

LAFCO

Santa Barbara Local Agency Formation Commission
105 East Anapamu Street ♦ Santa Barbara CA 93101
805/568-3391 ♦ FAX 805/568-2249
www.sblafco.org ♦ lafco@sblafco.org

April 3, 2025 (Agenda)

Local Agency Formation Commission
105 East Anapamu Street
Santa Barbara CA 93101

Proposed LAFCO Budget for Fiscal Year 2025-2026

Dear Members of the Commission:

RECOMMENDATION:

Consider recommendations regarding the Proposed Budget for Fiscal Year (FY) 2025-2026, as follows:

- a) Review the Proposed Budget for FY 2025-2026, accept all public testimony and approve the Proposed Budget as presented;
- b) Direct staff to distribute the approved Proposed Budget to Cities, Special Districts and the County as required by Government Code Section 56381; and
- c) Schedule a public hearing for May 8, 2025 to consider and adopt the Final Budget.

DISCUSSION:

Introduction

LAFCO is an independent commission established by the legislature to carry out specific duties and objectives. It is responsible for adopting its budget to fulfill the purposes described in the Cortese-Knox- Hertzberg Act. The law does not require approval of the Commission budget by the County or any other local agencies.

Government Code section 56381 states: "At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that

reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter."

Government Code Section 56381 directs LAFCO, after conducting public hearings, to:

- Adopt a proposed budget for the next fiscal year not later than May 1. This is transmitted to the County, each city and each independent special district for their review and comment.
- Adopt the final budget for the next fiscal year by June 15.

Summary of Proposed Budget

The recommended Proposed Budget is \$635,804, an increase of \$43,804 above the current year budget. The main reasons for the increase are addition of extra help staffing, increase to unemployment insurance, increase in pension rates, and slight increase to salaries.

There is a recommendation to use contributions from the contingency reserve to off-set the member agency contribution and remain within the Commissions reserve policy. The reserve would remain adequate to fund unanticipated expenses such as litigation and other legal services, professional services, and other unexpected and unbudgeted expenses with a balance of \$295,096. Any year-end fund balance will also be added to reserves. The Commission direction was to consider contingency reserve to help off-set when the Cost Allocation Plan (CAP) increases, however a number of other costs have increased and our reserve would still be adequate.

Following is a budget summary:

Proposed Budget Summary	Adjusted Budget 2024-2025	Proposed 2025-2026	Change
Salaries and Benefits	\$417,279	\$440,356	\$23,077
Services & Supplies	\$191,601	\$202,062	\$10,461
Other Charges	\$3,120	\$3,386	\$266
Total	\$612,000	\$635,804	\$51,204
Contingencies	-\$20,000	-\$10,000	-\$10,000
Total Appropriations	\$592,000	\$635,804	\$43,804
Revenues	\$592,000	\$635,804	\$43,804

Pension Costs

Santa Barbara LAFCO is a member of Santa Barbara County Employees' Retirement System (SBCERS). SBCERS costs are directly correlated to salaries. Pension expenditures are calculated based on the rates established by the SBCERS Retirement Board. LAFCO would fund equal percentage (10.64%) of salary subject to the an annual pensionable compensation limit and the employees would fund (10.64%) up to the limit of (\$29,104). This annual adjustment is built into this year's budget and adjusted on July 1, beginning in the fiscal year.

Detailed Description of Individual Accounts

The proposed budget spreadsheet and specific line-item accounts is attached as **Attachment A**. The spreadsheet presents the Recommended Proposed 2025-2026 Budget. There is also a column for current year-to-date revenues and expenditures, projected year-end revenues and expenditures, the increase/decrease between the current and proposed budget and percentage increase/decrease.

Designation for Contingency/Reserve

During 2024-2025, approximately \$11,655 will be transferred to the contingency/reserve account. On June 30, 2025, the Commission's reserves will equal approximately \$306,000. In addition, appropriations not expended during one fiscal year become part of the available fund balance to finance the Commission in the following fiscal year. Depending on the extent of the fund balance in any given year, a designated fund reserve should be established to cover anticipated future costs.

A prudent reserve should be in the range 30-50 percent of the operating budget. Therefore, there is no recommended use of contingency reserves for the 2025-26 Fiscal Year. It is recommended to use contingency reserve to off-set the member agencies contributions in the amount of \$10,000 reducing the contingency reserves, however still having an adequate reserve within policy range.

LAFCO Legal Counsel

On February 13, 2024, the Commission entered into an agreement with Santa Barbara County to appoint County Counsel Office for legal services on an hourly rate per contract. It is anticipated legal services will not exceed normal expenditure. Therefore, the same amount is reflected in the proposed 2025-2026 budget.

Services and Supplies

In the area of Services and Supplies, Line Item 7669, will be decreased to \$8,505 (a 55% decrease). This year, the general fund cost allocation amount in 2025-2026 will decrease. Line Item 7732, will remain the same for Training and Travel, reflecting normal expenditure to cover CALAFCO Annual Conference and Staff Workshop, CLE CEQA Conference, and meeting mileage costs. The overall Services and Supplies increase would be 5% based mainly on increasing of the projected 2025-2026 Professional and Special Services covering extra help clerking role. Other Services and Supplies remain relatively stable.

Salaries, Benefits, and Taxes

Salaries are budgeted to increase by 4% in fiscal year 2025-2026. This reflects the same Commissioner Stipends. The Executive Officer's three-year contract approved on December 13, 2023. The staffing contract stipulates anytime the County Board of Supervisors authorizes a salary increase or onetime payment for Unit 41 "Department Heads," the Commission shall consider applying the increase or onetime payment to the Executive Officer. On March 6, 2025 the Commission authorized a 4% CPI for Executive Officer salary. Cost-of-Living adjustment is determined annually based on increases in the annual average consumer price index (CPI) for all urban consumers in the Los Angeles-Long Beach. The ratio is calculated, and rounded to the nearest one-half percent. The annual Consumer Price Index increase of 3% is also proposed for staff.

Healthcare benefits are also subject to employer contribution limits applicable to management employees of the County of Santa Barbara. The County's latest update to the healthcare contribution limits for its management employees was approved in August 27, 2024 to take effect January 1, 2025. The proposed FY 25-26 budget includes a match to healthcare benefits for LAFCO staff which includes \$1,015.88 per month subsidy for employee only and \$1,895.88 per month healthcare premiums for employee + family coverage. The Commission evaluates the performance of the Executive Officer annually. The next annual performance evaluation would be in December 2025, thereafter any consideration of Cost-of-Living adjustment may be determined. FICA, Medicare, State Disability Insurance, and Federal Unemployment Tax are calculated based on a percentage of salaries.

Revenue Accounts

In the area of Revenues, LAFCO Billings to the County of Santa Barbara, Cities, and Special Districts for 2025-2026 will increase by \$43,704 or 8%. This is due mainly to the increase in Salaries and Benefits (6100) and Professional and Special Services (7460). An overall 3% CPI increase was included for LAFCO staff.

Conclusion

In consideration of this information, it is recommended the Proposed Budget for FY 2025-2026 be approved for distribution to local agencies as required by Government Code Section 56381 and that a public hearing on the Final Budget be scheduled for the May 8, 2025 Commission meeting.

Attachments

Attachment A- Proposed FY 2025-2026 LAFCO Budget

Please contact the LAFCO office if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Prater".

Mike Prater
Executive Officer

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
Operating Fund #5320, Santa Barbara LAFCO, Department # 815

PROPOSED DRAFT 2025-2026 BUDGET - APRIL 3, 2025

Draft 4/3/2025

Account Name and Number	2024-25 Final Budget	As of 3/31/25	Projected Year-End	2025-26 Recommended Budget	Inc/Dec	% Inc/Dec
-------------------------	----------------------	---------------	--------------------	----------------------------	---------	-----------

REVENUES

Interest Income - 3380	3,000	6,219	9,000	6,000	3,000	100%
Unrealized Gain/Loss - 3381	0	0	0	0	0	0%
Other Gov't Agencies - 4840	560,000	559,921	559,921	603,704	43,704	8%
Planning Studies Service - 5738	20,000	31,880	34,550	20,000	0	0%
Misc. Revenue - 5909	9,000	1,920	6,441	6,100	-2,900	-32%
Total Revenues	592,000	599,940	609,912	635,804	43,804	7.4%

EXPENDITURES

Salaries and Benefits

Commissioner Stipends - 6210	22,000	10,707	17,122	22,000	0	0%
Regular Salary - 6100	293,078	195,289	283,908	303,652	10,574	4%
FICA Contribution - 6500	15,826	12,107	18,872	19,130	3,304	21%
FICA/Medicare - 6550	6,448	3,088	4,660	6,680	232	4%
Retirement-Employer Contribution - 6400	25,581	16,800	25,581	29,104	3,523	14%
Retirement - Employee Contribution - 5771	25,581	16,800	25,581	29,104	3,523	14%
Unemployment Insurance - 6700	3,466	3,947	4,537	7,490	4,024	116%
Fed Unemploy Tax-Employer Cont - 6700	550	290	350	550	0	0%
Fixed Costs (\$):						
Health Plan/Contribution - 6600	33,680	25,336	36,427	35,100	1,420	4%
Life/Disability Insurance - 6610	3,000	1,976	2,965	3,000	0	0%
Def Comp - EO Employer - 6100	4,200	3,150	4,200	4,200	0	0%
Phone/Cash Allowance - 7811	2,450	1,624	2,436	2,450	0	0%
Auto Allowance - 7326	7,000	4,666	7,000	7,000	0	0%
Total Salaries and Benefits	417,279	278,980	408,058	440,356	23,077	6%

Services and Supplies

Audit Fees - 7324	12,900	12,800	15,800	13,090	190	1%
Memberships - 7430	9,750	10,287	10,287	10,567	817	8%
Office Expense - 7450	1,500	445	625	1,500	0	0%
Equipment Maintenance - 7120	0	0	0	0	0	0%
Copier Expense - 7453	1,000	127	700	1,000	0	0%
Prof & Special Services - 7460	50,000	1,840	33,222	70,000	20,000	40%
Payroll Fees - 7507	2,400	1,697	2,116	2,400	0	0%
Legal Services -7508	65,000	13,601	60,000	65,000	0	0%
Pubs & Legal Notices - 7530	3,000	1,836	2,232	3,000	0	0%
Postage - 7451	1,000	186	269	1,000	0	0%
Gen Fund Cost Allocation - 7669	19,051	10,225	19,051	8,505	-10,546	-55%
Training and Travel - 7732	26,000	14,839	22,512	26,000	0	0%
Total Services and Supplies	191,601	67,883	166,814	202,062	10,461	5%

Other Charges

Electricity - 7801	500	516	649	650	150	30%
Natural Gas - 7802	175	124	175	175	0	0%
Water - 7803	150	95	150	150	0	0%
Refuse - 7804	200	89	200	200	0	0%
Utility Services - 7806	100	25	100	100	0	0%
Liability Insurance - 6900	1,545	38	1,661	1,661	116	0%
Telephone Services - 7897	450	344	450	450	0	0%
Total Other Charges	3,120	1,231	3,385	3,386	266	9%

Contingency Reserve - 9600	-20,000	-20,000	-20,000	-10,000	0	0
Total Contingency Reserve	293,441	368,094	305,096	0	295,096	0.6%
Total Exp/Appropriations	592,000	368,094	598,257	635,804	43,804	7.4%
Net Financial Impact	0	231,846	11,655	0	0	0.0%

*\$11,000 contingency will be added into reserves in FY 25/26. The estimated contingency reserve balance will be \$295,000