit funds in the amount of \$87,819 to the Commission on July 1, 2006, sufficient to cover the first two months of operations as specified in Government Code §56381(c).

Section 3. The County Auditor shall apportion the budget as specified in Government Code §56381(b) and request payment from the County and each city and each independent special district no later than July 1, 2006 as specified in Government Code §56381(c).

Section 4. If the County, a city or an independent special district does not remit its required payment within 60 days, the County Auditor is requested to collect an equivalent amount from the property tax, or any fee or eligible revenue owed to the County, city or district as described in Government Code §56381(c).

PASSED AND ADOPTED by the El Dorado Local Agency Formation Commission at a regular meeting of said Commission, held on May 24, 2006 by the following vote:

AYES:
NOES:
ABSTENTIONS:
ABSENT:

ATTEST:

Allison Parsons, Commission Clerk

Ted Long, Chairman

LAFCO Resolution L-2006-07
Exhibit A

FINAL LAFCO BUDGET FY 2006-2007			
	<i>Fund (or line item)</i>	<i>DESCRIPTION</i>	<i>Approved Final LAFCO Budget FY2006-07</i>
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	6040	Cell & Telephone Services	\$ 3,492.00
	6050	Copies	\$ 1,000.00
	6060	GIS Maps	\$ 1,000.00
	6070	Lease Payment - Building	\$ 15,340.00
	6080	Legal Notices	\$ 504.00
	6090	Legal Services	\$ 24,000.00
	6100	Memberships	\$ 655.00
	6105	Memberships - CALAFCO	\$ 1,800.00
	6200	Office Equipment	\$ 200.00
	6210	Office Expense	\$ 2,400.00
	6400	Postage	\$ 2,500.00
	6450	Private Auto Mileage	\$ 2,420.00
	(37)	Professional Services - MSR Outsourcing	\$ 130,000.00
	(38)	Professional Services - CEQA Studies	\$ 10,000.00
	6600	Publications	\$ 550.00
	6610	Records Storage	\$ 761.00
	6705	Rents/Lease - Equipment	\$ 1,440.00
	6750	Staff Development (incl. Commissioner Development)	\$ 11,000.00
	6760	Stipends	\$ 3,850.00
	6770	Transportation	\$ 2,500.00
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