

BUDGET NARRATIVE FY 2007-08 FINAL BUDGET

SALARIES AND BENEFITS – 1000 SERIES

FY 06-07

Fiscal Year 2006-07 currently has five positions: one Executive Officer, two LAFCO Analysts, one Clerk to the Commission, and one Deputy Clerk to the Commission.

FY 07-08

The total proposed budget for salaries and benefits of \$772,808 funds six employees and includes termination benefits and costs associated with benefits adjustments.

Fiscal Year 2007-08 proposes to replace one employee due to retirement and add one additional position, Deputy Clerk to the Commission. The current Clerk to the Commission is retiring. For training purposes, dual appointment of this position will occur for one pay period in FY 2007-08 as authorized by the Commission at its February 21, 2007 hearing.

Due to a more technical application process and the need for comprehensive file maintenance, during Fiscal Year 06-07 LAFCO contracted for full-time temporary clerical support to assist in the paperwork processing of proposals, mandated sphere of influence updates, and mandated municipal service reviews. These continuing responsibilities will require ongoing staff support and as outlined in the FY 06-07 Budget anticipate the addition of staff. At this time, staff proposes adding an additional employee, Deputy Clerk to the Commission. This employee would be classified as new LAFCO Benefit Group C (comparable to County Exempt Benefit Group D) and receive benefits in accordance with that Plan group.

SALARIES

Regular Salary – Account 1010: \$464,617

The salary allocations include the salaries and leave conversion payments for six employees during the year, calculated at 26.1 pay periods which allows for the annual mandatory payroll accruals, and step advancements as appropriate.

Staff also is proposing a three percent cost-of-living adjustment (COLA) (excluding the Executive Officer) which mirrors the County's current contract with its General employees and certain levels of its Exempt Compensation Plan.

<u>Position</u>	<u>Annual Salary</u>
Executive Officer	\$145,325
LAFCO Analyst	\$ 66,628
LAFCO Analyst	\$ 61,909
Clerk to the Commission/Office Manager (full year)	\$ 65,041
Retiring Clerk to the Commission/Office Manager (1 pay period)	\$ 2,492

Deputy Clerk to the Commission	\$ 47,335
<u>Deputy Clerk to the Commission</u>	<u>\$ 47,335</u>
Total	\$436,065

This account also includes funding of \$28,552 for the optional conversion of leave to cash and payment of administrative leave, of which \$7,974 relates to the retirement of the Clerk. Leave conversions include the conversion of vacation time to cash payment as set out by employees in December 2006 (pursuant to IRS rulings) for the 2007 calendar year and the payment of administrative leave balances as of December 2007. The total amount paid cannot exceed \$28,552, but may be lower dependent upon the choices of staff to use their leave accruals rather than convert them to cash.

BENEFITS

For employee benefits, LAFCO mirrors the County's Exempt Compensation Plan as identified in the LAFCO Benefits Plan and contracts with the County to administer the benefits for LAFCO employees.

Merit Incentive (Car and Cell Phone Allowance) – Account 1030: \$9,688

The LAFCO Benefit Plan allocates \$9,035 to the Executive Officer for an annual car allowance. Additionally, the LAFCO Benefits Plan provides a benefit of \$25 per pay period for a cellular phone for the Executive Officer, amounting to \$653 for the fiscal year.

Termination Payment – Account 1045: \$13,815

This account is for payments of accrued leave for employees ending employment with LAFCO. The Clerk is retiring and payments for accrued sick leave and vacation total \$13,815.

General Member Retirement – Account 1110: \$103,375

Calculation for the payment of the LAFCO Retirement contribution is based upon the rate of 20.25% of salaries paid plus those benefits identified as "earnable compensation" pursuant to the "Ventura" decision and by the San Bernardino County Employee Retirement Association determinations. The retirement rate will increase less than one percent (from 20.13% contribution rate in FY 06-07) and will increase 12.88% from FY 05-06 (from 17.94% contribution rate in FY 05-06).

Survivor's Benefits – Account 1130: \$435

The per employee cost is calculated at \$72 per employee (a 26% increase) and \$3 for the one pay period of the retiring Clerk.

Indemnification General – Account 1135: \$60,842

This account allocates the funding necessary to cover additional employee retirement payments. These costs are pursuant to the provisions of the LAFCO Benefits Plan. This amount includes a seven percent match of earnable compensation as defined by San Bernardino County Employee Retirement Association bylaws and a per pay period supplemental retirement benefit of \$226.70 for the Executive Officer, \$90.78 for the additional Deputy Clerk, and \$145.94 for the remainder of LAFCO employees. The supplemental amounts increase three percent for FY 07-08.

Employee Group Insurance (Health Insurance Subsidy) – Account 1200: \$17,824

This account allocates a Medical Premium Subsidy in an amount that, when combined with the Benefit Plan contributions, would offset the cost of health plan premiums charged to eligible employees. Calculations for FY 2007-08 utilize the rates as outlined in the LAFCO Benefits Plan, which are increasing 47% from FY 06-07 (from \$116.06 to \$170.71 per pay period). Staff estimates four employees will receive this benefit for a total of \$17,824.

Long Term Disability – Account 1205: \$1,394

The cost is calculated to be \$1,394 (32 cents per \$100 of base pay capped at \$5,000 per month).

Vision Care Insurance – Account 1207: \$894

As calculated by the County's Budget Prep program at \$148 per employee and \$6 for the one pay period of the retiring Clerk.

Psychological Services – Account 1220: \$429

This account is for benefits associated with the availability of psychological services and is calculated by the County's Budget Prep program at \$71 per employee (19% decrease) and \$3 for the one pay period of the retiring Clerk.

Short Term Disability – Account 1222: \$1,902

LAFCO employees are provided with short-term disability by contract with the County to provide the same level of service as provided to County Exempt Employees. The cost is identified as \$315 per employee and \$12 for the one pay period of the retiring Clerk.

Social Security Medicare – Account 1225: \$3,591

For employees entering LAFCO service after 1985, contribution to the federal Social Security Medicare system is mandatory. The cost is calculated at \$3,591 for four employees.

Worker's Compensation – Account 1235: \$6,783

This account is for worker's compensation insurance. LAFCO purchases this insurance through the Special District Risk Management Authority (SDRMA), a joint powers authority, and the charge is estimated to be \$1.20 per \$100 of salaries paid and Commissioner stipends paid.

Life Insurance – Account 1240: \$2,028

Payment of the cost associated with this benefit for term life insurance calculates at \$81 per employee per year and \$4 for the one pay period dual appointment of the Clerk position (\$490). Additionally, retirement medical trust costs for four employees (those with 10 or more years of service) and payment toward employee purchase of variable life insurance is included, estimated to be \$1,538.

Other (Medical Reimbursement Plan) – Account 1305: \$6,240

This account is for the Commission's matching payment toward an Exempt Medical Reimbursement Plan for employees. The cost has been increased to \$1,040 per employee for six employees, based upon an increased benefit match of up to \$40 per pay period per employee.

Indemnification – Account 1310: \$36,186

LAFCO provides a flexible benefit plan to offset the costs of medical and dental insurance. The cost includes \$230 per pay period for six employees and \$168 for the one pay period of the retiring Clerk.

401(k) Contribution – Account 1315: \$34,885

LAFCO matches employee contributions to the 401(k) savings plan of the County up to 8% of the employee's base salary for LAFCO Benefit Groups A and B. The additional Deputy Clerk would receive up to a 6% LAFCO contribution as a new LAFCO Benefit Group C hire. The appropriation anticipates full participation by all employees in this plan.

Salary Reserve – Merit Increase – Account 1000: \$11,000

This account allocates \$10,000 for any increases in salary and for merit increases given to employees, if applicable. Additionally, pursuant to the County's Exempt Compensation Plan, employees will receive a Dental Premium Subsidy effective FY 07-08. This subsidy was not built into the County's Budget Prep program. Therefore, the subsidy is placed into this account and is estimated at \$1,000 total for the year.

SERVICES AND SUPPLIES – 2000 SERIES

FY 07-08

In reference to the expense categories within the overall Services and Supplies section, the staff is proposing the maintenance of current levels of support to activities begun in prior years, such as website activities, maintenance of city and district digitized maps, etc., and is not proposing any new programs or major purchases. However, the increase in Commissioner stipends (Policy Item #2) has been included in the cost allocations. The costs anticipated within the 2000 Series of Accounts is intended to provide for the Commission's focus on meeting its mandate to complete the Municipal Service Reviews and Sphere of Influence Updates required by Government Code Sections 56425 and 56430. These reviews are to be completed by January 1, 2008; however, staff believes that it will take the entire Fiscal Year to complete the reviews for the North Desert region, the Mountain Region and the South Desert region.

SERVICES

Comnet Charge – Account 2037: \$2,690

Comnet is the County's telephone system. Charges for use of this system are \$28.02 per line per month. LAFCO utilizes eight phone lines: six telephones, one fax machine, and one answering machine.

Long Distance Charges – Account 2038: \$600

The need to process the sphere of influence updates and municipal service reviews and the distance of these communities (Mountain, South Desert, and North Desert) from the LAFCO office will require increased long distance phone use. Long distance charges from previous years, along with an increase for inflation, produce an estimate of \$600.

Relocation Charges – Phone Service – Account 2040: \$0

There are neither plans to relocate the phones within the LAFCO office nor charges identified by the County's Information Services Department for this account.

Phone Service/Outside Company – Account 2041: \$345

The use of phone service outside the County system (Verizon) is required by the security alarm company to ensure proper monitoring for the LAFCO office. The monthly phone charge is \$28.75 per month.

Electronic Equipment Maintenance – Account 2043: \$0

This account is for phone installations. There are neither plans to add additional phone lines nor charges identified by the County's Information Services Department for this account.

Memberships – Account 2075: \$6,100

This account is for membership in associations. Dues for CALAFCO are increasing by \$1,500 to \$5,500. There is no anticipated increase in dues for California Special Districts Association for associate members (\$600).

Publications – Account 2080: \$2,232

This account anticipates costs for The Sun, pocket updates to the California Legislative Codes, California Environmental Law pamphlets, and other publications and/or updates utilized by either staff or the Commission.

Legal Notices – Account 2085: \$15,000

Legal notices are provided for the entire Commission agendas in a newspaper of general circulation in the County as a whole as required by State law and in local newspapers within the areas of consideration per Commission policy. The processing of the sphere of influence updates and municipal service reviews will require an eighth page ad in local papers, which tend to have higher costs than papers of general circulation. However, community meetings are not anticipated for FY 07-08, as occurred in FY 06-07. Therefore, overall costs are anticipated to be less than FY 06-07.

Computer Software – Account 2115: \$2,702

Software upgrades to Microsoft Office 2007 will be available in FY 07-08. The upgrade is recommended by the County's Information Services Department. The cost is estimated to be \$200 per computer for LAFCO's seven computers for a total of \$1,400. Additionally, Government Code Section 56382 mandates LAFCO to maintain its records in perpetuity. To comply with this mandate, LAFCO must maintain its digital archiving system. The yearly maintenance of the digital archiving software is \$1,302.

Inventoriable Equipment – Account 2125: \$0

There is no anticipated purchase of inventoriable equipment.

Training – Account 2140: \$3,500

Continuing and professional education classes are estimated at \$1,500. Tuition reimbursement as authorized by the LAFCO Benefits Plan for two employees is calculated at \$2,000 (\$1,000 per employee).

Other Insurance – Account 2245: \$8,387

This account is for property insurance (liability and damage), general liability, public officials and employees errors and omissions, personal liability for board members, employment practices liability, employee benefits liability, employee dishonesty coverage, and auto liability. LAFCO purchases this insurance through the SDRMA, a joint powers authority. Costs are anticipated to increase five percent due to the increase in claims related to weather.

SUPPLIES

General Office Expense – Account 2305: \$11,058

This account is utilized for general expenses to run the office such as office supplies and non-inventoriable items. Calculations for this account utilized costs for office supplies (\$600 per month), the addition of a color printer (\$3,138), and the shift to have more of the printing to take place at the LAFCO office (\$720 for paper).

Postage – Direct Charge – Account 2310: \$11,859

Staff is proposing a policy change whereby only Commission members, staff, consultants, and affected agencies receive printed attachments to the staff reports. The balance of the mailing list will receive the staff reports and maps. However, all attachments to the staff reports will be available on the LAFCO website. The reduction in printing will reduce postage costs. Therefore, the estimated appropriation for postage (including a 5.1% increase in postage rates) based on anticipated activity is \$9,801. Calculations for receipt and delivery of interoffice mail including special pick-ups are \$2,058 as outlined in the County's Internal Service Rates.

Records Storage – Account 2315: \$558

Government Code Section 56382 mandates LAFCO maintain its records in perpetuity. To comply with this mandate, LAFCO stores its records at a private location and has joined with the County to lower overall storage costs.

Printing Services – Account 2323: \$9,235

Staff is proposing a policy change whereby only Commission members, staff, consultants, and affected parties receive printed attachments. The balance of the mailing list will receive the staff reports and maps. However, all attachments will be available on the LAFCO website. Staff estimates the reduction in printing will reduce costs by approximately \$5,500. If the policy change is not approved, then costs for this account will be estimated at \$14,735.

Temporary Services – Account 2335: \$0

The anticipated addition of the new employee would require no costs for this account.

CONSULTANT AND SPECIAL SERVICES

Professional and Special Service (Legal Counsel) – Account 2400: \$122,480

The existing contract for LAFCO legal counsel allows an annual rate increase not to exceed five percent. Staff anticipates a full five percent increase, thereby increasing the hourly rate to \$197.40. All legal counsel costs, with the exceptions of administrative charges, are

recoverable under the Commission's existing fee policy. Costs are comprised of attendance at the LAFCO hearings and CALAFCO annual conference, and review of proposals and municipal service reviews (200 hours for a total of \$39,480). Approximately 400 hours is estimated for anticipated litigation; however, Account 9555 corresponds with this account with revenues to cover this cost. Staff estimates \$3,000 for administrative costs during Fiscal Year 2007-08.

Auditing – Account 2405: \$6,000

Auditing is through a contract with a private and independent firm. This is the last year of a three-year contract.

Data Processing – Account 2410: \$7,500

LAFCO contracts with the County Information Services Department for technology related services. This account is for technology infrastructure (internet, email, security, etc...) and reporting from the County payroll system. The production support agreement estimates this cost to be \$7,500.

COWCAP – Account 2415: \$23,537

The costs identified in the County Wide Cost Allocation Plan to be charged in FY 07-08 are for costs from FY 2005-06 and total \$46,099. The identified costs are for office space, utilities, janitorial service, technology charges, etc.) However, staff has been in discussion with County staff related to the charges identified as "IS System Development" within the COWCAP which relate to technology and the County's Geographic Information Management System. LAFCO staff has questioned the appropriateness of applying these charges to LAFCO and the disputed charges total \$22,562 for the upcoming Fiscal Year. Staff anticipates these charges to be removed. The balance of COWCAP charges to be paid in Fiscal Year 2007-08 are \$23,537.

Distributed Data Processing – Account 2420: \$0

This account is for installation or maintenance costs associated with County's wide area network (routers, internet, County intranet, etc). No activity is anticipated for this account.

ISD Direct – Account 2421: \$3,330

LAFCO contracts with the County Information Services Department for technology related services. This account is for maintenance of the local area network of computers, printers, and servers. The production support agreement estimates this cost to be \$3,300.

Environmental Consultant – Account 2424: \$27,000

The Commission contracts with an independent consultant, Tom Dodson and Associates, for environmental review associated with its proposals. Anticipated costs are reviews of service contracts, proposals, sphere of influence updates and municipal service reviews, and for other environmental determinations. Based on anticipated activity, costs are estimated to be \$27,000.

Security Services – Account 2444: \$600

Costs for maintaining the security alarm system and monitoring are \$50 per month (\$600 total).

Other Professional Services – Account 2445: \$41,600

This account is for professional services to process proposals and items on the hearing agendas and include anticipated costs for the County Surveyor, Commissioner attendance at hearings and meetings, Registrar of Voters, and translation services for required notices (\$33,900).

Staff is proposing a \$50 increase for Commissioner attendance at hearings and meetings to \$200. This stipend has been historically tied to the rate for the San Bernardino County Planning Commission, whose stipend was recently increased to \$200.

Additional anticipated professional services include, but are not limited to, video production services for hearings (\$225 per hearing) and Human Resources consultants for a total of \$7,700.

System Development – Account 2450: \$2,500

LAFCO contracts with the County Information Services Department for technology related services. This account is for support of the LAFCO website (includes monthly posting of the hearing agendas and staff reports), map preparation, and support of a customized program to generate mailing labels. The production support agreement estimates this cost to be \$2,500.

GIMS Charges – Account 2460: \$25,400

LAFCO contracts with the County Information Services Department for technology related services. This account is for map development, jurisdictional updates, GIS programming support, Street Network Subscription, and Aerial Imagery collaborative support. The production support agreement estimates this cost to be \$15,400.

In addition, the Commission has the option to obtain demographic data for the sphere of influence updates and municipal service reviews through either a private entity or the County Information Services Department. Staff estimates this cost to be \$10,000.

LEASE/PURCHASES

Rent/Lease Copier – Account 2895: \$7,092

The monthly rate for the lease with activity charges calculates to \$591 per month (\$7,092 total).

Office/Hearing Chamber Rental – Account 2905: \$44,604

The lease for the office will enter the second year of a three-year lease and will increase three percent to a total of \$44,004 for the year. The contract for use of the hearing chambers is at a rate of \$50 a hearing (no anticipated increase), for a total of \$600 for the year, which requires authorization by the Commission.

TRAVEL RELATED EXPENSES

Private Mileage (Employees) – Account 2920: \$717

Costs are anticipated to increase for FY 07-08 compared to FY 06-07 due to a nine percent increase in the standard mileage rate from 44.5 cents to 48.5 cents that took effect January

2007. Additionally, activity is anticipated to increase to process the sphere of influence updates and municipal service reviews of the North Desert, South Desert, and Mountain communities.

Other Travel – Account 2935: \$15,972

This account is for non-mileage travel expenses (hotel, airfare, meals, etc...). Anticipated activity includes Commissioner and staff attendance at the CALAFCO annual conference, staff attendance at the CALAFCO workshop, travel for staff to attend professional and continuing education, and costs for staff to participate in legislative and professional committees.

Mileage (Commissioners) – Account 2940: \$2,203

Costs for mileage for Commissioner activity are calculated to be less than FY 06-07 due to fewer anticipated community meetings.

OTHER CHARGES

Operating Transfer Out for Salaries and Benefits – Account 5010: \$0

For FY 06-07, the Commission authorized the contracting with the County Economic Development Agency for one-half of salaries and benefits of a GIS Tech II position in order to obtain demographic data for the sphere of influence updates and municipal service reviews. However, the interview and selection process was unsuccessful. For 07-08, proposed services for demographic data are included in Account 2460 – GIMS Charges. Since there was neither activity in FY 06-07 for this account nor is there any anticipated activity for FY 07-08, staff proposes the elimination of this account.

Contingency – Account 6000: \$25,000

The amount for this account has been set at \$25,000. Although the funds in this account are not anticipated for use, it could be used for unexpected activity but requires Commission action to use these funds.

Reserves – Account 6025: \$55,000

The amount for this account has been set at \$51,880 (a \$3,120 reduction to accommodate increased Flexible Health Plan benefit) for FY 07-08. Staff is moving towards obtaining a 10% reserve over the next two years.

REVENUES

FY 04-05 and 05-06 had unusually high proposal activity while FY 06-07 is experiencing a return to “normal” activity for proposals received. However, activity level for FY 07-08 is anticipated to be lower than previous years. The anticipated activity for the year includes the following proposal types based upon the proposed fee schedule presented for Commission consideration:

- 10 proposals (five under 20 acres; five 20-150 acres)
- 4 city island annexations (all under 20 acres)
- 13 service contracts - non-development related
- 10 service contracts - development related (up to 4 units)
- 3 service contracts - development related (5 or more units)
- 48 service reviews

Anticipated revenues are estimated to be \$1,284,879, which includes interest, mandatory contributions, and fee revenue. However, Refunds from Prior Years and reduced Carryover decrease revenues to \$1,257,578.

Interest – Account 8500: \$5,000

LAFCO participates in the County’s interest pool and is apportioned interest receipts quarterly. Interest earned will be less than prior year due to minimal funds carried over from FY 06-07.

Mandatory Contribution from Governments (Local Government) – Account 8842: \$1,014,645

Government Code Section 56381 requires that the net operating costs for LAFCO be apportioned equally to the County, the Cities, and the Independent Special Districts within the County. Staff projects the apportionment to be \$1,014,645, an increase of \$321,645. The apportionment to the County, Cities, and Independent Special Districts is approximately \$338,215 each. The County Auditor-Controller will be required to apportion these charges on July 1, 2007 pursuant to the requirements of law.

CURRENT SERVICES/FEEES

The deposits and fees for calculating revenues in this category utilize the proposed Schedule of Fees and Charges (effective June 1, 2007) to be considered by the Commission at this hearing. Failure to adopt the proposed Schedule of Fees and Charges will alter the Mandatory Contribution from Governments (Account 8842) and all of the following calculations.

Election Services (ROV Deposits) – Account 9545: \$10,800

Revenues for Registrar of Voters Review and Registered Voter Notification Requirements are calculated at \$450 for proposals and development related service reviews.

	Deposit	Total
10 Proposals	\$450 each	\$4,500
4 City Islands Annexations	\$450	\$1,800
10 Development Related Service Contracts	\$450	\$4,500

Legal Services – Account 9555: \$100,984

Revenues for legal services are calculated at \$1,040 for proposals and \$756 for service contracts and city island annexations.

	Deposit	Total
10 Proposals	\$1,040 each	\$10,400
10 Development Related Service Contracts	\$756	\$7,560
4 City Islands Annexations	\$756	\$3,024
Legal Litigation Repayment		\$80,000

GIMS Fees – Account 9655: \$7,900

This account is for receipt of revenue to offset charges incurred from the County Information Services Department to update the maps maintained by LAFCO representing the cities and special districts and their spheres of influence.

	Fee	Total
10 Proposals	\$350 each	\$3,500
4 City Islands Annexations	\$350 each	\$1,400
1 CSD completion	\$3,000	\$3,000

EIR Consultation (Environmental Deposits) – Account 9660: \$30,000

Based on anticipated activity, deposits for environmental review processing are calculated at \$30,000.

	Deposit	Total
10 Proposals	\$750 each	\$7,500
10 Development Related Service Contracts	\$450	\$4,500
4 City Islands Annexations	\$750	\$3,000
Other Environmental Determinations		\$15,000

Other (LAFCO Fees) – Account 9800: \$115,550

Revenues in this account are based on anticipated activity and include the LAFCO filing fee, Landowner Notice deposit, and the receipt of fees for 48 municipal service reviews.

	Fee/Deposit	Total
5 Proposals (under 20 acres)		
LAFCO Filing Fee	\$5,000 each	\$25,000
Deposit for Notice	\$450 each	\$ 2,250
5 Proposals (20 - 150 acres)		
LAFCO Filing Fee	\$6,000	\$30,000
Deposit for Notice	\$450	\$ 2,250
13 Non-development Related Service Contracts		
LAFCO Filing Fee	\$250	\$3,250
7 Development Related Service Contracts (up to 4 units)		
LAFCO Filing Fee	\$500	\$3,500
Deposit for Notice	\$450	\$3,150
3 Development Related Service Contracts (5 or more units)		
LAFCO Filing Fee	\$3,000	\$9,000
Deposit for Notice	\$450	\$1,350
4 City Islands Annexations (under 20 acres)		
LAFCO Filing Fee	\$2,500	\$10,000
Deposit for Notice	\$450	\$1,800
48 Municipal Service Reviews	\$500	\$24,000

OTHER TYPES OF REVENUE

Refunds from Prior Year – Account 9910: \$(30,000)

This account refunds deposits submitted by applicants less costs incurred for activity initiated in FY 06-07 and completed in FY 07-08.

Other/Carryover from Prior Year – Account 9970: \$2,699

\$2,699 is anticipated to carryover from FY 06-07 to FY 07-08.