

April 5, 2018 (Agenda)

Local Agency Formation Commission
105 East Anapamu Street, Room 407
Santa Barbara CA 93101

Proposed LAFCO Budget for FY 2018-2019

Dear Members of the Commission:

RECOMMENDATION

It is recommended that the Commission:

1. Review the Proposed Budget for Fiscal Year 2018-19, accept all public testimony and approve the Proposed Budget as presented.
2. Direct the staff to distribute the approved Proposed Budget to cities, special districts and the County as required by Government Code Section 56381.
3. Schedule a public hearing for May 3, 2018 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 requires 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 \$505,463, an increase of \$51,905 over the current year budget. Following is a budget summary.

<u>Proposed Budget Summary</u>	<u>Adjusted Budget 2017-18</u>	<u>Proposed 2018-19</u>	<u>Change</u>
Salaries and Benefits	\$ 17 225	17 225	\$ 0
Contracted Staff Support	235 000	235 000	0
Services & Supplies	179 901	171 597	-8,303
Other Charges	<u>1 432</u>	<u>1 641</u>	<u>209</u>
Total	433 558	425 463	8 095
Contingencies	20 000	80 000	60 000
Total Appropriations	433 558	505 463	51 905
Revenues	453 558	505 463	51 905

Detailed Description of Individual Accounts

The proposed budget spreadsheet and specific line item accounts is attached as **Exhibit A**. The speed sheet presents the Recommended Proposed 2018-19 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. Appropriations not expended during one fiscal year become part of the available fund balance to finance the Commission in the following fiscal year.

Designation for Contingency

During 2015-16, \$20,000 was transferred to the contingency/reserve account. In 2016-17, \$50,000 was transferred to the contingency. In 2017-18 budget an additional \$20,000 was added to the Contingency Reserve Account, Line Item 9600. For the 2018-19 budget, an additional \$80,000 is recommended to be added to Reserves.

A number of questions were raised when the Commission considered the 2016-17 Year-End Report on August 3, 2017. In the 2016-17 Year-End Report, approximately \$80,000 was transferred from contingencies to the operating budget to cover overages in operating accounts. Staff will recap the issues related to the Year-End Report and set the stage for the upcoming 2018-19 Recommended Proposed SBLAFCO Budget.

1). In 2016-17 Expenditures for Salaries and Benefits were over by \$2,775, Legal Fees and Clerk to the Board Services were over budget by \$56,177 mainly attributed to staff time spent on the 2016 CALAFCO Annual Conference, processing complex proposals such as the West Santa Ynez and Museum of Natural History Annexations, and Formations of the Cuyama Basin Water District, and the Los Olivos Community Services District. Also for the first time, the Commission was billed \$11,515 by the County Assessor and County Elections for signature verifications, and

2). Revenues from processing fees for LAFCO Applications were \$28,000 less than projected at year-end. This includes an \$8,000 refund to the abandoned Santa Rita Hills Bridge and Highway District Reorganization.

The situation was further exacerbated by the receipt of a 2016-17 claim on September 8, 2017, from the County Assessor and Elections for \$62,910.96. The billings were for land owner and registered voter verifications for LAFCO Application petition verification, mailings list, and protest hearings. Although these charges have been mainly recovered from applicants, charges such as these make it extremely difficult to predict what occurs during the budget process.

Therefore, as mentioned above, the 2016-17 SBLAFCO Budget was balanced by the transfer of contingency funds to the operating budget. The amount of contingency reduction for 2016-17 was \$81,100. The net \$81,100 reduction in contingencies brings the total contingency balance at year-end to \$28,900, with an additional budgeted \$20,000 being added at the end of FY 2017-18 will bring the contingency/reserve total to \$58,900 at the end of the 2017-18 fiscal year. This is assuming that there will be additional draws on this account.

The bottom line is that the way the LAFCO office is structured with a contract staff, it is extremely difficult to predict and budget for time spent of proposals. LAFCO expenditures and revenues are proposal driven and are based on the complexity of the applications filed with the Commission.

Preview of 2018-19 SBLAFCO Budget

On January 4, 2018, staff presented a preview of the Proposed 2018-19 SBLAFCO Budget. The following issues were highlighted by staff:

1. Because of transfers from reserves to the 2016-17 operating budget, contingencies need to be replenished to a reasonable level, 30-40% of the operating budget.
2. In future years, funding for Legal Counsel Charges and Clerk to the Board Services should be increased based on actual charges and projections for the future workload.
3. Development and implementation of a real-time billing arrangement in the schedule of processing fees. This should be developed in conjunction with the 2018-19 SBLAFCO Budget.

The replenishment of \$80,000 to the contingency/reserves account will be used for unanticipated expenses such as litigation and other legal services, professional services, and other unexpected and other unbudgeted expenses. Funds from the contingency/reserve account, with Commission approval, can be transferred to the operating budget. Reserves could also be used for contract consultant services for MSR/SOI updates and to cover staff costs for increased workload. Reserves can also be used to cover transitional costs for new staff.

Commission Clerk Services

The Commission will continue to utilize the County Clerk to the Board (COB) for Commission Clerk services. In March 2014, the Commission opted to pick up the cost of Clerk services for the remainder of 2013-14 and all of 2014-15. The cost of Clerk Services were previously paid by the Executive Officer from Contractual Staff Service – Line Item 7510. The Contractual Staff Service account for the Executive Officer was reduced by \$30,000. An additional \$30,000 was included in 2014-15 for a total of \$60,000 for Commission Clerk services. An additional \$9,492 was allocated for Clerk service in 2016-17. Based on current year projections, it is recommended that the Contractual Staff Services Account 7510 for Clerk services remain at current year levels.

Services and Supplies

In the area of Services and Supplies, Line Item 7669, was decreased by \$8,304 based mainly on a lowering of the 2018-19 General Fund Cost Allocation. In 2017-18 the General Fund Cost Allocation account was increased by \$79,610. As explained by the County Auditor-Controller's Office at the 2017-18 Budget Hearing, the main reason for the increase of \$79K from the Prior Year to the Current Year Cost Plan Charge (CAP) is mainly due to variances between the direct billings and the cost coded to LAFCO from the Clerk of the Board and County Counsel, which resulted in increases of \$55K and \$28K respectively. The charge was made more noticeable

because the two years prior to 2017-18, LAFCO receive a credit because of reductions in CAP charges of -\$24,459 in 2016-17 and -\$6,697 in 2015-16.

Revenue Accounts

In the area of Revenues, LAFCO Billings to the County of Santa Barbara, Cities, and Special Districts for 2018-19 will increase by \$50,095. This is due mainly to increases in Contingency/Reserve Account to replenish \$81,000 in transfers in 2016-18. LAFCO Processing Fees are also projected to remain the same as the current based on current year projections. The 2017-18 Year-End Projection in Line Item 5738, LAFCO Processing Fees, appears to be much larger than budgeted, based on the cost recovery from Assessor/Election Billings. It is important to note that these charges were paid from Line Item 7460-Professional and Special Services which offsets the increase in revenues for 2017-18.

Conclusion

In consideration of this information, it is recommended the Proposed Budget 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, 2017, Commission meeting.

EXHIBIT

Exhibit A Proposed FY 2018-19 LAFCO Budget

Please contact the LAFCO office if you have any questions.

Sincerely,



PAUL HOOD
Executive Officer

Cc: County Executive Officer
Each City Manager
Each Special District Manager

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

PROPOSED 2018-19 BUDGET - April 5, 2018

Account Name and Number	2017-18 Final Budget	As of 3/24/2018	Projected Year-End	2018-19 Proposed Budget	Inc/Dec	% Inc/Dec
-------------------------	----------------------	-----------------	--------------------	-------------------------	---------	-----------

Revenues

Interest Income - 3380	750	1,440	1,750	1,750	1,000	133%
Unrealized Gain/Loss - 3381	310	-648	-750	310	0	0%
Other Gov't Agencies - 4840	424,498	421,864	424,498	475,403	50,905	12%
Planning Studies Service - 5738	25,000	53,468	68,620	25,000	0	0%
Misc. Revenue - 5909	3,000	150	3,000	3,000	0	0%
Total Revenues	453,558	476,274	497,118	505,463	51,905	11.0%

Expenditures

Salaries and Benefits

Commissioner Stipends - 6210	15,000	6,452	12,000	15,000	0	0%
FICA Contribution - 6500	1,250	372	1,250	1,250	0	0%
FICA/Medicare - 6550	350	87	300	350	0	0%
Unemployment Insurance - 6700	625	150	500	625	0	0%
Total Salaries and Benefits	17,225	7,061	14,050	17,225	0	0.0%

Staff Support

Contractual Staff Services - 7510	235,000	153,397	235,000	235,000	0	0%
Total Staff Support	235,000	153,397	235,000	235,000	0	0%

Services and Supplies

Audit Fees - 7324	6,000	6,000	6,000	6,000	0	0%
Memberships - 7430	6,000	5,161	6,161	6,000	0	0%
Office Expense - 7450	2,500	872	1,200	1,500	-1,000	-40%
Prof & Special Services - 7460	45,000	94,911	94,911	45,000	0	0%
ADP Payroll Fees - 7507	1,750	627	1,750	1,750	0	0%
Legal Services -7508	35,000	16,901	35,000	35,000	0	0%
Pubs & Legal Notices 7530	2,500	126	1,250	2,500	0	0%
Gen Fund Cost Allocation -7669	55,151	27,691	55,151	47,847	-7,304	-13%
Training and Travel- 7732	26,000	16,634	22,000	26,000	0	0%
Total Services and Supplies	179,901	168,924	223,423	171,597	-8,304	-4.6%

Other Charges

Electricity - 7801	584	357	584	700	116	20%
Natural Gas - 7802	100	76	100	100	0	0%
Water - 7803	177	72	177	200	23	13%
Refuse - 7804	0	81	100	0	0	0%
Utility Services - 7806	65	36	65	100	35	54%
Liability Insurance - 7895	158	0	158	181	23	15%
Telephone Services - 7897	348	261	348	360	12	3%
Total Other Charges	1,432	884	1,532	1,641	209	14.6%

Contingency Reserve - 9600	20,000	0	20,000	80,000	60,000	300%
Total Contingency Reserve	20,000	0	20,000	80,000	60,000	300%
Total Exp/Appropriations	453,558	330,265	494,005	505,463	51,905	11%

*Adding \$80,000 to contingencies will increase reserves to \$130,000 at 6/30/19