

LAFCO

Santa Barbara Local Agency Formation Commission
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June 6, 2002 (Agenda)

Local Agency Formation Commission
105 East Anapamu Street, Room 403
Santa Barbara CA 93101

Final LAFCO Budget for FY 2002-2003

RECOMMENDATION

It is recommended that the Commission:

1. Receive this report, accept any public testimony and approve the Final Budget for Fiscal Year 2002-03 with any changes deemed appropriate by the Commission.
2. Direct the staff to distribute the Final Budget to the County, cities and special districts as required by Government Code Section 56381.

DISCUSSION

Introduction

Preparing and adopting the LAFCO budget is the responsibility of the Commission. Government Code Section 56381(a) provides that:

The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. 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.

The Commission adopted the Proposed Budget for Fiscal Year 2002-03 on April 4 and directed the staff to distribute the Proposed Budget to the County, cities and special districts.

Special Districts Association Budget Recommendations

The staff appreciates the attention given to the budget by the Special Districts Association. Its LAFCO budget committee chaired by Lompoc Health Care District Administrator Jim Raggio gave detailed

attention to LAFCO finances and the budget for next year. The Association's recommended budget is shown as Exhibit 1, attached hereto.

The committee used an analytical method common in budgeting, projecting year-end expenditures as the benchmark for the following year. The LAFCO staff does not concur with the conclusions reached by the Association, because it does not factor in unique conditions or circumstances that affect individual line items in the budget.

An example is Account 7348 – Instruments & Equipment Less than \$5,000. The Association recommends budgeting \$3,700 next year, based on an expenditure of \$3,660 this year. This year's purchase was a one-time expense and the staff does not recommend funding next year.

There are other examples where our estimate of next year's needs differs from those suggested by the Association. Nevertheless, the Services & Supplies accounts recommended by the staff (\$318,150) and the Association (\$269,550) vary by only \$48,600, which reflects a difference of \$50,000 in professional and specialized services. Differences between staff and Association recommendations are identified in the discussion of individual line items in this letter.

Staff Recommendations

The staff recommends the adoption of a Final Budget for next year that is similar to the Proposed Budget approved on April 4, but with some differences as explained below.

Following is a *summary* of the staff recommended Final Budget; a table of line-items is attached.

Recommended Final Budget - Summary for 2002-2003

	<u>Adjusted</u> <u>2001-02</u>	<u>Proposed</u> <u>2002-03</u>	<u>Variance</u>
Services & Supplies	426,650	318,150	- 108,500
Other Charges	850	850	0
Designations	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Total Expenditures	447,500	339,000	- 108,500
Proj. Avail. Fund Balance	0	159,000	159,000
Other Revenues	22,500	28,500	6,000

Cost to local agencies	<u>425,000</u>	<u>151,500</u>	<u>- 273,500</u>
Total Financing Sources	447,500	339,000	- 108,500

As stated before, this is a transition year for LAFCO. There are some expenses that in prior years were not shown in LAFCO's budget, so we have no track record for some expenses.

In addition, some appropriations in this year's budget, such as funds to begin Municipal Service Review studies were not expended. The obligations still exist and the Commission should budget sufficient funds to continue this effort in the coming year.

Discussion of Individual Accounts

Following is a review of expenditure and revenue accounts in the budget.	<u>Current Budget</u>	<u>Proposed Budget</u>	<u>Variance</u>
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<u>7050 Communications</u>	1,900	1,900	0
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Telephone expenses. Expenditures as of May 27 are \$2, 047. We recommend no change for next year. The Association recommends \$2,300.

<u>7324 Audit Fees</u>	2,000	2,000	0
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Year-end audit of LAFCO fund. No expenditures as of May 27; costs will be experienced in the following fiscal year.

<u>7430 Memberships</u>	1,350	1,350	0
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Membership in the California Association of LAFCOs. No expenditures as of May 27. We intend to make this annual payment to CALAFCO in June.

Office Operating Expense

Three accounts fund what we refer to as office operating expenses – Office Expense, Postage and Copier Expense. These costs could be pooled into one line item account but we have preferred to keep them separate.

Together these three accounts are budgeted this year at \$30,000. We have spend \$31,985 thus far. We recommend next year the amount remain at \$30,000. The Association recommends funding at \$38,400 based on this year's record of expenditures.

Some of this year's expenses were unusual, for example two large mailings for the proposed Vector Control District annexation and we think will not be repeated next year.

<u>7450 Office Expense</u>	21,000	21,000	0
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Office expense includes equipment and supplies to support Commission activities. Costs as of May 27 are \$8,185.

<u>7451 Postage</u>	5,000	5,000	0
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Postage and mailing expenses. The account reflects the workload.

Expenditures as of May 27 are \$16,233, which exceeds the budgeted amount by \$11,233, due to high costs to mail notices for hearings on the Vector Control District Annexation. We recommend the account remain at \$5,000 for next year.

<u>7453 Copier Expense</u>	4,000	4,000	0
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This account funds correspondence, notices, reports, resolutions and other printing. Costs as of May 27 are \$7,567. We recommend the amount remain at \$4,000 next year.

<u>7460 Professional/ Specialized Services</u>	156,000	56,000	-100,000
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This account funds Commission ordered studies such as, municipal service reviews, spheres of influence and intergovernmental evaluation. Included are costs to televise LAFCO meetings and maintain the LAFCO website. Expenditures as of May 27 are \$21,490.

In April the Commission reduced this account from \$156,000 this year to \$56,000 next year, a reduction of \$100,000. The Association recommends \$18,000 for next year.

<u>7506 Administration Fees</u>	3,000	3,000	0
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This account funds County Auditor charges. Expenses as of May 27 are \$1,500. In June a second six-months will be charged, bringing total year expenses to \$3,000. The Association recommends funding of \$1,800 based on the current rate of expenditure.

<u>7508 Legal Services</u>	42,100	36,000	- 6,100
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This account funds Commission legal services. Expenses as of May 27 are \$12,263. The contract between LAFCO and the County is for up to \$36,000. The Association recommends \$25,000 based on the rate of current expenditures.

<u>7510 Contractual Services (LAFCO Staff)</u>	145,300	145,300	0
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Staff support is provided by a professional services agreement for Executive Officer, Commission Clerk and related staff services. No change in this account is proposed by either the staff or by the Association.

<u>7580 Rents/Leases – Structure</u>	6,000	3,600	-2,400
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This account funds office space, including utilities. No expenditures have been charged as of May 27 but we understand they will be as part of a County cost allocation plan. The Association also recommends \$3,600.

Space for Commission meetings is not budgeted. We assume LAFCO will continue to meet in Board of Supervisors hearing rooms, except for special meetings held in other locations.

<u>7650 Spec. Dept. Exp. – Per Diems</u>	18,000	18,000	0
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This account funds Commissioner stipends for attending LAFCO meetings. The cost as of May 27 is \$7,800. The Association proposes \$8,400 based on current year expenditures.

The budget is based on 11 Commissioners x 14 meetings x \$100 per meeting (\$15,400) and funds for hoc committee meetings (estimated at 26 days, or \$2,600).

<u>7730 Transportation & Travel</u>	21,000	21,000	0
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This account funds travel expenses and mileage reimbursement for Commissioners and staff. Expenditures as of May 27 are \$17,013. We recommend \$21,000 again based on experience and projections of future activity. The Association recommends \$18,500.

Less might be needed next year since the CALAFCO conference will be in Santa Barbara. The staff recommends the budget not be changed, to avoid annual variations.

<u>7895 Liability Insurance</u>	600	600	0
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Liability insurance of the Commissioners and staff. There is no expense as of May 27. The amount is provided by the County General Services Agency since the Commission remains covered by the County's insurance program.

<u>7897 Telephone Services</u>	250	250	0
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This account funds County telephones in the LAFCO office. There has been no expense as of May 27. We anticipate a year end statement from the County.

<u>9798 Designation for Contingencies</u>	20,000	20,000	0
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It is proposed that this account again be funded at \$20,000, which will result in a overall Contingency Designation of \$40,000. This is proportional with the size of the budget and recognizes reductions that are being made in some accounts. The Designated Contingency is held as a segregated portion of the fund balance available for unforeseen expenses.

<u>3380 Interest Income</u>	0	8,000	8,000
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Interest from investing available LAFCO funds. Revenue as of May 27 is \$8,985.

<u>5738 Planning Studies Services</u>	20,000	20,000	0
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Revenues are received from LAFCO processing fees. As of May 27 they are \$13,045.

Projections are based on 18 boundary changes at an average of \$900 (\$16,200), two sphere of influence applications (\$1,650) and a formation or incorporation (\$2,125).

<u>4840 Other Governmental Agencies</u>	425,000	151,500	- 273,500
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This is the revenue from the County, cities and special districts to fund the Commission as required by AB 2838. As the May 27 \$405,739 has been received.

Budget reductions and year-end available financing will reduce the amounts needed from agencies by about \$273,500 (or 64%) The Auditor Controller will calculate the actual amount needed at the end the current fiscal year and collect this amount from the agencies.

<u>5909 Other Miscellaneous Revenue</u>	2,500	500	- 2,000
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These is revenue from the sale of documents, maps etc. As of May 27 the amount is \$60. The amount projected for this year is overly optimistic and has been reduced by \$2,000.

Conclusion

LAFCO is responsible for adopting a financial program that fulfills its purposes as described in the Cortese/Knox/Hertzberg Local Government Reorganization Act.

In consideration of information contained in this letter, it is recommended the Final Budget be approved and distributed as required by Government Code Section 56381.

Very truly yours,

BOB BRAITMAN
Executive Officer

Santa Barbara LAFCO – Final Budget for Fiscal Year 2002-03

Operating Fund #5320 – SB LAFCO
 Department # 815

<u>Acct No.</u>	<u>Account name</u>	<u>2001-2002 Adjusted Budget</u>	<u>2002-2003 Final Budget</u>	Variance
<i>Services and Supplies</i>				
7050	<u>Communications</u>	1,900	1,900	0
7324	Audit Fees	2,000	2,000	0
7430	Memberships	1,350	1,350	0
7450	Office Expense	21,000	21,000	0
7451	Postage	5,000	5,000	0
7453	Copier Expense	4,000	4,000	0
7460	Prof. & Spec Services	156,000	56,000	- 100,000
7506	Administrative Fees	3,000	3,000	0
7508	Legal Services	42,100	36,000	- 6,100
7510	Contractual Services (staff)	145,300	145,300	0
7580	Rents/Leases – Structure	6,000	3,600	- 2,400
7650	Spec Dept Exp. – Per Diems	18,000	18,000	0
7730	Trans. And Travel	<u>21,000</u>	<u>21,000</u>	<u>0</u>
	<i>Total Services & Supplies</i>	426,650	318,150	108,500
<i>Other Charges</i>				
7895	Liability Insurance	600	600	0
7897	Telephone services	<u>250</u>	<u>250</u>	<u>0</u>
	<i>Total Other Charges</i>	850	850	0
<i>Designations</i>				
9798	Designated Contingencies	<u>20,000</u>	<u>20,000</u>	<u>0</u>
<u>Total Expenditures</u>		447,500	339,000	- 108,500

Financing Sources

	Projected fund balance	0	159,000	159,000
3380	Interest Income	0	8,000	8,000
5738	Planning Studies Services	20,000	20,000	0
4840	Other Governmental Agencies	425,000	151,500	- 273,500
<u>5860</u>	Other Miscellaneous Revenue	<u>2,500</u>	<u>500</u>	<u>- 2,000</u>
	<u>Total financing sources</u>	447,500	339,000	- 108,500