

LAFCO

Santa Barbara Local Agency Formation Commission
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April 2, 2026 (Agenda)

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

Proposed LAFCO Budget for Fiscal Year 2026-2027

Dear Members of the Commission:

RECOMMENDATION:

Consider recommendations regarding the Proposed Budget for Fiscal Year (FY) 2026-2027, as follows:

- a) Review the Proposed Budget for FY 2026-2027, 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 7, 2026 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 \$679,627, an increase of \$43,823 above the current year budget. The main reasons for the increase are addition of full-time employee, increase in pension rates, and increase to Cost Allocation Plan (CAP).

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 \$347,358. 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 but our reserve would still be adequate.

Following is a budget summary:

Proposed Budget Summary	Adjusted Budget 2025-2026	Proposed 2026-2027	Change
Salaries and Benefits	\$440,356	\$497,508	\$57,152
Services & Supplies	\$202,062	\$198,733	-\$3,329
Other Charges	\$3,386	\$3,386	\$0
Total	\$645,804	\$699,627	\$53,823
Contingencies	-\$10,000	-\$20,000	\$10,000
Total Appropriations	\$635,804	\$679,627	\$43,823
Revenues	\$635,804	\$679,627	\$43,823

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 currently fund equal percentage (10.64%) of salary subject to an annual pensionable compensation limit and the employees would fund (10.64%) up to the limit of (\$34,180). 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 2026-2027 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. It is anticipated to have a net positive financial impact at year end.

Designation for Contingency/Reserve

During 2025-2026, approximately \$50,751 will be transferred to the contingency/reserve account. On June 30, 2026, the Commission's reserves will equal approximately \$347,358. 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.

The Commission has maintained a prudent reserve between the range of 30-50 percent of the operating budget. The Commission is recommended to consider increasing the range up to 70 percent allowing for more flexibility to cover unanticipated costs. It is recommended to use contingency reserve to off-set the member agencies contributions in the amount of \$20,000 reducing the contingency reserves, however still having an adequate reserve within adjusted 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 2026-2027 budget.

Services and Supplies

In the area of Services and Supplies, Line Item 7669, will be increased to \$17,100 (a 101% increase). During years when the general fund cost allocation increases the Commission has directed use of reserves to help off-set membership costs. Line Item 7732, will decrease for Training and Travel, reflecting a slight reduction to cover CALAFCO Annual Conference and Staff Workshop, CEQA Conference, and meeting mileage costs by \$2,000 or 8%. The overall Services and Supplies decrease would be 2% based mainly on decreasing of the projected 2026-2027 Professional and Special Services that covered our extra help clerking role by \$10,000 or 14%. Other Services and Supplies remain relatively stable.

Salaries, Benefits, and Taxes

Salaries are budgeted to increase by 13% in fiscal year 2026-2027. 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 5, 2026 the Commission authorized a 3.6% 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 Commission also approved on February 5, 2026 a revised organizational chart to add the position of "Senior/Analyst". This year's budget reflects fulling the position and back filling the Clerk/Analyst position in January 2027.

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, 2026 and January 1, 2027. The proposed FY 26-27 budget includes a match to healthcare benefits for LAFCO staff which includes \$1,015.88 per month subsidy for employee only and \$2,121.88 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 Nov/Dec 2026 along with any new contract, thereafter any consideration of Cost-of-Living or merit 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 2026-2027 will increase by \$23,223 or 3.8%. This is due mainly to the increase in Salaries and Benefits (6100 & 6600) and Gen Fund Cost Allocation (7669). Savings are due mainly by off-setting member contributions through the use of contingency reserves during the years CAP fluctuates upwards. The use of reserves is not required moving forward to cover future budgets. The Commission can determine when use of reserves is appropriate.

SALC Grant Revenue Misc Account

In the area of Misc. Revenue (5909), LAFCO is anticipating reimbursement for administrative work related to SALC Grant efforts. This line item will increase by \$15,600.

Conclusion

In consideration of this information, it is recommended the Proposed Budget for FY 2026-2027 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 7, 2026 Commission meeting.

Attachments

Attachment A - Proposed FY 2026-2027 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 2026-2027 BUDGET - APRIL 2, 2026

Draft 4/2/2026

Account Name and Number	2025-26 Final Budget	As of 3/31/26	Projected Year-End	2026-27 Recommended Budget	Inc/Dec	% Inc/Dec
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REVENUES

Interest Income - 3380	6,000	11,410	11,410	6,000	0	0%
Unrealized Gain/Loss - 3381	0	0	0	0	0	0.0%
Other Gov't Agencies - 4840	603,704	603,370	603,704	626,927	23,223	3.8%
Planning Studies Service - 5738	20,000	11,010	13,010	25,000	5,000	25.0%
Misc. Revenue - 5909	6,100	13,225	14,665	21,700	15,600	256%
Total Revenues	635,804	639,015	642,789	679,627	43,823	6.9%

EXPENDITURES

Salaries and Benefits

Commissioner Stipends - 6210	22,000	12,262	17,000	22,000	0	0%
Regular Salary - 6100	303,652	182,258	280,000	342,819	39,167	13%
FICA Contribution - 6500	19,130	11,485	18,300	21,598	2,468	13%
FICA/Medicare - 6550	6,680	2,905	4,720	7,542	862	13%
Retirement-Employer Contribution - 6400	29,104	15,550	26,680	34,180	5,076	17%
Retirement - Employee Contribution - 5771	29,104	15,550	26,680	34,180	5,076	17%
Unemployment Insurance - 6700	7,490	3,536	6,050	7,885	395	5%
Fed Unemploy Tax-Employer Cont - 6700	550	376	550	550	0	0%
Fixed Costs (\$):						
Health Plan/Contribution - 6600	35,100	27,318	36,427	44,285	9,185	26%
Life/Disability Insurance - 6610	3,000	1,977	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	440,356	267,107	406,328	497,508	57,152	13%

Services and Supplies

Audit Fees - 7324	13,090	12,465	12,465	13,090	0	0%
Memberships - 7430	10,567	10,630	10,630	10,893	326	3%
Office Expense - 7450	1,500	363	625	1,500	0	0%
Equipment Maintenance - 7120	0	0	0	0	0	0%
Copier Expense - 7453	1,000	75	700	1,000	0	0%
Prof & Special Services - 7460	70,000	9,435	70,000	60,000	-10,000	-14%
Payroll Fees - 7507	2,400	1,635	2,500	2,400	0	0%
Legal Services -7508	65,000	5,193	50,000	65,000	0	0%
Pubs & Legal Notices - 7530	3,000	1,473	2,500	3,000	0	0%
Postage - 7451	1,000	339	400	750	-250	0%
Gen Fund Cost Allocation - 7669	8,505	6,378	8,505	17,100	8,595	101%
Training and Travel - 7732	26,000	20,889	24,000	24,000	-2,000	-8%
Total Services and Supplies	202,062	68,875	182,325	198,733	-3,329	-2%

Other Charges

Electricity - 7801	650	521	649	650	0	0%
Natural Gas - 7802	175	148	175	175	0	0%
Water - 7803	150	138	150	150	0	0%
Refuse - 7804	200	118	200	200	0	0%
Utility Services - 7806	100	33	100	100	0	0%
Liability Insurance - 6900	1,661	0	1,661	1,661	0	0%
Telephone Services - 7897	450	368	450	450	0	0%
Total Other Charges	3,386	1,326	3,385	3,386	0	0%

Contingency Reserve - 9600	-10,000		0	-20,000	0	0
Total Contingency Reserve	316,607		367,358	0	347,358	9.7%
Total Exp/Appropriations	635,804	337,308	592,038	679,627	43,823	6.9%
Net Financial Impact	0	301,707	50,751	0	0	0.0%

*\$50,000 contingency is estimated to be added into reserves in FY 26/27. While \$20,000 of contingency will also be deducted from reserves off-setting a balance. The estimated contingency reserve balance will be \$350,000