

LAFCO

Santa Barbara Local Agency Formation Commission
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April 6, 2023 (Agenda)

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

Proposed LAFCO Budget for Fiscal Year 2023-2024

Dear Members of the Commission:

RECOMMENDATION:

Consider recommendations regarding the Proposed Budget for Fiscal Year (FY) 2023-2024, as follows:

- a) Review the Proposed Budget for FY 2023-2024, 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 4, 2023 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

Commissioners: Cynthia Allen ♦ Jay Freeman, Vice-Chair ♦ Craig Geyer ♦ Joan Hartmann, Chair ♦ James Kyriaco ♦ Bob Nelson
♦ Jenelle Osborne ♦ Alice Patino ♦ Jim Richardson ♦ Shane Stark ♦ Das Williams **Executive Officer:** Mike Prater

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 \$571,236, a decrease of \$44,971 below the current year budget. The main reason for the decrease is the release of Contractual Staff Services and decrease to Cost Allocation Plan (CAP).

There is no recommended contribution to the contingency reserve as current allocation aligns with 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 \$290,000. Any year-end fund balance will also be added to reserves.

Following is a budget summary:

| Proposed Budget Summary | Adjusted Budget 2022-2023 | Proposed 2023-2024 | Change |
|-----------------------------|---------------------------|--------------------|-------------------|
| Salaries and Benefits | \$377,032 | \$411,716 | \$34,684 |
| Contracted Staff Support | \$30,000 | \$0 | (\$30,000) |
| Services & Supplies | \$196,600 | \$156,545 | (\$40,055) |
| Other Charges | \$2,575 | \$2,975 | \$400 |
| Total | \$616,207 | \$571,236 | (\$44,971) |
| Contingencies | \$10,000 | \$0 | (\$10,000) |
| Total Appropriations | \$616,207 | \$571,236 | (\$44,971) |
| Revenues | \$616,207 | \$571,236 | (\$44,971) |

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 (9.35%) of salary subject to the an annual pensionable compensation limit and the employees would fund (9.35%) up to the limit of (\$23,866). 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 2023-2024 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 2022-2023, approximately \$50,000 will be transferred to the contingency/reserve account. On June 30, 2023, the Commission's reserves will equal approximately \$289,380. 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 designated fund of \$50,000 will be created to cover future anticipated 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 2023-24 Fiscal Year. Rather in the first time in 10-years no additional contingency is recommended \$0 be added to the contingency reserves, as reserve are adequate.

Commission Clerk Services

The Commission no longer utilizes the Santa Barbara County Clerk of the Board Supervisors for Commission Clerk services. Since 2014-2015 to 2021-2022 the Commission has budgeted \$60,000 for Commission Clerk services. Based on addition of Clerk/Analyst position, it is no longer recommended that we use the Contractual Staff Services Account 7510 for Clerk services. This line item reflects \$0 amount and will be dropped from the Budget spreadsheet moving forward.

LAFCO Legal Counsel

On March 2, 2023, the Commission extended a two-year agreement with Mr. Dillon for legal services not to exceed \$150,000 per contract. It is anticipated legal services will not exceed normal expenditure. Therefore, the same amount is reflected in the proposed 2023-2024 budget.

Services and Supplies

In the area of Services and Supplies, Line Item 7669, will be decreased to -\$245 (a 101% decrease). This year, the general fund cost allocation amount in 2023-2024 will decrease. Line Item 7732, will be decreasing as well by 10% for Training and Travel, back to normal expenditure to cover CALAFCO Annual Conference and Staff Workshop, UCLA CEQA extension, and meeting mileage costs. The overall Services and Supplies decrease would be 20% based mainly on a decreasing of the projected 2023-2024 General Fund Cost Allocation (CAP) with some decreases in Professional & Special Services. Other Services and Supplies remain relatively stable.

Salaries, Benefits, and Taxes

Salaries are budgeted to increase by 7% in fiscal year 2023-2024. This reflects the same Commissioner Stipends. The Executive Officer's two-year contract approved on December 9, 2021 will be under consideration in December 2023. Overall, Salary, Benefits and taxes are proposed to increase by 9% (last years was increased by 32%). 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 5.1% is proposed.

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 4, 2022 to take effect January 1, 2023. The proposed FY 23-24 budget includes a match to healthcare benefits for LAFCO staff which includes a \$155 subsidy of employees' twice monthly 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 2023. 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 2023-2024 will decrease by \$39,836 or 7%. This is due mainly to the decrease in Contractual Staffing & CAP (7510 & 7669). An overall 5-10% Merit and CPI increase was included for LAFCO staff.

Conclusion

In consideration of this information, it is recommended the Proposed Budget for FY 2023-2024 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 4, 2023 Commission meeting.

Attachments

Attachment A- Proposed FY 2023-2024 LAFCO Budget

Please contact the LAFCO office if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "M Prater".

Mike Prater
Executive Officer

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

RECOMMENDED DRAFT 2023-2024 BUDGET - APRIL 6, 2023

Draft 4/6/2023

| Account Name and Number | 2022-23 Final Budget | As of 3/31/23 | Projected Year-End | 2023-24 Proposed Budget | Inc/Dec | % Inc/Dec |
|-------------------------|----------------------|---------------|--------------------|-------------------------|---------|-----------|
|-------------------------|----------------------|---------------|--------------------|-------------------------|---------|-----------|

REVENUES

| | | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|------------|
| Interest Income - 3380 | 4,000 | 2,553 | 2,553 | 2,000 | -2,000 | -50% |
| Unrealized Gain/Loss - 3381 | 0 | 0 | 0 | 0 | 0 | 0% |
| Other Gov't Agencies - 4840 | 580,072 | 550,340 | 580,072 | 540,236 | -39,836 | -7% |
| Planning Studies Service - 5738 | 25,000 | 25,000 | 25,000 | 18,000 | -7,000 | -28% |
| Misc. Revenue - 5909 | 7,135 | 8,087 | 9,175 | 11,000 | 0 | 0% |
| Total Revenues | 616,207 | 585,980 | 616,800 | 571,236 | -44,971 | -7% |

EXPENDITURES

Salaries and Benefits

| | | | | | | |
|---|----------------|----------------|----------------|----------------|---------------|-----------|
| Commissioner Stipends - 6210 | 22,000 | 11,268 | 22,000 | 22,000 | 0 | 0% |
| Regular Salary - 6100 | 274,887 | 180,530 | 272,000 | 293,731 | 18,844 | 7% |
| FICA Contribution - 6500 | 7,422 | 9,973 | 14,785 | 15,861 | 8,439 | 114% |
| FICA/Medicare - 6550 | 4,275 | 2,828 | 3,675 | 6,462 | 2,187 | 51% |
| Retirement-Employer Contribution - 6400 | 24,935 | 13,852 | 20,390 | 23,866 | -1,069 | -4% |
| Retirement - Employee Contribution - 5771 | 24,925 | 13,852 | 20,390 | 23,866 | -1,059 | -4% |
| Unemployment Insurance - 6700 | 3,563 | 2,610 | 3,500 | 6,630 | 3,067 | 86% |
| Fed Unemploy Tax-Employer Cont - 6700 | 300 | 117 | 300 | 300 | 0 | 0% |
| Fixed Costs (\$): | | | | | | |
| Health Plan/Contribution - 6600 | 22,500 | 21,418 | 22,500 | 26,215 | 3,715 | 0% |
| Life/Disability Insurance - 6610 | 3,200 | 1,977 | 3,200 | 3,000 | -200 | 0% |
| Def Comp - EO Employer - 6100 | 4,200 | 2,430 | 4,200 | 4,200 | 0 | 0% |
| Phone/Cash Allowance - 7811 | 2,750 | 1,624 | 2,450 | 2,450 | -300 | 0% |
| Auto Allowance - 7326 | 7,000 | 4,667 | 7,000 | 7,000 | 0 | 0% |
| Total Salaries and Benefits | 377,032 | 267,144 | 376,000 | 411,716 | 34,684 | 9% |

STAFF SUPPORT

| | | | | | | |
|-----------------------------------|---------------|--------------|--------------|----------|-----------------|--------------|
| Contractual Staff Services - 7510 | 30,000 | 2,329 | 2,329 | 0 | -30,000 | -100% |
| Total Staff Support | 30,000 | 2,329 | 2,329 | - | (30,000) | -100% |

Services and Supplies

| | | | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|-------------|
| Audit Fees - 7324 | 10,000 | 0 | 11,130 | 12,000 | 2,000 | 20% |
| Memberships - 7430 | 9,500 | 1,250 | 1,250 | 9,540 | 40 | 0% |
| Office Expense - 7450 | 1,500 | 2,391 | 2,211 | 1,500 | 0 | 0% |
| Equipment Maintenance - 7120 | 0 | 0 | 0 | 0 | 0 | 0% |
| Copier Expense - 7453 | 500 | 0 | 0 | 2,000 | 1,500 | 0% |
| Prof & Special Services - 7460 | 53,000 | 40,552 | 50,000 | 50,000 | -3,000 | -6% |
| Payroll Fees - 7507 | 2,750 | 1,546 | 2,800 | 2,750 | 0 | 0% |
| Legal Services - 7508 | 50,000 | 34,799 | 50,000 | 50,000 | 0 | 0% |
| Pubs & Legal Notices - 7530 | 2,000 | 1,030 | 2,298 | 2,000 | 0 | 0% |
| Postage - 7451 | 250 | 471 | 700 | 1,000 | 750 | 0% |
| Gen Fund Cost Allocation - 7669 | 38,100 | 29,074 | 38,100 | -245 | -38,345 | -101% |
| Training and Travel - 7732 | 29,000 | 14,647 | 26,000 | 26,000 | -3,000 | -10% |
| Total Services and Supplies | 196,600 | 125,760 | 184,489 | 156,545 | -40,055 | -20% |

Other Charges

| | | | | | | |
|----------------------------|--------------|--------------|--------------|--------------|------------|------------|
| Electricity - 7801 | 500 | 485 | 500 | 500 | 0 | 0% |
| Natural Gas - 7802 | 175 | 166 | 175 | 175 | 0 | 0% |
| Water - 7803 | 150 | 97 | 150 | 150 | 0 | 0% |
| Refuse - 7804 | 200 | 123 | 200 | 200 | 0 | 0% |
| Utility Services - 7806 | 100 | 30 | 100 | 100 | 0 | 0% |
| Liability Insurance - 6900 | 1,000 | 824 | 1,350 | 1,400 | 400 | 0% |
| Telephone Services - 7897 | 150 | 298 | 440 | 450 | 300 | 200% |
| Total Other Charges | 2,275 | 2,022 | 2,915 | 2,975 | 700 | 31% |

| | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Contingency Reserve - 9600 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Contingency Reserve | 238,312 | | 289,379 | 0 | 289,379 | 21.4% |
| Total Exp/Appropriations | 616,207 | 397,255 | 565,733 | 571,236 | -44,971 | -7.3% |
| Net Financial Impact | 0 | 188,725 | 51,067 | 0 | 0 | 0.0% |

*\$0 contingency will be added to reserves in FY 23/24. The estimated contingency reserve balance will be \$289,000

ATTACHMENT A