
AGENDA ITEM #9

TO: ALL COMMISSIONERS, ALTERNATES
FROM: NANCY MEES, COMMISSION CLERK & ROSEANNE CHAMBERLAIN, EXECUTIVE OFFICER
SUBJECT: PROPOSED FISCAL YEAR BUDGET 21-22
DATE: MEETING OF APRIL 15, 2021

BACKGROUND & SUMMARY

Government Code §56381 provides that the Commission shall annually adopt a proposed budget at a public hearing no later than May 1. The proposed budget is then transmitted to the county, cities, districts and others. The statutes specify that the final budget shall be no less than the previous year unless the Commission makes certain findings. Because of the unusual nature of the past year, and the resulting decrease in revenues to cities and the county, staff has provided three alternative proposed budgets for 2021-22, two of which are slightly more than the previous year's budget appropriation and one that is significantly less.

LAFCO staff projects a Fund Balance of \$51,547 (actual general fund at 3/19/21 of \$66,553 less projected expenses to year-end of \$15,006). The fund balance was calculated conservatively to ensure we have sufficient revenue to reach the end of the fiscal year with a generous remainder to assist in funding the upcoming fiscal year's work.

The remaining Municipal Services Review (MSR) work will continue in 2021-22 by in-house staff. Some work on the districts remains, but the city MSRs are next. The small increases in operating budget items are those that staff knows will increase over last year: (1) liability insurance; (2) CALAFCO dues slightly; and (3) County Maintenance-Programs (a cost paid to the County) slightly.

Three budget alternatives are provided for the commission to consider.

In Budget Option 1, the Proposed "Status Quo Budget", Staff recommends that \$79,489 in cost savings and general reserves be carried forward to fund next year's work. The transfer in from the fund balance and general reserves is adjusted by \$214 from last year in order that the Agency Cost Share can remain the same as last year and not increase. Over the last ten years, LAFCO has successfully kept the agency payments relatively low and level, avoiding increases to the cities and county in the recession years by cost containment and prudently using reserves. This option results in an overall budget increase of \$214 from last year and continues an effective work program at current levels.

In Option 2, the Proposed “Reduced Agency Cost Share Budget”, Staff recommends that \$90,927 in general reserve funds be carried forward to fund next year’s work. The transfer in from the fund balance and general reserves is increased by \$11,652 from last year in order that the Agency Cost Share can be decreased by 20% from last year, reducing the total combined agency cost share to \$45,752. This option also results in an overall budget increase of \$214 from last year and continues an effective work program at current levels.

In Option 3, the Proposed “Curtailed LAFCO Operations Budget”, significant one-time cuts in proposed operating expenses are shown in the spreadsheet. These cuts are in Professional and Special Services expense and total \$50,500. This would allow the transfer from the fund balance and general reserves to remain the same as last year, while decreasing the Agency Cost Share approximately 97%. The total combined cost share would be \$1,863, a nominal amount when divided among the cities and county.

This option results in an overall budget decrease of \$55,327 from last year for one year only and significantly reduces the work plan for the upcoming year. Statutes require LAFCO to make a finding that any reductions in budget will nevertheless allow the Commission to fulfill its purposes under the Cortese-Knox-Hertzberg Act. This would require the Commission to make an overriding finding that while the reduced staffing or program costs do not allow the commission to fulfill its purposes under the Cortese-Knox-Hertzberg Act for the upcoming year, the reductions are necessary in light of severe financial hardship due to SARS-Cov-2. The Curtailed Operations Budget will not allow the Commission to completely fulfill its mission in the upcoming year. For example, the cities will need to individually pay for the cost of the MSR updates, which are currently overdue. Cities and the county would face a major jump in the cost for the following year’s budget. LAFCO would also be unlikely to roll over fund balance in that subsequent year. Staff does not recommend the curtailed work plan budget.

A hybrid budget that would reduce costs less drastically and/or increase the transfer from the fund balance and general reserves could also result in a less drastic decrease in the Agency Cost Share and would again require the Commission to make overriding findings if the overall proposed budget is less than last year’s.

WORK PLAN

The 21-22 Proposed Budget includes the following work plan:

- Prepare Municipal Service Review updates for agencies in-house using LAFCO staff, in lieu of contracting with more costly consultants. Complete Backbone Services chapters for water and fire services to provide a comprehensive review of these services. Initiate city MSR updates if funding is available.
- Continue to adopt, update and/or affirm the spheres of influence for all agencies as the Municipal Service Reviews are completed.

- Continue to process applications expediently and accurately.
- Complete GIS mapping for special districts, including corrections and changes with state agencies, census bureau, and local entities.
- Complete postings to the website for reliable GIS maps for all LAFCO agencies.
- Continue to update the LAFCO website to enhance public access and reduce staff time for public inquiries.
- Continue to shift administration work to trained support staff to decrease cost of the Executive Officer.
- Write clear procedures for remaining LAFCO processes as time is available.
- Continue to purge files, organize and create digital back up of hard copy project files.
- Continue to assist special districts and others with operational and organizational assistance.
- Continue to assist County and City staff with research and support.

The budget provides funding for 10 LAFCO meetings as in prior years. Staff expects more projects going forward if the economy picks up as expected following the pandemic. Meetings will be held as needed to ensure timely hearing of applications. If more than 10 meetings are needed, project fees and operating contingency will be sufficient for the costs.

Three commissioners and staff are budgeted to attend the CALAFCO annual conference in Newport Beach (October 6-8). No funding is committed to staff attending the CALAFCO staff workshop. Historically, staff only attended when conference funds remained after the annual conference.

Limited legal services are funded with \$9,000 as in prior years, or alternatively, \$1,000 under the Proposed "Curtailed Operations Budget". The legal defense reserve is fully funded with \$10,000 added this year to our current balance of \$64,136 legal reserve balance. Staff strongly recommends continued funding for legal defense reserves.

REVENUES AVAILABLE AND FUND BALANCES

The year-end fund balance calculations are attached and are based on account balances as of March 19, 2021. A final fund balance will only be known after the close of the fiscal year in late July. Fund Balance projections are shown on the attached spreadsheet.

POLICY DIRECTION & ASSUMPTIONS

The staff proposed budgets are based on policy directions given in past years as follows:

- Use fund balance and general reserves to offset and maintain the agencies' cost share.

- Provide for a general reserve to help even out the cities' and county's cost for LAFCO over future years. Provide an operating contingency and general reserve for emergencies or extraordinary work.
- Augment the Legal Defense Fund (101738) with \$10,000 to bring the total from about \$64K to \$74K.
- Allow everyone who is available to attend the CALAFCO annual conference for training.

A long-range planning session is not included in either of the three options. When the commission is willing, long range planning could improve the financial effectiveness of LAFCO.

PLANNED BUDGET SCHEDULE

The LAFCO budget process has four steps: adoption of a proposed budget, distribution to agencies, second hearing for adoption of final budget, and formal transmittal of final budget to the agencies and to the Auditor for apportionment. Unless the Commission directs otherwise, staff will follow the successful process used each year since 2007, as shown below.

- Adopt the proposed budget on April 15, 2021.
- Transmit the proposed budget to agencies the week of April 19th and post to the LAFCO Web site.
- Review by the cities, counties, and public.
- Amend as needed and adopt the final budget on May 20th.
- Transmit the Final Budget to Auditor and Agencies the week following adoption as required by state law.

EXECUTIVE OFFICER'S RECOMMENDATIONS:

1. Review, make any desired changes, give direction to staff and approve a Proposed Budget for Fiscal Year 2021-22.
2. Approve the proposed work plan and give additional direction to staff as needed, contingent on budget directions.
3. Direct staff to transmit the budget materials to cities, districts and others as specified in Government Code Section 56381.
4. Direct staff to schedule adoption of the final budget.

Attachments: Staff Draft Proposed Budgets (three options)
Calculation of Projected Fund Balance

**Amador LAFCO - Proposed Status Quo Budget
FY 2021-22
(No change in Agency Cost Share)**

Budget Code	Expense Category	Approved 20-21	Proposed 21-22	Difference
Revenues				from Prior Year
44100	Interest	\$3,300	\$3,300	\$0
46930	Project Fees	\$25,000	\$25,000	\$0
	From General Fund Balance	\$79,275	\$79,489	\$214
Subtotal Non-Agency Revenues		\$107,575	\$107,789	\$214
45640	Agency Cost Share	\$57,190	\$57,190	\$0
Revenue Subtotal		\$164,765	\$164,979	\$214.00
Operating Expense				
50310	FICA (stipends)	\$50	\$50	\$0
50400	Emp Insurance	\$150	\$150	\$0
51200	Communications	\$600	\$600	\$0
51504	Liability Insurance	\$3,200	\$3,350	\$150
51760	Maint.-Programs	\$250	\$300	\$50
52000	Membership	\$1,520	\$1,524	\$4
52200	Office Expense (total)	\$1,015	\$1,015	\$0
	Postage	160	160	0
	Supplies	325	325	0
	Printing/copies 52205	480	480	0
	Publications, Ref Maps	50	50	0
52300	Prof & Spec Serv Total	\$123,500	\$123,500	\$0
	Legal Services	9,000	9,000	0
	Executive Officer	38,000	38,000	0
	Project Support	25,000	25,000	0
	Clerical/Support	15,000	15,000	0
	Meeting Exp/Stipend	2,500	2,500	0
	Audit	4,000	4,000	0
	GIS, mapping	10,000	10,000	0
	Other County Services (Inc. Rent)	2,000	2,000	0
	MSR	18,000	18,000	0
52300(1017)	Legal Defense Reserve	\$10,000	\$10,000	\$0
52400	Public Notice	\$1,000	\$1,000	\$0
52900	Mileage/travel	\$3,000	\$3,000	\$0
52910	Conf/Mtgs(includes travel)	\$5,500	\$5,500	\$0
Operating Expense Sub-total		\$149,785	\$149,989	\$204
59500	Operating Contingency	\$14,980	\$14,990	\$10
Total Budget Appropriation		\$164,765	\$164,979	\$214

Amador LAFCO
Proposed Reduced Agency Cost Share Budget
FY 2021-22
(Increased Use of LAFCO Fund Balance)

Budget Code	Expense Category	Approved 20-21	Proposed 21-22	Difference
Revenues				from Prior Year
44100	Interest	\$3,300	\$3,300	\$0
46930	Project Fees	\$25,000	\$25,000	\$0
	From General Fund Balance	\$79,275	\$90,927	\$11,652
Subtotal Non-Agency Revenues		\$107,575	\$119,227	\$11,652
45640	Agency Cost Share	\$57,190	\$45,752	-\$11,438
Revenue Subtotal		\$164,765	\$164,979	\$214.00
Operating Expense				
50310	FICA (stipends)	\$50	\$50	\$0
50400	Emp Insurance	\$150	\$150	\$0
51200	Communications	\$600	\$600	\$0
51504	Liability Insurance	\$3,200	\$3,350	\$150
51760	Maint. -Programs	\$250	\$300	\$50
52000	Membership	\$1,520	\$1,524	\$4
52200	Office Expense (total)	\$1,015	\$1,015	\$0
	Postage	160	160	0
	Supplies	325	325	0
	Printing/copies 52205	480	480	0
	Publications, Ref Maps	50	50	0
52300	Prof & Spec Serv Total	\$123,500	\$123,500	\$0
	Legal Services	9,000	9,000	0
	Executive Officer	38,000	38,000	0
	Project Support	25,000	25,000	0
	Clerical/Support	15,000	15,000	0
	Meeting Exp/Stipend	2,500	2,500	0
	Audit	4,000	4,000	0
	GIS, mapping	10,000	10,000	0
	Other County Services (Inc. Rent)	2,000	2,000	0
	MSR	18,000	18,000	0
52300(1017)	Legal Defense Reserve	\$10,000	\$10,000	\$0
52400	Public Notice	\$1,000	\$1,000	\$0
52900	Mileage/travel	\$3,000	\$3,000	\$0
52910	Conf/Mtg (includes travel)	\$5,500	\$5,500	\$0
Operating Expense Sub-total		\$149,785	\$149,989	\$204
59500	Operating Contingency	\$14,980	\$14,990	\$10
Total Budget Appropriation		\$164,765	\$164,979	\$214

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**Amador LAFCO
Proposed Curtailed LAFCO Operations Budget
FY 2021-22**

<i>Budget Code</i>	<i>Expense Category</i>	<i>Approved 20-21</i>	<i>Proposed 21-22</i>	<i>Difference</i>
Revenues				from Prior Year
44100	Interest	\$3,300	\$3,300	\$0
46930	Project Fees	\$25,000	\$25,000	\$0
	From GeneralFundBalance	\$79,275	\$79,275	\$0
Subtotal Non-Agency Revenues		\$107,575	\$107,575	\$0
45640	Agency Cost Share	\$57,190	\$1,863	-\$55,327
Revenue Subtotal		\$164,765	\$109,438	-\$55,327.00
Operating Expense				
50310	FICA (stipends)	\$50	\$50	\$0
50400	Emp Insurance	\$150	\$150	\$0
51200	Communications	\$600	\$600	\$0
51504	Liability Insurance	\$3,200	\$3,350	\$150
51760	Maint.-Programs	\$250	\$300	\$50
52000	Membership	\$1,520	\$1,524	\$4
52200	OfficeExpense(total)	\$1,015	\$1,015	\$0
	Postage	160	160	0
	Supplies	325	325	0
	Printing/copies 52205	480	480	0
	Publications, Ref Maps	50	50	0
52300	Prof & Spec Serv Total	\$123,500	\$73,000	-\$50,500
	Legal Services	9,000	1,000	-8,000
	Executive Officer	38,000	25,000	-13,000
	Project Support	25,000	25,000	0
	Clerical/Support	15,000	12,000	-3,000
	Meeting Exp/Stipend	2,500	0	-2,500
	Audit	4,000	0	-4,000
	GIS, mapping	10,000	5,000	-5,000
	Other County Services (Inc. Rent)	2,000	2,000	0
	MSR	18,000	3,000	-15000
52300(1017)	Legal Defense Reserve	\$10,000	\$10,000	\$0
52400	Public Notice	\$1,000	\$1,000	\$0
52900	Mileage/travel	\$3,000	\$3,000	\$0
52910	Conf/Mtgs(includes travel)	\$5,500	\$5,500	\$0
Operating Expense Sub-total		\$149,785	\$99,489	-\$50,296
59500	Operating Contingency	\$14,980	\$9,949	-\$5,031
Total Budget Appropriation		\$164,765	\$109,438	-\$55,327

Amador LAFCO - Fund Balance Projection
for FY 2021-22 Budget
Based on Actuals As of March 19, 2021

Budget Code	Expense Category	Budget 2020-21	Actual rev/exp as of 3/19/21	Projected Total rev/exp to year end	Projected Year End/Difference from Budget	Projected Add'l cost/revenue
Revenues						
44100	Interest	\$3,300	\$1,891	\$2,837	-\$463	\$946
46930	Project Fees	\$25,000	\$5,203	\$7,805	-\$17,195	\$2,602
	From Fund Balance	\$79,275	\$79,275	\$79,275	\$0	
Subtotal Non-Agency Revenues		\$107,575	\$86,369	\$89,917	-\$17,658	\$3,548
45640	Agency Cost Share	\$57,190	\$57,190	\$57,190	\$0	
Revenue Subtotal		\$164,765	\$143,559	\$147,107		
Operating Expense						
50310	FICA (stipends)	\$50	\$8	\$12	\$38	\$4
50400	Emp Insurance	\$150	\$28	\$42	\$108	\$14
51200	Communications	\$600	\$359	\$539	\$61	\$180
51504	Liability Insurance	\$3,200	\$3,346	\$3,346	-\$146	\$0
51760	Maint.-Programs	\$250	\$192	\$288	-\$38	\$96
52000	Membership	\$1,520	\$0	\$1,524	-\$4	\$1,524
52200	Office Expense	\$1,015	\$375	\$563	\$452	\$188
52300	Prof & Spec Serv Total	\$123,500	\$24,680	\$37,020	\$86,480	\$12,340
	Legal Defense Reserve	\$10,000	\$10,000	\$10,000	\$0	\$0
52400	Public Notice	\$1,000	\$0	\$414	\$586	\$414
52900	Mileage/travel	\$3,000	\$492	\$738	\$2,262	\$246
52910	Conf/Mtgs (includes tr	\$5,500	\$0	\$0	\$5,500	\$0
Operating Expense Sub-total		\$149,785	\$39,480	\$54,486	\$95,299	\$15,006
59500	Operating Contingency	\$14,980	\$0	\$0	\$14,980	\$0
Expense Subtotals		\$164,765	\$39,480	\$54,486	\$110,279.00	\$15,006

Projected Year End Actual Revenues	\$147,107
Less Projected Actual Expenses	\$54,486
Projected Fund Balance/Budget Calculation	\$92,621

<i>Fund Balance/Balance Sheet By Fund as of 3/19/21</i>		
101739	LAFCO General Fund	\$66,553
101737	LAFCO Project Fund (includes general reserve)	\$51,866
Projected Fund Balance All Accounts		\$118,419
101738	Legal Defense Fund	\$64,136