

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

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DATE: APRIL 10, 2006
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #14 – ITEM (B) -- Preliminary Budget Review for Fiscal Year 2006-07

RECOMMENDATION:

The staff recommends that the Commission approve the following items:

FOR FISCAL YEAR 2005-06 (CURRENT):

Transfer of \$10,000 from contingency to the 1000 Salaries account to compensate for increased costs.

FOR FISCAL YEAR 2006-07:

- 1) A Cost-of-Living Adjustment of 3% for the positions of LAFCO Analysts (2), the Clerk to the Commission and the Deputy Clerk to the Commission;
- 2) Adoption of Resolution No. 2918 providing for modifications to salary ranges to provide for Cost-of-Living adjustments for affected LAFCO employees.
- 3) Policy Items for FY 2006-07 including directions to staff:
 - a) Authorize LAFCO staff to contract with the City of San Bernardino to utilize its Council Chambers for Commission Hearings at an estimated cost of \$50 per meeting;
 - b) Authorize LAFCO staff to negotiate the terms to lease the office space located at 215 North “D” Street, 2nd Floor, in San Bernardino;
 - c) Authorize LAFCO staff to negotiate a contract with the County’s Economic Development Agency to share funding of a GIS Tech II for a minimum term of two years following move to 215 North “D” Street;

- d) Authorize LAFCO staff to negotiate the purchase of a Laserfiche software system and required computer hardware to replace the Commission's current system for archiving its historic files; and,
 - e) Authorize the Executive Officer to sign the Production Support Agreement for 2006-07 with the County's Information Services Department to provide information technology services for the Commission for the upcoming fiscal year.
- 4) Schedule a public hearing for May 17, 2006 for the formal adoption of the Final Budget for Fiscal Year 2006-07 and direct staff to forward the Proposed Budget, as modified at this hearing, to all the independent special districts, cities, and the County for their comment pursuant to Government Code Section 56381.

BACKGROUND:

At the April hearing, the Commission will begin its annual budget review for the upcoming Fiscal Year. In a change of pace, this budget review will not open with a discussion of budget crises, or the impending transfer of revenues from the Cities and Special Districts, as it has in the past. Contributing to this change is that the past Fiscal Year has seen increased assessed valuation for the properties within our County, sending property tax revenues higher. However, staff is ever mindful of the cost for operating the Commission and its impact on the revenues of the agencies we serve and who fund our operations. The budget presentation for Fiscal Year 2006-07 will request that the Commission consider a number of policy items for such things as changing in its office and hearing locations for the first time in more than twenty years; requesting consideration of a system to add staff; and to upgrade the system which digitally archives the Commission's historic files.

Staff's approach in preparing the Budget for the upcoming Fiscal Year was to:

- 1) provide the funding for increased activity levels as well as maintenance of programs and services provided by the Commission;
- 2) reduce or control costs wherever possible; and
- 3) enhance revenues related to cost recovery where possible.

Staff has utilized this approach to evaluate several policy areas being presented to the Commission. The discussion which follows outlines the rationale for these policy issues:

Policy Item #1 -- Change in Commission Hearing Location to the City Council Chambers of the City of San Bernardino:

For 21 years the Commission has held its hearings in the County Chambers on the second floor of 175 West Fifth Street in San Bernardino. During this time, few upgrades to this facility have taken place; consequently the sound system, access to technology, and seating arrangements all need repair and/or replacement. There are no current or known plans within the County's Capital Improvement Program to provide for these upgrades. Since this is not the Commission's facility and our use is limited to once a month, the assumption of the costs for these upgrades by LAFCO did not appear warranted to the staff.

In addition, the hearing facility needs of the Commission have changed over the years; therefore, staff has reviewed other options for locations in which to conduct the Commission's hearings. In our review of various facilities there have been some limitations, primarily the need for seating of at least seven members at the dais. In addition, due to the Commission's regional nature, it was the staff's desire to remain within the City of San Bernardino as the County seat. The use of the County Board Chambers, the Feldhym Library, and the City of San Bernardino Council Chambers have been evaluated.

The option offering the greatest flexibility, in the staff's view, is the use of the City of San Bernardino Council chamber – it has seating for seven at the dais and offers other technological advantages described below. Staff has spoken with the City Manager's Office of the City of San Bernardino and they are willing to allow us to use their Chambers once a month for a \$50 per meeting charge. This facility will accommodate the regular voting Commissioners at the dais, will accommodate the alternates with microphones adjacent to the dais, and will accommodate all staff members with microphones. This facility has the added benefit of the potential to allow for video streaming of the Commission proceedings to our website (once a minimal equipment upgrade is provided) as well as providing digital copies of the proceedings for distribution to local cable stations for their use when the information is relevant to their communities.

Staff is therefore recommending as a part of this budget consideration that the Commission authorize the move of its monthly hearings to the City Council Chambers of the City of San Bernardino beginning in June 2006 on the same day and time as currently held and authorize the Executive Officer to execute the contract and provide for payment of 13 months, June 2006 through June 2007 at a cost of \$650.

Policy Item #2 – Move to Outside Office Space and Item #3 – Addition of Staff:

As the Commission is aware, the current workload of applications and service reviews has resulted in degradation in overall application processing time. In order to address the increased workload, to provide for the anticipated future

demands for proposal processing being experienced by the Commission, and to address increased technology applications, it is the staff's position that two additional positions are needed. These would include:

1. An office assistant position (clerical support) to assist in proposal processing, mailing responsibilities, and general clerical support. This will free the time of the Clerk to the Commission and the Deputy Clerk to expedite the processing of the applications; and,
2. A GIS Tech to prepare the map attachments to staff reports, the maps included on the website for the Notice of Hearing and Agenda Items, and the development of the radial property information to prepare the required mailings for Notices to Landowners and Voters for Commission hearings. This will free the time that the current LAFCO Analysts spend in preparing these materials to concentrate on application analysis.

While the expansion of the LAFCO staff by two positions has implications on the budget for salaries and benefits, there are larger issues for consideration related to space. Our office space at 175 West Fifth Street will not allow for the expansion of staff due to the existing configuration for offices within the building's structural limitation – internal cement support pillars. In addition, the expansion of staff would also require a significant financial commitment to upgrade internal wiring, computer switches and routers for connection to County systems, etc.

LAFCO has occupied this office space since 1985, at a time when LAFCO's funding obligations were wholly the responsibility of the County. Housing LAFCO in County-owned office space was more cost effective for the County due to the facility's lower cost. However, since 2001, LAFCO funding has changed to a shared obligation between the County, the Cities/Towns, and the Independent Special Districts. At the same time, there is a County need for the space occupied by LAFCO for expansion of the existing County Special Districts Department and County Fire operations. Therefore, staff has evaluated the possibility of moving the LAFCO office into private office space. This possibility was evaluated with the requirement that we maintain connection to existing County mainframe systems for our created programs, accounting systems, etc., and remain in close proximity to our hearing chambers. With these parameters in mind, and with consent of the County, we have utilized personnel from the County's Real Estate Services Department to assist in our evaluation of available sites and what would be involved in leasing outside office space.

This review has resulted in the evaluation of space that is available in the building located at 215 North "D" Street, on the 2nd Floor. This building also houses the County's Economic Development Agency, Redevelopment Agency, and Workforce Development Department. The proposed lease terms are \$1.49 per square foot for a three year lease with a 3% annual inflation factor. The area available is

approximately 2400 square feet (an increase of approximately 400 square feet over our current facility) and only requires painting to be occupied. It allows for maintenance of County connections to mainframe computer functions, inter and intranet facilities, mail services, etc.

Staff has compared our current costs for office space charged through the A-87 COWCAP program which will be \$11,678 (or \$0.49 per square foot) in the upcoming year, versus the \$42,912 anticipated for the first full-year lease payments. Staff has also compared the proposed \$1.49 per square foot rate with other LAFCO's paying for office space.

Riverside LAFCO	\$2.00 per square foot	Outside space
Los Angeles LAFCO	\$2.25 per square foot	Outside space -- negotiating a new five year lease at this time, anticipated to include a 3% annual inflation
Ventura LAFCO	\$1.24 per square foot	Housed in County offices
Orange LAFCO	\$1.24 per square foot	Housed in County offices
San Diego LAFCO	\$1.63 per square foot	Housed in County Offices

The average cost of these Southern California LAFCOs for office space is \$1.68 per square, \$0.19 more than that proposed for the space at 215 North "D" Street. This estimated cost appears to be very reasonable based upon these comparisons.

In addition, there will be moving and site preparation costs involved. These costs are currently estimated as:

Moving	\$5,000
Site preparation through the County's Network Services Division for computers, Intranet, and telephones (\$14,904) and hardware for access to systems (\$1,250)	\$16,154
Printing of new stationery/business Cards, etc.	\$1,000
MOVING COSTS	\$22,154

It is the staff's position that the advantages of this move outweigh the cost of \$53,478 for the first year and the increased annual cost of approximately \$32,171.

These advantages would occur through LAFCO locating on the same floor as the County's Economic Development Agency (EDA) and are outlined as follows:

1. Management staff at EDA has expressed interest in sharing the costs of a GIS Tech II position with LAFCO. These discussions have revolved around EDA hiring the staff person during FY 06-07, providing for the office space and equipment needs of the position, with LAFCO providing one-half the salary and benefit costs for the person. This position is proposed to be hired following adoption of the County's budget, so LAFCO staff has included the estimated cost for this contract at the Step 11 rate for a GIS Tech II position, for an estimated salary and benefit cost of \$33,100. This compares with an estimated cost for LAFCO to hire a full-time position at the same level for a cost of \$79,349 (salary and benefits) and \$35,000 for creation of an office area, hardware, and software to perform the functions. (A reduction in comparable cost of \$81,249 for first year.)
2. EDA currently has network technical support staff on-site through the County's Information Services Department. LAFCO would be able to shift our existing ISD office network support to this group reducing LAFCO system downtime due to their close proximity and familiarity with our systems. There would be no cost difference as we currently pay the standard ISD hourly rate for services rendered and would do so in the future.
3. EDA and the County's Redevelopment Agency have purchased hardware and software to allow them to handle mass mailings. They have indicated that LAFCO could utilize this equipment which would reduce mailing related costs by approximately five to seven cents and would increase efficiency.

Based upon these factors, staff believes that the cost for making the move is justified. However, due to the need to address other priorities for policy items for the upcoming year, staff is proposing a two-year program to accommodate these changes, outlined as follows:

1. First year – (FY 2006-07)
 - a. move to new facility at 215 North D Street, Second Floor,
 - b. contract with EDA for one-half of a GIS tech II, and
 - c. provide for clerical support through an outside vendor (anticipated to be \$24,900 for the year). This will allow time for the creation of a job description, recruitment for the position, etc. The estimated cost for a

full-time position for the entire year are estimated to be \$62,600 based upon a comparison with like County positions.

2. Second Year – (FY 2007-08)
 - a. continue contract for one-half time GIS Tech II with EDA and
 - b. Fund the full-time Office Assistant as a LAFCO employee.

Policy Item #4 – Purchase of Laserfiche Archiving Technology:

In 1993, the historic records of the Commission were digitally imaged for archiving electronically through a software package known as “Alchemy”. The County’s ISD Imaging Division maintained the software, provided scanning for files that were added to the system, and worked with staff to respond to problems with the operations of the program. About two years ago, the County notified LAFCO that it would no longer support our Alchemy software due to operational problems; therefore, it would convert our Alchemy system to the County’s preferred software choice known as “FileNet”. We have used this system and found that it did not perform to our standards and need. Staff has reviewed the option of upgrading the County’s preferred FileNet system to meet our needs. The estimated cost for upgrading the FileNet software through programming enhancements is \$48,480 provided by the County’s ECM Team on February 17, 2006. Due to the cost of this program enhancement, it has not been evaluated further.

Staff has reviewed various other options to provide for a retrieval system of archived data and to provide for scanning and input of recently completed files. This review has evaluated fully two (2) off-the-shelf software packages that will provide for the retrieval of our archived data, they are Laserfiche and Alchemy. We have evaluated both packages and the following chart outlines the costs and services which can be provided:

	LASERFICHE	ALCHEMY
First Year:		
Software Licenses	\$2,250.00	\$5,140.00
Authorized Users (7 workstations)	\$3,520.00	\$3,500.00
Conversion of existing Alchemy Data	\$6,900.00	\$2,958.00
Installation & Training	\$1,200.00	\$1,550 per day
Annual Software updates	\$1,154.00	\$1,556.00
Scanning of recently closed proposal files estimated at 20,000 pages	\$2,200.00	\$1,800.00
Upgrade to allow in-house scanning	\$165.00	\$9,645.00
Ongoing Support	\$1,500.00	
SUBTOTAL	\$18,889.00	\$26,151.00

TAX	\$1,463.90	\$2,026.71
TOTAL PURCHASE COST	\$20,352.90	\$28,175.55
Second Year and beyond		
Annual Update	\$1,154.00	\$3,292.00
Support (negotiated as to number of hours—10 estimated)	\$1,500.00	0
ANNUAL UPDATES	\$2,654.00	\$3,292.00

Staff's choice is the Laserfiche package as it offers the greatest flexibility for our use at the lowest cost. Therefore, staff is recommending that the Commission authorize the Executive Officer to negotiate the purchase of a Laserfiche Archival System, contract for conversion of existing data, and contract to scan the recently completed proposal files.

The costs anticipated over the next two-years related to the policy items requested by staff are outlined as follows:

POLICY ITEMS:	FIRST YEAR	SECOND YEAR
Use of City Council Chambers	\$650.00	\$ 600.00
Outside Office Space	\$42,912.00	\$44,199.00
Moving cost ISD Network (\$16,154), move (\$5,000), and printing (\$1000)	\$22,154.00	
Share of GIS Tech II with EDA (estimated at Step 11)	\$33,100.00	\$34,093.00
Contract Office assistant (first year) -- LAFCO Office Assistant second year (Step 11)	\$24,940.00	\$62,683.00
Laserfiche	\$20,352.90	\$1,654.00
	\$144,108.90	\$143,229.00

GENERAL DISCUSSION OF EXPENSE CATEGORIES:

CURRENT FISCAL YEAR:

Staff is recommending that the Commission transfer \$10,000 from the contingency account to the Salaries Account to accommodate increased costs for salaries and retirement benefits.

FISCAL YEAR 2006-07:

Salaries and Benefits:

The staff is recommending that the Commission provide a 3.0% cost-of-living adjustment (COLA) for the four (4) LAFCO positions (excluding the Executive Officer). The COLA proposed reflects that provided to the Executive Officer during the March 15, 2006 hearing as recommended by the Commission’s Human Resources consultant. In addition, it is proposed that the appropriations include a Salary Reserve account for the provision of merit increases based upon the Commission’s adopted Personnel Policies. The amount of \$10,000 has been established as this reserve on the attached spreadsheet.

In addition, the expense categories provide for payment of costs for the Commission’s participation in the San Bernardino County Employee Retirement Association (hereinafter SBCERA). The two line items that reflect the Retirement costs are Account Number 1110 and 1135. Respectively the Commission is required to pay 20.14% of earnable compensation for Account 1110 and 11.92% of earnable compensation for Account 1135. Since FY 2000-01 the required contribution rate for the Commission has increased 126% from 8.93% to its current 20.14%.

The Proposed Budget accommodates the payment of costs for five (5) full-time employees, the increase in Retirement costs through the SBCERA to 20.14% of earnable compensation, and includes the payment of the 3% cost-of-living increase effective June 24, 2006 for employees for the full year. It includes the anticipated accrual of one-half of a pay period for the upcoming fiscal year and the payment of all current contract benefit amounts.

The expense items include the payment of the following benefit costs:

Most items included within the benefit categories are established amounts per position for contract benefits. The benefit categories are:

Car Allowance	\$9,035 per year (\$750 per month)
Cell phone Allowance	\$650 (\$25 per pay period/26 pay periods)
Supplemental Health Plan	\$3,018 per position with Employee plus two dependents; \$1,654 per position with employee plus one dependent
Survivor’s Benefit	\$57 per position
Long-Term Disability	\$289 per position
Vision Care	\$187 per position
Psychological Services	\$99 per position
Short-Term Disability	\$262 per position
Life Insurance	\$117 per position (plus an additional allocation for supplemental benefit choice)
Indemnification (Benefit Plan)	\$6,004 per position LAFCO provided coverage or \$4,200 for employees

opting out of coverage

Services And Supplies

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., within the Services and Supplies budget categories. The proposed budget accommodates the increased costs associated with the use of available technology for preparation of color and aerial maps for presentation to the Commission; use on the Website and for distribution of staff reports. The staff has also included the maintenance of the production support agreement with the County's Information Services Department and is recommending that the Commission authorize the signing of that agreement.

As outlined under the discussion of Policy Items #2 and #3, staff is proposing to contract with an outside employment firm for an Office Assistant for approximately 1950 hours during the Fiscal Year at an estimated rate of \$12.79. In addition, staff has included the rental of an office copier to replace the ten year old copier owned by the Commission. Lease/Purchase of this equipment was considered, but to the technological advances that take place and the lack of residual value, staff is recommending a three-year rental agreement. At the end of the agreement, it can be extended or a new copier model chosen.

The balance of the categories maintains existing programs and anticipated expenditures. Staff anticipates a reduction in postage costs and reproduction charges due to utilization of the EDA mailing equipment and the use of CD copies rather than hardcopy for larger document distribution.

The staff is proposing a contingency amount of \$10,000 (Account 6000) and is also proposing the maintenance of a reserve account in the amount of \$29,282 for Fiscal Year 2006-07 (shown within line item account 6025). The Commission's reserve, by past practice, has been annually established.

Revenue Categories:

Revenue receipts during the current Fiscal Year have exceeded the budget targets by approximately 120%. As the Commission is intimately aware, the increased activity level has continued for the current year as shown on the chart included as Attachment #2 to the report. It is estimated, at this time, that current year revenues, from all categories, will exceed budget targets by approximately \$154,000.

For the upcoming Fiscal Year, pursuant to the provisions of Government Code Section 56381, the net costs of LAFCO are to be divided equally between the

County, Cities, and Independent Special Districts. The staff is projecting that the cost to be apportioned next fiscal year will be \$693,000, an increase of \$148,000 over the prior year (or a roughly 27.16% increase) to accommodate the policy items identified earlier in this report. This net cost will be apportioned in amounts estimated to be \$231,000 for each category. The Auditor is required by Government Code Section 56381 to prepare this calculation by July 1 of each year based upon the most current State Controller Reports. An estimate of the costs to be apportioned is included as Attachment #3, but may be revised based upon updates in the State Controller reports upon which it is based.

Staff’s projection of LAFCO Fee revenues anticipates the receipt of the following applications in the upcoming Fiscal Year:

PROPOSAL TYPE	ESTIMATED NUMBER	LAFCO PROPOSED FEE	REVENUE
Annexation, detachment, reorganization	15	\$4,250	\$63,750
Sphere Amendments	4	\$4,250	\$17,000
Dissolutions	4	\$4,500	\$18,000
Formation of a CSD	1	\$5,550	\$5,550
Totally Surrounded Island	1	\$1,250	\$1,250
Substantially Surrounded Island	12	\$2,000	\$24,000
Service Contracts – EO approval	12	\$250	\$3,000
ESTIMATED REVENUE			\$132,550

In addition, the proposed budget anticipates revenue receipts from the inclusion of the new Legal Counsel Deposit along with the other proposed fee modifications. If the proposed fee changes are not adopted, the revenues presented in the Proposed Budget will need to be adjusted downward accordingly.

CONCLUSION:

Staff believes that the Policy Items outlined in the Recommendation portion of this report related to moving the Commission’s hearings to a new location, moving the staff office, adding a contract Office Assistant position for FY 06-07, contracting with the County’s EDA for the sharing of a GIS Tech II, and purchase of a new data archiving program will position the Commission for an efficient operation for the near future. Therefore, staff is requesting Commission support of these items.

If the Commission supports the staff's position, it is recommended that, pursuant to the provisions of Government Code Section 56381, the Commission adopts the Proposed Budget as outlined and directs the staff to forward this document to the County, the Cities and Towns, and the Independent Special Districts for their review and comment. A part of the staff's recommendation is to schedule the hearing for the adoption of the Commission's final budget for May 17, 2006 at which time the comments of the public and agencies the Commission serves will be considered.

/krm

Attachments:

1. [Proposed Budget -- Spreadsheet](#)
2. Chart of Proposals Received During Fiscal Year
3. Estimated Distribution for City and Special District Costs
4. Draft Resolution #2918 For Salary Adjustments
5. Draft Production Support Agreement with ISD for FY 2004-05