

8b | Commission Discussion

REGULAR MEMBERS

CHAIR

Douglass Davert

Special District Member

VICE CHAIR

Donald P. Wagner

County Member

IMMEDIATE PAST CHAIR

Derek J. McGregor

Public Member

Lisa Bartlett

County Member

Wendy Bucknum

City Member

James Fisler

Special District Member

Mike Posey

City Member

ALTERNATES

Katrina Foley

County Member

Kathryn Freshley

Special District Member

Peggy Huang

City Member

Lou Penrose

Public Member

STAFF

Carolyn Emery

Executive Officer

Scott Smith

General Counsel

January 12, 2022

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: FY 2021-22 Mid-Year Budget Adjustments

BACKGROUND

On May 12, 2021, the Commission approved the Fiscal Year 2021-22 budget of \$1,345,280. This report includes a discussion on the proposed mid-year adjustments to salaries, benefits, and other professional services budget line items. The proposed adjustments would support cost-of-living adjustments for the agency's current staff and professional consultants to assist in the preparation of two Municipal Service Reviews (MSRs) and sphere of influence (SOI) updates identified in the FY 2021-22 Work Plan. Additional information on each of these areas are discussed in the next section of this report.

DISCUSSION

If approved by the Commission, the mid-year budget adjustments would accommodate the following: (1) 3.7% cost-of-living adjustment (COLA) for five full-time employees; and (2) Hiring of professional consultants to assist in the preparation of two MSRs and SOI reviews and updates. Over the past few months, the Commission staff and Accountant have explored options to achieve the areas listed above with no overall increase to the current budget. Staff is recommending the decrease in other budget line items that are expected to be under the budgeted amount by year-end and a transfer of funds from the unreserved equity to offset the proposed adjustments.

Salaries and Benefits

The FY 2021-22 budget line items for salaries and benefits total approximately \$871,950. In part to the approval of the final budget last May, the budget for these line items included no increase to the salaries,

and the benefits line items are set according to the cost of these services provided by the County of Orange and Orange County Employees Retirement System. At the time of approval, an increase to salaries was not included due to uncertainties relative to the economy and impacts of the pandemic to our funding agencies. Additionally, and of note, COLAs and merit adjustments have not been awarded since 2019.

According to the California Department of Finance, the COLA for Orange County in the current fiscal year is 3.7 percent.¹ To keep the salaries as consistent as possible with current economic conditions, staff is recommending that the salary and commensurate benefit line items be adjusted to align with the current COLA. The net increase to salaries and benefits, if approved by the Commission, is \$46,770. As a note, the total increase also reflects an adjustment of \$17,760 to the retirement line item to reflect costs associated with this expense line item that has been adjusted based on mid-year trending of this expense.

Other Professional Services

The FY 2021-22 Work Plan includes the preparation of a total of four MSRs and SOI reviews and updates. The MSR/SOI Program schedule has been adjusted over the past two fiscal cycles due to staffing impacts and resources required for processing of filed applications. As the Commission's current work plan includes seven filed applications with an additional three applications anticipated during this fiscal year, consultant services are required to move the MSR/SOI program forward. Staff is recommending the Commission approve an adjustment of \$25,000 to the Other Professional Services line item to support the use of consultant services for the preparation of MSRs/SOI reviews and updates identified in the current work plan. If approved by the Commission, the total for this line item will be \$85,000 for this fiscal year.

SUMMARY

As noted in Attachment 1, the proposed adjustments, if approved by the Commission, will be offset by a decrease in several budget line items (i.e., legal, travel and unincorporated islands) that are projected to end the fiscal year under budget, a transfer from the unreserved equity, and will result in no overall increase to the current budget. Of note, the proposed transfer from the unreserved equity may be less at year-end due to the offsetting of salaries from the application fees applied during the current fiscal year.

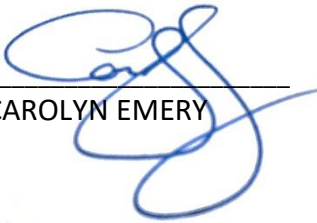
¹ County of Orange FY 2021-22 Budget Rates.

RECOMMENDED ACTION

Staff recommends that the Commission:

1. Approve the FY 2021-22 mid-year budget adjustments as referenced in Attachment 1.

Respectfully submitted,



CAROLYN EMERY



RAYMOND BARRAGAN

Attachment 1: FY 2021-22 Proposed Mid-Year Budget Adjustments

Orange County Local Agency Formation Commission
Mid-Year Budget Adjustments
Fiscal Year 2021-22

	FY 22 Adopted Budget	FY 22 Proposed Amendment	FY 22 Amended Budget
Use / (Addition) of Unreserved Cash	\$ 223,180	\$ 23,170	\$ 246,350
Salaries & Benefits			
5000 Salaries	532,630	19,700	552,330
5106 Retirement*	193,820	24,830	218,650
5109 Retiree Health Benefits	18,370	670	19,040
5104 Deferred Compensation	16,200	600	16,800
5116 Medicare	8,260	280	8,540
5118 Unemployment Insurance**	-	550	550
5114 Worker's Compensation	2,370	90	2,460
5120 Salary Continuance	1,400	50	1,450
Total: Salaries & Benefits	773,050	46,770	819,820
Pro Services / Operations			
5510 Legal	60,000	(35,000)	25,000
5540 Other Professional Services	60,000	25,000	85,000
5610 Unincorporated Areas Program	8,000	(5,000)	3,000
5800 Registration/Travel	11,600	(8,600)	3,000
Total: Pro Services / Operations	139,600	(23,600)	116,000
Net Amendment		\$ -	

**5106 Retirement budget updated to include employer paid employee contributions not previously budgeted.*

***5118 Unemployment Insurance not previously budgeted. County updated rates to 0.1% of salaries for FY 21/22.*