

LAFCO

Santa Barbara Local Agency Formation Commission
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April 4, 2024 (Agenda)

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

Proposed LAFCO Budget for Fiscal Year 2024-2025

Dear Members of the Commission:

RECOMMENDATION:

Consider recommendations regarding the Proposed Budget for Fiscal Year (FY) 2024-2025, as follows:

- a) Review the Proposed Budget for FY 2024-2025, 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 2, 2024 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 \$592,000, an increase of \$20,764 above the current year budget. The main reason for the increase is the legal services 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 \$283,000. Any year-end fund balance will also be added to reserves.

Following is a budget summary:

Proposed Budget Summary	Adjusted Budget 2023-2024	Proposed 2024-2025	Change
Salaries and Benefits	\$411,716	\$417,279	\$5,564
Services & Supplies	\$156,545	\$191,601	\$35,056
Other Charges	\$2,975	\$3,120	\$145
Total	\$571,236	\$612,000	\$40,764
Contingencies	\$0	-\$20,000	\$20,000
Total Appropriations	\$571,236	\$592,000	\$20,764
Revenues	\$571,236	\$592,000	\$20,764

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 (9.93%) of salary subject to the an annual pensionable compensation limit and the employees would fund (9.93%) up to the limit of (\$25,581). 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 2024-2025 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 2023-2024, approximately \$15,000 will be transferred to the contingency/reserve account. On June 30, 2024, the Commission's reserves will equal approximately \$302,200. 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 a recommended use of contingency reserves for the 2024-25 Fiscal Year. 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 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 slightly increase over prior expenditure. Therefore, the budget reflects a small increase amount in the proposed 2024-2025 budget.

Services and Supplies

In the area of Services and Supplies, Line Item 7669, will be increased to \$19,051 (a 7,876% increase). This year, the general fund cost allocation amount in 2024-2025 will increase. Line Item 7732, remain the same for Training and Travel, reflecting normal expenditure to cover CALAFCO Annual Conference and Staff Workshop, UCLA CEQA extension, and meeting mileage costs. The overall Services and Supplies increase would be 22% based mainly on increasing of the projected 2024-2025 General Fund Cost Allocation (CAP) with some increases in Legal Services. Other Services and Supplies remain relatively stable.

Salaries, Benefits, and Taxes

Salaries are budgeted to remain the same level at 0% in fiscal year 2024-2025. 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. 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 2.5% is 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 October 3, 2023 to take effect January 1, 2024. The proposed FY 24-25 budget includes a match to healthcare benefits for LAFCO staff which includes a \$310 subsidy of employees' twice monthly healthcare premiums for employee + family coverage. The healthcare plans and rates were approved by the Commission in December 13, 2023 to take effect January 1, 2024. The Commission evaluates the performance of the Executive Officer annually. The next annual performance evaluation would be in December 2024, 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 2024-2025 will slightly increase by \$19,764 or 4%. This is due mainly by off-setting member contributions through the use of contingency reserves.

Conclusion

In consideration of this information, it is recommended the Proposed Budget for FY 2024-2025 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 2, 2024 Commission meeting.

Attachments

Attachment A- Proposed FY 2024-2025 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 2024-2025 BUDGET - APRIL 4, 2024

Proposed 4/4/2024

Account Name and Number	2023-24 Final Budget	As of 3/31/24	Projected Year-End	2024-25 Proposed Budget	Inc/Dec	% Inc/Dec
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REVENUES

Interest Income - 3380	2,000	3,545	3,545	3,000	1,000	50%
Unrealized Gain/Loss - 3381	0	0	0	0	0	0%
Other Gov't Agencies - 4840	540,236	550,792	550,792	560,000	19,764	4%
Planning Studies Service - 5738	18,000	8,750	10,750	20,000	2,000	11%
Misc. Revenue - 5909	11,000	4,512	6,430	9,000	-2,000	-18%
Total Revenues	571,236	567,599	571,517	592,000	20,764	4%

EXPENDITURES

Salaries and Benefits

Commissioner Stipends - 6210	22,000	11,891	18,936	22,000	0	0%
Regular Salary - 6100	293,731	193,401	257,703	293,078	-653	0%
FICA Contribution - 6500	15,861	11,698	16,647	15,826	-35	0%
FICA/Medicare - 6550	6,462	3,053	4,211	6,448	-14	0%
Retirement-Employer Contribution - 6400	23,866	15,341	22,125	25,581	1,715	7%
Retirement - Employee Contribution - 5771	23,866	15,341	22,125	25,581	1,715	7%
Unemployment Insurance - 6700	6,630	30,351	31,206	3,466	-3,164	-48%
Fed Unemploy Tax-Employer Cont - 6700	300	827	870	550	250	83%
Fixed Costs (\$):						
Health Plan/Contribution - 6600	26,215	23,946	33,119	33,680	7,465	28%
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	411,715	301,924	401,418	417,279	5,564	1%

Services and Supplies

Audit Fees - 7324	12,000	0	6,000	12,900	900	8%
Memberships - 7430	9,540	9,564	9,564	9,750	210	2%
Office Expense - 7450	1,500	334	334	1,500	0	0%
Equipment Maintenance - 7120	0	0	0	0	0	0%
Copier Expense - 7453	2,000	0	650	1,000	-1,000	0%
Prof & Special Services - 7460	50,000	32,216	50,000	50,000	0	0%
Payroll Fees - 7507	2,750	1,615	2,119	2,400	-350	-13%
Legal Services -7508	50,000	38,948	57,000	65,000	15,000	30%
Pubs & Legal Notices - 7530	2,000	1,564	2,564	3,000	1,000	50%
Postage - 7451	1,000	225	725	1,000	0	0%
Gen Fund Cost Allocation - 7669	-245	255	255	19,051	19,296	-7876%
Training and Travel - 7732	26,000	16,565	20,164	26,000	0	0%
Total Services and Supplies	156,545	101,286	149,375	191,601	35,056	22%

Other Charges

Electricity - 7801	500	460	600	500	0	0%
Natural Gas - 7802	175	118	225	175	0	0%
Water - 7803	150	69	150	150	0	0%
Refuse - 7804	200	107	200	200	0	0%
Utility Services - 7806	100	34	100	100	0	0%
Liability Insurance - 6900	1,400	0	1,544	1,545	145	0%
Telephone Services - 7897	450	342	450	450	0	0%
Total Other Charges	2,975	1,130	3,269	3,120	145	5%

Contingency Reserve - 9600	-1,722	-1,722	-1,722	-20,000	0	0
Total Contingency Reserve	287,339	406,062	303,072	0	283,072	-1.5%
Total Exp/Appropriations	571,236	406,062	555,784	592,000	20,764	3.6%
Net Financial Impact	0	161,537	15,733	0	0	0.0%

*\$20,000 contingency will be deducted from reserves in FY 24/25. The estimated contingency reserve balance will be \$283,000