



Solano Local Agency Formation Commission

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Staff Report

DATE: March 23, 2023

TO: Budget Committee: Commissioners Kott and Mashburn

FROM: Rich Seithel

SUBJECT: **DRAFT PROPOSED BUDGET FISCAL YEAR 2023-24**

Background:

The Draft Proposed Budget is prepared for the LAFCO Finance Committee's consideration and discussion. Overall, the Draft Proposed Budget for Fiscal Year (FY) 2023-24 includes appropriations totaling \$1,026,559 reflecting a decrease of \$22,229 or 2% from the prior year's adjusted budget of \$1,048,788. Attached (Attachment A) is the working draft, by line item, for the Finance Committee's review

The staff report's discussion section includes a Summary of the Draft Proposed Budget, Cortese-Knox-Hertzberg Act (CKH) requirements and the Commission's Policies, Notable Expenses, and Funding Sources (County/cities, project applications, interest income, and fund balance).

Discussion:

1. Summary of the Draft Proposed Budget

The Draft Proposed Budget proposes to:

- increase salaries and benefits (1000s budget category) by \$54,870 or 9%;
- decrease services and supplies (2000s category) by \$33,301 or 8%;
- decrease revenue from project application fees from \$75,000 to \$50,000;
- no change to the reserve account, and;
- increase interest income \$2,000.

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Staff

Rich Seithel, Executive Officer • Christina Love, Deputy Executive Officer • Aaron Norman, Analyst II • Mala Subramanian, Lead Legal Counsel

Most notably, staff proposes decreasing charges to the County and cities by appropriating fund balance. The prior year's billing totaled \$895,788, and the proposed 2023-24 billing is \$671,559, a decrease of \$224,229.

The following tables reflect these changes:

| Table 1: Summary of Expenses | | | | |
|-------------------------------------|--------------------------------|--------------------------------|------------|-----------------|
| Budget Categories | 2022-23 Adjusted Budget | 2023-24 Proposed Budget | +/- | % Change |
| <i>Salaries and Benefits (1000)</i> | \$589,573 | \$644,443 | \$54,870 | 9% |
| <i>Services and Supplies (2000)</i> | \$415,417 | \$382,116 | (\$33,301) | -8% |
| <i>Designated Reserve (730)</i> | \$43,798 | \$0 | (\$43,798) | -100% |
| Total Expenses | \$1,048,788 | \$1,026,559 | (\$22,229) | -2% |

| Table 2: Sources of Funding | | | | |
|--|--------------------------------|--------------------------------|-------------|-----------------|
| Budget Categories | 2022-23 Adjusted Budget | 2023-24 Proposed Budget | +/- | % Change |
| <i>Licenses, Permits, Franchise (9200)</i> | \$75,000 | \$50,000 | (\$25,000) | -33% |
| <i>Revenue from Use of Money (9400)</i> | \$3,000 | \$5,000 | \$2,000 | 67% |
| <i>Intergovernmental Revenues (9500)</i> | \$895,788 | \$671,559 | (\$224,229) | -25% |
| <i>Fund Balance Appropriation</i> | \$75,000 | \$300,000 | \$225,000 | 300% |
| <i>Encumbrance Roll-Over</i> | \$0 | \$0 | \$0 | N/A |
| Total Revenue | \$1,048,788 | \$1,026,559 | (\$22,229) | -2% |

2. CKH and Solano LAFCO Policies

The Draft Proposed Budget was developed in accordance with CKH requirements, as well as, the Commission's Policies.

- A. Per CA Government Code Section 56381(a), the Commission is required to adopt a budget that at a minimum shall be equal to the budget adopted for the

previous fiscal year unless the Commission finds that reduced program costs will nevertheless allow the Commission to fulfill its purposes and programs. Since the Draft Proposed Budget calls for a decrease of 2% of the prior year's budget, staff would recommend the Commission adopt a resolution making a determination that the Commission can fulfill its purposes and programs with a reduced operating budget.

- B. The Commission's Reserves Policy, Section A, requires maintaining a contingency reserve fund of not less than 20% of the annual budgeted expenditures. Maintaining the current \$209,757 (20.4%) Reserve meets the Commission's policy.

3. Notable Expenses

The following are notable changes in the Draft Proposed Budget that differ (\geq \$10,000) from the prior year's budget.

| Table 3: Notable Changes (\geq\$10,000) from FY 22/23 Adjusted Budget | | | |
|---|-------------------------------|---|---|
| Line Item | Description | Explanation | FY 22/23 Proposed vs. FY 22/23 Adjusted Budget |
| 1110 | Salaries/Wages | Step Adjustments and COLA | \$57,570 |
| 2235 | Accounting and Financial Svcs | Bi-annual audit performed in FY 22/23 (year early) | (\$14,500) |
| 2239 | Legal Service | Anticipated cost-savings with BB&K | (\$9,800) |
| 2245 | Contracted Services | est. \$60,000 in consulting contracts for regional projects that we are attempting to encumber. | (\$50,000) |
| 2250 | Other Pro Services | Legal services from Scott Browne that were incorrectly reflected in #2250 | (\$17,500) |
| 2266 | Central Data Processing Svcs | Dolt advises that GIS charges have increased \$30,000. | \$33,057 |
| N/A | 20% Reserve Policy | 20% reserve is est. to be over 20% EOFY '23 | (\$43,798) |
| 9229 | Licenses & Permits - Other | FY 23 budget included the intake of regional projects that are delayed | (\$25,000) |
| 9511 | Intergovernmental Agencies | FY 24 budget utilizes fund balance to offset expenses | (\$224,229) |

4. Sources of Funding

County/Cities (Other Governmental Agencies)

The most substantial funding source for LAFCO's operational costs comes from the County and the seven cities. This funding is the net after operational expenses less LAFCO generated revenue and fund balance appropriation. For FY 2023-24 the proposed invoice to the County and cities total \$671,559, a \$224,229 decrease. Staff calculated the estimated cost breakdown to the County and each city using the most recent general fund report from the State Controller's Office (SCO) that was provided by the Auditor-Controller. (see Table 4 below for details).

| Table 4: Estimated Billing to Cities and County FY 23/24 | | | | | |
|---|---|---------------|----------------------|------------------------------|------------------------|
| Agency | Gov Funds General Revenues (FY 20/21)* | Cost % | FY 22/23 | FY 23/24 Estimate | +/- |
| <i>Benicia</i> | \$ 53,954,445.00 | 7.80% | \$ 34,946.97 | \$ 26,199.22 | \$ (8,747.74) |
| <i>Dixon</i> | \$ 55,731,875.00 | 8.06% | \$ 36,098.23 | \$ 27,062.31 | \$ (9,035.92) |
| <i>Fairfield</i> | \$ 173,601,383.00 | 25.10% | \$ 112,443.78 | \$ 84,297.44 | \$ (28,146.34) |
| <i>Rio Vista</i> | \$ 13,904,985.00 | 2.01% | \$ 9,006.43 | \$ 6,751.99 | \$ (2,255.44) |
| <i>Suisun City</i> | \$ 25,477,824.00 | 3.68% | \$ 16,502.30 | \$ 12,371.53 | \$ (4,130.77) |
| <i>Vacaville</i> | \$ 183,599,010.00 | 26.55% | \$ 118,919.37 | \$ 89,152.09 | \$ (29,767.28) |
| <i>Vallejo</i> | \$ 185,231,735.00 | 26.79% | \$ 119,976.91 | \$ 89,944.91 | \$ (30,032.00) |
| <i>Subtotal: Cities</i> | \$ 691,501,257.00 | 100.00% | \$ 447,894.00 | \$ 335,779.50 | \$ (112,115.50) |
| <i>County</i> | | | \$ 447,894.00 | \$ 335,779.50 | \$ (112,114.50) |
| <i>TOTAL</i> | | | \$ 895,788.00 | \$ 671,559.00 | \$ (224,229.00) |

*Most recent report available as of 3/17/23

Please note, SCO usually releases a more current report post-adoption of LAFCO's final budget

Project Applications (Licenses and Permits)

Anticipated revenues from fees for proceedings undertaken by LAFCO are expected to decrease from the prior year, from \$75,000 to \$50,000. FY 22/23 experienced a high volume of project completions and it is anticipated that the FY 23/24 projects will be more complicated, lengthy, and likely to be completed¹ in FY 24/25.

¹ Deposits are recognized as revenue upon project completion

Interest Income

Staff estimates that interest income from FY 22/23 will exceed the Adjusted Budget by \$2,000 for a \$5,000 total. Staff recommends that the FY 23/24 Proposed Budget reflect \$5,000.

Fund Balance

Due to unspent funds due to long stretches of vacant positions, the delay in the regional projects, and conservative salary negotiations, the FY 22/23 end-of-year fund balance is estimated at \$500,000 +/- . Given the estimated fund balance level, staff proposes the Committee consider appropriating \$300,000 to offset the cost of funding the Proposed Budget thus lowering the billing to the County and the seven cities. The Draft Proposed Budget depicts this scenario.

Staff recommendation:

Staff requests that the Finance Committee discuss the Draft Proposed Budget and provide direction for staff to develop the final Proposed Budget for Fiscal Year 2023-24 for the Commission's consideration.

Attachments:

A – FY 2023-24 Draft Proposed Budget

Attachment A

4A: Draft FY 23-24 Proposed Budget for Budget Committee

| FY 23/24 PROPOSED BUDGET | | | | | | | |
|--------------------------|-----------------|---------------------------------------|---------------------------------------|----------------------------|--------------------------------|-----------------------------|-----------|
| | Sub-object | Object Description | 22/23 Adjusted Budget (AB) | 23/24 Proposed Budget (PB) | Diff Between PB and AB [PB-AB] | % of PB and AB [(PB-AB)/AB] | |
| EXPENSES | 1000 | SALARIES AND EMPLOYEE BENEFITS | | | | | |
| | 1110 | SALARY/WAGES REGULAR | \$426,170 | \$483,740 | \$57,570 | 14% | |
| | 1210 | RETIREMENT-EMPLOYER | \$50,452 | \$50,714 | \$262 | 1% | |
| | 1212 | DEFERRED COMP-COUNTY MATCH | \$520 | \$520 | \$0 | 0% | |
| | 1220 | FICA-EMPLOYER | \$6,180 | \$7,014 | \$834 | 13% | |
| | 1230 | HEALTH INS-EMPLOYER | \$66,259 | \$63,786 | (\$2,473) | -4% | |
| | 1231 | VISION CARE INSURANCE | \$781 | \$584 | (\$197) | -25% | |
| | 1240 | COMPENSATION INSURANCE | \$1,900 | \$2,000 | \$100 | 5% | |
| | 1241 | LT DISABILITY INSURANCE ER | \$3,666 | \$3,831 | \$165 | 4% | |
| | 1250 | UNEMPLOYMENT INSURANCE | \$1,500 | \$900 | (\$600) | -40% | |
| | 1260 | DENTAL INS-EMPLOYER | \$3,638 | \$4,493 | \$855 | 23% | |
| | 1270 | ACCRUED LEAVE CTO PAYOFF | \$25,000 | \$23,092 | (\$1,908) | -8% | |
| | 1290 | LIFE INSURANCE-EMPLOYER | \$3,507 | \$3,770 | \$263 | 7% | |
| | | TOTAL | SALARIES AND EMPLOYEE BENEFITS | \$589,573 | \$644,443 | \$54,870 | 9% |
| | | 2000 | SERVICES AND SUPPLIES | | | | |
| | | 2021 | COMMUNICATION-TELEPHONE SYSTEM | \$1,000 | \$904 | (\$96) | -10% |
| | | 2026 | CELL PHONE ALLOWANCE | \$2,500 | \$2,100 | (\$400) | -16% |
| | | 2028 | TELEPHONE SERVICES | \$4,800 | \$4,380 | (\$420) | -9% |
| | | 2051 | LIABILITY INSURANCE | \$7,467 | \$8,089 | \$622 | 8% |
| | | 2140 | MAINTENANCE-BLDGS & IMPROVE | \$500 | \$500 | \$0 | 0% |
| | | 2170 | MEMBERSHIPS | \$11,550 | \$11,498 | (\$52) | 0% |
| | | 2180 | BOOKS & SUBSCRIPTIONS | \$400 | \$488 | \$88 | 22% |
| | | 2200 | OFFICE EXPENSE | \$15,000 | \$12,000 | (\$3,000) | -20% |
| | | 2201 | EQUIPMENT UNDER \$1,500 | \$0 | \$15,000 | \$15,000 | #DIV/0! |
| | | 2202 | CONT ASSETS COMPUTER RELATED | \$3,000 | \$1,500 | (\$1,500) | -50% |
| | | 2204 | COMPUTER RELATED ITEMS:<\$500 | \$1,000 | \$1,000 | \$0 | 0% |
| | | 2205 | POSTAGE | \$1,000 | \$700 | (\$300) | -30% |
| | | 2235 | ACCOUNTING & FINANCIAL SERVICE | \$29,500 | \$15,000 | (\$14,500) | -49% |
| | 2239 | LEGAL SERVICE | \$40,000 | \$30,200 | (\$9,800) | -25% | |
| | 2245 | CONTRACTED SERVICES | \$180,000 | \$130,000 | (\$50,000) | -28% | |
| | 2250 | OTHER PROFESSIONAL SERVICES | \$33,500 | \$16,000 | (\$17,500) | -52% | |
| | 2255 | CREDIT CARD PROCESSING FEES | \$0 | \$0 | \$0 | - | |
| | 2266 | CENTRAL DATA PROCESSING SVCE | \$23,100 | \$56,157 | \$33,057 | 143% | |
| | 2271 | SOFTWARE RENTAL / SUBSCRIPTION | \$3,000 | \$2,400 | (\$600) | -20% | |
| | 2280 | PUBLICATIONS AND LEGAL NOTICES | \$1,500 | \$800 | (\$700) | -47% | |
| | 2285 | LEASE EXPENSE-COPIERS/MFD'S ST | \$8,400 | \$7,000 | (\$1,400) | -17% | |
| | 2295 | LEASE EXPENSE - BUILDINGS ST | \$25,000 | \$28,000 | \$3,000 | 12% | |
| | 2310 | EDUCATION & TRAINING | \$1,000 | \$8,000 | \$7,000 | 700% | |
| | 2335 | TRAVEL EXPENSE | \$12,000 | \$18,600 | \$6,600 | 55% | |
| | 2339 | MANAGEMENT BUSINESS EXPENSE | \$2,000 | \$2,000 | \$0 | 0% | |
| | 2354 | CAR ALLOWANCE | \$7,200 | \$7,800 | \$600 | 8% | |
| | 2355 | PERSONAL MILEAGE | \$1,000 | \$2,000 | \$1,000 | 100% | |
| | | TOTAL | \$415,417 | \$382,116 | (\$33,301) | -8% | |
| | | OTHER EXPENSES | | | | | |
| | 730 | 20% RESERVE POLICY ADJUSTMENT | \$43,798 | \$0 | (\$43,798) | -100% | |
| | | TOTAL | \$1,048,788 | \$1,026,559 | (\$22,229) | -2% | |
| REVENUES | 9200 | LICENSES & PERMITS-OTHER | | | | | |
| | 9229 | LICENSES & PERMITS-OTHER | \$75,000 | \$50,000 | (\$25,000) | (\$0) | |
| | 9400 | REVENUE FROM USE OF MONEY/PROP | | | | | |
| | 9401 | INTEREST INCOME | \$3,000 | \$5,000 | \$2,000 | 67% | |
| | 9500 | INTERGOVERNMENTAL REVENUES | | | | | |
| | 9511 | OTHER GOVERNMENTAL AGENCIES | \$895,788 | \$671,559 | (\$224,229) | -25% | |
| | | OTHER REVENUE | | | | | |
| | | FUND BALANCE FROM PRIOR YEAR | \$75,000 | \$300,000 | \$225,000 | 300% | |
| | 740 | TOTAL REVENUES | \$1,048,788 | \$1,026,559 | (\$22,229) | -2% | |
| SUMMARY | EXPENSE | 1000 | \$589,573 | \$644,443 | \$54,870 | 9% | |
| | | 2000 | \$415,417 | \$382,116 | (\$33,301) | -8% | |
| | | Reserve Adjustment | \$43,798 | \$0 | (\$43,798) | -100% | |
| | | TOTAL EXPENSES | \$1,048,788 | \$1,026,559 | (\$22,229) | -2% | |
| | REVENUES | 9200 | \$75,000 | \$50,000 | (\$25,000) | -33% | |
| | | 9400 | \$3,000 | \$5,000 | \$2,000 | 67% | |
| | | 9500 | \$895,788 | \$671,559 | (\$224,229) | -25% | |
| | | Fund Balance Appropriation | \$75,000 | \$300,000 | \$225,000 | 300% | |
| | | Encumbrance Roll-over | \$0 | \$0 | \$0 | #DIV/0! | |
| | | TOTAL REVENUES | \$1,048,788 | \$1,026,559 | (\$22,229) | -2% | |