



Staff Report

DATE: April 15, 2019
 TO: Local Agency Formation Commission
 FROM: Rich Seithel
 SUBJECT: **PROPOSED FISCAL YEAR 2019-2020 BUDGET & WORK PLAN**

RECOMMENDATION:

Staff recommends the Commission:

1. REVIEW the Proposed FY 2019/20 Proposed Budget and Work Plan.
2. ADOPT or adopt with modifications the FY 2019/20 Proposed Budget and Work Plan.
3. DIRECT staff to distribute the Proposed Budget to the cities and county pursuant to Government Code section (GC§) 56381.
4. SCHEDULE a public hearing for June 10 to consider and adopt the Final Budget.

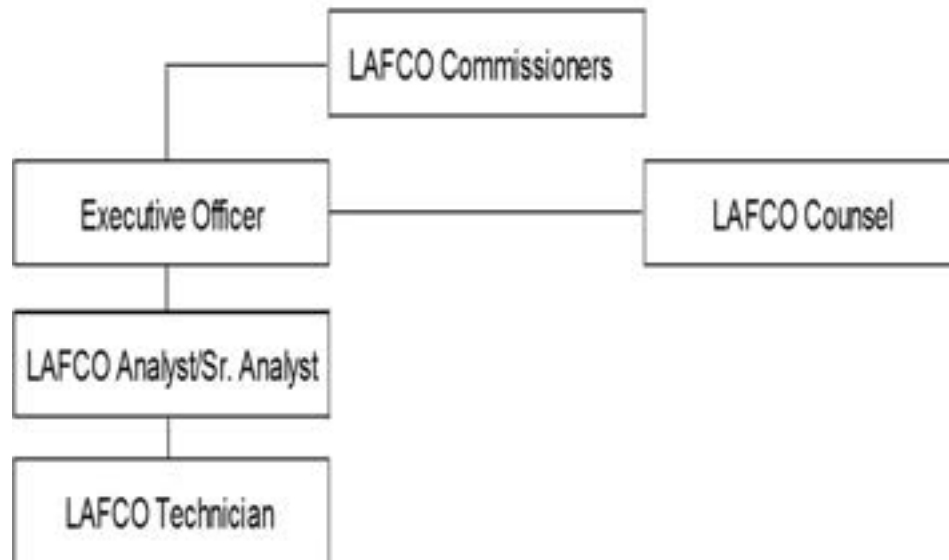
BACKGROUND:

Pursuant to GC§56381(a): The Commission is required to adopt a Proposed Budget by May 1 and a final budget by June 15. After public hearings, consideration of comments, and adoption of a final budget by the commission, the auditor shall apportion the net operating expenses of a commission in the following manner: in counties in which there is no independent special district representation on the commission, the county and its cities shall each provide a one-half share of the commission’s operational costs (GC§56381 (b) (F) (2)). The fiscal year (FY) 2018/19 adopted operating budget was \$590,372 with a net operating expense of \$470,293.

DISCUSSION:

The Proposed FY 19/20 Budget (Attachment A) was developed based on a number of key policy considerations and on a proposed Work Plan for FY 19/20. The Proposed FY 19/20 Budget includes appropriations totaling \$697,726, reflecting an overall increase of \$107,353 (18%) from the prior year. This increase, as you will note in Table 2, is primarily the: CalPERS unfunded liability increase; GIS cost increase, and; part-time LAFCO Technician/Asst. Planner cost.

The LAFCO Technician/Asst. Planner position was discussed during the October 15, 2018 Succession Planning and Senior Analyst Position agenda item. During the October meeting, a proposed organization chart was presented including the LAFCO Tech position. In consideration of a “soft” start, we are engaging other agencies in considering sharing an employee and the cost. We are also in discussions with Marc Fox to identify potential cross agency HR issues. Following is the organization chart that was presented at the October meeting:



The Proposed Budget recognizes LAFCO’s municipal service review and sphere of influence responsibilities. It also allows the Commission to complete some of the more pressing studies. For example, the FY 2019/20 Budget/Work Plan highlights the high priority nature of the fire districts service and governance evaluations.

Some of the key policy considerations and directives taken into consideration while developing the Proposed Budget include:

- The Commission gave direction to pay off its CalPERS unfunded liability (UAL) within 5 years beginning FY 2016-17. As of July 1, 2019 the UAL is an estimated \$33,162.
- The Commission’s unassigned General Reserve policy calls for funding levels to be at 20% of the Commission’s Operating Budget.
- The Commission conducts biennial audits.

Overall, the Proposed Budget reflects a \$159,431 (33.9%) net effect on the City/County apportionment. Following is a summary of notable expenses, revenues, and carry-over.

EXPENSES:

Expenses for funding the LAFCO operation for the Proposed Budget are summarized in Table 1:

Table 1 - Summary of Expenses

Budget Categories	2018-19 Adopted Budget	2019-20 Proposed Budget	Percent Change 17/18 Adopted and 18/19 Proposed
Salaries and Benefits	\$323,304	\$379,275	17%
Services and Supplies	267,068	300,558	12%
Subtotal	\$590,372	\$679,833	15%
20% Reserve Mtce +/-		\$17,893	
Total Expenses		\$697,726	18%

The Proposed FY 19/20 Budget, by line item, is attached (Attachment A). Table 2 below identifies notable changes from prior year.

Table 2 – Notable changes from FY 18/19 Adjusted Budget to FY 19/20 Proposed Budget

Line Item	Description	Explanation	Increase (Decrease) vs. FY 18/19 Approved Budget
1110	Salaries/ Wages	Wage adjustments for performance evaluations and .5 FTE LAFCO Tech.	\$40,000
1210	Retirement	Per Commission directive, the Proposed Budget recommends paying down the CalPERS unfunded accrued liability by the end of FY 20/21. FY 19/20 portion is \$10,351 increase over FY 18/19.	\$10,351
1230	Health Insurance	The Proposed Budget includes an increase due to the anticipation of a .5 FTE LAFCO Tech.	\$4,346
2235	Accounting & Financial Svcs.	The biennial audit was performed in FY 18/19. There is no audit scheduled for FY 19/20.	(\$10,900)
2250	Other Pro Svcs.	Two primary reasons: CAO advises GIS charges increased by \$28,110, and; State requirements for website improvements and compliance.	\$35,135
2266	Central Data Processing Services	Cost of additional employee (.5 FTE LAFCO Tech) log-in	\$5,802
N/A	20% Reserve Policy Adjustment	To comply with the Commission’s policy that a minimum 20% (based on Operating Budget) General Reserve be maintained, there is an adjustment of \$17,893 required to meet the 20% requirement.	\$17,893
		Total	\$102,627

REVENUES/SOURCES OF FUNDING:

Cities and County Apportionment

The estimated charge to the County and cities is \$629,725 an increase of \$159,431 or 34% from prior year. In a county where there is no independent special district representation on the commission (such as Solano LAFCO), the county and its cities each provide a one-half share of the commission's operational costs. The cities' share is apportioned according to each city's general revenues, as reported in the most recent edition of the State Controller's Cities Annual Report.

Table three below summarizes the estimated billing to the county and cities. It is important to note the calculations are unofficial and are included only to provide the cities an estimate. A more current version of the State Controller's Cities Annual Report will be released after adoption of the LAFCO's Final Budget. Official calculations are provided by the Auditor and, in accordance with Government Code Section 56381, apportions the net operating expenses of the commission.

Table 3 – Summary of County and Cities Apportionment

LAFCO'S BILLING TO COUNTY AND CITIES FOR FY 2019-20					
City	General Revenues	Distribution %	FY18/19 Invoice	FY 19/20 Estimate	Difference
Benicia	\$ 30,562,486	10.54%	\$ 24,782	\$ 33,183	\$ 8,401
Dixon	\$ 12,272,159	4.23%	\$ 9,951	\$ 13,324	\$ 3,373
Fairfield	\$ 87,269,711	30.09%	\$ 70,764	\$ 94,753	\$ 23,989
Rio Vista	\$ 4,806,446	1.66%	\$ 3,897	\$ 5,219	\$ 1,321
Suisun	\$ 8,328,559	2.87%	\$ 6,753	\$ 9,043	\$ 2,289
Vacaville	\$ 67,893,332	23.41%	\$ 55,052	\$ 73,715	\$ 18,663
Vallejo	\$ 78,862,719	27.19%	\$ 63,947	\$ 85,625	\$ 21,678
Cities Total	\$ 289,995,412	100.00%	\$ 235,147	\$ 314,862	\$ 79,715
County Total			\$ 235,146	\$ 314,863	\$ 79,716
Total			\$ 470,293	\$ 629,725	\$ 159,431

**Formula: City apportionment = (City %)((\$629,725/2) County apportionment = (\$629,725/2) note: The auditor is statutorily directed to apportion the net operating expenses of the commission and official calculations are provided by the auditor.*

Revenues from Project Fees

Staff estimates that billable project activities will generate \$10,000 in fee revenues. Table 4 outlines projects anticipated to generate fees:

Table 4: Anticipated Projects FY 18-19

Project Name	Agency (Primary)
Brighton Landing Phase Five (detachment)	Solano Irrigation District
The Farm at Alamo (detachment)	Solano Irrigation District
Dixon Sphere of Influence	City of Dixon
Roberts Ranch (detachment)	Solano Irrigation District
Fire Protection Districts (reorganization analysis)	Various

CARRY-OVER:

According to Government Code Section 56381 4(c), “If, at the end of the fiscal year, the commission has funds in excess of what it needs, the commission may retain those funds and calculate them into the following fiscal year's budget.” It is projected that there will be a \$55,000 fund balance at FY 2018/19 year-end.

Statutory Deadlines

GC§56381 specifies certain statutory deadlines for adopting the LAFCO’s Proposed and Final Budget. Table Five lists the statutory deadlines and how Solano LAFCO plans to comply with the statute.

Table 5: Deadlines and Actions

Deadlines	Statutory Requirement and Planned Actions
May 1	The LAFCO must adopt a Proposed Budget <i>(April 15 mtg)</i>
June 15	The LAFCO must adopt a Final Budget <i>(June 10 mtg)</i>
July 1	The auditor requests payment from cities and county
August 30	Payments must be received by the auditor

Proposed Work Plan:

In conjunction with a proposed budget, the Commission sets out a work plan. The work plan typically includes work items/tasks such as preparing Municipal Service Reviews (MSRs)/Sphere of Influence (SOI) updates and special studies, updating the Commission’s policies and procedures, and other projects and activities. This section provides a summary of the Proposed Work Plan for FY 19/20. Key items have been identified and categorized as: Projects (P); Commission Directives (C); Administrative (A); Outreach (O), or; Legislative (L). In addition, work items have been further classified by priority level. (see Attachment B).

- Projects – In consultation with agencies, a list of near-term projects has been developed. These projects have either already been submitted or it is anticipated that they will be submitted in FY 19/20.

- Commission Directive – Solano LAFCO has provided leadership and partnership roles in Solano County through proactive initiatives designed to support the efficient delivery of municipal services and to foster relationships among local and regional agencies and organizations. On-going Commission identified key issues/projects include: Unincorporated Island Annexations; Road Agreements, and, most significantly; Fire Service evaluation/reorganization.
- Administrative – The proposed FY 18/19 Work Plan includes key administrative projects that support organization effectiveness and internal efficiencies. In addition to the daily LAFCO office duties and Commission meeting prep and follow-up, the proposed Work Plan includes administrative projects that help keep local agencies and the public informed, as well as, improve organization effectiveness. It is critical to maintain internal efficiencies that support Solano LAFCO’s organizational effectiveness and to meet statutory requirements.
- Outreach – Through staff, foster the development of collaborative relationships with Solano County’s local and regional agencies and organizations that support efforts to collectively address common challenges and the roles of each agency in the planning and shaping of Solano County.
- Legislative - Solano LAFCO is required by statute to process changes of organization and reorganization, conduct sphere of influence reviews, updates and municipal service reviews, adopt local policies and procedures, and fulfill other legal mandates. Of particular note, the FY 19/20 Proposed Work Plan continues to address the backlog of SOI updates and the SB 448 requirement regarding inactive districts.

Given the limited amount of time a 2-person staff can spend, it is helpful to prioritize the tasks. A high priority classification indicates that the item is: time-sensitive; high-value, and; critical.

Ten items have been rated at a “high priority” level, 4 “medium”, and one “low” for the FY 19/20 proposed Work Plan. Many of the items represent a variety of activities that are associated with that task. For example, Fire District study, while appearing to be a single task, involves extensive research and engaging multiple agencies, County Administrator’s Office, EMS, Risk Management, Fire Commissions, CalFire, Fire Chiefs Association, as well as , parcel research, budget analysis, call analysis, mutual/automatic aid statistics etc.

CONCLUSION:

As presented, the Work Plan is ambitious, but achievable and will require technical assistance via utilizing consultants for MSR/SOI studies and other technical analysis. In the coming weeks, staff will be presenting the Proposed Budget and Work Plan to the City/County Manager’s Group) and the Community Development/Planning Director’s Group. Staff will inform the Commission of their comments at the June 11 public hearing.

FY 2019/20 Proposed Budget					
CATEGORY Subobject	Description	17/18 Actuals	2018/19 Adopted Budget (AB)	Year End Projection	19/20 Proposed Budget (PB)
1000	SALARIES AND EMPLOYEE BENEFITS				
0001110	SALARY/WAGES REGULAR	219,919	243,211	236,693	283,224
0001210	RETIREMENT-EMPLOYER	19,497	29,280	26,239	39,631
0001212	DEFERRED COMP-COUNTY MATCH	130	260	120	390
0001220	FICA-EMPLOYER	3,346	3,527	3,648	3,722
0001230	HEALTH INS-EMPLOYER	19,422	22,740	21,810	27,086
0001231	VISION CARE INSURANCE	248	318	318	600
0001240	COMPENSATION INSURANCE	83	836	797	963
0001241	LT DISABILITY INSURANCE ER	681	1,373	1,373	1,374
0001250	UNEMPLOYMENT INSURANCE	1,302	868	868	1,302
0001260	DENTAL INS-EMPLOYER	2,249	2,189	1,512	2,931
0001270	ACCRUED LEAVE CTO PAYOFF	5,306	16,887	9,776	15,949
0001290	LIFE INSURANCE-EMPLOYER	1,042	1,815	1,890	2,103
TOTAL	SALARIES AND EMPLOYEE BENEFITS	273,224	323,304	305,044	379,275
2000	SERVICES AND SUPPLIES				
0002021	COMMUNICATION-TELEPHONE SYSTEM	639	748	748	748
0002026	CELL PHONE ALLOWANCE	880	1,200	1,200	1,200
0002028	TELEPHONE SERVICES	2,648	2,520	2,774	2,780
0002051	LIABILITY INSURANCE	-	4,083	4,339	4,556
0002140	MAINTENANCE-BLDGS & IMPROVE	203	400	40	400
0002170	MEMBERSHIPS	1,299	5,114	5,141	5,913
0002180	BOOKS & SUBSCRIPTIONS	128	400	400	400
0002200	OFFICE EXPENSE	3,927	3,000	2,758	3,000
0002202	CONTROLLED ASSETS \$1500-\$4999	2,622	2,622	2,622	1,800
0002205	POSTAGE	321	500	500	500
0002235	ACCOUNTING & FINANCIAL SERVICE	9,066	20,700	20,700	9,800
0002245	CONTRACTED SERVICES	30,453	120,000	123,688	120,000
0002250	OTHER PROFESSIONAL SERVICES	25,145	50,475	50,475	85,610
0002266	CENTRAL DATA PROCESSING SVCE	8,969	10,638	10,638	16,440
0002270	SOFTWARE	330	600	600	600
0002280	PUBLICATIONS AND LEGAL NOTICES	522	2,260	2,260	2,260
0002285	RENTS & LEASES - EQUIPMENT	5,498	6,368	6,368	6,368
0002295	RENTS & LEASES-BUILDINGS/IMPR	16,140	17,140	17,140	17,483
0002310	EDUCATION & TRAINING	1,674	2,000	2,000	2,000
0002335	TRAVEL EXPENSE	10,003	10,000	10,000	10,000
0002339	MANAGEMENT BUSINESS EXPENSE	1,060	500	517	500
0002354	CAR ALLOWANCE	2,700	4,800	6,300	7,200
0002355	PERSONAL MILEAGE	389	1,000	1,000	1,000
TOTAL	SERVICES AND SUPPLIES	124,641	267,068	272,208	300,558
0000730	RESERVES REQUIREMENT MTCE ADJ				17,893
9200	LICENSES, PERMITS & FRANCHISE				
0009229	LICENSES & PERMITS-OTHER	29,661	40,000	52,340	10,000
TOTAL	LICENSES, PERMITS & FRANCHISE	29,661	40,000	52,340	10,000
9400	REVENUE FROM USE OF MONEY/PROP				
0009401	INTEREST INCOME	5,885	3,000	2,633	3,000
TOTAL	REVENUE FROM USE OF MONEY/PROP	5,885	3,000	2,633	3,000
0000740	Fund Balance Applied from PY		77,079		55,000
9500	INTERGOVERNMENTAL REVENUES				
0009511	OTHER GOVERNMENTAL AGENCIES	447,319	470,293	470,293	629,726
TOTAL	INTERGOVERNMENTAL REVENUES	447,319	470,293	470,293	629,726
	TOTAL EXPENSE	397,865	590,372	577,252	697,726
	TOTAL REVENUE	482,865	513,293	525,266	642,726
	NET FUND COST				55,000
000740	Reserve Other		118,074	118,074	135,967

PROPOSED 2019/20 Work Plan

#	Task/Project	Priority	Category	Status	Comments
1	LAFCO Tech	High	A	N	For work load and succession planning purposes.
2	Outreach	High	C	O	Continuing to engage with: city council; planning commissions; special districts; ALUC; Travis AFB; regional agencies; Solano EDC, STA, Solano Planning Directors, and GIS development group, and CASA work group. Continuing early collaboration with city planning directors, economic directors, and developers.
3	Brighton Landing 5	High	P	N	Final phase. SID detachment
4	Roberts' Ranch	High	P	N	Working with SID on creating a streamlined application process as this specific plan area was recently approved for annexation
5	The Farm	High	P	N	Working with SID on creating a streamlined application process as this specific plan area was recently approved for annexation
6	Fire Services	High	P	O	high priority project to evaluate fire district services and reorganization possibilities
7	SOIs	High	L	O	Currently working on Reclamation District updates. Evaluating necessity for Water and/or Waste Water service providers. Other agencies for review include the fire districts of: Dixon, East Vallejo, Montezuma, and Suisun.
8	Dixon General Plan Update	Medium	P	N	Staff is working with Dixon Planning Director regarding LAFCO related General Plan issues/requirements
9	Website	High	A	N	Update website for compliance with ADA and state requirements. Improve information
10	Workshop	High	O	O	Educating applicants concerning LAFCO Standards and application requirements;
11	Island Annexations	Medium	C	O	Staff continues to seek opportunities and to encourage island annexations with planning directors and public works.
12	Road Agreements	Medium	C	O	Working with County and cities to develop road maintenance agreement and policy language for LAFCO related proposals.
13	Policies and Standards	Medium	A	O	Staff has assembled a Policies and Standards work-team with the cities of Dixon, Fairfield, and Vacaville. Given city and LAFCO workload, work-team needs to be re-energized.
14	Records Retention	Low	A	O	Purge stored records per records management schedule
15	Inactive Districts	High	L	O	SB 448 initiated an annual process for LAFCOs to identify, evaluate, and consider dissolving inactive special districts.