

**LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY**

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: JANUARY 20, 2016

**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager**



TO: LOCAL AGENCY FORMATION COMMISSION

**SUBJECT: Agenda Item #8: Mid-Year Financial Review for Period July 1 through
December 31, 2015**

RECOMMENDATION:

Staff recommends that the Commission:

1. Note receipt of this report and file.
2. Authorize the following budget adjustments to address increased revenues and expenditures due to increased activity:
 - a. To accommodate unanticipated activity related to individual notices for three proposals:
 - i. Increase Expenditure Account 2310 (Postage) by \$58,525 to \$71,437
 - ii. Add Expenditure Account 2323 (Reproduction) at \$8,355
 - iii. Increase Revenue Account 9545 (Individual Notice) by \$66,880 to \$71,780
 - b. To accommodate the increase in proposals received and related expenditure activity:
 - i. Increase Expenditure Account 2400 (Legal Services) by \$13,121 to \$42,421
 - ii. Increase Expenditure Account 2445 (Other Professional Services) by \$39,469 to \$161,897
 - iii. Increase Account 6000 (Contingencies) by \$50,000 to \$155,501
 - iv. Increase Revenue Account 9555 (Legal Services) by \$13,121 to \$20,596

- v. Increase Revenue Account 9800 (LAFCO Fees) by \$81,000 to \$165,614
 - vi. Increase Revenue Account 9930 (Miscellaneous Revenues) by \$8,469 to \$8,964
3. Approve amendments to the LAFCO Policy and Procedure Manual, Section III (Human Resources) to reflect County Exempt Compensation Plan changes approved by the Board of Supervisors on December 15, 2015 to include a one percent (1.0%) across-the-board-salary increase retroactive to January 9, 2016 for LAFCO employees and future changes through 2018.
 4. Adopt Resolution No. 3210 to amend its Policy and Procedure Manual.
 5. Provide direction to staff on items of concern for the balance of the fiscal year.

BACKGROUND:

Staff is presenting the Commission with the FY 2015-16 mid-year financial report, which includes a discussion of:

1. A review of the mid-year financial activities and the presentation of a spreadsheet (Attachment #1) on expenditures and reserves, revenues received, an update on special project activities, and a breakdown of the fund balance through the mid-year. The spreadsheet also provides a forecast of anticipated expenditures and revenues through the end of the fiscal year.
2. Recommended budget adjustments to address increased revenues and expenditures due to increased activity.
3. Amendments to the Commission's Policy and Procedure Manual to reflect changes to the County Exempt Compensation Plan to include (1) across-the-board salary increases for the period January 9, 2016 through July 1, 2018, (2) a 15-year longevity pay effective December 2016, (3) increase in Medical Premium Subsidy effective July 2018, and (4) modifies the authority of the Executive Officer to hire an employee through Step 7 (currently through Step 5 - a technical change as two steps were added in April 2015).

MID-YEAR REVIEW

The report details the Commission's expenditure and revenue activities for the first half of Fiscal Year 2015-16. The following information includes a description of expenditures and reserves, revenue and proposal activity, an update on special project activities, and a breakdown of the fund balance through the mid-year.

Expenditures and Reserves

Expenditures are comprised of two categories of accounts: 1) Salaries and Benefits, and 2) Services and Supplies. Through the mid-year, total expenditures are at 45% of Approved Budget authority. In October the Commission authorized the transfer of \$6,722 from Contingencies to account for the mandatory leave payouts from the separation of an employee. Additionally, this report requests budget adjustments to address increased revenues and expenditures due to increased activity. A more detailed analysis of the categories is as follows:

1. Salaries and Benefits (1000 series)

A. Mid-Year Activity

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$324,592 through the mid-year, representing 44% of Approved Budget authority.

The variance of six percent from the benchmark of 50% is primarily explained by the LAFCO Analyst position being unfilled due to the separation of the former employee in August. The position was filled in December, resulting in a savings of salary and benefits expenses for roughly four months.

B. Projected Remaining Activity

Discussed in detail later in this report, staff recommends that the Commission approve the County Exempt Compensation Plan amendments approved on December 15, 2015 to include a one percent (1.0%) across-the-board salary increase retroactive to January 9, 2016 along with other changes through July 1, 2018. The effect on the current year's budget is not significant, and year-end projections show there is room to accommodate the increase; therefore, no budget changes are recommended. Salaries and Benefits are forecast to end the year at 93% of budget authority.

2. Services and Supplies (2000 and 5000 series)

A. Mid-Year Activity

For the mid-year, the Services and Supplies accounts (2000 and 5000 series) had expenditures of \$184,093 or 46% of Approved Budget authority. There have been no major unanticipated expenditures during this time period, unanticipated activities, as described below, did occur which result in increased costs for the balance of the year.

B. Projected Remaining Activity

However, budgeted and anticipated activities for the second half include significant expenditures, identified as:

- Remaining payments for the installation of a fiber optic line of roughly \$10,000 (Account 2040).
- Payment for the individual audit of \$8,500 (Account 2405).
- Significant unanticipated individual notice costs of roughly \$67,000 for the proposals related to annexations to County Fire that include the extension of a special tax (San Bernardino, Twentynine Palms, and Needles). The applicant in each case will be required to provide a deposit to cover these costs. A breakdown is shown below:
 - Account 2310 (Postage) - \$58,525
 - Account 2323 (Reproduction/Printing) - \$8,355
- Payments of \$8,469 for the “Sensitivity Analysis” prepared as an addition to the contract for the preliminary feasibility study for incorporating the Rim of the World communities (Account 2445). The charges for the remaining payments have been reimbursed to the Commission by the Second District through a deposit received in December.
- Remaining payments of roughly \$62,000 for the consulting contract with Bob Aldrich – the Commission approved this contract in September 2015 not to exceed \$75,000 (Account 2445). Staff anticipates utilizing the full authority of this contract.

Due to the significant unanticipated costs identified above related to providing individual notices for three large and complex proposals, this report recommends budget adjustments to address the increase in activity. Based upon the recommended Amended Budget, Services and Supplies are projected to end the year at 90% of Amended Budget.

C. Status of Ongoing Commission-approved Projects

The following provides an update on expenditures and progress on projects or studies previously approved by the Commission.

INSTALLATION OF FIBER OPTIC LINE:

Due to the County Workforce Development Department vacating the building where the LAFCO office is located, LAFCO was required to install its own

dedicated communications line. The budget for the installation of a dedicated fiber optic line is \$20,000. In August the installation was completed. To date, roughly \$10,000 in invoices has been received and paid. The remainder of the costs, when received, will stem from the County's Information Services Department work but are expected to be within the budgeted amount.

PRELIMINARY FEASIBILITY STUDY FOR INCORPORATION OF THE RIM OF THE WORLD COMMUNITIES:

The contract with Rosenow Spevacek Group (RSG) to prepare the financial projections for this study has been satisfied.

As an addition to the contract, the Second District requested supplemental information be provided related to a sensitivity analysis of the feasibility study. LAFCO received additional funds from the Second District to cover the costs of the Sensitivity Analysis prepared. The funds have been received; and the invoice has been paid (while processing will reflect in the January reconciliation).

EDUCATIONAL TRAINING PROGRAM FOR SPECIAL DISTRICTS:

The Commission has expressed its desire to provide continuing governance training for the special districts within the County. As a part of this year's budget, staff developed an education program with the California Special Districts Association (CSDA) and the Institute for Local Government (ILG) – see chart below. CSDA has indicated that it would not charge to conduct the training, and ILG identified a cost of \$2,300.

Educational Training Program Timeline		
Training Session	Collaboration	Date
Understanding the Brown Act – Beyond the Basics	California Special Districts Association	September 28, 2015
Partnering with Community-based Organizations for more Inclusive Public Engagement	Institute for Local Government	January 13, 2016
Positioning Your Agency for Successful Financing (webinar)	California Special Districts Association	February 24, 2016

The first session took place on September 28 at the Mojave Water Agency in Apple Valley and was well attended with positive survey results. The second session took place January 13, and similar to the first session it was held at the same location, was well attended, included a cross-section of agencies, and

overall feedback has been positive. Attendees totaled 22 persons from 13 different agencies. The survey results (primary questions) are as follows:

My overall rating of this seminar is good. 8.6 out of 10
The pre-seminar registration process was clear and simple. 9.2
The meeting room and facilities were adequate and comfortable. 9.5
The training met my expectations. 8.7

Estimated costs for refreshments, copying charges and miscellaneous supplies are estimated to be roughly \$1,600 for the year. These costs, coupled with ILG's charge of \$2,300, brings the total annual costs for this program at roughly \$3,900. This does not include staff time.

3. Contingency and Reserves (6000 series)

In October the Commission authorized the transfer of \$6,722 from Contingencies to account for the mandatory leave payouts from the separation of an employee, which has been completed. No other activities are anticipated at this time for supplemental funding for the remainder of the fiscal year.

Revenues and Proposal Activity

1. Revenues

A. *Mid-Year Activity*

The Commission has received 113% of Approved Budget revenues through the mid-year. The items below outline the revenue activity:

- Interest (Account 8500) – Fifty-two percent of the budgeted interest has been received from the Commission's cash in the County Treasury. However, the bulk of LAFCO's revenues are received during the first quarter of the fiscal year through receipt of the annual apportionment. For the past several years, the apportionment was the primary source of funding; however, for the current Fiscal Year there are a number of significant proposals which have increased the funds on hand. It is anticipated that the annual interest rate will remain low for the balance of the year providing limited resources, but more than in prior years.
- Apportionment (Account 8842) - 100% of the mandatory apportionment payments from the County, cities, and independent special districts billed by the County Auditor have been received.
- Fees and Deposits (Accounts 9545 – 9800) – Through mid-year, the Fees and Deposits series of accounts has received 248% of its budgeted revenue

(\$258,766). Of this amount, 92% is related to proposals, 5% to service contracts, and 3% to cost recovery for completed actions.

B. *Projected Remaining Activity*

This LAFCO has historically taken a conservative approach to projecting revenues. Keeping with this practice, staff is projecting \$72,830 in revenue for the second half, broken down as follows:

- Receipt of limited interest payments for the remaining two quarters (\$2,250).
- Deposits from the applicants for the three annexations to County Fire that include the extension of a special tax (San Bernardino, Twentynine Palms, and Needles) for individual notice requirements (\$61,980).
- Receipt of one proposal, received in January (\$8,100).
- Receipt of one service contract requiring administrative review, received in January (\$500).

Most of the proposals currently being processed are grand in scale and scope (four annexations to County Fire with three requiring individual notice due to a special tax extension, reorganization to include annexations to the City of Rialto and the West Valley Water District, and formation of the Wrightwood CSD) which resulted in increased revenues. Due to the significant revenue increases, this report recommends budget adjustments to address the increase in activity.

Based upon the recommended Amended Budget, Total Revenues are projected to end the year at 107% of budget authority.

2. Proposal Activity

The figure below identifies the number of proposals and service contracts received through December 31, 2015. The figure identifies that 12 proposals and five service contracts were received through the mid-year. As for proposals, this is double the budgeted number. Attachment #2 to this report includes a chart showing the yearly comparison of proposals, service contracts, and completed service review activity. Staff is conservatively anticipating the receipt of one additional proposal (already received in January), to bring the anticipated year-end total to 13 proposals, which exceeds the annual totals for proposals received going back eight years (19 proposals in Fiscal Year 2006-07).

Activity	Budget	Through Mid-Year	
		No.	% of Budget
Proposals	6	12	200%
Service Contracts - Development, Commission approval	1	2	200%
Service Contracts - Request for Exemption from 56133	0	1	
Service Contracts - Admin (E.O.) approval	4	2	50%
Protest Hearing Deposits	5	1	20%

The remainder of the year anticipates the processing of the second cycle service reviews for water (wholesale, retail, and recycled), sewer (collection, treatment, and reclamation), and streetlights. By action taken at the September hearing, the Commission has directed staff to prioritize its activities to address the fire proposals submitted as the top priority, other jurisdictional changes next, and service reviews to follow.

Cash in Treasury

As of December 31, 2015, the Commission's cash in the County Treasury was \$1,404,171. A breakdown of this amount is shown below (based upon this report's recommended Amended Budget). Taking into account expenditure and revenue projections, staff is projecting that all of the Reserves and Contingencies will carry forward into FY 2015-16.

December 31, 2015 Balance	\$1,404,171
Balance is composed of the following:	
<i>Liabilities (as of Jan 13, 2016)</i>	
Deposits Payable/(Receivable) from open applications	33,184
<i>Committed (constrained to specific purposes)</i>	
Net Pension Liability Reserve (Account 6010)	82,750
Compensated Absences Reserve (Account 6030)	76,607
<i>Assigned (intended for specific purposes)</i>	
Contingency (Account 6000)	155,501
General Reserve (Account 6025)	291,007
Projected Remaining Expenditures	642,431
<i>Remaining Revenues, Projected</i>	(72,830)
<i>Estimated Carryover into FY 2016-17 (assumes full gain from active proposals)</i>	195,521
BALANCE	\$1,404,171

**COUNTY EXEMPT COMPENSATION PLAN AMENDMENTS TO INCLUDE
ACROSS THE BOARD SALARY INCREASES**

On December 15, 2015 the County Board of Supervisors approved amendments to its Exempt Compensation Plan to include (1) across-the-board salary increases, (2) a 15-year longevity pay effective December 2016, (3) increase in Medical Premium Subsidy effective July 2018, and (4) an increase in the top entrance step for new employees - a technical change. The County staff report and ordinance are included as Attachment #3 to this report. The amendments applicable to LAFCO are outlined below:

1. The scheduled across-the-board salary increases for the three year term of the County Exempt Compensation Plan are as follows:
 - a. One percent effective January 9, 2016
 - b. One percent effective July 23, 2016
 - c. Two percent effective July 22, 2017
 - d. Three percent effective July 21, 2018
2. A two percent 15-year longevity pay effective December 10, 2016.
3. An increase to the fixed-dollar bi-weekly Medical Premium Subsidy by \$4.50 for Employee Only, \$8.96 for Employee + 1, and \$12.70 for Employee + 2, effective July 21, 2018.
4. Modifies the authority of the Executive Officer to hire an employee through Step 7 (currently through Step 5 - a technical change as two steps were added in April 2015).

The amendments have an effect on the Commission as its practice and policy is to mirror this benefit plan for its employees. Therefore, staff recommends that the Commission approve the modifications to its Policy and Procedure Manual, Human Resources and Benefits Section to address the inclusion of the County Exempt Compensation Plan amendments approved on December 15, 2015. These include a one percent (1.0%) across-the-board salary increase retroactive to January 9, 2016, and a technical hiring modification effective immediately. All others changes are effective in the future. The effect on the current year's budget is not significant, and year-end projections show there is room to accommodate the increase; therefore, no budget changes are recommended.

To formally implement the changes, staff recommends that the Commission revise and amend its Policy and Procedure Manual, Section III (Human Resources), as follows:

Amend Chapter 2 (Employment), Policy 2 (Compensation)

...

B. Effective January 9, 2016, the following shall be the salary ranges for LAFCO positions (1.0% increase):

Position	Hourly Range	Annual Range
Executive Officer	As determined by the Commission	
Assistant Executive Officer	\$37.09 to \$51.07	\$77,147 to \$106,226
Project Manager	\$29.00 to \$39.94	\$60,320 to \$83,075
LAFCO Analyst – GIS/Database Manager	\$25.07 to \$34.45	\$52,146 to \$71,656
Clerk to the Commission/Office Manager	\$21.63 to \$29.74	\$44,990 to \$61,859
Administrative Assistant	\$17.81 to \$24.47	\$37,045 to \$50,898

Effective July 23, 2016, the following shall be the salary ranges for LAFCO positions (1.0% increase):

Position	Hourly Range	Annual Range
Executive Officer	As determined by the Commission	
Assistant Executive Officer	\$37.46 to \$51.58	\$77,917 to \$107,286
Project Manager	\$29.29 to \$40.34	\$60,923 to \$83,907
LAFCO Analyst – GIS/Database Manager	\$25.32 to \$34.79	\$52,666 to \$72,363
Clerk to the Commission/Office Manager	\$21.85 to \$30.04	\$45,448 to \$62,483
Administrative Assistant	\$17.99 to \$24.71	\$37,419 to \$51,396

Effective July 22, 2017, the following shall be the salary ranges for LAFCO positions (2.0% increase):

Position	Hourly Range	Annual Range
Executive Officer	As determined by the Commission	
Assistant Executive Officer	\$38.21 to \$52.61	\$79,476 to \$109,428
Project Manager	\$29.88 to \$41.45	\$62,150 to \$85,592
LAFCO Analyst – GIS/Database Manager	\$25.83 to \$35.49	\$53,726 to \$73,819
Clerk to the Commission/Office Manager	\$22.29 to \$30.64	\$46,363 to \$63,731
Administrative Assistant	\$18.35 to \$25.20	\$38,168 to \$52,416

Effective July 21, 2018, the following shall be the salary ranges for LAFCO positions (3.0% increase):

Position	Hourly Range	Annual Range
Executive Officer	As determined by the Commission	
Assistant Executive Officer	\$39.36 to \$54.19	\$81,868 to \$112,715
Project Manager	\$30.78 to \$42.38	\$64,022 to \$88,150
LAFCO Analyst – GIS/Database Manager	\$26.60 to \$36.55	\$55,328 to \$76,024
Clerk to the Commission/Office Manager	\$22.96 to \$31.56	\$47,756 to \$65,644
Administrative Assistant	\$18.90 to \$25.96	\$39,312 to \$53,996

Revise Chapter 2 (Employment), Policy 2 (Compensation) by adding the following:

...

F. 15-YEAR LONGEVITY PAY

Effective December 10, 2016, LAFCO employees shall be eligible for longevity pay above the base rate of pay, as indicated below, based on total hours of completed continuous service with LAFCO. Longevity pay shall be excluded when determining the appropriate rate of pay for a promotion or demotion. For purposes of longevity pay only, a year of completed LAFCO service is defined as 2,080 service hours with LAFCO.

Total Completed Service	Compensation
31,200 Continuous Service Hours (15 years)	2.0%

...

Amend Chapter 5 (Benefits Plan), Policy 2 (Medical and Dental Subsidies)

- A. SB LAFCO has established a Medical Premium Subsidy (MPS) to offset the cost of medical and dental plan premiums charged to eligible employees. The MPS shall be applied first to medical plan premiums and then to dental plan premiums. The applicable MPS amount shall be paid directly to the providers of the County-sponsored medical and dental plan in which the eligible employee has enrolled. In no case, shall the MPS exceed the total cost of the medical and dental insurance premium for the coverage selected.

The following are the MPS amounts:

	Scheduled for 40 to 60 hours	Scheduled for 61 to 80 hours
Employee Only	\$115.00	\$230.00
Employee +1	\$176.12	\$352.23
Employee +2	\$241.32	\$482.64

Effective 7/21/18 the following MPS amounts shall apply:

	Scheduled for 40 to 60 hours	Scheduled for 61 to 80 hours
Employee Only	\$117.25	\$234.50
Employee +1	\$180.60	\$361.19
Employee +2	\$247.67	\$495.34

...

Amend Chapter 2 (Employment), Policy 4 (Performance Management)

...

B. ELIGIBILITY FOR STEP ADVANCEMENT

New employees shall be hired at step 1 of the established base salary range, except as otherwise provided in this section. Variable entrance steps may be established if justified by recruitment needs through ~~Step 5~~ **Step 7** with the approval of the Executive Officer and through ~~Step 12~~ **the top step** with the approval of the Commission or designee.

...

CONCLUSION AND REQUESTED COMMISSION ACTION

This year is shaping up to be a banner year for LAFCO - one not only with above normal activity, but also one with complex proposals which could directly impact the quality of life of hundreds of thousands of residents of our County. The approval of a consultant for supplemental staffing is helping with the processing burden; and staff is implementing the direction of the Commission on its priorities.

The mid-year financial report identifies that the expenditures of the Commission are within budget targets; however, significant processing costs will require an increase in appropriations, as recommended on pages 1 and 2. All in all the staff is providing a positive financial forecast for the balance of the fiscal year.

Staff recommends that the Commission take the actions identified in the recommendation section on pages 1 and 2 of this report. Staff will be happy to answer any questions from the Commission prior to or at the hearing.

KRM/MT

Attachments:

1. [Spreadsheet of Mid-Year Expenditures, Reserves, and Revenues](#)
2. [Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity](#)
3. [Materials Related to County Ordinance Relating to Compensation and Working Conditions of the Exempt Group](#)
4. [Draft Resolution No. 3210 to Revise and Amend its Policy and Procedure Manual](#)