

June 5, 2014 (Agenda)

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

Final LAFCO Budget for FY 2014-2015

Honorable Commissioners:

RECOMMENDATION

It is recommended that the Commission:

- a) Review, accept all public testimony and approve the Final Budget for Fiscal Year 2014-15;
- b) Direct the staff to distribute the Final Budget to the County, cities, and special districts as required by Government Code Section 56381; and
- c) Notify the County Auditor to proceed pursuant to Government Code section 56381.6 with apportionment of LAFCO costs among the County, cities, and special districts based on the actual 2013-14 year-end fund balance.

DISCUSSION

The Proposed Budget was approved by the Commission on May 1, 2014. Prior to consideration of the Proposed Budget, on April 10, 2014, a notice was published in the Santa Barbara News Press and posted on the Commission's website. Notice was also posted in Santa Barbara and Santa Maria. On April 21, 2014 the May 1st agenda and notice, with links to the Commission's website, were distributed to all cities, independent special districts and the County.

Following the May 1st Commission meeting, on May 9, 2014 the approved Proposed Budget was transmitted to the County Executive, City Managers and Special District Managers. The Proposed Budget, a transmittal letter, and the notice of Final Budget hearing were also posted on the Commission website. On May 21, 2014, a second transmittal of the Proposed Budget, that included the May 1, 2104 staff report, was also distributed to the County Executive, City Managers and Special District Managers distributed and posted on the Commission website.

The notification and hearing process is consistent with the provisions of Government Code Section 56381 and the same process that has been used in past years. Pursuant to this section, "The

Commission shall to adopt annually following noticed public hearings, a proposed budget by May 1 and a final budget by June 15.” However in past years, many of the proposed budget hearings have been held at the April Commission meeting in order to meet the May 1 proposed budget deadline. This was not necessary this year since May 1, 2014, was the Commission’s regular meeting date (the 1st Thursday of the month).

Summary of Final Budget

The recommended Final Budget is \$424,349, an increase of \$76,487 (22%) over the current year budget. The recommended Final Budget is the same as the approved Proposed Budget. Following is a budget summary.

<u>Proposed Budget Summary</u>	<u>Adjusted Budget 2013-14</u>	<u>Rec. Final Budget 2014-15</u>	<u>Change</u>
Salaries and Benefits	\$ 17 946	18 546	\$ 600
Contracted Staff Support	174 588	206 757	32 169
Services & Supplies	130 853	147 332	16 479
Other Charges	<u>4 475</u>	<u>1 714</u>	<u>-2 761</u>
Total	331 401	374 349	46 487
Contingencies	20 000	50 000	30 000
Total Appropriations	347 862	424 349	76 487
Revenues	330 260	424 349	94 089

Detailed Description of Individual Accounts

The Recommended Final Budget and descriptions of specific accounts are attached. These illustrate current year revenues and appropriations and projected revenues and appropriations for the coming year. 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

For the past few years, the Commission has maintained a \$40,000 designation for contingency, separate from the working budget. This fund has been available should the need arise due to unforeseen circumstances. However, during 2012-13, \$20,000 was transferred from the contingency account to the operating budget to compensate the new Executive Officer from March 2013 to the end of June 2013. The \$20,000 was restored to the designation for contingencies in 2013-14. However, as described below, the Contingency Reserve will be expended to pay for Clerk Services. Therefore, it is recommended that \$50,000 be added to the Contingency Reserve Account, Line Item 9600 for 2014-15. The additional reserves will be used for unanticipated expenses and to finance the transition from the Interim Executive Officer to a Permanent Executive Officer.

Commission Clerk Services

The current Executive Officer utilizes 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. In the past, the cost of Clerk Services was paid by the previous Executive Officer from Contractual Staff Service – Line Item 7510. Up to \$30,000 in contingencies and reserves will be expended in the current year to finance Clerk Services. An additional \$30,000 is recommended to be budgeted in 2014-15 for a total of \$60,000. The current Executive Officer's Staff Support budget will be reduced by \$30,000 to pay 50% of the additional expense for contract Clerks services with the COB.

Services and Supplies

In the area of Services and Supplies, the Commission will note several changes. Audit fees are reduced slightly based on the actual cost of the 2013-14 audit. Copier expenses are recommended for reduction because some of these expenses are included in the contract with the COB for Clerk services. The Professional and Special Services line item is recommended for an \$8,000 increase to provide for continued use of the County Surveyor for LAFCO mapping and to utilize outside contractors, when necessary. The General Fund Cost Allocation has increased slightly based on 2014-15 projections from the County Auditor. The Travel and Training account is recommended for an increase based on the current year actual expenses. This account includes Commissioner mileage to and from LAFCO meetings and staff mileage within the County of Santa Barbara. It also includes travel for Commissioners and staff to the CALAFCO Annual Conference, the CALAFCO Staff Workshop, and other training sessions. Lastly, this account provides for travel to the CALAFCO Board of Directors meetings for Commissioner Welt and travel to the CALAFCO Legislative Committee meeting for the Executive Officer.

Revenue Accounts

In the area of Revenues, LAFCO Billings to the County of Santa Barbara, Cities, and Special Districts will increase by \$88,829. Much of this increase is because of the Commission's decision to fund Clerk Services (+\$30,000) with the COB and the recommendation to increase reserves (\$+30,000). LAFCO Processing Fees are also projected to increase by \$5,760 based on current year projections.

Comments Received

The following agencies have submitted comment letters on the proposed budget:

Cities: Buellton, Guadalupe, Santa Barbara, and Solvang
Independent Special District: Santa Ynez River Water Conservation Districts

The letters from each of the above funding agencies are attached as Exhibit C. All of the letters express a common theme. Namely they are concerned about the 22 percent overall increase in the budget.

Conclusion

The 2014-15 will provide a transition year in staff support services and play a large part in determining the future organizational structure for Santa Barbara LAFCO. The recommended Final LAFCO Budget for 2014-15 presents a total increase of \$76,487. However, it is important to note that the Commission's budget is divided equally between the County of Santa Barbara, the 8 cities in the County, and the 35 independent special districts (1/3 each). This amounts to an increase of \$25,496 in each of the funding categories.

Recommended Final Budget

In consideration of this information, it is recommended the Recommended Final LAFCO Budget for 2014-15 be approved.

The recommended Final Budget is shown as Attachment A; detailed descriptions of individual accounts are shown in Attachment B.

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Final Budget for FY 2014-15
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Appropriations unspent during the fiscal year become part of the available fund balance for the following fiscal year.

Please contact the LAFCO office should you have any questions.

Very truly yours,



PAUL HOOD
Executive Officer

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

RECOMMENDED FINAL 2014-15 BUDGET

Account Name and Number	2013-14 Final Budget	As of 5/26/2014	Projected Year-End	2014-15 Rec. Final Budget	Inc/Dec	% Inc/Dec
Revenues						
Interest Income - 3380	1,000.00	431	650	750	-250	-25.0%
Unrealized Gain/Loss - 3381	-	-136	0	0	0	0.0%
Other Gov't Agencies - 4840	314,520	314,888	314,888	403,349	88,829	28.2%
Planning Studies Service - 5738	14,240	22,861	25,000	20,000	5,760	40.4%
Misc. Revenue - 5909	500	0	0	250	-250	-50.0%
Total Revenues	330,260	338,044	340,538	424,349	94,089	28.5%
Expenditures						
Salaries and Benefits						
Commissioner Stipends - 6210	16,500	11,053	12,253	16,500	0	0.0%
FICA Contribution - 6500	1,172	707	783	1,172	0	0.0%
FICA/Medicare - 6550	274	165	178	274	0	0.0%
Unemployment Insurance - 6700	0	569	683	600	600	0.0%
Total Salaries and Benefits	17,946	12,494	13,897	18,546	600	3.3%
Staff Support						
Contractual Staff Services - 7510	174,588	165,098	179,588	206,757	32,169	18.4%
Total Staff Support	174,588	165,098	179,588	206,757	32,169	18.4%
Services and Supplies						
Audit Fees - 7324	7,000	5,400	5,400	6,000	-1,000	-14.3%
Memberships - 7424	3,102	3,069	3,069	3,115	13	0.4%
Office Expense - 7450	1,500	765	850	1,500	0	0.0%
Postage - 7451	2,000	710	1,000	2,000	0	0.0%
Copier Expense - 7453	5,000	119	579	2,500	-2,500	-50.0%
Prof & Special Services - 7460	31,900	10,705	40,705	39,900	8,000	25.1%
ADP Payroll Fees - 7507	1,500	1,140	1,245	1,500	0	0.0%
Legal Services -7508	35,000	28,392	28,392	35,000	0	0.0%
Pubs & Legal Notices 7530	1,000	212	500	1,000	0	0.0%
Gen Fund Cost Allocation -7669	21,851	16,552	21,851	25,317	3,466	15.9%
Training and Travel- 7732	21,000	25,445	26,500	29,500	8,500	40.5%
Total Services and Supplies	130,853	92,509	130,091	147,332	16,479	12.6%
Other Charges						
Electricity - 78701	700	518	700	700	0	0.0%
Natural Gas - 7802	150	83	150	150	0	0.0%
Water - 7803	150	110	150	150	0	0.0%
Refuse - 7804	75	90	75	110	35	46.7%
Utility Services - 7806	50	45	50	60	10	20.0%
Liability Insurance - 7895	3,000	2,188	2,188	194	-2,806	-93.5%
Telephone Services - 7897	350	294	350	350	0	0.0%
Total Other Charges	4,475	3,328	3,663	1,714	-2,761	-61.7%
Contingency Reserve - 9600	20,000	0	0	50,000	30,000	150.0%
Total Contingency Reserve	20,000	0	0	50,000	30,000	150.0%
Total Exp/Appropriations	347,862	273,429	327,239	424,349	76,487	22.0%

	2013-2014 <u>Adjusted Budget</u>	<u>As of 5/26/14</u>	2014-2015 <u>Rec Final</u> <u>Budget</u>	<u>Change</u>
REVENUES				
Interest Income - 3380	1 000	431	750	- 250
This is revenue from investing available LAFCO funds.				
Unrealized Gain/Loss - 3381	0	-136	0	0
Processing Fee Income - 5738	14 240	22 861	20 000	5 760
This revenue from processing proposals is predicated on the processing fee schedule. It is difficult to predict proposal workload because to some degree new proposals are dependent upon economic activity. Based on recent history we are anticipating receiving ten or twelve proposed boundary changes or other applications.				
Miscellaneous Revenue – 5860	500	0	250	250
These are revenues from sale of documents, maps etc. Revenue this year results from testimony the Executive Officer provided in a lawsuit concerning school mitigation fees in Santa Maria.				
Other Gov't Agencies – 4840	314 520	314 888	403 349	88 829
Essentially the Commission is funded in equal thirds by the County, cities and independent special districts. Amounts depend on (a) adopted budget, (b) available fund balance at end of fiscal year and (c) projected operational revenues. This amount to be determined at the end of the fiscal year.				
APPROPRIATIONS				
SALARIES AND BENEFITS				
Commissioner Stipends – 6210	16 500	11 053	16 500	0
This account funds Commissioner per diem stipends. Commissioner stipends are processed through ADP. The amount is based on 11 Commissioners attending 10 meetings at \$150 per meeting (\$16,500). Commissioner's attendance at CALAFCO Board of Directors meetings also receive a stipend. Funds are expended only if meetings are held.				
FICA Contribution – 6500	1 172	707	1 172	0
Per the County Auditor this account is budgeted at .062% of taxable salaries and benefits.				
FICA/Medicare – 6550	274	165	274	0
Per the County Auditor this account is budgeted at .0145% of taxable salaries and benefits.				
Unemployment Insurance– 6700	0	569	600	600
This contribution is also withheld by ADP.				

	2013-2014 <u>Adjusted Budget</u>	<u>As of 5/26/14</u>	2014-2015 <u>Rec Final</u> <u>Budget</u>	<u>Change</u>
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LAFCO STAFFING (this account is actually included within Services & Supplies)

Contractual Staff Services – 7510	174 588	165 098	206 757	32 169
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Effective July 1, 2014, the Executive Officer compensation will be \$144,588 per year. No benefits are included in the professional services contract. Also effective July 1, 2014, the contract with the Clerk to the Board for Clerk services will be funded at \$60,000 per year.

SERVICES AND SUPPLIES

Audit Fees – 7324	7 000	5 400	6 000	-1 000
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The Commission finances are subject to annual audit. The amount budgeted for 2014-15 is based on the actual 2013-14 cost.

Memberships – 7430	3 102	3 069	3 115	13
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Membership in the California Association of LAFCOs.

Office Expense – 7450	1 500	765	1 500	0
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This funds supplies and equipment to support Commission activities. The Clerk to the Board separates out office expenses from its LAFCO Clerk services.

Postage – 7451	2 000	709	2 000	0
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This account funds postage and related services. The Clerk to the Board separates out postage expenses from its LAFCO Clerk services.

Copier Expense - 7453	5 000	119	2 500	-2 500
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This account funds printing of notices, reports, resolutions, correspondence and other materials. The Clerk to the Board separates out copying expenses from its LAFCO Clerk services.

Professional & Specialized Services – 7460	31 900	10 705	39 900	8 000
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The account funds services not provided directly by LAFCO staff or legal counsel. These include televising and recording LAFCO meetings and updating and maintaining city and special district maps in the Commission's Directory of Public Agencies. This account was used to update the LAFCO website in 2013-14. This account is also used for outside consultants and contractors to assist with complex projects and proposals.

ADP Payroll Services - 7507	1 500	1 140	1 500	0
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	2013-2014 <u>Adjusted Budget</u>	<u>As of 5/26/14</u>	2014-2015 <u>Rec Final</u> <u>Budget</u>	<u>Change</u>
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This account funds ADP Small Business Services charges to process per diem stipends. It costs approximately \$150 per meeting for payroll processing.

Legal Services - 7508	35 000	28 392	35 000	0
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This account funds estimated legal counsel services. The actual amount charged is adjusted in subsequent years based on General Fund Cost Allocation calculations.

Publications/Legal Notices– 7530	1 000	212	1 000	0
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Costs to publish legal notices for LAFCO hearings.

Gen Fund Cost Allocation – 7669	21 851	16 552	25 317	3 466
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This account funds services provided by the County. These include support of the County Auditor to keep financial records, make payments and process deposits; the County Treasurer to retain and invest funds; use of office space; and adjustments in legal counsel billings due to actual hours rather than estimates. See the attached Allocation Detail provided by the County Auditor.

Training and Travel – 7732	21 000	25 445	29 500	8 500
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This account funds expenses for Commissioners and staff to attend LAFCO meetings, CALAFCO conferences and workshops, CALAFCO Board meetings and educational programs. The account is recommended for an increase based on participation on the CALAFCO Board of Directors and the CALAFCO Legislative Committee.

OTHER CHARGES

The figures in these accounts are provided by the County. Some of these accounts have increased slightly for 2014-15. LAFCO is included in the County's liability insurance program so it is not necessary to fund this item separately.

Electricity – 7801	700	518	700	0
Natural Gas – 7802	150	83	150	0
Water – 7803	150	110	150	0
Refuse – 7804	75	90	110	35
Utility Services – 7806	50	45	60	10
Liability Insurance - 7895	3 000	2 188	194	-2 806
Telephone Services – 7897	350	294	350	0



City of Buellton

May 15, 2014

Paul Hood, Executive Officer
Santa Barbara County Local Agency Formation Commission
103 East Anapamu Street
Santa Barbara, CA 93101

RECEIVED
MAY 16 2014
BY: J. Alexander

RE: 2014-15 Santa Barbara County LAFCO Proposed Budget

Dear Mr. Hood,

We have received the 2014-15 proposed LAFCO budget on May 7, 2014. It appears that this budget was approved by LAFCO on May 1, 2014, and the final budget would be considered by the LAFCO Commission on June 5, 2014.

We are commenting now because your e-mail on May 7, 2014 was the first time we were made aware of the proposed budget for the upcoming fiscal year. In the past, cities have received the proposed budget prior to the first review of the budget by the LAFCO Commission.

The City of Buellton requests that you and the LAFCO Commission reconsider the proposed budget. As proposed, the budget is increasing by 22% over the prior year. Increases are proposed in Contractual Staff Services, Professional and Special Services, Training and Travel, and Other Governmental Agencies. There is also a \$30,000 increase in contingency reserves. We are particularly concerned with the increase in Governmental Agency contributions. This is the first time we became aware of this increase and have not included any increase in our budget to accommodate it. Additionally, we have not been provided any back-up to support the increase and what our share would be.

Your budget seems out of line with other governmental budgets in the County which have faced years of cutbacks and are only now seeing balanced budgets. We would like to see the LAFCO Commission take a similar approach in the proposed budget and look for ways to reduce the significant increases. Providing documentation for each line item would also be useful in reviewing these proposed increases.

Thank you for considering our concerns and we would ask that a copy of this letter be provided to the full LAFCO Commission prior to the June 5 meeting.

Sincerely,

Marc P. Bierdzinski
City Manager

Cc: City Council members



City of Guadalupe
918 Obispo Street
P.O. Box 908
Guadalupe, CA 93434
805-356-3891

RECEIVED
MAY 20 2014

BY: *[Signature]*

May 18, 2014

Mr. Paul Hood, Executive Officer
Santa Barbara County LAFCO
103 East Anapamu Street
Santa Barbara, CA 93101

Re: Proposed 2014-15 LAFCO Budget

Dear Mr. Hood:

I am writing to express the City of Guadalupe's concerns with the proposed 2014-15 LAFCO budget. The key issue is that you are proposing a 22% increase in your expense budget and a 28% increase in the revenue required from each member agencies. Multiple line items in your budget are increasing by dramatic amounts. That includes contract services (multiple lines), training and travel, and contingency reserves.

Beyond the percentage and dollar increases, I believe there is a process issue in the way your budget was developed. There was, as far as I know, no solicitation of member agency input. In addition, when the proposed budget was distributed, absolutely no information was provided on the reasons for the sharp increases. The one-page proposed budget arrived here in Guadalupe with the barest of cover notes.

My hope is that your commission will take a sharp look at the proposed budget when it comes before them and moderate the increases expected.

Please provide the commission with a copy of this letter prior to their June 5th meeting. Thank you.

Sincerely,

Andrew Carter

Andrew Carter
City Administrator

Cc: City Council

ATTACHMENT C



City of Santa Barbara

City Administrator's Office

www.SantaBarbaraCA.gov

Administration
Tel: 805.564.5305
Fax: 805.897.1993

City TV - Channel 18
Tel: 805.564.5311
Fax: 805.564.5556

City Hall
735 Anacapa Street
Santa Barbara, CA
93101

P.O. Box 1990
Santa Barbara, CA
93102-1990

May 14, 2014

Paul Hood, Executive Officer
Santa Barbara Local Agency Formation Commission
103 East Anapamu Street
Santa Barbara, CA 93101

SUBJECT: 2014-15 Santa Barbara LAFCO Proposed Budget

Dear Mr. Hood:

Thank you for the transmittal of the 2014-15 Santa Barbara LAFCO Proposed Budget on May 7, 2014. I understand this proposed budget was approved by LAFCO at their May 1, 2014, meeting and the final budget will be considered by the Commission at their June 5, 2014, meeting.

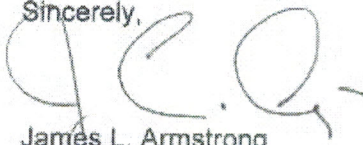
From a process standpoint, I'd like to mention that this is the first time we have become aware of the proposed budget for the upcoming fiscal year. In years past we would receive the proposal in April, ahead of the first Commission review of the budget. We did not receive notice until May 7, which is why you are receiving our comments now.

I would like to request that you and the Commission reconsider the proposed budget. As proposed, the budget is increasing by 22% over the prior year. Substantial increases are proposed in the Contractual Staff Services, Professional and Special Services, and Training and Travel. There is also a \$30,000 increase in contingency reserves.

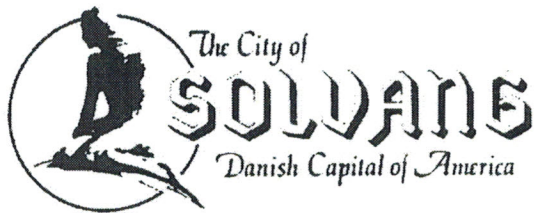
This seems out of line with other governmental budgets in the County which have faced years of substantial cutbacks, and only now are seeing balanced budgets without significant cutbacks or staff concessions. I would like to see the Commission take a similar approach in the proposed budget and look for ways at moderating the overall proposed increase to a much smaller level.

Thank you for your consideration, and I would like to ask if you could please provide a copy to your full Commission prior to their June 5th meeting.

Sincerely,



James L. Armstrong
City Administrator



May 16, 2014

Paul Hood, Executive Officer
Santa Barbara Local Agency Formation Commission
103 East Anapamu Street
Santa Barbara, Ca. 93101

Re: Santa Barbara LAFCO Proposed 2014-2015 Budget

Dear Mr. Hood:

The City is in receipt of the 2014-15 proposed LAFCO Budget, received May 9, 2014, which was approved by LAFCO on May 1, 2014. I understand the final budget will be considered by the Commission on June 5, 2014

This is the first glimpse we have had of the proposed budget for the upcoming fiscal year. In the past we have always received the proposed budget earlier and have been able to review the budget prior to the first presentation to the Commission. The timing this year did not allow us an opportunity to forward comments prior to the proposed approval.

I would like to request that the Commission reconsider the budget which reflects a 22% increase over the prior year. There appears to be substantial increases in Contractual Staff Services, Professional & Special Services Training and Travel as well as \$30,000 increase in contingency services.

This increase seems significantly out of line as other government budgets in the County are just rebounding having been faced with years of severe cutbacks; only now are we able to see balanced budgets without drastic cutbacks. I would like to see the Commission reconsider the proposed budget and take steps to reduce the increases at a much smaller level.

Please provide a copy of this letter to the full Commission prior to the June 5th meeting for their consideration.

Sincerely,

Brad Vidro
City Manager

Alexander, Jacquelyne

From: bwales@syrwcd.com
Sent: Monday, May 19, 2014 3:45 PM
To: Alexander, Jacquelyne
Subject: SB LAFCO Proposed Fiscal Year 2014-15 Budget

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Jacquelyne,

I have reviewed the LAFCO 2014-15 proposed budget and note that there is a 28% cost increase for other government agencies. Although our contribution is small to this cost we rarely have any interaction with LAFCO. I have several questions/comments concerning the budget as follows:

- 1) Please explain and justify the 18% increase in contractual staff services over last years budget.
- 2) Please explain and justify the 25% increase in professional and special services.
- 3) Please also explain and justify the following cost increases-

General Fund Cost Allocation	15.9%
Training/Travel	40.5%
Contingency Reserves	150%
- 4) Why the massive decrease in liability insurance?

Please refer this email to Mr. Hood from whom I am requesting an explanation of the foregoing.

Bruce A. Wales, Ph.D.
General Manager
SANTA YNEZ RIVER
WATER CONSERVATION DISTRICT
P.O. Box 719
3669 Sagunto Street, Suite 108
Santa Ynez, CA 93460
(805) 693-1156