SHASTA LAFCO

Report to the Shasta Local Agency Formation Commission
From: Amy K. Mickelson, Executive Officer

Meeting Date: June 13, 2013
Agenda Item #: 4a
Subject: Fiscal Year 2013-14 Final Budget Hearing *(Action)*

Background and Discussion

On April 4th, the Commission approved a Draft Budget. The Budget Committee, after the resignation of Commissioner Mathena, declined to make any recommendations to the Commission on a Final Budget. A Final Budget must be adopted by the Commission prior to June 15th as established by Government Code Section 56381.

When approving the Draft Budget and in the subsequent decision to reverse any exemptions from the MSR requirement, the Commission acknowledged that some additional funding may be necessary to meet the goals and statutory requirements of the Commission. Staff was directed to report back at the time of the Final Budget with some estimate of costs to utilize outside consultants in meeting the MSR/SOI mandate.

Staff spent time researching the costs associated with first-round MSRs, as well as second-round MSR/SOI updates and found a huge variance. Without a specific RFP circulated for proposals, it is difficult to determine the funds necessary to augment current LAFCO staffing in order to complete the remaining MSRs. Typically, RFPs are circulated for a certain type of MSR, versus that of a single agency. For example, a Northern California LAFCO recently circulated a RFP for the second-round MSR update of Water/Wastewater agencies. Although that contract has yet to be awarded, the budgeted amount for consultants in 2013-14 is $80,000. Other amounts budgeted on an annual basis for MSR consultants range from $15,000 to nearly $100,000.

A copy of the proposed Final Budget has been circulated to all Cost-of-Share participants and agenda recipients. In addition, LAFCO staff included the following statement to all funding agencies

> "On April 4th, Shasta LAFCO adopted the Draft 2013-14 Budget as attached. The same budget is being considered on June 13, 2013 for adoption as a Final Budget. However, the Commission may consider an additional line item to fund the required Municipal Service Review studies.
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> As you might know, in 2001, LAFCOs across the state began transitioning under the newly revised LAFCO statute known as the Cortese-Knox-Hertzberg Act. Under that provision of law, each independent special

district, the cities and the County were required to undergo a Municipal Service Review (MSR) by LAFCO. In that same year, Shasta LAFCO made the policy determination that certain types of districts would not be subject to the MSR requirement.

In April of this year, Shasta LAFCO reconsidered their previous policy on the matter and will now require Municipal Service Reviews for each independent special district. Because of the change in policy, there may be a need for certain MSRs to be contracted out to specialized consultants.

At the June 13, 2013 Final Budget Hearing, the Commission will be asked to consider an additional line item to cover the costs of completing these MSRs in an expedient manner. Depending on the decision of the Commission, the total Shasta LAFCO budget could be increased. As always, Shasta LAFCO is concerned with keeping our budget at the lowest feasible amount and still allow us the funding to complete our required workload."

No comments were received regarding the budget prior to the drafting of this report. Any comments that are submitted in regard to this budget proposal prior to the hearing will be distributed to the Commission as a part of the public hearing period.

Staff would recommend augmenting the attached budget with a line item for potential consultant costs of $30,000, bringing the expenditure amount to $225,925. This is a very conservative amount considering the amount of work that must be completed as soon as possible, given the recent change to the previously adopted exemption policy. Staff would also recommend that the same amount, or greater, if needed, be planned upon for the 2014-15 budget cycle.

Conclusion and Recommendations

Government Code Section 56381(c) requires LAFCO to adopt the final budget by June 15th of each year. After allowing time for the public to provide comment, staff recommends the Commission adopt the budget as presented with the addition of a $30,000 line item for minimal consultant costs associated with the preparation of Municipal Service Reviews.

Shasta LAFCO 2013-14 Adopted Draft Budget and Proposed Final Budget

	2012-13 (Current Year) Budget	**2013-14 Adopted Draft Budget**	**2013-14 Proposed Final Budget**
Employer Share Health/Dental	7,800	**9,075**	**9,075**
Employer Taxes	11,709	**11,750**	**11,750**
Payroll	102,000	**105,000**	**105,000**
Payroll - Temporary Personnel	300	**300**	**300**
Retirement	13,520	**17,400**	**17,400**
Worker's Comp Exposure	1,500	**1,200**	**1,200**
Total Salaries & Benefits	136,829	**144,725**	**144,725**
Bank & Transfer Fees	100	**100**	**100**
Communications	3,100	**2,800**	**2,800**
Household Expense	750	**500**	**500**
Information Technology Tools & Equip	1,500	**1,850**	**1,850**
Legal Counsel	2,500	**2,500**	**2,500**
Legal Reserves	0	**2,500**	**2,500**
Local Mileage Reimbursement	2,000	**2,400**	**2,400**
Memberships	3,100	**3,350**	**3,350**
Office Furnishings	250	**0**	**0**
Office Supplies	2,250	**2,000**	**2,000**
Postage & Shipping	1,500	**1,300**	**1,300**
Printing	1,000	**500**	**500**
Professional Svs Elections	400	**400**	**400**
Professional Svs Engineering	400	**400**	**400**
Professional Svs Audit	2,500	**2,500**	**2,500**
Professional Svs InfoTech	1,000	**1,000**	**1,000**
Professional Svs InfoTech - Website	2,500	**650**	**650**
Professional Svs Payroll Process	2,000	**2,000**	**2,000**
Professional Svs Planning and GIS	2,000	**2,000**	**2,000**
Property & General Liability	2,750	**3,000**	**3,000**
Publications and Legal Notices	1,200	**1,500**	**1,500**
Rents & Leases Equipment	3,000	**2,500**	**2,500**
Rents & Leases of Structures	10,761	**11,100**	**11,100**
Small Tools & Equipment	500	**500**	**500**
Software	250	**350**	**350**
Transportation/Travel - Staff Training	3,000	**2,000**	**2,000**
Transportation/Travel - Commissioner	2,000	**0**	**0**
Utilities	2,000	**1,500**	**1,500**
Total Services & Supplies	54,311	**51,200**	**51,200**
Appropriation for Contingency	0	**0**	**0**
Total Expense	191,140	**195,925**	**195,925**
Interest Revenue	500	**460**	**460**
Contribution from Cities	62,000	**62,000**	**62,000**
Contribution from Shasta County	62,000	**62,000**	**62,000**
Contribution from Special Districts	62,000	**62,000**	**62,000**
Total Intergovernmental Revenues	186,000	**186,000**	**186,000**
Proposal Fees Received	0	**0**	**0**
Transfer from Reserves	4,640	**9,465**	**9,465**
Total Income	191,140	**195,925**	**195,925**
Expenditures Over/Under Revenue	(4,640)	**(9,465)**	**(9,465)**
Beginning Fund Balance	35,290	**31,500**	**31,500**
Fund Balance Use or Addition	(4,640)	**(9,465)**	**(9,465)**
Ending Fund Balance	30,650	**22,035**	**22,035**