



Solano Local Agency Formation Commission

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Staff Report

DATE: April 10, 2023

TO: Local Agency Formation Commission

FROM: Finance Committee (Commissioners Kott and Mashburn) and Staff

SUBJECT: **PROPOSED BUDGET & WORK PLAN FISCAL YEAR 2023-2024**

Recommendations:

The Finance Committee and staff recommend the Commission:

1. REVIEW the Proposed Budget and Work Plan for Fiscal Year (FY) 2023/24
2. ADOPT or adopt with modifications the Proposed Budget and Work Plan.
3. DIRECT staff to distribute the Proposed Budget to the County and cities.
4. SCHEDULE a public hearing for June 12 to consider and adopt the Final Budget.

Executive summary:

The Commission is required to adopt a Proposed Budget by May 1 and a Final Budget by June 15 per California Government Code (GC) Section 56381(a). The Commission's past practice has been to direct its Finance Committee to work with staff to develop the Commission's annual Proposed Budget for its consideration and adoption. Additionally, after the adoption of a proposed budget, the Commission circulates the Proposed Budget to the County and cities (Solano LAFCO's funding agencies) to solicit their comments before adopting the Final Budget at its June meeting.

On March 23, 2023, the LAFCO Finance Committee and staff met to develop the Proposed Budget for FY 2023/24. Overall, the Draft Proposed Budget (Attachment A) includes appropriations totaling \$1,045,559, reflecting a decrease of \$3,229 or 0.3% from the prior year's adjusted budget of \$1,048,788. Most notably, the Draft Proposed Budget recommends zero increase to the billing charges to the County and cities.

Discussion:

The discussion section of this report includes: a) Summary of the Draft Proposed Budget, b) Cortese-Knox-Hertzberg Act (CKH) requirements and the Commission's Policies, c) Expenses by budget categories (Table 1), Sources of Funding (Table 2), d) Revenues from Project Applications, e) Notable Changes from Prior Year (Table 3), f) estimated cities and County Apportionment/Billing (Table 4), g) Fund Balance Appropriation, and h) Statutory Deadlines (Table 5) followed by an explanation of the Proposed Work Plan. The report concludes with the Finance Committee and staff's recommendation. Finally, Attachment A is the line-item Draft Proposed Budget, while Attachment B is the Proposed Work Plan for FY 23/24.

Commissioners

Nancy Shopay, Chair • Ron Kott, Vice-Chair • John Vasquez • Mitch Mashburn • Steve Bird

Alternate Commissioners

Robert Guerrero • Alma Hernandez • Wanda Williams

Staff

Rich Seithel, Executive Officer • Christina Love, Deputy Executive Officer • Aaron Norman, Analyst II •

Mala Subramanian, Lead Legal Counsel

Agenda Item 9.C – Draft Proposed Budget FY 23/24

a) Summary of the Draft Proposed Budget:

The Draft Proposed Budget as presented, includes appropriations totaling \$1,045,559, reflecting a decrease of \$3,229 or .3% from the prior year's adjusted budget of \$1,048,788. The Proposed Budget recommends:

- An increase in salaries and benefits (1000s budget category) by \$69,870 or 12% due to anticipated full staffing of 4 FTEs¹;
- A decrease to services and supplies (2000s category) by \$29,301 or 7%;
- A decrease in revenue (sub-object 9229) from project application fees by \$25,000;
- A \$2,000 increase to the anticipated interest income; and
- Approximately \$100,000 is appropriated from fund balance;
- No change to the Commission's reserve account (sub-object 730) currently at \$209,760; and most notably
- No increase in the billing charges to the County and cities. The prior year's billing totaled \$895,788. The proposed FY 23/24 billing is the same, \$895,788.

b) CKH and Solano LAFCO Policies:

The Proposed Budget was developed with considerations of CKH requirements as well as the Commission's Policies.

1. Per GC 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 Proposed Budget recommends a decrease of .3% of the prior year's budget, the Commission must determine that it is able to fulfill its purposes/programs with a reduced budget.
2. The Commission's Reserves Policy, Section A, requires maintaining a contingency reserve fund of not less than 20 percent of the annual budgeted expenditures. Maintaining the current Reserve, budget line item 730, at \$209,760 (20%) meets the Commission's Policy.
3. The Draft Proposed Budget recognizes LAFCO's municipal service review (MSR) and sphere of influence (SOI) responsibilities. The Proposed Work Plan recommends conducting an MSR and SOI update for Solano's cemetery districts, the Cities of Suisun, Dixon, Vacaville, and Solano Irrigation District.

¹ FTE = full-time equivalents

Agenda Item 9.C – Draft Proposed Budget FY 23/24

c) Expenses and Funding Sources by Budget Category:

Table 1: Summary of Expenses				
Budget Categories	2022-23 Adjusted Budget	2023-24 Proposed Budget	+/-	% Change
<i>Salaries and Benefits (1000)</i>	\$589,573	\$659,443	\$69,870	12%
<i>Services and Supplies (2000)</i>	\$415,417	\$386,116	(\$29,301)	-7%
<i>Designated Reserve (730)</i>	\$43,798	\$0	(\$43,798)	-100%
Total Expenses	\$1,048,788	\$1,045,559	(\$3,229)	-0.3%

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	\$895,788	\$0	0%
<i>Fund Balance Appropriation</i>	\$75,000	\$94,771	\$19,771	26%
<i>Encumbrance Roll-Over</i>	\$0	\$0	\$0	N/A
Total Revenue	\$1,048,788	\$1,045,559	(\$3,229)	-0.3%

d) Revenues from Project Fees:

Anticipated revenues from project fees are expected to decrease from the prior year \$25,000 from \$75,000 to \$50,000. FY 22-23 was a robust year for reorganization certificate of completions and realizing revenue from deposits from deferred revenue (deposits). However, staff anticipates revenue in FY 23/24 from the following projects:

- Fairfield Island annexations Phase 1
- Fairfield Island annexations Phase 2
- Vacaville Island Annexation - Nut Tree Airport Vicinity
- Vacaville - Fields at Alamo Creek

Agenda Item 9.C – Draft Proposed Budget FY 23/24

- Vacaville - McMurtry Creek Estates
- Solano Irrigation District detachment
- Rural North Vacaville Water District annexations

e) Notable Changes:

Table 3: Notable Changes (≥\$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	\$72,570
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	One-time website set-up cost in FY '23	(\$17,500)
2266	Central Data Processing Svcs	GIS charges have increased \$15,000.	\$18,057
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 - no change in agency billing	\$0

f) Cities and County Apportionment:

As reflected in Table 2: Sources of Funding, the most substantial source of funding for LAFCO’s operational cost comes from the County and the seven cities. For FY 23/24, the proposed invoice to the County and cities total \$895,788, a slight decrease of \$3,229 from the prior year.

Staff calculated the estimated cost to the County and cities using the most recent financial report from the State Controller’s Office (SCO) and based on the “Governmental Funds Revenues” per the Solano County Auditor-Controller. Table 4 on the following page provides the estimated billing to the County and the seven cities.

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	+/-
Benicia	\$ 53,954,445	7.80%	\$ 34,947	\$ 34,947	\$ -
Dixon	\$ 55,731,875	8.06%	\$ 36,098	\$ 36,098	\$ -
Fairfield	\$ 173,601,383	25.10%	\$ 112,444	\$ 112,444	\$ -
Rio Vista	\$ 13,904,985	2.01%	\$ 9,006	\$ 9,006	\$ (1.00)
Suisun City	\$ 25,477,824	3.68%	\$ 16,502	\$ 16,502	\$ -
Vacaville	\$ 183,599,010	26.55%	\$ 118,919	\$ 118,919	\$ -
Vallejo	\$ 185,231,735	26.79%	\$ 119,977	\$ 119,977	\$ -
Subtotal: Cities	\$ 691,501,257	100.00%	\$ 447,894	\$ 447,894	\$ (1.00)
County			\$ 447,894	\$ 447,894	\$ -
TOTAL			\$ 895,788	\$ 895,788	\$ -

*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.

g) Fund Balance Appropriation:

Historically, the Commission applies fund balance from prior years to future years. For FY 23/24, the Finance Committee recommends:

- The Commission appropriates \$94,771 from fund balance to partially offset the cost of funding the Proposed Budget, thus keeping the billing to the County and the seven cities the same as the prior year. The Finance Committee based this recommendation on the concern that the high-profile regional projects anticipated in FY 23/24 could quickly consume fund balance. The Committee also discussed fund availability for LAFCO staffing expansion, as well as, unforeseen relocation costs.

h) Statutory Deadlines:

GC §56381 specifies certain statutory deadlines for adopting the LAFCO’s Proposed and Final Budget. Table 5 lists the Statutory deadlines and how the Commission plans to comply with the Statute.

<u>Table 5: Statutory Deadlines</u>		
Deadlines	Statutory Requirement	Planned Action
May 1	LAFCO must adopt a Proposed Budget	April 10 Public Hearing
June 15	LAFCO must adopt a Final Budget	June 12 Public Hearing
July 1	The Auditor requests payment from cities and the County	
August 30	Payments must be received by the Auditor	

Proposed Work Plan (Attachment B)

In conjunction with a proposed budget, the Commission adopts an annual work plan. The Work Plan typically includes tasks and projects, prioritization, categorization, and, task comments. The proposed Work Plan includes eight task categories and projects.

All identified items are important; however, given available resources, it is helpful to prioritize the items identified. A high-priority classification indicates that the item is: time-sensitive, high-value, and critical. The Work Plan includes six high-priority projects/tasks and two medium-priority tasks. There are four categories: Projects (P); Commission Directives (C); Administrative (A); and; Legislative (L). These categories are described as follows:

- *Projects* – In consultation with agencies, a list of near-term projects has been developed. These projects have been submitted or are anticipated in FY 23/24.
- *Commission Directive* – Solano LAFCO provides 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.
- *Administrative* – The proposed FY 23/24 Work Plan includes administrative projects that support organizational 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 tasks that help keep local agencies and the public informed and improve organizational effectiveness. It is critical to maintain internal efficiencies that support Solano LAFCO’s organizational effectiveness and to meet statutory requirements.
- *Legislative* - Solano LAFCO is required by Statute to process organization and reorganization changes, conduct sphere of influence updates, conduct municipal service review studies, adopt local policies and procedures, and fulfill other legal mandates.

Conclusion and Recommendation

The Proposed Budget for FY 23/24 reflects the costs and resource needs for carrying out LAFCO's responsibilities including the FY 23/24 Work Plan. In the coming weeks, staff will be presenting the Proposed Budget to the City/County Manager's Group and the Community Development/Planning Director's Group to solicit comments. Staff will inform the Commission of their remarks at the June 12 Public Hearing.

The Finance Committee and staff recommend the Commission adopt or adopt with modifications the Proposed Budget and Work Plan for FY 23/24.

Attachments:

A – Draft Proposed Budget FY 23/24

B – Draft Proposed Work Plan FY 23/24

Attachment A
FY 23/24 PROPOSED BUDGET April 10, 2023 Agenda Packet Page 104 of 106

	Sub-object	Object Description	22/23 Adjusted Budget (AB)	23/24 Proposed Budget (PB)	Diff Between PB and AB [PB-AB]	
EXPENSES	1000	SALARIES AND EMPLOYEE BENEFITS				
	1110	SALARY/WAGES REGULAR	\$426,170	\$498,740	\$72,570	
	1210	RETIREMENT-EMPLOYER	\$50,452	\$50,714	\$262	
	1212	DEFERRED COMP-COUNTY MATCH	\$520	\$520	\$0	
	1220	FICA-EMPLOYER	\$6,180	\$7,014	\$834	
	1230	HEALTH INS-EMPLOYER	\$66,259	\$63,786	(\$2,473)	
	1231	VISION CARE INSURANCE	\$781	\$584	(\$197)	
	1240	COMPENSATION INSURANCE	\$1,900	\$2,000	\$100	
	1241	LT DISABILITY INSURANCE ER	\$3,666	\$3,831	\$165	
	1250	UNEMPLOYMENT INSURANCE	\$1,500	\$900	(\$600)	
	1260	DENTAL INS-EMPLOYER	\$3,638	\$4,493	\$855	
	1270	ACCRUED LEAVE CTO PAYOFF	\$25,000	\$23,092	(\$1,908)	
	1290	LIFE INSURANCE-EMPLOYER	\$3,507	\$3,770	\$263	
	TOTAL	SALARIES AND EMPLOYEE BENEFITS	\$589,573	\$659,443	\$69,870	
		2000	SERVICES AND SUPPLIES			
		2021	COMMUNICATION-TELEPHONE SYSTEM	\$1,000	\$11,904	\$10,904
		2026	CELL PHONE ALLOWANCE	\$2,500	\$2,100	(\$400)
		2028	TELEPHONE SERVICES	\$4,800	\$12,180	\$7,380
		2051	LIABILITY INSURANCE	\$7,467	\$8,089	\$622
		2140	MAINTENANCE-BLDGS & IMPROVE	\$500	\$500	\$0
		2170	MEMBERSHIPS	\$11,550	\$11,498	(\$52)
		2180	BOOKS & SUBSCRIPTIONS	\$400	\$488	\$88
		2200	OFFICE EXPENSE	\$15,000	\$12,000	(\$3,000)
		2201	EQUIPMENT UNDER \$1,500	\$0	\$15,000	\$15,000
		2202	CONT ASSETS COMPUTER RELATED	\$3,000	\$1,500	(\$1,500)
		2204	COMPUTER RELATED ITEMS:<\$500	\$1,000	\$1,000	\$0
	2205	POSTAGE	\$1,000	\$700	(\$300)	
	2235	ACCOUNTING & FINANCIAL SERVICE	\$29,500	\$15,000	(\$14,500)	
	2239	LEGAL SERVICE	\$40,000	\$30,200	(\$9,800)	
	2245	CONTRACTED SERVICES	\$180,000	\$130,000	(\$50,000)	
	2250	OTHER PROFESSIONAL SERVICES	\$33,500	\$16,000	(\$17,500)	
	2255	CREDIT CARD PROCESSING FEES	\$0	\$0	\$0	
	2266	CENTRAL DATA PROCESSING SVCE	\$23,100	\$41,157	\$18,057	
	2271	SOFTWARE RENTAL / SUBSCRIPTION	\$3,000	\$2,400	(\$600)	
	2280	PUBLICATIONS AND LEGAL NOTICES	\$1,500	\$1,000	(\$500)	
	2285	LEASE EXPENSE-COPIERS/MFD'S ST	\$8,400	\$7,000	(\$1,400)	
	2295	LEASE EXPENSE - BUILDINGS ST	\$25,000	\$28,000	\$3,000	
	2310	EDUCATION & TRAINING	\$1,000	\$8,000	\$7,000	
	2335	TRAVEL EXPENSE	\$12,000	\$18,600	\$6,600	
	2339	MANAGEMENT BUSINESS EXPENSE	\$2,000	\$2,000	\$0	
	2354	CAR ALLOWANCE	\$7,200	\$7,800	\$600	
	2355	PERSONAL MILEAGE	\$1,000	\$2,000	\$1,000	
	TOTAL	SERVICES AND SUPPLIES	\$415,417	\$386,116	(\$29,301)	
		OTHER EXPENSES				
	730	20% RESERVE POLICY ADJUSTMENT	\$43,798	\$0	(\$43,798)	
	TOTAL	TOTAL EXPENSES	\$1,048,788	\$1,045,559	(\$3,229)	
REVENUES	9200	LICENSES & PERMITS-OTHER				
	9229	LICENSES & PERMITS-OTHER	\$75,000	\$50,000	(\$25,000)	
	9400	REVENUE FROM USE OF MONEY/PROP				
	9401	INTEREST INCOME	\$3,000	\$5,000	\$2,000	
	9500	INTERGOVERNMENTAL REVENUES				
	9511	OTHER GOVERNMENTAL AGENCIES	\$895,788	\$895,788	\$0	
		OTHER REVENUE				
	FUND BALANCE FROM PRIOR YEAR	\$75,000	\$94,771	\$19,771		
740	TOTAL REVENUES	\$1,048,788	\$1,045,559	(\$3,229)		
SUMMARY	EXPENSES	1000	\$589,573	\$659,443	\$69,870	
		2000	\$415,417	\$386,116	(\$29,301)	
		Reserve Adjustment	\$43,798	\$0	(\$43,798)	
		TOTAL EXPENSES	\$1,048,788	\$1,045,559	(\$3,229)	
	REVENUES	9200	\$75,000	\$50,000	(\$25,000)	
		9400	\$3,000	\$5,000	\$2,000	
		9500	\$895,788	\$895,788	\$0	
		Fund Balance Appropriation	\$75,000	\$94,771	\$19,771	
		Encumbrance Roll-over	\$0	\$0	\$0	
		TOTAL REVENUES	\$1,048,788	\$1,045,559	(\$3,229)	

2023-2024 Proposed Workplan

#	Task/Project	Priority	Category	Comments
1	Municipal Service Review (MSR) and Sphere of Influence (SOI) Updates	High	P	<ul style="list-style-type: none"> • <i>City of Suisun</i> (c 2016) • <i>City of Dixon</i> (c 2014) • <i>City of Vacaville</i> (c 2017) • <i>Solano Irrigation District</i> (c 2014) • <i>Cemetery Districts</i> (c 2012)
2	Fire Services: City of Fairfield Fire Services Contract	High	P/L	GC §56134 Out-of-Agency Services Contract for Fairfield Fire Department and Cordelia Fire Protection District
3	Fire Services	High	C	Continue working with the districts, stakeholders, and Fire Ad Hoc Committee in analyzing fire services.
4	SOI Updates	High	C/P	<ul style="list-style-type: none"> • Rural North Vacaville Water District • Adopt remaining SOI for Reclamation Districts with boundary issues
5	Reorganizations	High	P	<p><i>Suisun</i></p> <ul style="list-style-type: none"> • Suisun Logistics Center • Highway 12 Logistics Center <p><i>Fairfield:</i></p> <ul style="list-style-type: none"> • Island Annexations Phase 1 <ul style="list-style-type: none"> ○ Sunset Ave/ East Tabor Ave (Redtail) ○ Pittman Road (DeNova) ○ Sunset Ave /Railroad Ave (Blessed Baptist Church) • Island Annexations Phase 2 <ul style="list-style-type: none"> ○ 7 Remnant Parcels <p><i>Vacaville:</i></p> <ul style="list-style-type: none"> • Nut Tree Airport vicinity (Island Annexation) • Fields at Alamo Creek (east of Leisure Town) • McMurtry Creek Estates • Valley Church (Leisure Town/Sequoia) <p><i>Dixon:</i></p> <ul style="list-style-type: none"> • Lewis Planned Communities (SE Dixon) • Lombardo Property

#	Task/Project	Priority	Category	Comments
6	Outreach	High	C	<p>Ongoing outreach to local agencies, cities, county, developers, and the public:</p> <ul style="list-style-type: none"> • <i>Ag Innovation Group</i> • <i>Solano Economic Development Corporation</i> • <i>Planning Directors Meeting</i> • <i>CALAFCO</i> • <i>Bay Area EO Group</i> • <i>Fire District Chiefs Association</i> <p>Improve outreach with continued website updates</p>
7	Fees Update	Medium	A	Update application charge-out rates to reflect the Commission’s current costs for processing projects.
8	Website	Medium	L	Continued and ongoing updates of information accessible online