

LAFCO

Santa Barbara Local Agency Formation Commission

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March 3, 2011 (Agenda)

Local Agency Formation Commission

105 East Anapamu Street, Room 403

Santa Barbara CA 93101

Proposed LAFCO Budget for FY 2011-2012

(Modified from February 3 meeting)

Dear Members of the Commission:

RECOMMENDATION

It is recommended that the Commission:

1. Review the Proposed Budget for Fiscal Year 2011-12, accept all public testimony and approve the Proposed Budget as presented or as modified by the Commission.
2. Direct the staff to distribute the Proposed Budget to cities, special districts and the County as required by Government Code Section 56381.
3. Conduct a public hearing on May 5 to consider and adopt the Final Budget.
4. Direct the staff to advise the Commission of any changed conditions that could adversely affect LAFCO's ability to fulfill its responsibilities in the coming fiscal year.

DISCUSSION

Introduction

At the last meeting members of the Commission expressed deep concerns with budget challenges facing the State of California and local governments. With that in mind the staff is presenting a Proposed Budget that is more austere than the one presented at the February 3 meeting.

We are recommending smaller appropriations in Services and Supplies accounts based on recent history which reflects fewer applications and hence less office expense and postage. When the numbers of applications increase in the future it may need necessary to restore these accounts to previous levels.

Commissioners: Janet Wolf, Chair ♦ Lupe Alvarez ♦ Doreen Farr ♦ Jeff Moorhouse ♦ Bob Orach ♦ Cathy Schlottmann
Bob Short ♦ Joe Armendariz ♦ John Fox ♦ Steve Lavagnino ♦ Roger Welt **Executive Officer:** Bob Braitman

LAFCO is an independent commission established by the legislature to carry out specific duties and objectives. It is responsible for adopting a budget to fulfill the purposes described in the Cortese/Knox/Hertzberg Act. The statute directing LAFCO operations 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.”

Current Staffing – Independent Contractor with reimbursement of out-of-pocket expenses

The Santa Barbara LAFCO obtains professional and clerical support via a contract with the firm Braitman & Associates, an independent contractor. The “Agreement for Providing Executive Officer Services” approved on September 3, 2009 establishes a level of compensation with annual cost-of-living increases based on the Consumer Price Index but not to exceed 3% a year.

The contract states Braitman & Associates is reimbursed for out-of-pocket expenses in support of Commission activities including duplicating and printing, postage, mileage, long distance telephone charges, publications, equipment and office supplies, computer and research services and LAFCO-related travel including transportation, hotels, meals and other related expenses.

In our view the current arrangement appears to be best for all concerned especially the public and this approach is reflected in the Proposed Budget.

Incidentally, Braitman & Associates does not impose a fee or inflator for out-of-pocket expenses although it may not be reimbursed for some weeks after having expended funds.

Alternatives for LAFCO Staffing

Based on the discussion at the February 3 meeting the staff is presenting two alternatives to the present staffing arrangement.

- Increase Independent Contractor agreement to include all LAFCO-related costs

This variation would increase compensation to include out-of-pocket expenses related to Commission activities, i.e., copying Commission meeting packets and other correspondence, mileage to attend LAFCO-related functions, participation in CALAFCO conferences and other Commission activities.

This is a common approach in contracts for one-time expenses, such as construction of a building or other capital improvement. Typically such contracts include staff time and all expenses, but this doesn't make as much sense for on-going service agreements.

In Fiscal Years 2009 and 2010 we expended \$15,327 and \$13,897, respectively, for LAFCO-related services and supplies and were reimbursed for those expenditures. As shown in the two enclosed sheets, these costs include copying, postage, mileage, travel and office supplies.

We feel this is the best approach for the Commission because it pays only for the actual services and supplies it receives. It is not an estimated amount; it is the actual amount. And it is convenient for the County Auditor because we generally submit one claim a month that covers all of these various expenses.

The alternative is to increase our annual contract by perhaps \$15,000; the additional amount would be prorated into our monthly payments regardless of what actual costs we incur.

- LAFCO hires personnel rather than using an Independent Contractor

In many LAFCOs, including adjacent counties of San Luis Obispo and Ventura, employees perform staff services. To change from the current arrangement in Santa Barbara County would modify staffing costs in various ways, not the least of which would be obligations for standard employee retirement and benefit accounts.

Researching County of Santa Barbara employee costs, and considering employee expenses in the two adjacent LAFCOs, we developed an estimate of staff costs. This is based on having two employees – Executive Officer and Commission Clerk – whereas the adjacent LAFCOs have a minimum of three employees each.

	<u>Executive Officer</u>	<u>Commission Clerk</u>
Regular Salaries, cash benefits	\$131,122	\$ 52,611
Car allowance	2,080	
Retirement, with OASDI for Clerk	45,392	17,630
FICA – Medicare	8,553	4,025
Medical, dental, vision	<u>6,595</u>	<u>6,413</u>
	\$193,742	\$80,678

If it is decided to employ personnel rather than rely on the current Independent Contractor arrangement, staff expense for the Santa Barbara LAFCO would increase by about \$97,945 – from the proposed budget of \$176,475 to \$274,420.

This is based on the County staffing model of the Executive Officer being equivalent to an assistant department head and Commission Clerk as Administrative Office Professional II.

This change from independent contractor to employees will also require a one-time expense for the Commission to acquire computers, monitors and other office equipment presently provided by the contractor.

Audit Expenses

Prior to LAFCO becoming a separate operating fund, when it was still part of the County General Fund, its finances were included within annual audits by the County Auditor-Controller.

After the Commission budget was no longer within the General Fund it became necessary to contract with a private firm to audit the Commission financial transactions and records. In recent years the annual expense to prepare an audit has been \$5,000, for a budget less than \$350,000.

It may be possible to reduce this annual expense by contracting for a two-year rather than annual audit. Would this approach be acceptable to the Commission?

Streaming and Archiving LAFCO Meetings

Silvio Motta, the manager of the County's television office (CSBTV-20), has contacted staff about LAFCO participating in a new program to broadcast and archive LAFCO meetings.

As we understand, this program would provide live "streaming" for LAFCO meetings, archived records on our website and indexed access to these video archives. SBCAG is considering enacting this program and they are seeking other agencies to share in the expense.

We are informed our cost to participate would be an upfront, one-time fee of \$4,000 and about \$4,800 a year (\$400 a month) depending on how other agencies are involved in this program.

We are presenting this matter to the Commission for your consideration. This program is not included in the Proposed Budget but can be added at your direction.

If the Commission does not approve this additional cost, CSBTV-20 will still film and broadcast LAFCO meetings, as it does now.

Summary of Proposed Budget

As directed at the February meeting, the appropriation for staff has been removed from Services & Supplies and established as a separate object, Staff Support.

The Proposed Budget as recommended is \$247,346, a decrease of \$14,238 (or 5.4%) below the current year budget. Following is a summary.

<u>Proposed Budget Summary</u>	<u>Final Budget 2010-11</u>	<u>Proposed 2011-12</u>	<u>Change</u>
Salaries and Benefits	\$ 25 835	\$25 835	\$ 0
Staff Support	171 355	176 475	5 120
Services & Supplies	59 294	43 295	-15 499
Other Charges	<u>5 100</u>	<u>1 741</u>	<u>-3 359</u>
Total Appropriations	261 584	247 346	-14 238
Revenues *	311 020	<i>To be determined</i>	

* This amount depends on the actual Available Fund Balance at the end of this fiscal year. The figures will be refined in the coming weeks.

Detailed Description of Individual Accounts

Attachment A, Description of Individual Accounts, explains current year appropriations and revenues, year-end projections, proposed appropriations and revenues for the coming year and changes from the current budget. Please note that appropriations not expended during the year become funding for the following year's budget.

Attachment B displays these expenditure and revenue accounts without the detailed explanations.

Designation for Contingency

In the past several years the Commission developed a Designation for Contingency of \$40,000, separate from its annual budget and available should the need arise during the year for unforeseen expenses, i.e., as having to secure office space outside of County facilities. The reserve amount remains unchanged from year to year, however, interest earned on these funds is allocated as revenue to the Commission's annual budget.

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Conclusion

In consideration of information contained in this letter, 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 5 Commission meeting.

While we are recommending a specific financial program, we urge that flexibility be retained by the Commission to make adjustments in the Final Budget should this prove warranted.

Very truly yours,



BOB BRAITMAN
Executive Officer

	<u>2010-2011 Final Budget</u>	<u>Projected Year End</u>	<u>2011-2012 Draft Budget</u>	<u>Change</u>
SALARIES AND BENEFITS				
Commissioner Stipends – 6210	23 100	11 250	23 100	0
This account funds Commissioner per diem stipends. The amount is based on 11 Commissioners attending 14 meetings at \$150 per meeting. Funds are expended only if meetings are held.				
FICA Contribution – 6500	1 500	960	1 500	0
Per the County Auditor this account is budgeted at .062% of taxable salaries and benefits.				
FICA/Medicare – 6550	335	115	335	0
Per the County Auditor this account is budgeted at .0145% of taxable salaries and benefits.				
Unemployment Insurance – 6700	900	480	900	0
Per the County Auditor this account is budgeted at .0145% of taxable salaries and benefits.				
LAFCO STAFF SUPPORT (this was previously included in Services and Supplies)				
Contractual Staff Services – 7510	171 355	171 355	176 475	5,120
The current four-year staffing contract was approved by the Commission in September 2009 and became effective July 1, 2010. Annual adjustments are tied to the Consumer Price Index, not to exceed 3% in any one year, based on CPI experience in the prior 12 months.				
The Proposed Budget reflects a 1.3% increase; based on the Bureau of Labor Statistics, Consumer Price Index for Los Angeles-Riverside-Orange County for 12 months ending December 2010. If the actual CPI differs this amount will be adjusted in the Final Budget.				
SERVICES AND SUPPLIES				
Audit Fees – 7324	5 000	5 000	5 000	0
The Commission finances are subject to annual audit. Depending on the firm selected to audit the current fiscal year, this amount of this account may need to be adjusted in the future.				
Memberships – 7430	3 035	3 035	3 035	0
Membership in the California Association of LAFCOs.				

	<u>2010-2011 Final Budget</u>	<u>Projected Year End</u>	<u>2011-2012 Draft Budget</u>	<u>Change</u>
Office Expense – 7450	2 000	390	1 500	-500
Supplies and equipment to support Commission activities. It is essential that sufficient funds are budgeted to undertake and complete LAFCO studies and projects.				
Postage – 7451	3 000	966	2 000	-1000
This account funds postage and related services. It is essential that sufficient funds are budgeted to distribute LAFCO notices, reports and other mailings to local agencies and interested parties.				
Copier Expense - 7453	5 000	5 284	5 000	0
This account funds printing of notices, reports, resolutions, correspondence and other materials.				
Professional & Specialized Services – 7460	20 000	20 000	20 000	0
The account funds services not provided directly by the LAFCO staff, including televising LAFCO meetings and the County Surveyor updating and maintaining city and special district maps for the Commission’s Directory of Public Agencies.				
ADP Payroll Services - 7507	1 125	915	1 125	0
This account funds ADP Small Business Services charges to process per diem stipends.				
Legal Services - 7508	40 000	34 035	40 000	0
This account funds estimated services. .				
Publications/Legal Notices– 7530	1 000	615	1 000	0
Costs to publish legal notices for LAFCO hearings.				
Gen Fund Cost Allocation – 7669	-41 8668	-41 8668	- 56 365	- 14 499
This account funds the County Auditor to keep LAFCO financial records, make payments and process deposits, the County Treasurer to retain and invest funds and LAFCO’s share of building and grounds maintenance.				
The Commission appropriated \$12,698 in this account when it adopted this year’s budget; the County Auditor adjusted this amount to the negative figure -\$41,866 based, we understand, on overcharges in prior years. The County Auditor provided us with a negative figure of - \$56,365 in this account for Fiscal Year 2011-2012. A memo from the County Auditor is enclosed.				

	<u>2010-2011 Final Budget</u>	<u>Projected Year End</u>	<u>2011-2012 Draft Budget</u>	<u>Change</u>
Transportation and Travel - 7730	21 000	22 000	21 000	0

This account funds travel expenses for Commissioners and staff, including participation in CALAFCO conferences and Board meetings. No change is recommended.

OTHER CHARGES

These figures are provided by the County. The reduced figure for liability insurance is provided to us by the County General Services Agency.

Electricity – 7801	900	667	900	0
Natural Gas – 7802	150	79	150	0
Water – 7803	150	75	150	0
Refuse – 7804	50	59	50	0
Utility Services – 7806	50	27	50	0
Liability Insurance - 7895	3 500	2 672	141	- 3 359
Telephone Services – 7897	300	315	300	0

REVENUES

Interest Income - 3380	2 000	1 837	2 000	0
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This is revenue from investing available LAFCO funds.

Processing Fee Income - 5738	12 000	14 404	12 240	240
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This is revenue from fees to process proposals. It is difficult to predict future proposal workload since to some degree it follows economic activity. The budget is based on seven boundary changes at an average of \$1,466 (\$10,260) and two sphere of influence applications (\$1,980).

Miscellaneous Revenue – 5860, 5909	1 000	61	1 000	0
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These are revenues from the sale of documents, maps etc. .

Other Gov't Agencies – 4840	296 020	296 020	To be determined	
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The law directs the County, cities and independent special districts to fund the Commission. The amounts depend on (a) the adopted budget, (b) the available fund balance at the end of the fiscal year and (c) projected operational revenues. The figure will be developed in the coming weeks.

<u>2010-2011</u> <u>Final Budget</u>	<u>Projected</u> <u>Year End</u>	<u>2011-2012</u> <u>Draft Budget</u>	<u>Change</u>
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Projected Available Fund Balance

The actual year-end fund balance will be refined in the coming weeks. The year-end available balance reduces amounts collected from the local agencies that support the LAFCO budget.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

Proposed Budget for Fiscal Year 2011-12

Operating Fund #5320, Santa Barbara LAFCO, Department # 815

<u>Account name and number.</u>	<u>2010-2011 Adjusted Budget</u>	<u>Projected Expense</u>	<u>2011-2012 Prop. Budget</u>	<u>Change</u>
Salaries and Benefits				
Commissioner Stipends – 6210	23 100	11 250	23 100	0
FICA Contribution – 6500	1 500	960	1 500	0
FICA/Medicare - 6550	335	115	335	0
Unemployment Insurance – 6700	900	480	900	0
Total Salaries and Benefits	25 835	12 805	25 835	0
LAFCO Staff Support				
Contractual Staff Services – 7510	171 355	171 355	176 475	5 120
Services and Supplies				
Audit Fees – 7324	5 000	5 000	5 000	0
Memberships – 7430	3 035	3 035	3 035	0
Office Expense – 7450	2 000	390	1 500	-500
Postage – 7451	3 000	966	2 000	- 1000
Copier Expense - 7453	5 000	5 284	5 000	0
Prof & Spec Services - 7460	20 000	20 000	20 000	0
ADP Payroll Fees – 7507	1 125	915	1 125	0
Legal Services - 7508	40 000	34 035	40 000	0
Pubs & Legal Notices– 7530	1 000	615	1 000	0
Gen Fund Cost Allocation – 7669	- 41 866	-41 866	-56 365	-14 499
Transportation and Travel - 7730	21 000	22 000	21 000	0
Total Services and Supplies	59 294	50 374	43 295	-15 999
Other Charges				
Electricity - 7801	900	667	900	0
Natural Gas – 7802	150	79	150	0
Water - 7803	150	75	150	0
Refuse – 7804	50	59	50	0
Utility Services - 7806	50	27	50	0
Liability Insurance - 7895	3 500	2 672	141	-3 359
Telephone Services - 7897	300	315	300	0
Total Other Charges	5 100	3 894	1 741	-3 359
Total Appropriations	261 584	238 428	247 346	-14 238

<u>Account name and number.</u>	<u>2010-2011 Adjusted Budget</u>	<u>Projected Revenue</u>	<u>2011-2012 Prop. Budget</u>	<u>Change</u>
Revenues				
Interest Income - 3380	2 000	1 837	2 000	0
Processing Fee Income - 5738	12 000	14 404	12 240	240
Misc. Revenue – 5860, 5909	1 000	61	1 000	0
Other Gov't Agencies – 4840 *	<u>296 020</u>	<u>296 020</u>	<i>To be determined</i>	
Total Revenues *	311 020	312 322	<i>To be determined</i>	

* These amounts depend on the actual Available Fund Balance at the end of this fiscal year. The figures will be refined in the coming weeks.

February 16, 2011

TO: Bob Braitman
Executive Officer
Santa Barbara LAFCO

FROM: Jackie Salvador
County of Santa Barbara
Auditor-Controller's Office
Financial Reporting
(805) 568-2133

SUBJECT: **LAFCO Budget - Account 7669 - General Fund Cost Allocation**

The Cost Allocation Plan (CAP) is prepared as an estimate for the upcoming fiscal year, plus roll-forward.

LAFCO's cost allocation for use in FY 2011-12 is - \$58,368. The - \$58,368 estimate was generated as a result of County Counsel's direct bill and the impact of the roll-forward.

The roll-forward is the method for ensuring that the cost plan does not over-allocate or under-allocate costs to benefiting departments/funds. The roll-forward is calculated as the difference between the estimate and the actuals, and that difference is then added to the current CAP estimate.

Thanks.

20-Jan-11 Cost Allocation Plan for use in 2011-12

User Supplement

81500: Santa Barbara LAFCO Allocation Detail

Cost Center Function	Allocation Basis [A] Units	Percentage	Current Year	Direct Billed	Rollforward	Adjustment	Proposed	Budget
00002 Structure Use Allowance								
02 Structure Use Allowance	908	0.033%	908	0	269	0	1,176	1,176
Total Str Use Allow								
			908	0	269	0	1,176	1,176
13000 County Counsel								
02 Legal Services	15,578	0.326%	21,895	-59,371	-37,118	0	-74,594	-74,594
Total Cnty Counsel								
			21,895	-59,371	-37,118	0	-74,594	-74,594
52100 Landscape Maintenance								
02 Bldg Landscape	1,150	0.358%	1,737	0	1,611	0	3,348	3,348
Total Land Maint								
			1,737	0	1,611	0	3,348	3,348
61000 Auditor-Controller								
02 Direct Identify	4,054	1.229%	4,775	0	982	0	5,757	5,757
05 Financial Accounting	318	0.067%	2,086	0	-463	0	1,623	1,623
06 Customer Support	15,992	0.003%	3	0	-9	0	-6	-6
Total Aud-Cont								
			6,864	0	510	0	7,374	7,374
63300 General Services-Facilities Services								
02 Building Maintenance	1,419	0.032%	2,606	0	1,068	0	3,674	3,674
05 Real Property	55	0.015%	139	0	139	0	279	279
Total GS-Fac Svcs								
			2,745	0	1,207	0	3,952	3,952
65000 Treasurer								
05 Bank Charges	349	0.092%	350	0	26	0	376	376
Total Treasurer								
			350	0	26	0	376	376
CPU: 81500 Total								
			34,499	-59,371	-33,495	0	-58,368	-58,368

[A] See schedule E for units definition

Braitman & Associates Claims for reimbursement of expenses for Santa Barbara LAFCO – Total for Year 2009

	<u>Copying</u>	<u>Postage</u>	<u>Mileage</u>	<u>Meals</u>	<u>Travel</u>	<u>Office Supplies</u>	<u>Teleconferencing</u>
12/2009	456.28	258.62	210.00	65.50		55.00	
11/2009	171.84	106.56			263.35		
10/2009	279.86	304.35	232.10	127.68	945.56*	156.82	38.20
9/2009	292.57	57.36	25.85	30.29		109.58	
8/2009	337.20	252.71	13.30	29.90		20.02	
7/2009	78.21	9.72	334.95	116.64	1,697.19**	14.64	
6/2009	249.51	16.20	62.15	42.56	432.63		
5/2009	357.16	208.44		58.62	953.13		
4/2009	84.60	21.83	227.15	90.63			
3/2009	343.25	24.32	225.50		293.06		
2/2009	558.60	251.922	378.40	16.54	782.41 75.00		
1/2009	424.31	160.04	316.80	49.08	812.56	669.10	
	3,633.39	1,672.07	2,026.20	677.44	6,254.89	1,025.16	38.20
Total							\$15,327.26

* Includes Commissioner meals

** CALAFCO Conference (11 room deposits)

Braitman & Associates Claims for reimbursement of expenses for Santa Barbara LAFCO – Total for Year 2010

	<u>C</u> opying	<u>P</u> ostage	<u>M</u> ileage	<u>M</u> eals	<u>T</u> ravel	<u>O</u> ffice <u>S</u> upplies	<u>T</u> eleconferencing
12/2010	100.73	4.90	270.00	41.00	250.00	171.33	
11/2010	173.69		96.00		362.88	44.00	
10/2010	1,046.82	124.13	196.00				
9/2010	759.31	65.86	90.50	40.00	1,649.43		
8/2010	356.62	60.00	143.00	45.00			
7/2010	172.06	33.06	89.00		377.40		
6/2010	349.68	252.73	358.00	55.33			
5/2010	507.10	12.47	266.50	61.30			
4/2010	267.84	240.49	166.50	115.00	1,219.21	252.54	
3/2010	327.21	86.99			429.16	62.76	
2/2010	186.80	58.08	260.00	55.85	248.20	22.27	
1/2010	458.33	177.00	83.50	78.88	260.11	214.28	
	4,706.19	1,115.71	2,019.00	492.36	4,796.39	767.18	
Total							\$13,896.83

* Includes Commissioner meals

** CALAFCO Conference (11 room deposits)