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June 18, 2014

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 City of Huntington Beach

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 Irvine Ranch Water District

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 Supervisor
 3rd District

ALTERNATE
VACANT
 Councilmember

CAROLYN EMERY
 Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer

SUBJECT: Final LAFCO Budget for Fiscal Year 2014-2015

BACKGROUND

In accordance with Government Code Section 56381(a), on May 14, 2014, the Commission adopted the proposed FY 2014-2015 budget and distributed it to each of the funding agencies for review and comment. In addition to adopting a proposed budget, State law also requires that the Commission adopt a final budget each year.

The final LAFCO budget for FY 2014-2015 (*Attachment 1*) identifies expenditures totaling \$985,708 and static funding apportionment levels through the use of the agency's unreserved equity. Frozen since 2009, the proposed funding apportionment for the County, cities, and special districts for FY 2014-2015 remains the same at \$926,683 and is equally divided with each paying \$308,894 (*Attachment 3*). If approved, the final budget includes an estimate of \$56K to be used from the unreserved equity for FY 2014-2015.

COMMENTS RECEIVED

On May 14, 2014, the proposed LAFCO budget was distributed to the Board of Supervisors, County Executive Office, and each city and independent special district for review and comment. LAFCO staff received two agency responses. The County Executive Office indicated it had reviewed the proposed LAFCO budget and had no further comments or questions. The South Coast Water District submitted a response indicating that the proposed budget was acceptable.

RECOMMENDATIONS

Staff recommends that the Commission:

1. Adopt the LAFCO Final Budget for Fiscal Year 2014-2015.
2. Direct staff to transmit the LAFCO Final Budget (Attachment 1) to the Board of Supervisors, each city and independent special district, and the County Auditor-Controller.

Respectfully submitted,

CAROLYN EMERY

Attachments:

1. Final LAFCO Budget FY 2014-2015
2. Budget Category Descriptions (FY 2014-2015)
3. City and Special District Apportionments (FY 2014-2015)

**Local Agency Formation Commission
FY 2014-2015 Final Budget**

		FY 14/15 Final Budget
Revenues:		
	Transfer from Unreserved equity	56,175
4000	LAFCO Apportionment	926,683
4050	Filing Fees	-
4200	Interest	2,850
4150	Miscellaneous Revenue	-
Total Revenues		<u>985,708</u>
Expenditures:		
5000	Salaries	358,400
5010	Hourly Employees	8,200
5106	Retirement	124,000
5104	Exec Def Comp	6,700
5108	Health Insurance	60,740
5109	Retiree Health Benefits	13,000
5110	Dental Insurance	4,500
5112	Life Insurance	1,000
5114	Worker's Comp	1,486
5116	Medicare	5,200
5118	Unemployment Ins	-
5120	Salary Continuance	1,300
5122	Acc Death Ins	100
5102	Optional Benefit Plan	15,000
5125	Executive Car Allowance	7,200
Salaries and Benefits		<u>606,826</u>
5150	Information Technology	10,000
5151	Telephone	10,000
5200	County charges	5,500
5250	General liability insurance	15,332
5301	Repairs and maintenance	520
5350	Membership/Subscriptions	29,000
5450	Office equipment/supplies	11,500
Professional services:		
5510	Legal	50,000
5520	Audit/Accounting	37,900
5530	Human Resources	1,000
5540	Other professional	75,000
5535	Mapping	8,000
5550	Investment Admin Fees	620
5600	Public Noticing	10,000
5625	Postage	3,300
5650	Rents/Maintenance	57,720
5675	Equipment Leases	7,240
5700	Commissioner/Staff Expenses	8,000
5710	Commission Stipends & Taxes/Fees	16,300
5750	Staff Training	3,550
5800	Transportation/Travel	17,000
5850	Commission meeting expenses	1,400
Subtotal Services & Supplies		<u>378,882</u>
Total Expenditures		<u>985,708</u>
Revenues over expenditures		<u><u>-</u></u>

	FY 14/15 Final Budget
	<u>6/30/15</u>
Reserves:	
Contingency reserve	100,000
Reserve for litigation	75,000
Unfunded liability reserve	30,000
Reserved for projects deposits	23,483
<u>Unreserved equity:</u>	
<i>Balance at the Beginning of FY</i>	338,474
<i>Projected change in Year End Deficit</i>	
<i>Amount used to balance Current Budget</i>	(56,175)
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Unreserved equity at the End of FY	282,299
	<hr/>
	510,782

OC LAFCO Budget Categories FY 2014-2015

REVENUES

The following summarizes what is included in each of the revenue categories used in the proposed FY 2014-2015 LAFCO Budget:

4000 LAFCO Apportionment

These funds are provided by the County, special districts and cities. LAFCO uses the cost allocation formulas previously adopted by the City Selection Committee and the Independent Special Districts Selection Committee to determine the allocation apportionment for each city and special district. The County pays 1/3 of the total apportionment cost.

4050 Filing Fees

These funds are provided by incoming project applications, including but not limited to annexations, incorporations, dissolutions, and consolidations.

4200 Interest

These funds are the interest earned from the agency's bank and County payroll accounts and investment portfolio, including the Local Agency Investment Fund (LAIF) and the Orange County Fund.

4150 Miscellaneous Revenue

These funds are incurred by nonoperational income including but not limited to reimbursements.

EXPENDITURES

The following summarizes what is included in each of the expenditure categories used in the proposed FY 2014-2015 LAFCO Budget:

5000-5124 Salaries and Benefits

These accounts are used to pay for LAFCO employee salaries and benefits, including retirement, unemployment insurance, health and dental insurance, workers compensation, Medicare and temporary staff wages.

5150 Information Technology

This account is used to pay for the maintenance and repair costs of office computers, modem lines, Internet access, archival system (On-Base Client), and technical support. LAFCO contracts with County IT services for these functions.

5151 Telephone

Office and cellular phone charges are paid out of this account.

5200 County Charges

LAFCO contracts with the County to provide internal "pony" mail service within County departments, payroll services, warehouse storage for LAFCO files and records, and billing and collection of County, city and special district allocations.

5250 Non-Health Insurance

LAFCO contracts with County (Risk Management) for insurance coverage for general liability, worker's compensation, and instances related to crimes, (i.e., theft, forgery, fraud) that occur during the general operation of the agency.

5301 Repairs and Maintenance

This account is used to pay for repairs and maintenance to the LAFCO offices.

5350 Membership

CALAFCO, CSDA, OCBC, CDR and other applicable membership fees are paid out of this account.

5450 Office Equipment/Supplies

This category provides for the purchase of computer and office supplies/equipment and software for on-going office automation requirements.

5500 Professional Services

This category covers the costs for professional services provided to LAFCO. The following are subcategories for professional services:

- ✓ **5510 Legal** - LAFCO legal counsel through the law offices of Best, Best & Krieger.
- ✓ **5520 Auditing/Accounting** – Bookkeeping and accounting services through CBIZ Accounting Tax and Advisory and IntelliBridge Partners. This account also pays for a certified public accounting firm to conduct mandated annual audits of LAFCO's financial statements and consultant assistance.
- ✓ **5530 Human Resources** – Personnel costs that may include recruitment and human resource publications.
- ✓ **5535 Mapping** -- LAFCO's Geographic Information System (GIS) and other mapping programs.
- ✓ **5540 Other Professional Services** – Outside consulting and professional services used for complex and/or contentious projects that may include meeting facilitation and preparation of fiscal studies and/or reports.

5550 Investment Admin Fees

Minor administrative fee charged by County for financial services.

5600 Public Noticing

Legal publication costs for Commission-initiated and other projects (e.g., municipal service reviews, annual budget adoption, small island annexations, etc.).

5625 Postage

This account pays for mail postage when distributing LAFCO correspondence, invoices, letters, staff reports and other documents.

5650 Office Lease

LAFCO currently leases its office space from the County. Lease payments are paid out of this account.

5675 Equipment Leases/Maintenance

LAFCO leases a copier and postage meter for office use. Lease payments are paid out of this account.

5700 Commissioner/Staff Expenses

This account pays for Commissioner parking, mileage reimbursement, and staff meeting and educational reimbursement expenses.

5710 Commissioner Stipends & Taxes/Fees

This account pays for Commissioner meeting stipends and related employment taxes and fees.

5750 Staff Training

This account pays mandatory or job-related staff training, workshops, courses (i.e., sexual harassment, ethics in the workplace, software courses, etc.).

5800 Transportation/Travel/Registration

Funds from this account category are used to pay for registration and travel expenses for commissioners and staff to the CALAFCO annual conference, staff workshop and other conferences.

5850 Commission Meeting Expenses

Funds to pay for miscellaneous supplies used during Commission meetings are paid for out of this fund.

**LAFCO Budget Reserve Categories
FY 2014-2015**

Contingency Reserve

Restricted funds used to cover any unforeseen future agency loss and/or urgency (i.e., property or equipment damage, loss or theft).

Reserve for Litigation

Restricted funds used for costs related to agency legal challenges.

Unfunded Liability Reserve

Restricted funds used to offset anticipated agency liabilities (i.e., employee vacation and administrative leave payouts).

**FY 2013-14 and 2014-15
Variance of City Allocations**

<i>City</i>	<i>FY 13-14 City Allocation</i>	<i>FY 14-15 City Allocation</i>	<i>Variance (\$)</i>	<i>Variance (%)</i>
Aliso Viejo	\$4,804.74	\$4,832.47	\$27.72	0.6%
Anaheim	\$34,048.32	\$34,267.86	\$219.55	0.6%
Brea	\$5,302.65	\$5,319.58	\$16.93	0.3%
Buena Park	\$7,707.26	\$7,823.64	\$116.38	1.5%
Costa Mesa	\$10,840.26	\$10,804.65	(\$35.60)	-0.3%
Cypress	\$4,755.13	\$4,705.73	(\$49.39)	-1.0%
Dana Point	\$3,691.21	\$3,658.97	(\$32.24)	-0.9%
Fountain Valley	\$5,802.77	\$5,729.11	(\$73.66)	-1.3%
Fullerton	\$14,100.85	\$13,917.47	(\$183.38)	-1.3%
Garden Grove	\$15,665.68	\$15,657.40	(\$8.29)	-0.1%
Huntington Beach	\$18,962.69	\$19,005.21	\$42.52	0.2%
Irvine	\$28,714.19	\$28,137.73	(\$576.46)	-2.0%
Laguna Beach	\$3,148.04	\$3,358.77	\$210.73	6.7%
Laguna Hills	\$3,454.81	\$3,451.78	(\$3.02)	-0.1%
Laguna Niguel	\$7,368.39	\$7,418.43	\$50.05	0.7%
Laguna Woods	\$1,797.80	\$1,805.35	\$7.56	0.4%
La Habra	\$5,723.79	\$5,762.33	\$38.54	0.7%
Lake Forest	\$8,780.68	\$8,815.00	\$34.31	0.4%
La Palma	\$1,500.19	\$1,474.53	(\$25.66)	-1.7%
Los Alamitos	\$1,646.22	\$1,606.56	(\$39.66)	-2.4%
Mission Viejo	\$10,043.20	\$10,168.61	\$125.41	1.2%
Newport Beach	\$11,006.29	\$11,145.97	\$139.68	1.3%
Orange	\$14,655.49	\$14,429.70	(\$225.80)	-1.5%
Placentia	\$4,890.97	\$4,946.77	\$55.80	1.1%
Rancho Santa Margarita	\$5,956.00	\$5,972.54	\$16.54	0.3%
San Clemente	\$8,099.91	\$8,145.14	\$45.23	0.6%
San Juan Capistrano	\$5,294.45	\$5,312.80	\$18.35	0.3%
Santa Ana	\$28,441.97	\$28,409.24	(\$32.74)	-0.1%
Seal Beach	\$4,078.25	\$4,000.25	(\$78.00)	-1.9%
Stanton	\$3,328.45	\$3,335.59	\$7.14	0.2%
Tustin	\$7,553.96	\$7,676.80	\$122.84	1.6%
Villa Park	\$821.34	\$821.24	(\$0.11)	0.0%
Westminster	\$8,381.75	\$8,395.34	\$13.58	0.2%
Yorba Linda	\$8,526.31	\$8,581.45	\$55.14	0.6%
TOTALS	\$308,894.00	\$308,894.00	\$0.00	0.0%

FY 2013/14 and 2014/15
Special District Cost Allocations

District	2013-14 LAFCO Cost	2014-15 LAFCO Cost	Variance \$	Increase %
Rossmoor/Los Alamitos Sewer	\$500	\$500	\$0	0.0%
Surfside Colony Stormwater	\$500	\$500	\$0	0.0%
Silverado-Modjeska Rec. & Park	\$500	\$500	\$0	0.0%
Surfside Colony CSD	\$500	\$500	\$0	0.0%
Capistrano Bay CSD	\$1,000	\$1,000	\$0	0.0%
Buena Park Library	\$2,000	\$2,000	\$0	0.0%
Orange County Vector Control	\$2,000	\$2,000	\$0	0.0%
Orange County Cemetery	\$2,000	\$2,000	\$0	0.0%
Placentia Library	\$2,000	\$2,000	\$0	0.0%
Rossmoor CSD	\$2,000	\$2,000	\$0	0.0%
Three Arch Bay CSD	\$2,000	\$2,000	\$0	0.0%
Total	\$15,000	\$15,000	\$0	0.0%
Sunset Beach Sanitary	\$4,191.44	\$3,934.01	-\$257	-6.1%
Emerald Bay CSD	\$9,122.55	\$8,562.27	-\$560	-6.1%
Serrano Water	\$9,122.55	\$12,959.11	\$3,837	42.1%
East Orange Co. Water	\$9,122.55	\$12,959.11	\$3,837	42.1%
Trabuco Canyon Water	\$13,807.10	\$17,587.36	\$3,780	27.4%
Midway City Sanitary	\$13,807.10	\$17,587.36	\$3,780	27.4%
Costa Mesa Sanitary	\$18,738.21	\$17,587.36	-\$1,151	-6.1%
El Toro Water & Sewer	\$18,738.21	\$17,587.36	-\$1,151	-6.1%
Yorba Linda Water	\$24,655.54	\$23,141.26	-\$1,514	-6.1%
Mesa Consolidated Water	\$24,655.54	\$23,141.26	-\$1,514	-6.1%
Irvine Ranch Water & Sewer	\$24,655.54	\$23,141.26	-\$1,514	-6.1%
Moulton Niguel Water & Sewer	\$24,655.54	\$23,141.26	-\$1,514	-6.1%
MWDOC Water	\$24,655.54	\$23,141.26	-\$1,514	-6.1%
OCWD Water	\$24,655.54	\$23,141.26	-\$1,514	-6.1%
Santa Margarita Water & Sewer	\$24,655.54	\$23,141.26	-\$1,514	-6.1%
South Coast Water	\$24,655.54	\$23,141.26	-\$1,514	-6.1%
Total	\$293,894.00	\$293,894.00	\$0	0.0%
TOTAL FUNDING ALLOCATION	\$308,894.00	\$308,894.00	\$0	0.0%