

**Proposed Budget—Spreadsheet and  
Narrative Related to Individual  
Accounts and Activity Chart**

**Attachment 1**

FISCAL YEAR 2013-14

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 09-10	ACTUAL YEAR-END FY 10-11	ACTUAL YEAR-END FY 11-12	AMENDED BUDGET FY 12-13	PROJECT YEAR-END FY 12-13	PRELIMINARY FY 13-14 WITH CONTRACT	FORECAST FY 14-15 WITH CONTRACT
	<b>SALARIES AND BENEFITS</b>							
1010	Regular Salary, Cell Phone, and Bilingual	\$ 497,190	\$ 429,049	\$ 372,803	\$ 399,821	\$ 381,286	\$ 423,818	\$ 428,569
1030	Merit Incentive (Auto)	15,162	14,039	14,600	14,881	14,600	14,881	14,881
1035	Overtime			802	-	2,234		
1045	Termination Payment	18,825	33,687					
1110	General Member Retirement	110,428	77,173	59,328	81,588	70,480	88,636	95,114
1130	Survivors Benefits	224	111	93	118	81	178	178
1135	Indemnification - General	61,072	42,314	14,397	18,639	15,538	20,163	20,163
1200	Employee Group Insurance (Health Subsidy)	12,013	8,480	29,005	46,407	35,599	57,038	46,168
1205	Long-Term Disability	1,315	986	858	1,030	883	1,049	1,065
1207	Vision Care Insurance	787	634	589	750	589	750	750
1215	Dental Insurance & Health Subsidy	511	322	1,846	1,427	1,701	1,972	1,972
1220	Psychological Services	410	41					
1222	Short-Term Disability	1,396	1,124	1,044	1,330	2,720	3,466	3,515
1225	Social Security Medicare	3,761	4,453	4,723	4,904	4,810	5,520	5,588
1235	Workers' Compensation	3,293	4,101	2,091	4,401	3,298	4,201	4,247
1240	Life Insurance & Medical Trust Fund	8,373	4,603	3,814	4,995	4,563	5,598	5,663
1305	Other (Medical Reimbursement Plan)	5,170	3,498	2,585	6,896	3,572	4,800	5,330
1310	Indemnification	31,970	25,760					
1314	401a Defined (LAFCO Contribution)	1,424	1,737	1,289	1,557	1,327	1,575	1,598
1315	401k Contribution	33,349	22,854	19,671	24,101	21,037	25,199	25,576
1317	Deferred Compensation (inactive)	1,553						
1000	Salary Reserve	-	-	-	9,000	9,000	9,000	9,000
	<b>TOTAL SALARIES &amp; BENEFITS</b>	<b>\$ 808,224</b>	<b>\$ 674,965</b>	<b>\$ 529,536</b>	<b>\$ 621,845.00</b>	<b>\$ 573,317</b>	<b>\$ 667,844</b>	<b>\$ 669,376</b>
	Staffing (Full time equivalent units)	5.0	4.5	4.5	4.5	4.5	5.5	5.5
	<b>SERVICES AND SUPPLIES</b>							
	<b>Services:</b>							
2037	COMNET Charge (ISF)	\$ 2,624	\$ 2,552	\$ 2,872	\$ 2,784	\$ 2,804	\$ 2,564	\$ 2,641
2038	Long Distance Charges	229	72	58	334	88	120	124
2040	Relocation Charges - Phone Service	-	-	-	-	-	-	-
2041	Phone Service/Outside Company	439	483	447	543	438	480	494
2043	Electronic Equipment Maintenance	-	-	-	-	-	-	-

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2075	Membership Dues	7,776	7,846	7,870	8,067	8,089	8,275	8,523
2076	Tuition Reimbursement	-	-	341	2,000	500	2,000	2,060
2080	Publications	1,927	2,038	2,399	2,516	2,945	3,377	3,478
2085	Legal Notices	13,871	12,822	14,648	24,000	11,219	21,500	22,145
2115	Computer Software	2,151	4,590	3,222	3,800	2,622	12,028	12,389
2125	Inventoriable Equipment	-	17,944	2,070	-	3,252	-	-
2195	Reimbursement Services and Supplies	(17)	-	-	-	-	-	-
2245	Other Insurance	16,737	50	7,045	8,000	6,998	7,500	7,725
	<b>Supplies:</b>							
2305	General Office Expense	5,913	6,313	5,842	8,382	9,210	10,619	10,938
2308	Credit Card Clearing Account	-	-	1,126	-	1,149	-	-
2310	Postage - Direct Charge	19,297	8,551	8,972	9,512	6,338	10,470	10,784
2315	Records Storage	679	668	661	1,680	1,275	1,680	1,730
2316	Surplus Handling			20	-	-	-	-
2323	Reproduction Services	1,429	2,455	730	600	252	500	515
2335	Temporary Services	-	-		22,000	17,619	-	
	<b>Consultant &amp; Special Services:</b>							
2400	Prof & Special Service (Legal Counsel)	53,373	29,198	24,758	39,040	28,196	36,648	37,748
2405	Auditing	6,754	7,611	6,932	8,140	8,372	8,600	8,858
2410	Data Processing	6,328	5,106	6,212	7,800	7,789	7,200	7,416
2415	COWCAP	53,325	39,230	18,772	9,220	9,219	6,053	10,000
2420	ISD Other IT Services	206	189	206	206	265	756	779
2421	ISD Direct	520	2,035	1,690	1,200	1,139	2,400	2,472
2424	Mgmt & Tech (Environmental Consultant)	19,504	11,988	8,078	8,500	12,435	8,950	9,219
2444	Security Services	384	405	408	480	408	408	420
2445	Other Prof (Commission, Surveyor, ROV)	43,422	28,304	41,878	78,115	54,814	40,650	56,869.50
2449	Outside Legal (Litigation & Special Counsel)	43,842	58,334	-	-	5,050	-	-
2450	System Development	-	-	-	23,863	22,192	18,000	9,540
2460	GIMS Charges	10,851	13,530	10,524	12,600	11,100	17,100	17,613

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	<b>Lease/Purchases:</b>							
2895	Rent/Lease Equipment (copier)	9,541	7,800	7,678	7,881	4,310	3,600	3,708
2905	Office/Hearing Chamber Rental	52,313	49,317	55,438	48,358	52,843	49,792	51,286
	<b>Travel Related Expenses:</b>							
2940	Private Mileage	5,485	4,549	6,579	8,690	5,547	6,462	6,656
2941	Conference/Training	5,989	3,458	4,215	4,770	4,894	6,400	6,592
2942	Hotel	3,392	2,411	5,692	6,768	5,970	9,500	9,785
2943	Meals	708	597	1,214	1,500	926	2,700	2,781
2944	Car Rental	-	-	589	400	1,314	1,800	1,854
2945	Air Travel	233	1,305	1,915	600	1,273	5,000	5,150
2946	Other Travel	311	248	438	745	891	550	567
	<b>Other Charges:</b>							
5012	Services Out (Staples)	2,110	1,190	1,098	4,800	2,508	6,000	6,180
	<b>TOTAL SERVICES &amp; SUPPLIES</b>	<b>\$ 391,647</b>	<b>\$ 333,189</b>	<b>\$ 262,639</b>	<b>\$ 367,894</b>	<b>\$ 316,251</b>	<b>\$ 319,684</b>	<b>\$ 339,040</b>
	<b>TOTAL EXPENDITURES</b>	<b>\$ 1,199,871</b>	<b>\$ 1,008,153</b>	<b>\$ 792,176</b>	<b>\$ 989,739</b>	<b>\$ 889,568</b>	<b>\$ 987,528</b>	<b>\$ 1,008,416</b>
6000	Contingency	-	-	-	84,730	-	63,813	63,813
6010	COWCAP Reserve	-	-	-	46,780	-	46,780	-
6025	General Reserve	-	-	-	200,000	-	250,000	250,000
6030	Compensated Absences Reserve	-	-	-	66,620	-	66,620	73,282
	<b>TOTAL CONTINGENCIES &amp; RESERVES</b>				<b>\$ 398,130</b>	<b>\$ -</b>	<b>\$ 427,213</b>	<b>\$ 387,095</b>
	<b>TOTAL APPROPRIATION</b>	<b>\$ 1,199,871</b>	<b>\$ 1,008,153</b>	<b>\$ 792,176</b>	<b>\$ 1,387,869</b>	<b>\$ 889,568</b>	<b>\$ 1,414,741</b>	<b>\$ 1,395,511</b>

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<b>CONTRIBUTION REVENUES</b>								
	<b>Use of Money:</b>							
8500	Interest	\$ 9,356	\$ 6,569	\$ 3,992	\$ 4,000	\$ 3,746	\$ 3,750	\$ 4,000
	<b>Mandatory Contribution from Governments:</b>							
8842	Local Government -- For FY 2013-14 apportionment to County, Cities, and Independent Special Districts of approximately \$288,274 each	1,001,415	1,033,911	933,639	903,000	903,000	864,821	875,848
	<b>Fees and Deposits (Current Services):</b>							
9545	Individual Notice	8,642	5,100	1,238	1,400	3,002	2,800	4,200
9555	Legal Services	38,003	9,782	4,733	2,300	4,784	4,025	5,750
9655	GIMS Fees	10,140	6,845	2,710	2,000	1,255	1,200	1,600
9660	Environmental	16,901	7,996	3,313	1,500	9,271	2,700	3,900
9800	LAFCO Fees	79,807	47,287	20,758	10,000	23,234	23,250	31,500
	<b>Total Fees and Deposits</b>	<b>153,493</b>	<b>77,010</b>	<b>32,751</b>	<b>17,200</b>	<b>41,545</b>	<b>33,975</b>	<b>46,950</b>
<b>TOTAL CONTRIBUTION REVENUES</b>		<b>\$ 1,164,264</b>	<b>\$ 1,117,490</b>	<b>\$ 970,382</b>	<b>\$ 924,200</b>	<b>\$ 948,291</b>	<b>\$ 902,546</b>	<b>\$ 926,798</b>
<b>OTHER REVENUES</b>								
9910	Refunds from Prior Year Revenue	\$ (7,969)	\$ (7,462)	\$ (2,027)	\$ (18,563)	\$ 1,401	\$ (30,214)	\$ (5,000)
9930	Miscellaneous Revenues	1,730	463	517	500	32	1,500	1,500
	<b>Carryover from Prior Year</b>							
9970	Contingencies	126,739	122,658	35,197	41,507	41,507	84,730	63,813
9970	COWCAP Reserve				56,000	56,000	46,780	46,780
9970	General Reserve	117,575	79,811	124,108	180,000	180,000	200,000	250,000
9970	Comp. Absences Reserve				62,003	62,003	66,620	66,620
9970	Digital Archiving Project				33,056	33,056	-	-
9970	Other Carryover			145,730	109,166	108,937	142,779	45,000
<b>TOTAL OTHER REVENUES</b>		<b>\$ 238,076</b>	<b>\$ 195,469</b>	<b>\$ 303,525</b>	<b>\$ 463,669</b>	<b>\$ 482,936</b>	<b>\$ 512,195</b>	<b>\$ 468,713</b>
<b>TOTAL REVENUES</b>		<b>\$ 1,402,339</b>	<b>\$ 1,312,959</b>	<b>\$ 1,273,907</b>	<b>\$ 1,387,869</b>	<b>\$ 1,431,227</b>	<b>\$ 1,414,741</b>	<b>\$ 1,395,511</b>
Note: Spreadsheet utilizes the cash basis of accounting and does not include accrual/reversal data which do not affect fund balance.								

# **NARRATIVE FOR FY 2013-14**

## **PROPOSED BUDGET**

### **SALARIES AND BENEFITS**

#### **1000 SERIES**

#### **FY 2012-13**

Salaries and Benefits (1000 series) for FY 2012-13 was budgeted at \$621,845 for 5.5 positions: one Contract Executive Officer (limited to 960 paid hours per year), Assistant Executive Officer, Project Manager, Clerk to the Commission, Deputy Clerk and LAFCO secretary. During the first quarter of FY 12-13 it was determined to forgo filling the LAFCO Secretary, instead this position was filled through a temporary services contract. In addition, changes adopted by the State Legislature affecting the San Bernardino County Employees Retirement Association (SBCERA) were cause for restraint in filling the position. Year-end expenditures for the 1000 series are estimated to be \$573,317, \$48,528 under budget.

#### **FY 2013-14**

In 2012-13 the Commission returned to its more traditional staffing pattern with both statutorily mandated positions, Executive Officer and Clerk to the Commission, filled. As noted above, the authority to fill the LAFCO Secretary position was provided for Fiscal Year 2012-13 but due to funding concerns was converted to a temporary contract position. Staff is proposing that this position be filled for the upcoming fiscal year.

After review with the Administrative Committee, it has been determined that the recommendation is that the contract with the existing Executive Officer be extended to September 30, 2015. It is being proposed that the recruitment process be undertaken for the Executive Officer position in May 2015, with the new Executive Officer on board by August 2015.

The Commission has adopted the same benefit plan as provided by the County's Exempt Compensation Plan. At the time of this report, no changes to the Exempt Compensation Plan have been identified by the County Administrative Office nor has official language related to the implementation of PEPRA been provided. However, correspondence from SBCERA has identified the two tier system for retirement benefits and staff has anticipated that the newly hired LAFCO Secretary would come in as a Tier 1 employee, the higher of the two programs, for budgeting purposes. In addition, the retirement contribution on the employer side has increased to 27.69%, a 7.45% increase of over FY 2012-13 rates of 25.77%.

If the changes identified above are approved by the Commission, staff will present the Commission with a resolution for adoption at the Final Budget Review in May addressing changes to the Human Resources portion of the Policy and Procedure Manual related to retirement issues. As the Proposed Budget Spreadsheet identifies, FY 2013-14 is budgeted to have a total expenditure of \$667,844, an increase of \$94,527 over the projected Year-end expenditure for FY 2012-13.

### **FY 2014-15**

The forecast for FY 2014-15 includes the payment of the standard 26 pay periods and step increases as appropriate for staff members and includes contract with the Executive Officer through FY 2014-15 rather than filling the Executive Officer position. The position of the Administrative Committee is to approve the contract extension with the direction that recruitment for a permanent Executive Officer commences in May 2015. The difference in salaries and benefits is \$148,855 using this alternative described as follows:

- a. The contract with the current Executive Officer will be extended through September 30, 2015, with no change in hourly rate for the period, for a maximum of 960 paid hours. The Executive Officer will be paid \$105 per hour with the benefits of a car allowance (\$561.54 per pay period for a total cost of \$14,881) and cell phone (\$92.31 per pay period for a total cost of \$2,446) allowances; no other benefits are provided. This represents a total cost for salary and benefits for the Executive Officer of \$120,972 (salary \$100,800; benefits \$20,172).
- b. Filling the Executive Position using the salary of \$130,000 (\$62.50 per hour), the average starting salary for a Southern California Executive Officer, at a Tier 1 retirement level would result in the a total cost of \$232,522 (\$132,500 salary; \$100,022 benefits).

With the economic recovery for the Inland Empire still sluggish, discussions with the Administrative Committee members supported the option of continuing the contract. Using the continuing contract option, the FY 2014-15 Projected Budget for salaries and benefits (including payment of Workers compensation for commissioners) is \$669,376.

### **LINE ITEM ACCOUNTS FOR SALARIES AND BENEFITS FOR FISCALYEAR 2013-14**

#### **Regular Salary – Account 1010: \$423,818**

Salaries are calculated at 26.5 pay periods for five positions, and the contract for the Executive Officer, the contract benefits granted for the Executive Officer's portable communication allowance (cell phone and ipad connections \$2,446.22) and bilingual payments for the Clerk to the Commission position (\$1,192.50). Cash out amounts included in this line item account for annually declared vacation/holiday leave cash outs (estimated at \$4,390). The salaries by position are:

Executive Officer (contract)	\$100,800
Assistant Executive Officer	94,743
Project Manager	77,889
Clerk to the Commission	53,933
Deputy Clerk to the Commission	50,117
LAFCO Secretary	38,308

## **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 its employees. Benefit allocations are calculated 26.5 pay periods for the regular LAFCO positions and only the car allowance benefit for the Executive Officer, except where identified otherwise.

### Merit Incentive (Car) – Account 1030: \$14,881

The LAFCO Benefit Plan allocates to the Executive Officer \$561.54 per pay period for car allowance. The contract with the Executive Officer provides for the payment of this benefit.

### Termination Payment – Account 1045: \$0.00

The LAFCO Benefit Plan provides that at separation from LAFCO service, employees are required to contribute the cash value of their unused sick-leave to the Retirement Medical Trust Fund at the rate of 75% of the cash value of the employee's unused sick leave hours. There are no anticipated termination payments for the upcoming Fiscal Year. Should such occur, revenues would be transferred from the Compensated Absence Reserve account for payment.

### General Member Retirement – Account 1110: \$88,636

Calculation for the payment of the LAFCO Retirement contribution is based upon the rate of 27.69% of salaries paid. The retirement rate increases from the FY 2012-13 contribution rates of 25.72%, an increase of 7.45%. However, this rate will increase to 29.29% for FY 2014-15.

As outlined at the mid-year review during the February hearing, over the past 11 years the retirement rate for employer side payment by the Commission has increased 163%, from 11.22% in Fiscal Year 2000-01. The current actuarial rates for this will increase substantially over the coming years and is an area of concern for staff. Legislation approved by the Governor and Legislature has changed the methodologies used for this benefit for future employees and modified earnable compensation types for existing employees. The known changes for the upcoming year have been included in the calculation.

### Survivor's Benefits – Account 1130: \$178

The cost is calculated at approximately \$1.00 per employee per pay period; the same as Fiscal Year 2011-12.

Indemnification General – Account 1135: \$20,163

This account allocates the funding necessary to cover additional employee retirement payments pursuant to the provisions of the LAFCO Benefits Plan. This amount has been reduced through the exclusion of the seven percent match of earnable compensation. However, a retirement benefit of \$147.73 for Benefit Group B (Assistant Executive Officer, Project Manager, Clerk to the Commission/Office Manager and one Deputy Clerk position) per pay period, and \$94.20 for Benefit Group C (proposed LAFCO Secretary) per pay period is included in this plan.

Employee Group Insurance (Health Insurance Subsidy) – Account 1200: \$57,038

This account allocates a Medical Premium Subsidy in an amount that has been augmented to include the dollars from the Flexible Benefit Plan as follows:

\$230.00	Employee only (0 LAFCO employees)
\$352.23	Employee plus one dependent (two LAFCO employees)
\$482.64	Employee plus two or more dependents (three LAFCO Employees)

The subsidy is paid only toward coverage chosen by the employee. If costs are less than amounts identified, no residual dollars are provided to the employee.

Long Term Disability – Account 1205: \$1,049

This cost is calculated at 33 cents per \$100 of base pay.

Vision Care Insurance – Account 1207: \$750

This cost is calculated at \$5.66 per employee per pay period.

Dental Insurance and Health Subsidy – Account 1215: \$1,972

This account allocates the Dental Premium Subsidy in an amount that, when combined with the Medical Subsidy, would offset the cost of out-of-pocket dental expenses charged to eligible employees.

Short Term Disability – Account 1222: \$3,466

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 calculated at \$1.04 per \$100 of base pay for regular LAFCO employees and \$1.41 per pay period for each employee, including contract Executive Officer .

Social Security Medicare – Account 1225: \$5,520

For employees entering LAFCO service after 1985, contribution to the federal Social Security Medicare system is mandatory. The cost is calculated for five positions and the contract Executive Officer at the rate of 1.44% of base compensation.

Worker's Compensation – Account 1235: \$4,201

This account is for worker's compensation insurance. LAFCO purchases this insurance through the Special District Risk Management Authority (SDRMA), a joint powers authority. The charge is estimated to be \$0.97 per \$100 of salaries and Commissioner stipend payments.

Life Insurance and Medical Trust Fund– Account 1240: \$5,598

This account contains costs associated with term life insurance, variable life insurance, and contributions to the Retirement Medical Trust Fund.

Other (Medical Reimbursement Plan) – Account 1305: \$4,800

This account is for the Commission's matching payment toward an Exempt Medical Reimbursement Plan for employees of up to \$40 per employee per pay period and the Healthy Lifestyles membership up to \$324. Staff estimates full utilization of this benefit by five employees. The contract employee does not receive this benefit.

Deferred Compensation – Account 1314: \$1,575

LAFCO matches employee contributions to the 457 savings plan of the County up to 1% of the employee's base salary for LAFCO Benefit Group A (Executive Officer) and up to ½% of the employee's base salary for LAFCO Benefit Groups B and C. The appropriation anticipates full participation by five employees in this plan. The contract Executive Officer does not receive this benefit.

401(k) Contribution – Account 1315: \$25,199

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 and 6% of base salary for LAFCO Group C. The appropriation anticipates full participation by the five full-time employees, the contract Executive Officer does not receive this benefit.

Salary Reserve – Account 1000: \$9,000

This account includes appropriation authority for payment of the anticipated Retirement Replacement Benefit of approximately \$9,000.

## **SERVICES AND SUPPLIES**

### **2000 AND 5000 SERIES**

#### **FY 2012-13**

For FY 2012-13, Services and Supplies were budgeted at \$367,894 and are estimated to be 86% expended at year end for a total of \$316,521. Items of note during this Fiscal Year are:

- Costs for the processing of the digital archiving project authorized mid-year (\$35,000) are anticipated to be completed by fiscal year end and under budget.
- Contract for LAFCO Secretary with temporary employment agency for year utilized, estimated cost is \$17,619, \$4,381 below budget authorization.

#### **FY 2013-14**

The total budgeted amount for Services and Supplies for FY 2013-14 is \$319,684, which is a reduction of \$48,210 from the FY 2012-13 budget. Included in the budget are policy items as follows:

- The Commission first placed the maps of City and District boundaries on its website in digitized form in the mid-1990s which was considered state-of-the-art for the time. Over the years, few changes have been made to the system and in 2012 the map site was taken down due to difficulties in updating and maintaining the system. It is staff's opinion that it is time to overhaul the map page and has contacted representatives from ESRI, the international leader in mapping software whose home is in Redlands. Staff has requested an estimate of the costs but to date has not received a written estimate of the ESRI software and support and County GIMS support services. However, we have reviewed the initial estimate of the allocation of \$14,000 to this effort with these representatives who have indicated a degree of comfort in the amount. Staff is requesting that the Commission authorize the staff to pursue the contracts necessary to upgrade this element of the website.
- The Commission will be conducting the second cycle service reviews for the Valley region during the fiscal year. These reviews will be prepared on a service-by-service basis and staff will be using a stakeholders group from within the County's Vision Project process to assist in the preparation of the mandatory reports. The services to be reviewed are generally identified as:

Water – retail, wholesale, reclamation. This will include information related to private water companies and mutual water companies within the region; as well as a discussion of the sphere of influence for the Metropolitan Water District of Southern California within our County.

Sewer – treatment, collection, recycled water.

Fire Protection, emergency medical response and ambulance service

Park and Recreation and other quality of life services (streetlights, healthcare, open space preservation)

Law Enforcement

Other miscellaneous, including but not limited to, detention basin management, cemetery, roads (not within a city or county maintained system).

It is anticipated that there will be minimal supply costs for this effort in the upcoming year with most of the cost associated with staff time.

In addition, the workload related to jurisdictional change applications remains reduced by all current projections. It is estimated that three proposals will be received in the upcoming year with three development related out-of-agency service contracts.

### **FY 2014-15**

Services and Supplies for FY 201415 are projected at \$339,040 and include the payment for recruitment processing for the Executive Officer position, estimated at \$10,500. It anticipates a slight increase in activity to include the submission of four proposals for the year.

## **LINE ITEM ACCOUNTS FOR SERVICES AND SUPPLIES FOR FISCAL YEAR 2013-14**

### **SERVICES**

Comnet Charge – Account 2037: \$2,564

Comnet is the County's telephone system. Charges for use of this system are \$29.00 per line per month. LAFCO utilizes eight phone lines: seven telephones and one fax/answering machine.

Long Distance Charges – Account 2038: \$120

Long distance activity is estimated to be reduced to \$10 per month based on long-distance charges from the past two years.

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

This account is for new installations of phone lines. No activity in this account is anticipated.

Phone Service/Outside Company – Account 2041: \$480

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 \$40 per month.

Electronic Equipment Maintenance – Account 2043: \$0

This account is for new installations of data lines. No activity in this account is anticipated.

Membership Dues – Account 2075: \$8,275

This account is for membership in professional associations. Dues for CALAFCO are increasing by the CPI of 2.3% to \$7,319 and dues for California Special Districts Association for associate members are anticipated to increase from \$957.

Tuition Reimbursement – Account 2076: \$2,000

Pursuant to the LAFCO Benefits Plan, employees can be reimbursed for up to \$1,000 for approved tuition, course/seminar or degree related expenses, and membership dues in professional organizations. This appropriation provides for full participation by two employees.

Publications – Account 2080: \$3,377

This account anticipates costs for updates to the California Legislative Codes, California Environmental Law pamphlets, and other publications and/or updates utilized by either staff or the Commission and the monthly California Planning and Development Newsletter at a cost of \$238 per year. As a cost savings measure, the Commission has participated in a contract with West's Publishing Customer Loyalty program to receive updated pocket parts to the California Annotated Code.

Legal Notices – Account 2085: \$21,500

The staff is recommending a return to an 11 hearing schedule for the upcoming Fiscal Year. The budget figure accommodates the advertising needs for this schedule. The processing of the sphere of influence updates will require an eighth-page display ad in general papers when a sphere amendment is proposed and when advertisement is authorized in-lieu of individual landowner or registered voter notice.

Computer Software – Account 2115: \$12,028

The account accommodates the charges for contract with County for licenses for computer software; \$910 annually. Government Code Section 56382 mandates LAFCO to maintain its records in perpetuity. To comply with this mandate, LAFCO has chosen to digitally archive its records, and the yearly maintenance of the digital archiving software is \$1,500. In addition, the use of aerial map display in staff reports and PowerPoint presentations requires the upgrade of the Adobe suite of programs (\$2,600). As outlined above, staff is proposing to contract with ESRI to upgrade the website mapping page to increase its capabilities. The cost for this effort is estimated to be \$5,000. In addition the software license with Orange LAFCO for the Fiscal Indicators and Shared Services programs is estimated to cost \$3,500.

Other Insurance – Account 2245: \$7,500

This account is for property liability insurance (liability and damage), general liability, public officials and employee 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 Special District Risk Management Authority, a joint powers authority. SDRMA has provided notification that it intends not to raise rates due to the economic conditions.

## **SUPPLIES**

### General Office Expense – Account 2305: \$10,619

This account is utilized for expenses to run the office such as office supplies and non-inventoriable items. General expenses include ink for the color printer, paper, petty cash reimbursement, annual fire inspection fee, and office supplies. Additionally, LAFCO utilizes the County's contract with Staples and these expenses are budgeted in Account 5012 (Staples) with only the administrative surcharge included in this line item.

### Credit Card Clearing Account - Account 2308: \$0

This is a clearing account for use of the credit card issued to the Executive Officer. All charges on the card will be posted to this account temporarily with charges then transferred to the appropriate accounts (2941 through 2946). At year's end, this account will have no expenditures.

### Postage – Direct Charge – Account 2310: \$10,470

The shift to have placement of the staff reports and attachments and notices on CD has reduced overall postage costs. The estimated postage cost for the year is \$8,550 for 11 meetings. Calculations for receipt and delivery of interoffice mail including special pick-ups are \$1,920 as outlined in the County's Internal Service Rates.

### Records Storage – Account 2315: \$1,680

Government Code Section 56382 mandates LAFCO to maintain its records in perpetuity. The cost for storage is estimated to be \$1,680 annually.

### Reproduction Services – Account 2323: \$500

This account is for reproduction activity outside of the LAFCO office (County Printing Services, Kinkos, etc.). The shift made to have the staff reports and attachments and notices on CD have reduced printing costs.

## **CONSULTANT AND SPECIAL SERVICES**

### Professional and Special Service (Legal Counsel) – Account 2400: \$36,648

The existing contract for LAFCO legal counsel allows an annual rate based on the local consumer price index for the previous year for urban consumers not to exceed five percent and rounded up to nearest dollar; \$215 per hour for Fiscal Year 2013-14. All legal counsel costs, with the exceptions of administrative charges and the staff workshop are billable under the Commission's existing fee policy. Billable costs for the year include review of proposals and service reviews. Payments made for costs recoverable are deposited into Revenue Account 9555. (Litigation and outside legal counsel costs are charged under Account 2449 below.)

Auditing – Account 2405: \$8,600

Last year, the Coalition of California LAFCOs (CCL) issued a joint RFP and selected the firm of White Nelson, Diehal Evans LLP for a new three year contract with option for one additional year. Additionally, the County Auditor and LAFCO Legal Counsel charge for the preparation of the response to the Audit which is paid from this account.

Data Processing – Account 2410: \$7,200

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 budget utilizes a monthly average of \$600.

COWCAP – Account 2415: \$6,053

The estimated costs identified in the County Wide Cost Allocation Plan (COWCAP) to be charged in FY 2012-13 are for services performed in FY 2011-12. The identified costs are for County services such as technology charges-emerging technologies, use of County Purchasing, and processing of payments and payroll through the County Auditor which are charged to LAFCO pursuant to existing agreements. The total cost of \$6,053 is \$3,167 less than Fiscal Year 2012-13. In FY 09-10 the COWCAP charges billed the Commission were \$53,325, Fiscal Year 2013-14 represents a reduction of \$47,272 from that year. This drop is reflective of the reduction in proposal activity.

ISD Other IT Services – Account 2420: \$756

This account is for charges by the County Information Services Department for the Executive Officer's portable communication device (Droid) connection to County e-mail servers and computers. Portable communication device cost is \$20.66 per month.

ISD Direct – Account 2421: \$2,400

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. This year will include \$1,200 for routine maintenance.

Environmental Consultant – Account 2424: \$8,950

The Commission contracts with an independent consultant, Tom Dodson and Associates, for the environmental assessment associated with its proposals. Anticipated costs are for environmental analysis of out-of-agency service contracts, proposals, sphere of influence updates and service reviews, and for other environmental determinations. All environmental consultant costs are billable under the Commission's existing fee schedule. Payments made for cost recovery are deposited into Revenue Account 9660.

Security Services – Account 2444: \$408

Costs for maintaining the security alarm system and monitoring are \$102 paid quarterly.

Other Professional Services – Account 2445: \$40,650

This account is for professional services to process proposals and items on the hearing agendas and include anticipated costs for the County Surveyor (\$200 per hour), Registrar of Voters (\$268.17 per hour), and translation services for required notices. Commissioner stipend payments for attendance at hearings, the costs associated with the August workshop, and the costs for the Commission's designated representative to CCL, as well as

the next cycle representative on the CALAFCO Board of Directors are provided in this account estimated at a total expense of \$25,000.

This account includes the costs anticipated for the County Auditor to bill for the apportionments for the Cities, Independent Special Districts and the County (\$2,600), and the cost for recording the Commission's hearings on DVDs (\$3,300, \$300 per hearing).

Outside Legal – Account 2449: \$0.00

This account is for legal services conducted through special contract for either litigation or when a conflict of interest waiver is not granted. No funding is presented in this account; however, a specific reserve for litigation costs has been implemented by the Commission (Account No. 6025). Should funding be necessary, a separate action to provide for transfer would need to be approved by the Commission.

System Development – Account 2450: \$18,000

LAFCO contracts with the County Information Services Department for technology related services. This account is for specialized support for the LAFCO website and support of a customized program to generate property owner listings and mailing labels as necessary. In addition, staff has provided funding of \$9,000 to provide for the work necessary to update the website mapping page.

GIMS Charges – Account 2460: \$17,100

LAFCO contracts with the County Information Services Department for technology related services. This account is for generation and maintenance of digitized maps. Costs for this account include paper maps generated (\$600), Aerial Imagery through Google Earth subscription (\$3,500) and Street Network Subscription (\$10,500).

**LEASE/PURCHASES**

Rent/Lease Copier – Account 2895: \$3,600

The contract for the copier includes a monthly rate of \$300 and a per copy charge of \$.0049.

Office/Hearing Chamber Rental – Account 2905: \$49,792

The lease payment for the staff office for 2013-14 will be for \$4,103.54, a 3% increase over the prior year. This account also includes the rental charge for the Commission's hearings at \$50 per hearing for eleven hearings (\$550).

**TRAVEL RELATED EXPENSES**

Private Mileage – Account 2940: \$6,462

This account is currently dedicated for Commissioner and staff private auto mileage, excluding the Executive Officer. The estimated cost is \$611 for staff and \$5,851 for Commissioners.

Conference/Training – Account 2941: \$6,400

This account is for attendance charges related to conferences and training courses for staff as directed by the Executive Officer. The costs include CALAFCO or CCL training, clerk

and analyst training, attendance at the CALAFCO annual conference by Commissioners and staff (currently estimated at six Commissioners and two staff), and staff workshop.

Hotel – Account 2942: \$9,500

This account is for hotel charges for Commissioners and staff at the CALAFCO annual conference (scheduled for Squaw Creek in Tahoe to celebrate the 50<sup>th</sup> anniversary of LAFCO), CCL meeting attendance, staff participation at the staff workshop, CALAFCO Legislative Committee participation, Assistant Executive Officer participation as CALAFCO Deputy Executive Officer for the Southern Region and any other overnight stays on LAFCO business.

Meals – Account 2943: \$2,700

This account is for Commissioner and staff meal charges related to the CALAFCO annual conference, CALAFCO Board Hearings, CCL meeting attendance, staff workshop, CALAFCO Legislative Committee participation, and other travels.

Car Travel – Account 2944: \$1,800

This account is for car rental by Commissioners or staff.

Air Travel – Account 2945: \$5,000

This account is for air travel for Commissioners and staff. The costs identified are for the Executive Officer's travel due to membership on the CALAFCO Legislative Committee, Assistant Executive Officer and Commissioner participating on CALAFCO Board of Directors, and travel to the annual conference.

Other Travel – Account 2946: \$550

This account is for miscellaneous travel charges such as parking and taxi charges. The estimated cost for parking and taxi services for the CALAFCO annual conference, staff workshop, and other travels.

**OTHER CHARGES**

Staples – Account 5012: \$6,000

LAFCO utilizes the County's contract with Staples for general office supplies and these expenses are budgeted in Account 5012 (Staples).

**CONTINGENCIES AND RESERVES**

Contingency (General) – Account 6000: \$63,813

The amount for this account has been set at \$63,813, which is 6.4% of total expenditures. Although the funds in this account are not anticipated for use, funds could be used for unexpected activity. Any transaction affecting the contingency funds requires Commission action to transfer the funds to the appropriate line item for expenditure.

Reserves – COWCAP – Account 6010: \$46,780

As a part of the mid-year budget review for FY 2011-12, it was determined that a reserve to cover the backlog costs for GIS services charged through COWCAP should be

implemented. The amount allocated to this account is the estimated cost of the unfinished products, less the amount anticipated for payment in FY 2013-14.

Reserves – General – Litigation – Account 6025: \$250,000

The Commission indicated that it would set aside a fund designated for use for litigation purposes. The amount allocated for FY 2013-14 is \$250,000, the full amount the Commission's directed to be set aside. It has taken three years to achieve full funding.

Reserves – Compensated Absences – Account 6030: \$66,620

The Commission has an established policy of setting aside reserves for the compensated absences payable as of the first pay period in April.

## **REVENUES**

### **FY 2012-13**

The chart below shows the budgeted and the anticipated year-end balances for the accounts that comprise the Fee categories, accounts that are sensitive to activity levels. By year's end, staff estimates fee revenue receipts at 240% of budget amounts. The chart below outlines the Revenue Categories:

Fee/Deposit Category	Budget	Estimated Year-End
Individual Notice	\$ 1,400	\$ 3,002
Legal Services	\$ 2,300	\$ 4,784
GIMS Fees	\$ 2,000	\$ 1,255
Environmental Deposits	\$ 1,500	\$ 9,271
LAFCO Fees	\$ 10,000	\$ 23,234
<b>Total Fee Revenue</b>	<b>\$ 17,200</b>	<b>\$ 41,545</b>

As shown in the chart below, activity for which LAFCO receives fees and deposits is projected to exceed total expectations, except under the Service Review category. The anticipated activity for the year includes the following:

Activity	Budget	MARCH ACTUAL		Year-End Projected	
		No.	% of Budget	No.	% of Budget
Proposals	2	1	17%	2	100%
Service Contracts – Development	1	1	100%	2	200%
Service Contracts - Admin approval	3	5	150%	6	200%
Service Review Deposits	20	0	0%	0	0%
Protest Hearing Deposits	2	1	50%	1	50%

As of March 30, 2013, LAFCO staff has recovered \$8,805, 100% of expenditures billed to affected agencies for proposals that closed during the fiscal year.

### **FY 2013-14**

As noted in other portions of this narrative, FY 2013-14 is anticipated to continue to have limited proposal activity. While certain sectors of the local economy have seen rosy predictions, the information indicates that manufacturing and construction in the Inland Empire are just beginning to turn in a positive direction. While staff is encouraged by this news, no flurry of application filings are proposed to be submitted; therefore, staff is presenting a conservative forecast of proposal activity for Fiscal Year 2013-14.

Activity	FY 2012-13 BUDGET	FY 2013-14 BUDGET
Proposals	3	3
Service Contracts - Development Related	1	1
Service Contracts - Admin approval	3	3
Service Review Deposits	20	0
Protest Hearing Deposits	2	3

Revenues consisting of interest, mandatory contributions, and fee revenue are estimated to be \$902,546. Refunds from Prior Years, Miscellaneous Charges, and Carryover (including all reserves) increase revenues to a total of \$1,414,741.

**REVENUE FORECAST FOR FISCAL YEAR 2014-15**

The forecast included for Fiscal Year 2013-14 assumes an increase in activity levels and an increase in apportionment of net costs, \$11,027, to \$875,848.

Activity	13-14	14-15
Proposals	3	3
Service Contracts - Develop.	1	2
Service Contracts - Admin	3	4
Service Review Deposits	0	0
Protest Hearing Deposits	3	3

**LINE ITEM REVENUES FOR FISCAL YEAR 2013-14**

Interest – Account 8500: \$3,750

LAFCO participates in the County’s interest pool and is apportioned interest receipts quarterly. Interest earned will be similar to the prior year which has been lowered due to the lower interest percentage paid.

Mandatory Contribution from Governments (Local Government) – Account 8842: \$864,821

Government Code Section 56381 requires that the net costs for LAFCO be apportioned equally to the County, the Cities, and the Independent Special Districts within the County. The apportionment to the County, Cities, and Independent Special Districts is \$288,274 each. The County Auditor will be required to apportion this amount on July 1, 2011 pursuant to the requirements of law and Commission policies.

Pursuant to Government Code Section 56381(a), the proposed and final budget at a minimum shall be equal to the budget adopted for the previous fiscal year unless the commission makes certain determinations. As outlined in the Proposed Budget staff report, the continuation of the Contract Executive Officer coupled with reductions in other costs has

allowed for the continued reduction of the apportionment payments. This reduction, with the changes in expenditures and contracting for the Executive Officer position, will be sufficient to cover the costs for the upcoming fiscal year; resetting the minimum required payment for the future.

### **CURRENT SERVICES/FEES**

The deposits and fees for calculating revenues in this category utilize the existing Schedule of Fees, Deposits, and Charges (no changes are proposed for the upcoming fiscal year). Cost recovery for proposals and service contracts is not addressed in the budget due to its speculative nature.

#### Individual Notice – Account 9545: \$2,800

This account is for landowner and registered voter notification requirements. This deposit is applied to three proposals and one development-related service contract less refunds.

#### Legal Services – Account 9555: \$4,025

This account is for deposits for legal services are calculated at \$1,150 for proposals and \$575 for service contracts requiring a hearing.

#### GIMS Fees – Account 9655: \$1,200

This account is for receipt of revenue to recover the costs associated with the County's digital maps for sphere or boundary changes, maintenance and updates. The activity is estimated to include completion of three proposals.

#### Environmental Deposits – Account 9660: \$2,700

This account is for deposits for environmental review processing are calculated at \$750 for proposals and \$450 for service contracts requiring a hearing. Revenue receipts estimate at two proposals with a deposit of \$750 and one service contract with a deposit of \$575 less refunds.

#### Other (LAFCO Fees) – Account 9800: \$23,250

Revenues in this account are based on anticipated activity and include the LAFCO filing fee (\$7,500), Protest Hearing deposit (\$1,000), and the deposits related to service reviews less refunds necessary at closure of applications.

### **OTHER TYPES OF REVENUE**

#### Refunds from Prior Year – Account 9910: (\$30,214)

This account refunds deposits submitted by applicants less costs incurred for activity. The amount shown reflects unearned revenue from open applications as well as deposits payable at March 30, 2013.

#### Miscellaneous Revenues – Account 9930: \$1,500

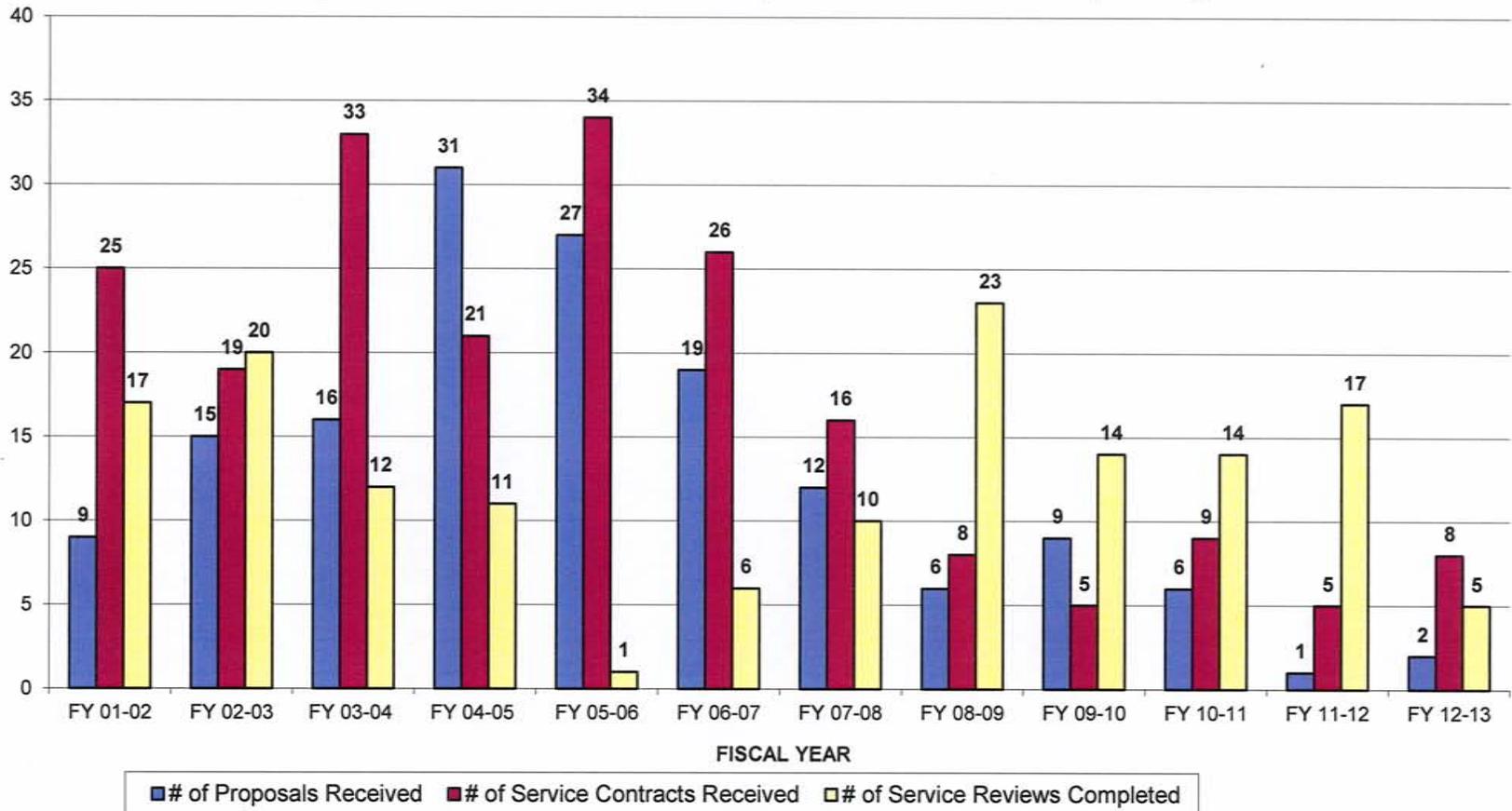
This account is for revenues received for duplication of CDs, DVDs, paper copies, and other miscellaneous receipts.

Other/Carryover from Prior Year – Account 9970: \$536,909

A total of \$536,909 is anticipated to carryover from FY 2012-13 to FY 2013-14, the majority of which is associated with ongoing reserve accounts. This amount includes:

- Carryover of Contingencies \$ 84,730
- COWCAP Reserve 46,780
- General Reserve – Litigation 200,000
- Compensated Absences Reserve 62,620
- Other Carryover 142,779
- TOTAL \$ 536,909**

**Number of Proposals & Service Contracts Received, and Service Reviews Completed by Fiscal Year**



Through March 2013