

**EXECUTIVE OFFICER'S AGENDA REPORT
MAY 25, 2011**

TO: LAFCO Commissioners

FROM: Marjorie Blom, Executive Officer *MB*

**SUBJECT: PUBLIC HEARING – CONSIDERATION AND ADOPTION OF THE FINAL
LAFCO BUDGET FOR FISCAL YEAR (FY) 2011-2012**

SUMMARY OF RECOMMENDATIONS

It is recommended that the Commission:

1. Receive this report, accept any public testimony, and upon close of the public hearing, adopt the appropriate resolution approving the Final Budget for Fiscal Year 2011-2012, pursuant to Government Code Section 56381(a).
2. Direct Staff to transmit the adopted Final Budget to the Board of Supervisors, each City, each Independent Special District, and the County Auditor, pursuant to State law.
3. Request that the County Auditor apportion and collect the net operating expenses of the Stanislaus Local Agency Formation Commission and the associated Auditor's administrative costs from each City and the County no later than July 1, 2011, as specified in Government Code Section 56381.
4. Authorize the Executive Officer and the County Auditor to determine an appropriate method of collection if a city or the County does not remit its required payment within 60 days, as described in Government Code Section 56381(c).

BACKGROUND

Adopting the LAFCO Budget is the responsibility of the Commission. The budget process, as put forth in state law, requires the Commission to annually adopt, following noticed public hearings, a Proposed Budget by May 1, and a Final Budget by June 15.

At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year, unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill its purposes and programs.

On April 27, 2011, the Commission considered and adopted a Proposed Budget for FY 2011-12, which included Staff's continued participation in a salary reduction (furlough) program. In addition, the Commission approved temporarily filling the recently vacated Clerk's position with part-time extra help and outsourcing the financial duties as needed with the assistance of the County Planning Department. (The Proposed Budget Staff Report dated April 27, 2011, is attached as Exhibit A.)

Additionally, at the request of the Commission, Staff will provide updates during next fiscal year on the cost-effectiveness of outsourcing for financial/bookkeeping services.

The Final Budget, as outlined below, is the same as the Proposed Budget adopted by the Commission last month.

CATEGORIES	ADOPTED PROPOSED BUDGET	PROPOSED FINAL BUDGET
Salaries & Benefits	\$306,014.00	\$306,014.00
Services & Supplies	\$31,963.00	\$31,963.00
Other Charges	\$37,638.00	\$37,963.00
Intra (Reserve) Fund	\$12,000.00	\$12,000.00
TOTAL EXPENSES	\$387,615.00	\$387,615.00
Est. Revenue for FY 2011-12	(\$12,000.00)	(\$12,000.00)
Est. Year-End Fund Balance*	(\$11,073.00)	(\$11,073.00)
NET BUDGET COST	\$364,542.00	\$364,542.00

* (Estimated Year-End Fund Balance for FY 2010-2011)

Request for Comments

Pursuant to State Law, on April 28, 2011, the Adopted Proposed LAFCO Budget for FY 2011-2012 was distributed to the Board of Supervisors, the nine cities, and each Independent Special District for review and comment. Additionally, on May 4, 2011, notice of the Final Budget Hearing was published in the Modesto Bee and posted on the LAFCO website at: www.stanislauslafco.org. No comments have been received to date.

Apportionment by Auditor

Pursuant to Government Code Section 56381, following adoption of the Final Budget, the County Auditor shall apportion the net operating expenses of the Commission, and request payment from the nine Cities and the County by July 1. The County and its nine Cities shall each provide a one-half share of the net operating expenses. The Cities' share shall be apportioned in proportion to each City's total revenues, as reported in the most recent edition of the *Cities Annual Report* published by the State Controller.

CONCLUSION

In summary, through cost containment measures, LAFCO's operational costs have been reduced and the net budget frozen at the same level as FY 2010-11. The Commission will continue to meet its statutory requirements uninterrupted.

RECOMMENDATION

Staff recommends that the Commission:

1. Following the duly noticed public hearing, adopt Resolution 2011-08 approving the Final Budget for Fiscal Year 2011-2012, pursuant to Government Code Section 56381(a).
2. Direct Staff to transmit the adopted Final Budget to the Board of Supervisors, each City, each Independent Special District, and the County Auditor.

EXECUTIVE OFFICER'S AGENDA REPORT

MAY 25, 2011

Page 3

3. Request that the County Auditor apportion and collect the net operating expenses of the Stanislaus Local Agency Formation Commission and the associated Auditor's administrative costs from each City and the County no later than July 1, 2011, as specified in Government Code Section 56381.
4. Authorize the Executive Officer and the County Auditor to determine an appropriate method of collection if a city or the County does not remit its required payment within 60 days, as described in Government Code Section 56381(c).

Attachments: Resolution No. 2011-08

Exhibit A: Final Budget Summary for FY 2011-12

Exhibit B: Adopted Proposed Budget for FY 2011-12

STANISLAUS COUNTY LOCAL AGENCY
FORMATION COMMISSION

DRAFT

RESOLUTION

DATE: May 25, 2011

NO. 2011-08

SUBJECT: Adoption of Final Budget for Fiscal Year 2011-2012

On the motion of Commissioner _____, seconded by Commissioner _____, and approved by the following:

Ayes: Commissioners:
Noes: Commissioners:
Abstain: Commissioners:
Absent: Commissioners:
Ineligible: Commissioners:

THE FOLLOWING RESOLUTION WAS ADOPTED:

WHEREAS, Section 56381(a) of the Government Code requires that each Local Agency Formation Commission (LAFCO) within the State of California adopt annually, following noticed public hearings, a Proposed Budget by May 1 and a Final Budget by June 15;

WHEREAS, the Stanislaus Local Agency Formation Commission desires to provide for a budget to fulfill its purposes and functions as set forth by State law;

WHEREAS, the Commission considered and adopted a Proposed Budget for Fiscal Year 2011-2012, at a duly noticed public hearing on April 27, 2011;

WHEREAS, the Adopted Proposed Budget was distributed to the Board of Supervisors, to each city and to each independent special district for review and comments;

WHEREAS, the Final Budget includes cost reduction strategies, including Staff's continued participation in a 5% salary reduction program, with coinciding special accrued leave time (furloughs) for a total of 104 hours, or 13 unpaid days for Fiscal Year 2011-2012;

WHEREAS, the Commission has determined that the final budget is designed to maintain staffing levels at an adequate level to ensure that the Commission can fulfill the purposes and programs of the Cortese-Knox-Hertzberg Act; and

WHEREAS, the Commission held a noticed public hearing on May 25, 2011, to consider the adoption of a Final Budget for Fiscal Year 2011-2012.

NOW, THEREFORE, BE IT RESOLVED that the Commission:

1. In accordance with Government Code Section 56381(a), adopts the Final Budget for Fiscal Year 2011-2012 in the amount of \$387,615, with the net amount to be funded by the participating agencies of \$364,542; as shown on Exhibit 1, attached hereto.



2. Determines that adoption of the Final Budget for Fiscal Year 2011-2012 will continue to allow the Stanislaus Local Agency Formation Commission to fulfill its regulatory responsibilities of the Cortese-Knox-Hertzberg Local Government Reorganization Act.
3. Adopts the following nine (9) specific furlough days: July 1, 2011; November 21-23, 2011; December 27-30, 2011; and April 2, 2012; in addition to four (4) unassigned furlough days, for a total of 104 hours (or 5% salary reduction) for Fiscal Year 2011-2012.
4. Directs staff to circulate the adopted Final Budget to the Board of Supervisors, each City, each Independent Special District, and the County Auditor, pursuant to Government Code Section 56381(a).
5. Requests that the County Auditor apportion and collect the net operating expenses of the Commission from the board of supervisors and from each city no later than July 1, 2011 for the amount that entity owes and the actual administrative costs incurred by the auditor, as specified in Government Code Section 56381.
6. Authorize the Executive Officer and the County Auditor to determine an appropriate method of collection if a city or the County does not remit its required payment within 60 days, as described in Government Code Section 56381(c).

ATTEST:

Marjorie Blom
Executive Officer

Attachment: Exhibit 1 – LAFCO Final Budget Summary FY 2011-2012

EXHIBIT 1

**Stanislaus County Local Agency Formation Commission
FINAL BUDGET
FY 2011-2012**

CATEGORIES	AMOUNT
Salaries & Benefits	\$306,014.00
Services & Supplies	\$31,963.00
Other Charges	\$37,638.00
Intra Fund (Reserve Fund)	\$12,000.00
TOTAL EXPENSES	\$387,615.00
Estimated Revenue for FY 2011-12	(\$12,000.00)
Current Year-End Available Fund Balance*	(\$11,073.00)
NET BUDGET COST	\$364,542.00

*FY 2010-11

EXHIBIT A

Final Budget Summary for FY2011-12

EXHIBIT A - FINAL BUDGET SUMMARY

**Stanislaus Local Agency Formation Commission
FINAL 2011-2012 BUDGET**

LINE ITEMS	ADOPTED PROP. BUDGET	PROP. FINAL BUDGET	DIFFERENCE	% CHANGE
SALARIES & BENEFITS				
Salaries and Wages	\$176,875.00	\$176,875.00	\$0.00	0.00%
Comp Time (Clerk)	\$0.00	\$0.00	\$0.00	0.00%
Extra Help	\$28,713.00	\$28,713.00	\$0.00	0.00%
Retirement (STANCERA)	\$38,563.00	\$38,563.00	\$0.00	0.00%
FICA	\$18,103.00	\$18,103.00	\$0.00	0.00%
Group Health Insurance	\$32,595.00	\$32,595.00	\$0.00	0.00%
OPEB Health Post-Retirement	\$1,573.00	\$1,573.00	\$0.00	0.00%
Unemployment Insurance	\$1,050.00	\$1,050.00	\$0.00	0.00%
Employee Benefit Admin. Fee	\$215.00	\$215.00	\$0.00	0.00%
Long Term (Management) Disability	\$515.00	\$515.00	\$0.00	0.00%
Workers Compensation Insurance	\$1,140.00	\$1,140.00	\$0.00	0.00%
Auto Allowance	\$2,400.00	\$2,400.00	\$0.00	0.00%
Professional Development	\$0.00	\$0.00	\$0.00	0.00%
Employee Assistance Program	\$0.00	\$0.00	\$0.00	0.00%
Deferred Compensation	\$2,418.00	\$2,418.00	\$0.00	0.00%
Cafeteria Plan Health Benefit	\$1,854.00	\$1,854.00	\$0.00	0.00%
Subtotal Salaries & Benefits	\$306,014.00	\$306,014.00	\$0.00	0.00%

LINE ITEMS	ADOPTED PROP. BUDGET	PROP. FINAL BUDGET	DIFFERENCE	% CHANGE
SERVICES & SUPPLIES				
Insurance (SDRMA)	\$3,500.00	\$3,500.00	\$0.00	0.00%
Memberships (CALAFCO, CSDA)	\$4,458.00	\$4,458.00	\$0.00	0.00%
Miscellaneous Expense	\$2,650.00	\$2,650.00	\$0.00	0.00%
Office Supplies	\$1,200.00	\$1,200.00	\$0.00	0.00%
Computer Software	\$0.00	\$0.00	\$0.00	0.00%
Office Equipment Expense to \$5,000	\$0.00	\$0.00	\$0.00	0.00%
Legal Services	\$11,150.00	\$11,150.00	\$0.00	0.00%
Publications & Legal Notices	\$700.00	\$700.00	\$0.00	0.00%
Education & Training (CALAFCO)	\$2,430.00	\$2,430.00	\$0.00	0.00%
Commission Expense	\$5,400.00	\$5,400.00	\$0.00	0.00%
Other Travel	\$475.00	\$475.00	\$0.00	0.00%
Subtotal Services & Supplies	\$31,963.00	\$31,963.00	\$0.00	0.00%

**Stanislaus Local Agency Formation Commission
DRAFT FINAL 2011-2012 BUDGET Cont.**

LINE ITEMS	ADOPTED PROP. BUDGET	PROP. FINAL BUDGET	DIFFERENCE	% CHANGE
OTHER CHARGES				
Government Fund - Planning Services (incl. Copy Machine)	\$18,600.00	\$18,600.00	\$0.00	0.00%
Telecommunications (SBT)	\$870.00	\$870.00	\$0.00	0.00%
Central Services Printing	\$0.00	\$0.00	\$0.00	0.00%
Quick Copy Services	\$0.00	\$0.00	\$0.00	0.00%
Mailroom Postage Meter	\$950.00	\$950.00	\$0.00	0.00%
Presort Postage	\$40.00	\$40.00	\$0.00	0.00%
Mailroom Services	\$308.00	\$308.00	\$0.00	0.00%
Messenger Services	\$250.00	\$250.00	\$0.00	0.00%
Salvage Disposal	\$75.00	\$75.00	\$0.00	0.00%
Data Processing & IT Services (SBT)	\$3,350.00	\$3,350.00	\$0.00	0.00%
People Soft	\$0.00	\$0.00	\$0.00	0.00%
GSA Pick-up & Delivery	\$140.00	\$140.00	\$0.00	0.00%
Government Fund – Public Works (Engineering Services)	\$1,250.00	\$1,250.00	\$0.00	0.00%
Government Fund - Public Works (GIS Mapping Services)	\$825.00	\$825.00	\$0.00	0.00%
Utilities (GSA/JPA)	\$1,450.00	\$1,450.00	\$0.00	0.00%
Government Fund – Grand Jury Audit	\$50.00	\$50.00	\$0.00	0.00%
Government Fund – Auditor’s	\$3,750.00	\$3,750.00	\$0.00	0.00%
Government Fund – Purchasing Agent	\$160.00	\$160.00	\$0.00	0.00%
Government Fund – Risk Management	\$520.00	\$520.00	\$0.00	0.00%
Building Maintenance Services & Supplies (GSA/JPA)	\$1,650.00	\$1,650.00	\$0.00	0.00%
GSA Stores – Office Supplies	\$0.00	\$0.00	\$0.00	0.00%
Government Fund – Public Works (Safety Analyst)	\$550.00	\$550.00	\$0.00	0.00%
Contract Janitorial (GSA/JPA)	\$700.00	\$700.00	\$0.00	0.00%
Government Fund – A-87 Charges CEO	\$1,990.00	\$1,990.00	\$0.00	0.00%
Government Fund – A-87 Carry Over	\$150.00	\$150.00	\$0.00	0.00%
Fiduciary Liability Insurance	\$10.00	\$10.00	\$0.00	0.00%
Subtotal Other Charges	\$37,638.00	\$37,638.00	\$0.00	0.00%
INTRA FUND				
Reserve Fund	\$12,000.00	\$12,000.00	\$0.00	0.00%
Subtotal Intra Fund	\$12,000.00	\$12,000.00	\$0.00	0.00%
TOTAL	\$387,615.00	\$387,615.00	\$0.00	0.00%
Estimated Revenue for FY 2011-12	(\$12,000.00)	(\$12,000.00)	\$0.00	
Year-End Available Fund Balance*	(\$11,073.00)	*(\$11,073.00)	\$0.00	
NET BUDGET COST	\$364,542.00	\$364,542.00	\$0.00	0.00%

*Est. Budget Savings & Additional Revenue Received FY 2010-11

EXHIBIT B

**Adopted Proposed LAFCO Budget for FY 2011-2012:
Resolution 2011-06
and Staff Report dated April 27, 2011**

**EXECUTIVE OFFICER'S AGENDA REPORT
APRIL 27, 2011**

TO: LAFCO Commissioners

FROM: Marjorie Blom, Executive Officer *MB*

SUBJECT: Public Hearing: Consideration and Adoption of the Proposed LAFCO Budget for FY 2011-2012

RECOMMENDATION

It is recommended that the Commission:

1. Receive the Executive Officer's report, accept any public testimony, modify the proposal if necessary, and adopt Resolution No. 2011-06, approving the Proposed Budget for Fiscal Year 2011-2012, in the amount of \$387,615.
2. Direct Staff to distribute the Proposed Budget, upon adoption, to the Board of Supervisors, each City, and to each Independent Special District pursuant to Government Code Section 56381(a).
3. Schedule a public hearing for May 25, 2011, to consider and adopt the Final Budget for Fiscal Year 2011-2012.

BACKGROUND

LAFCO is an independent commission established in each County by the State legislature. The Cortese-Knox-Hertzberg Local Government Reorganization Act establishes the specific funding methods and process for the annual LAFCO budget. The Commission is funded equally by the County, and its nine cities. The County Auditor will allocate and charge LAFCO's final net budget, upon its adoption, to all participating local agencies as outlined under Government Code Section 56381(b).

Adopting the LAFCO budget is the responsibility of the Commission. The statutes governing LAFCO and directing its operations do not require approval of the financial program by the County or other local agencies. Section 56381(a) of the Government Code provides that:

- The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1, and final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter.
- The commission shall transmit its proposed and final budgets to the board of supervisors, to each city, and to each independent special district.

PROPOSED COST REDUCTION STRATEGIES FOR FY 2011-2012

This is the fourth challenging budget year in a row for LAFCO. As the Commission is aware, LAFCO contracts with the County for employee benefits and support services, the costs of which are determined by the County. Therefore, in developing the Proposed Budget for Fiscal Year 2011-12, LAFCO Staff continued to review and/or discuss with County Budget Staff the

EXECUTIVE OFFICER'S AGENDA REPORT
APRIL 27, 2011
PAGE 2

following: 1) anticipated adjustments to the STANCERA employer retirement contribution rates; 2) increases in workers compensation and unemployment insurance rates; 3) salary projections based on the County's personnel classification system; and 4) estimated County Cost Allocation Plan (CAP) charges for support services (e.g., County Auditor, telecommunications, utilities.)

In addition, LAFCO Staff participated in two County Budget meetings for unrepresented Management and Confidential employees held on November 4, 2010, and also recently attended a County Budget Manager's meeting on March 17, 2011. Further, the Executive Officer met with the County HR Director and CEO HR staff on December 21, 2010 and April 15, 2011, to discuss personnel strategies as a result of the recent retirement of the LAFCO Clerk.

LAFCO Continued Participation in a Furlough (Salary Reduction) Program:

On April 6, 2010, the County Board of Supervisors approved several labor cost reduction strategies for County employees for Fiscal Years 2010-11 and 2011-12, in order to address many of the budget challenges the County (and many agencies) continue to face. These strategies include: 1) a five percent (5%) across-the-board salary reduction program for all County employees; 2) a voluntary employee retirement incentive program (not proposed for 2011-12); and 3) changes in the County retirement tier for future unrepresented employees hired after January 1, 2011.

With regards to the 5% salary cost reduction program, employees are granted "Special Approved Leave Time", or corresponding unpaid time off equal to 104 hours (13 days), over each of the next two fiscal years. For FY 2011-12, the following nine (9) specific furlough days have been chosen in concert with the proposed closure of Tenth Street Place on: July 1, 2011, November 21-23, 2011, December 27-30, 2011, and April 2, 2012. Additionally, due to Staff's attendance at the Annual CALAFCO Conference in Napa, September 2, 2011 would be an in-service day, and thus LAFCO Staff would therefore, have 4 remaining unassigned furlough days for Fiscal Year 2011-12.

Additional Cost Reduction Measures:

- Continued Suspension of: 1) Pay for Performance Bonuses; 2) Professional Development; 3) Education Reimbursement Program; and 4) Vacation Cash Outs (except under specified circumstances such as employees leaving service, or employees who have submitted documented notice of intent to retire).

Further Cost Containment Measures:

For Fiscal Year 2011-12, further cost containment measures will be utilized to reduce and/or limit expenditures where possible. Some of these measures have been used in previous LAFCO budgets and include:

- Continued participation in the Special District's Risk Management Authority's General Property and Liability Insurance Program, whereby rates are expected to remain flat, or at current levels.
- Balancing ongoing increases in retirement contribution rates, employee health benefit costs, unemployment insurance and workers compensation rates, with Staff's continued participation in voluntary (FY 2009-10) and mandatory (2010-11 and 2011-12) salary cost reductions and subsequent unpaid furloughs days, as well as delaying the hiring of the

LAFCO Clerk by utilizing part-time extra help and outsourcing financial and HR duties to the County Planning Department.

- Acknowledgment of County Budget Staff's assumptions that the County's proposed LAFCO match or targeted net county cost for Fiscal Year 2011-12 would remain the same as this current fiscal year (2010-11) in the amount of \$182,271.

In addition, Staff has taken into consideration the following assumptions in order to further evaluate future budgetary scenarios, as follows:

- Assuming the economic downturn would continue resulting in no significant increase in billable application activities or filing fees;
- Non-billable (unfunded) mandated projects would be required to be completed, pursuant to State law; and
- Unrestricted fund balance would continue to be seriously depleted or altogether exhausted.

While Staff continues to not recommend any changes to the current practice of utilizing net budget off-sets (e.g. fund balance) to reduce agency contributions at this point and time, it must be noted that the prolonged use of the fund balance over the years, as a routine and predictable funding source, has largely been predicated on peaks in billable projects. Overall, this practice will eventually result in lower than expected agency contribution rates and the inability to effectively build financial reserves. The current LAFCO reserve fund has been completely depleted due to the recent retirement and benefit cash-out of a long time employee in March 2011.

PROPOSED BUDGET – FY 2011-2012

The total Proposed Budget for Fiscal Year (FY) 2011-2012 is \$387,615, which includes the above described budget reductions and cost containment measures in order to limit and/or decrease budgetary growth. Table 1, as shown below compares the current adopted budget, with overall baseline assumptions which were derived from the following sources: 1) current LAFCO expenditures for this fiscal year; and 2) Proposed FY 2011-12 County Salary/Benefit Projections, and Cost Allocation Plan (CAP) Charges.

**TABLE 1:
PROPOSED OPERATIONAL BUDGET SUMMARY (FY 2011-2012)**

CATEGORIES	ADOPTED FY 2010-2011 BUDGET	BASELINE ASSUMPTIONS FY 2011-2012	PROPOSED FY 2011-2012 BUDGET
Salaries & Benefits	\$310,358.00	\$355,323.00	\$306,014.00
Services & Supplies	\$33,463.00	\$39,423.00	\$31,963.00
Other Charges	\$28,685.00	\$30,524.00	\$37,638.00
Intra (Reserve) Fund	\$13,500.00	\$20,000.00	\$12,000.00
TOTAL EXPENSES	\$386,006.00	\$445,270.00	\$387,615.00

Table 2 below, reflects the Proposed Net Operational Budget for Fiscal Year 2011-2012, or the amount that would be allocated to the County and the nine cities, of \$364,542. The proposed net budget amount includes crediting the following: 1) \$12,000 in estimated revenue for FY 2011-12; and 2) \$11,073 in current FY 2010-11 estimated carry-over funds.

TABLE 2:
PROPOSED NET OPERATIONAL BUDGET (FY 2011-2012)

	ADOPTED FY 2010-2011 BUDGET	PROPOSED FY 2011-2012 BUDGET
TOTAL EXPENSES	\$386,006.00	\$387,615.00
Estimated Revenue	(\$12,000.00)	(\$12,000.00)
Est. Year-End Fund Balance	(\$9,464.00)	(\$11,073.00)
NET BUDGET COST	\$364,542.00	\$364,542.00

PROPOSED BUDGET NARRATIVE AND DETAIL SUMMARY TABLE

Attached for the Commission's review and consideration is the following information: Attachment 1 – a Narrative Budget which explains each budget category and any changes proposed for the upcoming year; and Attachment 2 – a Budget Detail Summary which compares the general category costs for the current year adopted budget amounts, and the proposed budget for FY 2011-2012.

MAJOR LAFCO RESPONSIBILITIES

LAFCO receives its authority and obligations from the Cortese-Knox-Hertzberg Local Government Reorganization Act. The following outlines LAFCO's major and/or core responsibilities:

- Act on proposals for formations, dissolutions, consolidations, city incorporations and district mergers; and annexations and detachments of territory to and from cities and special districts.
- Establish, review and update spheres of influence (SOIs) for cities and special districts.
- Conduct state-mandated municipal service reviews (MSRs) prior to or in conjunction with establishing or updating SOIs.
- Perform special studies relating to services and make recommendations about consolidations, mergers or other governmental changes to improve services.
- Act on requests for out-of-boundary service extensions.
- Serve as the Lead or Responsible Agency for compliance with the California Environmental Quality Act (CEQA).
- Serve as the conducting authority to conduct protest hearings relating to boundary changes.
- Establish and maintain a website.
- Provide public information about LAFCO and public noticing of pending LAFCO actions.
- Adopt written policies and procedures.
- Adopt an Annual Budget.
- Appoint an Executive Officer and Legal Counsel.

LAFCO Staff Responsibilities

LAFCO staff will continue to provide the following ongoing services:

Administration – Day-to-day and administrative tasks including Commission meeting management, records retention and digitization, purchasing, budgeting, etc.

Proposal Processing – Proposal processing typically includes pre-application consultations, attending meetings, providing routine responses to proposal-related inquiries, project research and analysis, staff report preparation and public hearings, final filing and related paperwork. Since July 1, 2010, the Commission has reviewed and taken action on 7 proposals, including: (1) Reorganization; (3) Change of Organizations; (1) Out-of-Boundary; and (2) District MSR/SOI updates. By year end (or June 30, 2011), it is estimated that the Commission will have reviewed and acted on approximately 11 proposals. For this next fiscal year, we expect a similar number of proposals, including the continued in-house preparation of state-mandated Municipal Service Reviews (MSRs) and Sphere of Influence (SOI) updates.

Communications – Communications involves public presentations, noticing, media relations, progress reporting, website management, and networking with other agencies (e.g., cities, county, special districts, CALAFCO), community and business organizations, and the general public. To date, Staff has also responded, as a Responsible Agency under CEQA, to five proposed project referrals.

Training – Participation in CALAFCO, County, SDRMA and related training opportunities, including mandatory training courses (Safety, AB 1234 – Ethics; Sexual Harassment, and Defensive Driving).

CONCLUSION

In conclusion, the Commission and Staff continue to exercise fiscal prudence and recognize the economic realities of the times and the ongoing constraints on local government. The proposed FY 2011-12 budget, in the amount of \$387,615, includes budget reductions and/or cost containment measures to limit and/or decrease budgetary growth. Additionally, the proposed net budget is estimated to be \$364,542, which includes crediting back to our funding agencies - the anticipated fee revenues of \$12,000 for next fiscal year (2011-12), as well as the estimated \$11,073 carry-over balance for this current Fiscal Year 2010-11.

Although the total appropriations have been reduced in comparison to the baseline projections, the Commission will continue to meet its statutory requirements uninterrupted. At any time that the Commission reduces its appropriations from the prior fiscal year, the Commission must first make the finding, pursuant to Government Code Section 56381(a), that it will nevertheless continue to fulfill its statutory obligations.

Consideration and adoption of a final budget must occur prior to June 15th. Therefore, the Public Hearing for the Final Budget for FY 2011-12 has been scheduled for the Commission's May 25th meeting.

Attachments: Attachment 1 - Budget Narrative (pg.7)
Attachment 2 - Budget Detail Summary (pg. 11)
LAFCO Resolution No. 2011-06 (pg. 13)
LAFCO Staff Furlough Calendar for 2011 (pg. 17)

ATTACHMENT 1
PROPOSED FY 2011-2012 BUDGET NARRATIVE

DISCUSSION OF INDIVIDUAL BUDGET CATEGORY ITEMS

The proposed budget for Fiscal Year (FY) 2011-2012 consists of authorized expenditures and projected revenues. Highlighted below, in narrative form, are the estimated expenditures and revenues by budget category proposed for FY 2011-2012.

SALARIES AND BENEFITS

This budget category includes funds for LAFCO employee salaries and benefits, including retirement; unemployment insurance; medical, dental and vision insurance; workers compensation; and Medicare. Estimated expenditures proposed for this budget category is \$306,014. This is approximately \$49,309 less than the baseline assumptions of \$355,323 for the category.

Although employer retirement contributions, employee health benefit costs, workers compensation rates, and unemployment insurance costs continue to rise; Staff's participation in a 5% salary reduction program, coupled with delaying the hiring of the Commission Clerk, are expected to temporarily absorb increased costs under this budget category for the upcoming fiscal year.

As the Commission is aware, the Clerk's position was recently vacated by the retirement of the former Clerk (in March 2011). The reassignment of the Clerk's duties and responsibilities will include utilizing the services of the retired clerk on a part-time, extra help basis (not to exceed 960 hours); as well as outsourcing the financial and human resources duties to the County Planning Department. However, at the point upon which this temporary arrangement becomes an unworkable solution, recruitment efforts to fill the Clerk's position on a permanent basis would commence, upon approval of the Commission.

SERVICES & SUPPLIES

The Services and Supplies expense category includes office supplies, publications and legal notices, insurance, membership dues, Commissioner stipends, education and training, legal counsel, and miscellaneous (contingency funds). Estimated expenditures proposed for this budget category is \$31,963, which is \$1,500 less than last year's adopted budget of \$33,463. This reduction was achieved by containing costs associated with anticipating lower legal costs, reducing the frequency of publication and legal notices, and limiting miscellaneous expenses.

Membership Dues

CALAFCO – The California Association of LAFCOs was founded in 1971. CALAFCO serves as an organization dedicated to assisting LAFCOs with educational and technical resources, as well acts as a resource to the Legislature and other bodies. The annual CALAFCO dues for FY 2011-2012 are expected to stay at \$3,651.

CSDA/SDRMA - In addition, Stanislaus LAFCO is a member of the California Special Districts Association (CSDA), which allows the Commission to participate in programs and/or services offered by CSDA and/or their affiliates. Currently, the annual CSDA dues are scheduled to remain at \$807 for FY 2011-2012. Payment of these dues allows LAFCO to purchase, at a lower cost, property and general liability insurance through the Special Districts Risk Management Authority (SDRMA).

Commission Expense

The estimated Commission expense for FY 2011-2012 is expected to remain at \$5,400. Commission expenses include the monthly meeting attendance stipends and other minor miscellaneous charges including out-going Commissioner Plaques and/or acknowledgments.

Education and Training

Expenses for attendance at the annual CALAFCO Conference, staff workshops, and other educational opportunities, which become available throughout the year have been included in the previous budgets. Conference attendance for education and training opportunities provide valuable learning forums for Commissioners and Staff. CALAFCO conferences, workshops and courses are also accredited by the California Bar and the American Planning Association.

The proposed budget typically includes funding for one staff member and two Commissioner's attendance at the annual CALAFCO Conference, as well as funding for Staff attendance at the annual CALAFCO Staff Workshop. (For FY 2011-2012, the CALAFCO Annual Conference will be held in Napa, August 31 – September 2, 2011; and the CALAFCO Staff Workshop will be hosted by Calaveras LAFCO, April 25-28, 2012.)

Funding for miscellaneous educational opportunities of interest to the Commission and Staff, which arise throughout the fiscal year, has also been budgeted. Education and Training expenses are proposed to remain at \$2,430.

Other Travel

The line item of "other travel" reflects expenses associated with the Commission and Staff travel costs, which includes mileage reimbursement charges, gasoline charges from county fleet services, parking fees, etc. The annual cost is estimated to remain at \$475.

Contingencies/Miscellaneous Expenses

The contingency fund, for FY 2011-2012, is recommended to be reduced to \$2,650 or \$250 less than this current year. This fund has been established in order to reduce LAFCO's exposure to operating shortfalls such as unexpected expenses or unrealized revenues, if necessary.

OTHER CHARGES

Charges under this category are set by the County and include: telecommunications, data processing, printing and mailroom services, postage charges, building maintenance services, janitorial, map and legal description review; GIS services; as well as the following County departmental services: Auditor, CEO, Purchasing, Risk Management, and A-87 charges, which include indirect County costs.

Expenses under the Planning Services account are proposed to increase based on: 1) shared copy machine lease and maintenance charges; and 2) outsourcing financial support services and HR duties (e.g. processing accounts payable/receivable, along with payroll) to County Planning Staff.

Estimated expenditures proposed for this budget category is \$37,638, which is an overall increase of \$8,953, from this year's adopted budget amount of \$28,685.

RESERVE FUND

The primary purpose of the Reserve Fund is to: 1) allocate reserve monies to fund the hiring of outside legal and/or consultant services; 2) ensure that funds are available to cover liability costs associated with future employee cash-out benefits; and 3) maintain funds in reserve to stabilize LAFCO's operating revenues. The entire reserve fund has been expended during this current fiscal year, to cover the costs associated with the retirement of LAFCO Clerk in March 2011.

Anticipating the continued economic challenges facing our funding agencies and in order to further contain costs, it is recommended that the Commission appropriate, at a minimum, \$12,000 to the Reserve Fund for Fiscal Year 2011-12.

REVENUE

Sources of revenue consist of charges for services (i.e. application processing), the available year-end fund balance, miscellaneous revenues (e.g. interest earnings), and revenues received from the County and the nine cities.

Charges for Services – Processing Fees

Pursuant to Government Code Section 56383, LAFCO has established a schedule of fees for processing applications filed with the Commission. The fees shall not exceed the estimated reasonable cost of providing the service for which the fee is charged.

No increases in the LAFCO processing fee schedule are proposed because a fee increase could have a detrimental impact on the submission of proposals for next fiscal year. However, one potential mechanism to raise additional revenue would be to maintain the Commission's direction to discontinue fee waivers or reduce application deposits, unless approved by the Commission and based on a clear public benefit.

Processing fee revenue for next FY 2011-12 is projected to be \$12,000, which is the same as previous budget years. These revenues continue to be conservatively estimated, so as not to create a budget deficit caused by unrealized revenues. Any additional revenues received during the budget year are applied to offset the cost of the next year's adopted budget.

Revenues Received from the County and Nine Cities

Government Code Section 56381(b) (2) requires that the county and its cities shall each provide a one-half share of the commission's operational costs. The cities share shall be apportioned by the County Auditor in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the State Controller.

Fund Balance

Government Code Section 56381(c) provides "If at the end of the fiscal year, the Commission has funds in excess of what it needs, the Commission may retain those funds and calculate them into the following fiscal year's budget."

The current estimated fund balance is \$23,073, which is \$11,073 over the estimated revenues of \$12,000 for FY 2010-11. The Commission may retain these funds or utilize them to offset next year's budget for 2011-12.

Future Year Budget Projections

Staff has taken into consideration a multi-year forecast to evaluate future budgetary scenarios which have also played a role in developing the Proposed Budget for FY 2011-12. The most important assumptions are as follows:

- Balancing increases in retirement contribution rates, employee health benefit costs, unemployment insurance and workers compensation rates, with Staff's continued participation in voluntary (FY 2009-10) and mandatory (2010-11 and 2011-12) salary cost reductions and subsequent unpaid furloughs days, and temporarily delaying filling the LAFCO Clerk position in FY 2011-12;
- Assuming the economic downturn would continue resulting in no significant increase in billable application activities or filing fees;
- Non-billable (unfunded) mandated projects would be required to be completed, pursuant to State law; and
- Unrestricted fund balance would continue to be seriously depleted or altogether exhausted.

While Staff is not recommending any changes to the current practice of utilizing net budget off-sets (e.g. fund balance) to reduce agency contributions at this point and time, it must be noted that the prolonged use of the fund balance over the years, as a routine and predictable funding source, has largely been predicated on peaks in billable projects. Overall, this practice will eventually result in lower than expected agency contribution rates and the inability to effectively build financial reserves. The current LAFCO reserve fund has been completely depleted due to the recent retirement and benefit cash-out of a long-time employee in March 2011.

CONCLUSION

In conclusion, the Commission and Staff continue to exercise fiscal prudence and recognize the economic realities of the times and the ongoing constraints on local government. The proposed FY 2011-12 budget, in the amount of \$387,615, includes budget reductions and/or cost containment measures to limit and/or decrease budgetary growth.

Additionally, the proposed net budget is estimated to be \$364,542, and includes anticipated fee revenues of \$12,000 for next fiscal year (2011-12), as well as an estimated \$11,073 carry-over balance for this current Fiscal Year 2010-11.

Although the total appropriations have been reduced in comparison to the baseline projections, the Commission will continue to meet its statutory requirements uninterrupted. At any time that the Commission reduces its appropriations from the prior fiscal year, the Commission must first make the finding, pursuant to Government Code Section 56381(a), that it will nevertheless continue to fulfill its statutory obligations.

Consideration and adoption of a final budget must occur prior to June 15th. Therefore, the Public Hearing for the Final Budget for FY 2011-12 has been scheduled for the Commission's May 25th meeting.

ATTACHMENT 2

**Stanislaus Local Agency Formation Commission
PROPOSED 2011-2012 BUDGET**

LINE ITEMS	ADOPTED BUDGET FY 2010-11	PROPOSED BUDGET FY 2011-12	DIFFERENCE
SALARIES & BENEFITS			
Salaries and Wages	\$209,485.00	\$176,875.00	(\$32,610.00)
Comp Time (Clerk)	\$820.00	\$0.00	(\$820.00)
Extra Help	\$0.00	\$28,713.00	\$28,713.00
Retirement (STANCERA)	\$37,833.00	\$38,563.00	\$730.00
FICA	\$17,616.00	\$18,103.00	\$487.00
Group Health Insurance	\$31,986.00	\$32,595.00	\$609.00
OPEB Health Post-Retirement	\$970.00	\$1,573.00	\$603.00
Unemployment Insurance	\$975.00	\$1,050.00	\$75.00
Employee Benefit Admin. Fee	\$215.00	\$215.00	\$0.00
Long Term (Management) Disability	\$515.00	\$515.00	\$0.00
Workers Comp. Insurance	\$210.00	\$1,140.00	\$930.00
Auto Allowance	\$2,400.00	\$2,400.00	\$0.00
Professional Development	\$0.00	\$0.00	\$0.00
Employee Assistance Program	\$250.00	\$0.00	(\$250.00)
Deferred Compensation	\$2,930.00	\$2,418.00	(\$512.00)
Cafeteria Plan Health Benefit	\$4,153.00	\$1,854.00	(\$2,299.00)
Subtotal Salaries & Benefits	\$310,358.00	\$306,014.00	(\$4,344.00)

LINE ITEMS	ADOPTED BUDGET FY 2010-11	PROPOSED BUDGET FY 2011-12	DIFFERENCE
SERVICES & SUPPLIES			
Insurance (SDRMA)	\$3,500.00	\$3,500.00	\$0.00
Memberships (CALAFCO, CSDA)	\$4,458.00	\$4,458.00	\$0.00
Miscellaneous Expense	\$3,000.00	\$2,650.00	(\$350.00)
Office Supplies	\$1,200.00	\$1,200.00	\$0.00
Computer Software	\$0.00	\$0.00	\$0.00
Office Equipment Expense to \$5,000	\$0.00	\$0.00	\$0.00
Legal Services	\$12,150.00	\$11,150.00	(\$1,000.00)
Publications & Legal Notices	\$850.00	\$700.00	(\$150.00)
Education & Training (CALAFCO)	\$2,430.00	\$2,430.00	\$0.00
Commission Expense	\$5,400.00	\$5,400.00	\$0.00
Other Travel	\$475.00	\$475.00	\$0.00
Subtotal Services & Supplies	\$33,463.00	\$31,963.00	(\$1,500.00)

**Stanislaus Local Agency Formation Commission
PROPOSED 2011-2012 BUDGET Cont.**

LINE ITEMS	ADOPTED BUDGET FY 2010-11	PROPOSED BUDGET FY 2011-12	DIFFERENCE
OTHER CHARGES			
Government Fund - Planning Services	\$2,160.00	\$18,600.00	\$16,440.00
Telecommunications (SBT)	\$975.00	\$870.00	(\$105.00)
Central Services Printing	\$75.00	\$0.00	(\$75.00)
Quick Copy Services	\$45.00	\$0.00	(\$45.00)
Mailroom Postage Meter	\$1,250.00	\$950.00	(\$300.00)
Presort Postage	\$40.00	\$40.00	\$0.00
Mailroom Services	\$308.00	\$308.00	\$0.00
Messenger Services	\$250.00	\$250.00	\$0.00
Salvage Disposal	\$75.00	\$75.00	\$0.00
Data Processing & IT Services (SBT)	\$4,500.00	\$3,350.00	(\$1,150.00)
People Soft	\$344.00	\$0.00	(\$344.00)
GSA Pick-up & Delivery	\$140.00	\$140.00	\$0.00
Government Fund – Public Works (Engineering Services)	\$2,700.00	\$1,250.00	(\$1,450.00)
Government Fund - Public Works (GIS Mapping Services)	\$3,500.00	\$825.00	(\$2,675.00)
Utilities	\$1,459.00	\$1,450.00	(\$9.00)
Government Fund – Grand Jury Audit	\$50.00	\$50.00	\$0.00
Government Fund – Auditor’s Dept.	\$4,294.00	\$3,750.00	(\$544.00)
Government Fund – Purchasing Agent	\$160.00	\$160.00	\$0.00
Government Fund – Risk Management	\$720.00	\$520.00	(\$200.00)
Building Maintenance Services & Supplies	\$1,910.00	\$1,650.00	(\$260.00)
GSA Stores – Office Supplies	\$50.00	\$0.00	(\$50.00)
Government Fund – Public Works (Safety Analyst)	\$500.00	\$550.00	\$50.00
Contract Janitorial (GSA/TSP JPA)	\$700.00	\$700.00	\$0.00
Government Fund – A-87 Charges CEO	\$2,320.00	\$1,990.00	(\$330.00)
Government Fund – A-87 Carry Over	\$150.00	\$150.00	\$0.00
Fiduciary Liability Insurance	\$10.00	\$10.00	\$0.00
Subtotal Other Charges	\$28,685.00	\$37,638.00	\$8,953.00
INTRA FUND			
Reserve Fund	\$13,500.00	\$12,000.00	(\$1,500.00)
Subtotal Intra Fund	\$13,500.00	\$12,000.00	(\$1,500.00)
TOTAL	\$386,006.00	\$387,615.00	\$1,609.00
Estimated Revenue	(\$12,000.00)	(\$12,000.00)	\$0.00
Year-End Available Fund Balance	(\$9,464.00)	\$11,073.00	(-\$1,609.00)
NET BUDGET COST	\$364,542.00	\$364,542.00	\$0.00

*Est. Budget Savings & Additional Revenue Received FY 2010-11

**STANISLAUS COUNTY LOCAL AGENCY
FORMATION COMMISSION**

RESOLUTION

DATE: April 27, 2011

NO. 2011-06

SUBJECT: Consideration and Adoption of the Proposed Budget for Fiscal Year 2011-2012

On the motion of Commissioner _____ seconded by _____, and approved by the following vote:

Ayes: Commissioners:
Noes: Commissioners:
Absent: Commissioners:
Ineligible: Commissioners:

THE FOLLOWING RESOLUTION WAS ADOPTED:

WHEREAS, Government Code Section 56381(a) requires the Commission to adopt annually, following notice public hearings, a proposed budget by May 1 and a final budget by June 15;

WHEREAS, pursuant to Government Code Section 56381(a), the proposed budget must be, at a minimum, equal to the previous budget, unless a finding is made that the reduced costs will nevertheless allow the Commission to fulfill the purposes and programs of the LAFCO;

WHEREAS, the Stanislaus Local Agency Formation Commission wishes to provide for a budget to fulfill its purposes and functions that are set forth by State law;

WHEREAS, the Proposed Budget includes cost reduction strategies, including continued participation in a 5% salary reduction program for County employees and office closure (furlough) days consistent with the closure of Tenth Street Place, excepting therefrom September 2, 2011; and

WHEREAS, the Commission has conducted a noticed public hearing on April 27, 2011, to consider the Proposed Budget for Fiscal Year 2011-2012, as submitted by the Executive Officer.

NOW, THEREFORE, BE IT RESOLVED that the Commission:

1. In accordance with Government Code Section 56381(a), adopts the Proposed Budget for Fiscal Year 2011-2012, in the amount of \$387,615, as outlined in the attached Exhibit 1.
2. Adopts the following (9) specific furlough days: July 1, 2011; November 21-23, 2011; December 27-30, 2011; and April 2, 2012; in addition to 4 unassigned furlough days for Fiscal Year 2011-12, for a total of 104 hours (or 5% salary reduction).
3. Determines that the Proposed Budget for Fiscal Year 2011-2012 will allow the Stanislaus Local Agency Formation Commission to fulfill the purposes and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act.

DRAFT

- 4. Directs Staff to circulate the adopted Proposed Budget for Fiscal Year 2011-2012 to the Board of Supervisors, each City, and to each Independent Special District pursuant to Government Code Section 56381(a).

- 5. Schedule the public hearing to consider and adopt the Final Budget for May 25, 2011.

ATTEST: _____
Marjorie Blom
Executive Officer

(I:\LAFCO\Admin\Budget\2011-2012\Proposed Budget.Reso.2011-06)

EXHIBIT 1

**Stanislaus County Local Agency Formation Commission
PROPOSED BUDGET
FY 2011-2012**

CATEGORIES	AMOUNT
Salaries & Benefits	\$306,014.00
Services & Supplies	\$31,963.00
Other Charges	\$37,638.00
Intra Fund (Reserve Fund)	\$12,000.00
TOTAL EXPENSES	\$387,615.00
Estimated Revenue for FY 2011-2012	(\$12,000.00)
Current Year-End Available Fund Balance	(\$11,073.00)
NET BUDGET COST	\$364,542.00

LAFCO CALENDAR FOR 2011

REGULAR MEETING TIME: 6:00 P.M.

JANUARY						
Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

FEBRUARY						
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27	28					

MARCH						
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JUNE						
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JULY						
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AUGUST						
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30	31					

NOVEMBER						
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DECEMBER						
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 **LAFCO MEETINGS – REGULAR TIME: 6:00 P.M.**
 (4TH WEDNESDAY OF EVERY MONTH, WITH THE EXCEPTION OF THE NOVEMBER & DECEMBER MEETINGS, WHICH ARE COMBINED AND HELD IN DECEMBER)

 HOLIDAYS

 FURLOUGH DAYS* (9 TOTAL IN FY 11-12, INCLUDING APR. 2, 2012)

 CALAFCO STAFF WORKSHOP – VENTURA (APRIL 6-8TH)
 CALAFCO ANNUAL CONFERENCE – NAPA (AUG. 31ST – SEPT. 2ND)

* FURLOUGH DATES ARE CONSISTENT WITH THOSE APPROVED BY THE COUNTY FOR THE CLOSURE OF TENTH STREET PLACE, WITH THE EXCEPTION OF SEPT. 2, 2011, A WORKING DAY FOR LAFCO STAFF.