

LAFCO

Santa Barbara Local Agency Formation Commission

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April 4, 2019 (Agenda)

Local Agency Formation Commission

105 East Anapamu Street, Room 407

Santa Barbara CA 93101

Proposed LAFCO Budget for FY 2019-2020

Dear Members of the Commission:

RECOMMENDATION

It is recommended that the Commission:

1. Review the Proposed Budget for Fiscal Year 2019-20, accept all public testimony and approve the Proposed Budget as presented.
2. Direct the staff to distribute the approved Proposed Budget to cities, special districts and the County as required by Government Code Section 56381.
3. Schedule a public hearing for May 2, 2019 to consider and adopt the Final Budget.

DISCUSSION

Introduction

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

Government Code Section 56381 requires LAFCO, after conducting public hearings, to:

Commissioners: Steve Lavagnino, Chair ♦ Roger Aceves ♦ Craig Geyer, Vice-Chair ♦ Joan Hartmann ♦ Holly Sierra ♦
Shane Stark ♦ Etta Waterfield ♦ Roger Welt ♦ Das Williams ♦ **Executive Officer: Paul Hood**

BUSINESS ITEM NO. 1

- Adopt a proposed budget for the next fiscal year not later than May 1. This is transmitted to the County, each city and each independent special district for their review and comment.
- Adopt the final budget for the next fiscal year by June 15.

Summary of Proposed Budget

The recommended Proposed Budget is \$385,750 a decrease of \$119,713 below the current year budget. The main reasons for the reduction are 1) Revenues from LAFCO processing fees increased by \$15,000 over budget, 2) the General Fund Cost Allocation (CAP) decreased by \$54,647 compared to the current year’s budget, and 3) there is no recommended contribution to contingency reserve because the reserve is now adequate to fund unanticipated expenses such as litigation and other legal services, professional services, and other unexpected and other unbudgeted expenses. Any year-end fund balance will also be added to reserves.

Following is a budget summary.

<u>Proposed Budget Summary</u>	<u>Adjusted Budget 2018-19</u>	<u>Proposed 2019-20</u>	<u>Change</u>
Salaries and Benefits	\$ 17 225	16 800	\$ -425
Contracted Staff Support	235 000	235 000	0
Services & Supplies	171 597	132 350	-39,247
Other Charges	<u>1 641</u>	<u>1 600</u>	<u>-41</u>
Total	425 463	385 750	119 713
Contingencies	80 000	0	-80 000
Total Appropriations	505 463	385 750	119 713
Revenues	505 463	385 750	119 713

Detailed Description of Individual Accounts

The proposed budget spreadsheet and specific line item accounts is attached as **Exhibit A**. The spreadsheet presents the Recommended Proposed 2019-20 Budget. 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.

Designation for Contingency/Reserve

During 2018-19, \$80,000 was transferred to the contingency/reserve account. This was based on billings from the County Assessor and Elections Office and time spent on complex proposals. On June 30, 2019, the Commission's reserves will equal approximately \$200,000. In addition, appropriations not expended during one fiscal year become part of the available fund balance to finance the Commission in the following fiscal year.

During 2018-19, the Commission experienced a significant increase in revenues from processing fees. There will also be a significant reduction in the general fund cost allocation amount in 2019-20. A prudent reserve should be in the range 30-50 percent of the operating budget. Therefore, there is no recommended addition to contingency reserves for the 2019-20 Fiscal Year.

Contingency/Reserve History

Several questions were raised when the Commission considered the 2016-17 Year-End Report on August 3, 2017. In the 2016-17 Year-End Report, approximately \$80,000 was transferred from contingencies to the operating budget to cover overages in operating accounts. The transfer was based on several factors

- 1). In 2016-17 Expenditures for Salaries and Benefits were over by \$2,775, Legal Counsel and Clerk to the Board Services were over budget by \$56,177. This was mainly attributable to staff time spent on the hosting 2016 CALAFCO Annual Conference, processing complex proposals such as the West Santa Ynez and Museum of Natural History Annexations, and Formations of the Cuyama Basin Water District, and the Los Olivos Community Services District. Also, for the first time, the Commission was billed \$11,515 by the County Assessor and County Elections for signature verifications and legal notice lists.
- 2). In addition, in 2016-17 revenues from processing fees for LAFCO Applications were \$28,000 less than projected at year-end. This included an \$8,000 refund to the abandoned Santa Rita Hills Bridge and Highway District Reorganization.
- 3). As mentioned above, the situation was further exacerbated by the receipt of a 2016-17 claim on September 8, 2017, from the County Assessor and Elections for \$62,910.96. The billings were for land owner and registered voter validation for LAFCO Application petition verification, mailings list, and protest hearings. Although these charges have been mainly recovered from applicants, charges such as these make it extremely difficult to predict what occurs during the budget process for the next fiscal year.
- 4). Therefore, the 2016-17 SBLAFCO Budget was balanced by the transfer of contingency funds to the operating budget. The amount of contingency reduction for 2016-17 was \$81,100. The

net \$81,100 reduction in contingencies brought the total contingency balance at year-end to \$28,900. The Commission also budgeted \$20,000 to added to contingency reserves was added at the end of the fiscal year the contingency/reserve to bring the total to \$58,900.

Commission Clerk Services

The Commission will continue to utilize the County Clerk to the Board for Commission Clerk services. Since 2014-15 the Commission has budgeted \$60,000 for Commission Clerk services. Based on current year projections, it is recommended that the Contractual Staff Services Account 7510 for Clerk services remain at current year levels.

LAFCO Legal Counsel

The Commission has contracted with the County of Santa Barbara County Counsel's Office for legal services for a number of years. The most recent Deputy County Counsel assigned to LAFCO is Senior Deputy Bill Dillon, who has served the Commission since 2006.

Mr. Dillon retired from the County Counsel's Office on December 31, 2018. The Commission was interested in contracting with Mr. Dillon to continue to provide legal services for at least the next two years.

On February 7, 2019, the Commission entered into a two-year agreement with Mr. Dillon for legal services not to exceed \$50,000 per year. This amount is reflected in the proposed 2019-20 budget.

Services and Supplies

In the area of Services and Supplies, Line Item 7669, was decreased by \$54,647 based mainly on a lowering of the projected 2019-20 General Fund Cost Allocation (CAP), Line Item 7669. The CAP estimates in previous years were based on estimated services provided by County Counsel and the County Executive Office two years ago. The roll forward to consider the actual costs, resulted in large CAP credits for 2019-20 when the actual data was available.

Other Services and Supplies remains stable with the exception of Legal Services which increased by \$15,000 because of Mr. Dillion's contract.

Revenue Accounts

In the area of Revenues, LAFCO Billings to the County of Santa Barbara, Cities, and Special Districts for 2019-20 will decrease by \$134,963. This is due mainly to not adding funds to the Contingency/Reserve Account and reduced CAP charges. LAFCO Processing Fees are also projected to increase by \$15,000 based on current year actuals.

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Conclusion

In consideration of this information, 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 2, 2019, Commission meeting.

EXHIBIT

Exhibit A Proposed FY 2019-20 LAFCO Budget

Please contact the LAFCO office if you have any questions.

Sincerely,



PAUL HOOD
Executive Officer

Cc: County Executive Officer
Each City Manager
Each Special District Manager

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

PROPOSED 2019-20 BUDGET - April 4, 2019

Account Name and Number	2018-19 Final Budget	As of 3/21/2019	Projected Year-End	2019-20 Proposed Budget	Inc/Dec	% Inc/Dec
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Revenues

Interest Income - 3380	1,750	3,332	4,000	4,000	2,250	129%
Unrealized Gain/Loss - 3381	310	-404	-404	310	0	0%
Other Gov't Agencies - 4840	475,403	475,400	475,400	340,440	-134,963	-28%
Planning Studies Service - 5738	25,000	45,283	50,000	40,000	15,000	60%
Misc. Revenue - 5909	3,000	0	0	1,000	-2,000	-67%
Total Revenues	505,463	523,611	528,996	385,750	-119,713	-23.7%

Expenditures

Salaries and Benefits

Commissioner Salaries - 6210	15,000	9,073	12,500	15,000	0	0%
FICA Contribution - 6500	1,250	577	770	1,000	-250	-20%
FICA/Medicare - 6550	350	135	180	200	-150	-43%
Unemployment Insurance - 6700	625	464	600	600	-25	-4%
Total Salaries and Benefits	17,225	10,249	14,050	16,800	-425	-2.5%

Staff Support

Contractual Staff Services - 7510	235,000	164,998	219,997	235,000	0	0%
Total Staff Support	235,000	164,998	219,997	235,000	0	0%

Services and Supplies

Audit Fees - 7324	6,000	6,970	6,970	7,200	1,200	20%
Memberships - 7430	6,000	5,344	5,344	6,500	500	8%
Office Expense - 7450	1,500	962	1,250	1,500	0	0%
Prof & Special Services - 7460	45,000	4,494	40,000	45,000	0	0%
ADP Payroll Fees - 7507	1,750	886	1,181	1,750	0	0%
Legal Services -7508	35,000	22,790	27,500	50,000	15,000	43%
Pubs & Legal Notices 7530	2,500	103	500	1,200	-1,300	-52%
Gen Fund Cost Allocation -7669	47,847	24,104	47,847	-6,800	-54,647	-114%
Training and Travel- 7732	26,000	15,860	20,000	26,000	0	0%
Total Services and Supplies	171,597	81,513	150,592	132,350	-39,247	-22.9%

Other Charges

Electricity - 7801	700	318	700	600	-100	-14%
Natural Gas - 7802	100	107	120	100	0	0%
Water - 7803	200	99	150	100	-100	-50%
Refuse - 7804	0	89	120	100	100	100%
Utility Services - 7806	100	35	75	100	0	0%
Liability Insurance - 7895	181	0	181	200	19	10%
Telephone Services - 7897	360	270	360	400	40	11%
Total Other Charges	1,641	918	1,706	1,600	-41	-2.5%

Contingency Reserve - 9600	80,000	0	80,000	0	-80,000	-100%
Total Contingency Reserve	80,000	0	80,000	0	-80,000	-100.0%
Total Exp/Appropriations	505,463	257,677	466,345	385,750	-119,713	-23.7%

*No contingency will be added to reserves in FY 19/20. The estimated contingency reserve balance will be \$200,000