

EXECUTIVE OFFICER'S REPORT

June 9, 2022

TO: LAFCo Commissioners

FROM: James E. Glaser, Executive Officer

SUBJECT: **Final Budget for Fiscal Year 2022-2023, Work Program, and Schedule of Fees**

Recommendation

It is recommended that the Commission approve the Final Fiscal Year 2022-2023 LAFCo Budget, Work Program and Schedule of Fees.

Background

In compliance with the Cortese Knox Hertzberg Act the Commission adopted a preliminary budget at its May 12, 2022 public hearing and scheduled a public hearing on June 9, 2022 to consider a Final Fiscal Year 2022-2023 Budget. The Commission also considered and approved the proposed annual work program and fee schedule.

Revenue Sources

LAFCo receives revenues from four sources: County contribution, city contributions, application filing fees, and interest accumulated from the Commission's contingency reserves. The budget anticipates total revenues of \$516,440 in the next fiscal year.

The proposed FY2022-2023 budget increases the County and city contributions from \$236,400 from the County and \$236,400 from the seven cities in FY21-22 to \$248,220 each, a 5% increase. The proposed budget anticipates LAFCo will receive \$15,000 in application filing fees and \$5,000 in interest. The cost for staffing and operations is estimated to be approximately \$826,819 and that the Commission will transfer \$310,379 from its Contingency/Reserve funds (estimated \$1,305,844) to continue agency operations to the end of the fiscal year if all line items are expended including the contract for services.

1 The County and its cities contribute one-half share of LAFCo's operational costs. The Cities share is based upon the proportionate share of the total county population living within cities. Using the January 2021 population data from the State Department of Finance, the city contributions would be as follows: Stockton-\$126,592; Tracy-\$37,233; Manteca-\$34,751; Lodi-\$27,304; Lathrop-\$12,411; Ripon-\$7,447; and Escalon-\$2,482.

Salaries and Benefits

The proposed FY2022-2023 budget includes staff salaries for a full-time Executive Officer, a full-time LAFCo Analyst and a part-time Commission Clerk. The Commission contracts with the County for retirement and health benefits for the full-time staff. Estimates for benefit costs are provided by the County during each budget cycle and are incorporated into the LAFCo budget. For FY22-23 the County increased retirement contribution rates by 0.94% of compensation for the Executive Officer and an increased retirement contribution rate by 7.03% of compensation for the LAFCo Analyst, a \$9,129 increase. Currently, the Analyst position is being filled by a part-time employee and does not receive the additional benefits, however, in the event that the Commission must hire a full-time Analyst in the upcoming fiscal year it would be prudent to include the full-time salary and benefits for a full time Analyst. The salary level and associated benefits parallel those of a newly hired Management Analyst III county position.

Services and Supplies

The Commission contracts with the County for specific services including payroll, auditor services, information systems technology, computers, communications, and mailroom services. Each budget year the County determines LAFCo's share of the cost for services. The costs for County services have generally remained the same as last year with the exception of Data Processing Direct Charges which increased by 115% (from \$6,789 to \$14,569). Data Processing Direct Charges include service calls and costs for the County's Information Service Department to maintain the safety and security of our computer information, data backup storage, user licenses, and website maintenance.

The budget includes the costs associated for eight Commissioners and two Staff to attend the Annual CALAFCo Conference at Newport Beach in October 2022 and for two staff to attend the Staff Conference in the spring of 2023. Costs include airfare, travel to and from Sacramento airport, air fare, registration fees, and 3 night hotel stays. The Annual and Staff Conferences were cancelled in 2021 due to the Covid pandemic resulting in a budget saving this fiscal year.

The Commission has contracted with a consultant to assist in the recruitment for an Executive Officer. It is anticipated that one half of the cost, \$10,000, will be paid this fiscal year. The added expenditure of \$10,000 is shown under the Contract for Services line item.

Budget Discussion

Approval of the proposed LAFCo FY2022-2023 budget will enable the Commission to perform its core responsibilities effectively and continue its work on municipal service review and sphere of influence updates, processing change of organization applications, litigation support, and policy development. As in previous budget years, the Commission's budget anticipated overall expenditures would be more than its revenues. The Commission and staff, however, has exercised fiscal prudence and it had not been necessary to draw down into its Contingency Reserves. It is likely no Contingency/Reserves will be used this current fiscal year and the Commission will carry forth a balance of approximately \$1,305,844 into the new fiscal year.

Work Program

In 2022-2023, the LAFCo Work Program will include application processing for annexations, other organizational changes, and out-of-agency service requests. Municipal Service Reviews (MSRs) and

Sphere of Influence (SOI) Plans will be updated for the cities of Manteca, Escalon, Lathrop, and Lodi, for Woodbridge Irrigation District and for the East Stockton and Central San Joaquin Water Conservation Districts in anticipation of a consolidation. LAFCo will continue its formal review of the Mountain House city incorporation application. Pending Commission direction, LAFCo may begin work on the remaining 29 reclamation districts, and MSRs and SOIs for County rural fire districts. Staff will continue work to update its website. The Commission will review and update, as needed, its operational policies and procedures.

Schedule of Fees

The following changes to the application filing fees are proposed:

- A 5% increase to annexation filing fees
Filing fees contribute approximately 3% of LAFCo revenues and are used to offset the costs associated with the processing of annexation applications. The FY22-23 budget anticipates increases in staff and operational costs and a 5% increase in annexation filing fees will continue to offset the increase in costs.
- Increase to Staff hourly fees for unique/complex projects
The increase to staff's hourly fees corresponds with increases to employee benefits and salary.

Accomplishments

During the Fiscal Year 2021-2022, annexation and other organizational changes were approved for:

- Insurance Auto Auction to the City of Stockton
- Pereira Reorganization to the City of Ripon
- Bezley annexation to County Service Area 43-Clements
- Liguarian Villages and Eastbrook Estates annexation to CSA 41
- Out of Agency sewer for Liguarian Villages and Eastbrook Estates
- Hammer Lane Reorganization to the City of Stockton
- The New Mariposa Drainage District was dissolved
- Out-of-Agency requests

Work was initiated to comply with the San Joaquin County Grand Jury Report recommendation to update the LAFCo website to include comprehensive information about the County's Independent Special Districts to achieve better public access and transparency. LAFCo completed the relocation of its business office to the County Administration Building.

cc: County Administrator's Office

FINAL FISCAL YEAR 2022-2023 BUDGET, WORK PROGRAM AND SCHEDULE OF FEES

Public Hearing
June 9, 2022
San Joaquin LAFCo

BACKGROUND

- In compliance with Cortese Knox Hertzberg Act the Commission held a Public Hearing on May 12, 2022 and adopted a Preliminary Fiscal Year 2022-2023 budget
- Today's public hearing is to consider and adopt the final budget
- Public Hearing notices were published, posted and mailed according to State law
- The Commission also considered and approved a proposed work program and fee schedule

REVENUES

- LAFCo receives revenues from the County, each of the seven cities, application filing fees and interest from contingency reserves
- The proposed final budget anticipates total revenues of \$516,440 for FY22-23
- The proposed final budget increases the County/cities contribution by 5%, from \$236,400 to \$248,220
- The proposed final budget anticipates the Commission will receive \$15,000 from application filing fees and \$5,000 in interest
- Operating costs are estimated at \$826,819
- Funds from the Commission's Contingency/Reserves will be transferred to continue agency operations if needed

REVENUES

	FY21-22	FY22-23	% Inc/Dec
Application Filing Fees	\$15,000	\$15,000	0
County Contribution	236,400	248,220	5%
Cities Contribution	236,400	248,200	5%
Interest	6,500	5,000	28.9%
Total Revenue	\$494,300	\$516,440	4.5%

OPERATIONAL COSTS

SALARY AND BENEFITS

- Budget provides for a full-time Executive Officer, full-time LAFCo Analyst, and a part-time Commission Clerk
- LAFCo contracts with the County for retirement and health benefits
- Rates for retirement and benefits are determined by the County
- Significant increases in retirement contribution rates

SALARIES AND BENEFITS

	FY21-22	FY22-23
Salaries Regular/Commissioners	\$298,897	\$311,791
Benefits	198,509	\$210,009
Total	\$497,406	\$521,800

- Currently the LAFCo Analyst is filled by a part-time employee with no benefits which will result in Salary and Benefit savings of approximately \$120,880 this fiscal year.
- It is recommended that the Commission budget for a full-time Analyst with benefits in the upcoming budget

OPERATIONAL COSTS

SERVICES AND SUPPLIES

- The Commission contracts with the County for services including payroll, auditor service, computers, data processing, insurance, and mailroom service
- The County determines LAFCo's share of the costs for the services and are incorporated into the proposed budget
- The budget includes the CALAFCO Annual Conference at Newport Beach for 8 Commissioners and 2 Staff and the Annual Staff Conference for 2 Staff (location unknown)
- Costs for a recruitment consultant for the Executive Officer's position will be paid under Contract for Services

SERVICES AND SUPPLIES	FY 21-22	Estimated Expenditures	Proposed FY 22-23	% Over/Under Budget
Professional Services (Neumiller & Beardslee)	15,000	10,278	15,000	0.0%
Office Supplies - General	5,000	5,468	5,500	10.0%
Communications *	3,000	3,007	3,000	0.0%
CALAFCO Membership	10,760	10,760	11,287	4.9%
Copy Machine	2,400	0	300	-87.5%
Rents and Leases - Computers *	1,957	1,885	1,885	-3.7%
CALAFCO Conference-Commissioners	13,459	0	15,170	12.7%
CALAFCO Conference -Staff	5,101	0	8,040	57.6%
Data Processing Direct Charges *	6,789	10,160	14,569	114.6%
Auditors' Payroll and A/P Charges	505	604	500	-1.0%
Registrar of Voter Charges	200	0	200	0.0%
Recording Fees	500	0	500	0.0%
Publications & Legal Notices	3,000	1,229	3,000	0.0%
Insurance-Worker's Comp*	254	254	378	48.8%
Insurance-Special Property	1,425	1,425	1,850	29.8%
Insurance-Liability*	5,555	5,538	6,370	14.7%
Office Space/Utilities	36,000	21,396	22,200	-38.3%
Moving Expenses	25,000	3,319	0	-100.0%
Contract for Services	160,000	10,000	200,000	25.0%
	\$295,90			
TOTAL SERVICES AND SUPPLIES	5	\$85,323	\$309,749	4.7%

* LAFCo's share of cost for County services

FY21-22 Budget Highlights:

- Savings from CALAFCO conferences due to cancellations
- Less expenditures made for office space relocation than budgeted
- Data Processing charges more than budgeted and cost expected to increase next year
- Expenditure in Contract for Services for a recruitment consultant

BUDGET DISCUSSION

- Approval of the proposed budget will enable the Commission to perform its core responsibilities effectively
- The FY 22-23 budget proposes that overall expenditures would be more than anticipated revenues
- The Commission has \$1,169,677 in Contingency Reserves to cover costs
- It is expected that it would not be necessary to draw down on the contingency reserves at the end of this fiscal year
- Savings from this year would add approximately \$136,167 to the contingency reserves

WORK PROGRAM FOR FY 22-23

- Application processing for annexations and other organizational changes,
- MSR/SOI Updates for Escalon, Lathrop, and Lodi
- Stockton East and Central San Joaquin consolidation
- Mountain House Incorporation
- If directed by the Commission, complete:
 - MSR/SOI Updates for the remaining 29 reclamation Districts
 - MSR/SOI Updates for the County rural fire districts
- Website update
- Review and update operational policies and procedures

SCHEDULE OF FEES

Proposed changes include:

- A 5% increase to annexation filing fees
 - Filing fees contribute approximately 3% of LAFCo revenues and are used to offset the costs associated with the processing of annexation applications. The FY22-23 budget anticipates increases in staff and operational costs and a 5% increase in annexation filing fees will continue to offset the increase in costs.
- Increase to Staff hourly fees for unique/complex projects
 - The increase to staff's hourly fees corresponds with increases to employee benefits and salary.

COMMISSION ACCOMPLISHMENTS

- Annexation and other organization changes were approved for:
 - Insurance Auto Auction to the City of Stockton
 - Pereira Reorganization to the City of Ripon
 - Bezley annexation to County Service Area 43-Clements
 - Liguarian Villages and Eastbrook Estates annexation to CSA 41
 - Out of Agency sewer for Liguarian Villages and Eastbrook Estates
 - The New Mariposa Drainage District was dissolved
 - Out-of-Agency requests
- Work was begun to comply with the San Joaquin County Grand Jury Report recommendation to include comprehensive information about the County's Independent Special Districts for better public access
- LAFCo completed the relocation of its business office to the County Administration Building.

RECOMMENDATION

- It is recommended that the Commission, after receiving testimony and providing comments, approve Resolution No. 1478 approving the Final Fiscal Year 2022-2023 Budget, Work Program, and Schedule of Fees.

