

**EXECUTIVE OFFICER'S AGENDA REPORT
MAY 25, 2016**

TO: LAFCO Commissioners

FROM: Sara Lytle-Pinhey, Executive Officer *SLP***SUBJECT: Adoption of the Final LAFCO Budget for Fiscal Year 2016-2017**

RECOMMENDATION

Staff recommends that following the Executive Officer's report and public testimony regarding the Final LAFCO Budget that the Commission:

1. Adopt Resolution No. 2016-11, approving the Final Budget for Fiscal Year 2016-2017.
2. Direct Staff to transmit the adopted Final Budget to the Board of Supervisors, each City, each Independent Special District, and the County Auditor, in accordance with State law.
3. Request that the County Auditor apportion and collect the net operating expenses of the Final Budget from the County and nine cities in accordance with Government Code Sections 56381(b)(2) and 56381(c).
4. Authorize the Executive Officer to execute a lease agreement with the City of Modesto for 168 square feet of additional office space.

EXECUTIVE SUMMARY

At the April 27, 2016 meeting, the Commission reviewed and approved a Proposed Budget for Fiscal Year (FY) 2016-2017. The Commission also reviewed its fund balance and projections for year-end. The Final FY 2016-2017 Budget includes operating expenses totaling \$412,505 and reflects a 7% decrease as compared to the current year's budget. The Final Budget includes filling the Commission Clerk position at a full-time level and designation of \$12,000 for the biennial audit, as approved in the Proposed Budget.

Adjustments have been made to the Final Budget to reflect the following:

- An additional \$3,683 to the Services and Supplies expense category to accommodate the annual cost of leasing a walled-in office for LAFCO.
- An increase in applications revenues received to date of \$4,389. This amount has increased the estimated year-end Fund Balance and will fully offset the above expense to the funding agencies.
- An adjustment of \$500 to the General Reserve Fund, to maintain its minimum of 15% of operating expenses.

Following the adjustments, there will be a slight decrease in agency contributions, as shown in Table 1 on the following page. The Final LAFCO Budget with a full comparison of individual accounts is attached to this report.

Table 1: LAFCO Final Budget Summary

Expenses	Proposed Budget FY 2016-17	Final Budget FY 2016-17	Percent Change
Salaries & Benefits	\$332,382	\$332,382	0%
Services & Supplies	73,690	77,373	5%
Other Charges	2,750	2,750	0%
Total Expenses	\$408,822	\$412,505	1%
Revenues			
Undesignated Fund Balance	(\$71,680)	(\$75,569)	5%
Application & Other Revenues	(6,000)	(6,000)	0%
Agency Contributions	331,142	330,936	-0.2%
Total Revenues	\$408,822	\$412,505	1%

DISCUSSION

The following describes each of the proposed adjustments for the Final Budget, and provides additional information for the Commission following its approval of the Proposed Budget.

Office Space

As discussed during the Proposed Budget, office space has been an ongoing challenge for LAFCO Staff. There are currently no private (walled-in) office areas dedicated to LAFCO, making it difficult to conduct any confidential communications or phone calls. Shortly after the Commission's April 27th meeting, Staff was notified regarding the upcoming availability of a walled-in office in close proximity to LAFCO's existing office space on the 3rd floor of Tenth Street Place. This is a unique opportunity, as LAFCO would be able to retain its existing office space (approximately 300 square feet of cubicles and storage) and expand into this walled area (approximately 168 square feet) for a total of 468 square feet. The expanded office area includes existing furniture (desk, chairs, storage) and would provide LAFCO with a dedicated, private office area, while remaining in close proximity to shared services and retaining the benefits of being located within Tenth Street Place (e.g. reception area, conference rooms, security, etc).

The expanded office area is currently occupied by the City of Modesto. The City is willing to lease the office to LAFCO at a cost of \$3,683/year (using a calculation from the 10th Street JPA based on square footage). This would bring the *total* cost of LAFCO's office space, including utilities, maintenance, and janitorial services, to \$7,923/year (equating to \$660/month or \$1.41/square foot). Compared to other office spaces both inside and outside Tenth Street Place, this is a very economical option.

The City has stated that the office will be available on July 1st. Should the Commission approve the additional funding for office space in its Final Budget, it is recommended that the Commission authorize the Executive Officer to execute a one-year lease agreement for this space, with two one-year options. A draft of the agreement is attached to this report.

Fund Balance & Reserve Funds

Staff previously estimated approximately \$184,980 would be available in the Commission's fund balance at the current fiscal year's end. This estimate has increased by \$4,389, as a result of additional application revenues received to date. For the Final Budget, Staff has proposed a \$500 increase to the General Fund Reserve, in order to maintain it at a minimum of 15% of operating expenses, consistent with the Commission's Policy. The additional revenues and minor increase in General Fund Reserve result in an overall increase in undesignated fund balance that is available to offset the Final Budget, as shown in Table 2 below.

Table 2: LAFCO Fund Balance

	Proposed FY 2016-17	Final FY 2016-17	% Change
Estimated Fund Balance June 30, 2016	\$ 184,980	\$ 189,369*	2%
<i>General Reserve Fund (15%)</i>	<i>(61,500)</i>	<i>(62,000)</i>	<i>1%</i>
<i>Accrued Leave Fund (Cash-Out Liability)</i>	<i>(51,800)</i>	<i>(51,800)</i>	<i>-</i>
Est. Undesignated Fund Balance	\$ 71,680	\$ 75,569	5%

** Includes an additional \$4,389 in application revenues received to date*

The use of \$75,569 in undesignated fund balance to offset expenses in Fiscal Year 2016-2017 will reduce the agency contributions to a level that is 14% less than the current year. It is likely that in future years, as the budget normalizes to better reflect actual expenses and revenues, the amount of undesignated fund balance available to credit back will decrease. This may lead to an increase in agency contributions in future years. Staff will continue to closely monitor expenses and application revenues while remaining cognizant of impacts to agency contributions.

CONCLUSION

The Commission is required to adopt a Final Budget by June 15th annually. Following adoption of a final budget, a copy will be transmitted to the Board of Supervisors, each City, each Independent Special District, and to the County Auditor. The County Auditor will allocate and charge LAFCO's final net budget to all participating local agencies as outlined under Government Code Section 56381(b) and (c).

Approval of the Final Budget, including the adjustments proposed by Staff, will enable the Commission to perform its core responsibilities effectively, and continue its work on MSR/SOI updates, policy development, and current projects.

Attachments: Final Budget Detail - Fiscal Year 2016-2017
 Draft Lease Agreement for Office Space
 LAFCO Resolution No. 2016-11

Stanislaus LAFCO
FINAL BUDGET - FISCAL YEAR 2016-2017

Account	FY 15-16 Legal Budget	FY 15-16 Estimated Year-End	FY 16-17 PROPOSED BUDGET	FY 16-17 FINAL BUDGET	% Diff. (Prop. vs Final)
Salaries and Benefits					
50000 Salaries and wages	\$ 258,008	\$ 225,700	\$ 210,931	\$ 210,931	0%
52000 Retirement	50,686	36,500	53,350	53,350	0%
52010 FICA	19,064	16,339	18,483	18,483	0%
52020 Deferred comp - part-time	-	325	-	-	-
53000 Group health insurance	39,412	25,500	39,731	39,731	0%
53009 OPEB health insurance liability	1,108	1,108	2,627	2,627	0%
53020 Unemployment insurance	150	150	225	225	0%
53051 Benefits admin fee	215	110	190	190	0%
53081 Long term disability	402	314	325	325	0%
54000 Workers compensation insurance	860	860	920	920	0%
55000 Auto allowance	2,400	2,418	2,400	2,400	0%
55130 Deferred comp mgmt/conf	3,601	2,820	3,200	3,200	0%
Total Salaries and Benefits	\$ 375,906	\$ 312,144	\$ 332,382	\$ 332,382	0%
Services and Supplies					
60400 Communications (SBT - Telecom)	\$ 1,005	\$ 1,006	\$ 1,055	\$ 1,055	0%
61000 Insurance (SDRMA)	2,750	2,662	2,900	2,900	0%
61030 Fiduciary liability insurance	30	25	30	30	0%
62200 Memberships (CSDA, CALAFCO)	5,000	4,978	5,290	5,290	0%
62400 Miscellaneous expense	3,000	1,500	3,000	3,000	0%
62450 Indirect costs (A87 roll forward)	1,176	1,166	(423)	(423)	0%
62600 Office supplies	1,500	1,075	1,500	1,500	0%
62730 Postage	1,200	1,200	1,200	1,200	0%
62750 Other mail room expense	325	240	325	325	0%
63000 Professional & special serv	5,400	6,500	7,240	10,923	51%
Building maint / office space			2,340	6,023	157%
Utilities			1,440	1,440	0%
Janitorial			460	460	0%
Purchasing			325	325	0%
CEO/RM overhead			2,675	2,675	0%
63090 Auditing & accounting	2,108	2,035	2,048	2,048	0%
63400 Engineering services	2,150	1,800	2,000	2,000	0%
63640 Legal services	16,000	12,500	16,000	16,000	0%
63990 Outside data proc services (IT & GIS Lic)	4,889	4,800	6,600	6,600	0%
65000 Publications & legal notices	800	800	800	800	0%
65660 Special dept expense (Biennial Audit)	-	-	12,000	12,000	0%
65780 Education & training	5,000	5,200	5,200	5,200	0%
65810 Other supportive services (messenger)	250	135	250	250	0%
65890 Commission expense	6,100	6,000	6,100	6,100	0%
67040 Other travel expenses	500	1,200	500	500	0%
67200 Utilities (Billed out of 63000)	1,786	-	-	-	-
67201 Salvage disposal	75	75	75	75	0%
Total Services and Supplies	\$ 61,044	\$ 54,897	\$ 73,690	\$ 77,373	5%
Other Charges					
73024 Planning dept services	\$ 3,200	\$ 2,000	\$ 2,750	\$ 2,750	0%
Total Other Charges	\$ 3,200	\$ 2,000	\$ 2,750	\$ 2,750	0%
TOTAL EXPENSES	\$ 440,150	\$ 369,041	\$ 408,822	\$ 412,505	1%
TOTAL REVENUES					
Agency Contributions	377,210	377,210	331,142	330,936	-0.1%
Application & Other Revenues		23,774	6,000	6,000	0%
Miscellaneous Reimbursements		3,064	-	-	-
Interest Earnings		2,956	-	-	-
Undesignated Fund Balance (Est.)	62,940		71,680	75,569	5%

Estimated Fund Balance June 30, 2016	\$ 189,369
General Reserve Fund (15%)	(62,000)
Accrued Leave Fund (Cash-Out Liability)	(51,800)
Undesignated Fund Balance (Est.)	\$ 75,569

**AGREEMENT REGARDING
OFFICE SPACE AT TENTH STREET PLACE**

This Agreement is made and entered into this _____ day of May, 2016, by and between the City of Modesto Community & Economic Development Department (hereinafter referred to as "City"), and Stanislaus Local Agency Formation Commission (hereinafter referred to as "LAFCO").

WHEREAS, LAFCO has the need for 168 square feet of additional office space at Tenth Street Place ("Premises"), and;

WHEREAS, City has excess, available office space at Tenth Street Place;

NOW, THEREFORE, the Parties hereby mutually agree as follows:

1. **Term**: This Agreement shall commence as of July 1, 2016, and continue until June 30, 2017, and shall continue for two successive 1 year periods, unless terminated, for a total of 3 years.
2. **Termination**: Any Party can terminate this Agreement by providing written notice of intent to terminate to the other Party no later than January 1st prior to the end of each 1 year period. For example, during the first year, the notice of intent to terminate shall be provided no later than January 1, 2017. During the second 1 year term, notice of intent to terminate shall be provided no later than January 1, 2018. The advance notice is intended to give the Parties sufficient time to make arrangements to vacate/take over the subject office space at Tenth Street Place.
3. **Compensation**: LAFCO shall pay City annually for the lease of 168 square feet of third floor office space at Tenth Street Place, identified as Office #3304, in accordance with the fee schedule set forth in Exhibit A.
4. **Assignment and Subletting**: LAFCO shall not voluntarily or involuntarily assign, sublease, mortgage, encumber, or otherwise transfer any portion of the Premises or its interest in this Agreement without City's prior written consent. Any attempted Transfer without City's consent shall be void and shall constitute a material breach of this Agreement. As used herein, the term "transfer" includes an arrangement (including

without limitation management agreements, concessions, and licenses) that allows the use and occupancy any part of the Premises by anyone other than Lessee.

5. **Notices**: Any notices, documents, correspondence or other communications concerning this Agreement may be provided by personal delivery, facsimile or mail and shall be addressed as set forth below. Such communication shall be deemed served or delivered: a) at the time of delivery if such communication is sent by personal delivery; b) at the time of transmission if such communication is sent by facsimile; and c) 48 hours after deposit in the U.S. Mail as reflected by the official U.S. postmark if such communication is sent through regular United States mail.

LAFCO: Stanislaus LAFCO
Attn: Executive Officer
1010 10th Street, Suite 3600
Modesto, California 95354

City: City of Modesto
Attn: Community & Economic Development Director
P.O. Box 642
1010 Tenth Street, Suite 3300
Modesto, CA 95353

6. **Modification Only in Writing**: The terms and conditions of this Agreement may be changed or modified only by the mutual written consent of the Parties. Any amendment must be in writing and expressly state that it is amending this Agreement. The Parties further agree that they will negotiate in good faith with regard to any changes or modifications of this Agreement sought by either Party.
7. **No Waiver**: Failure to enforce any provision of this Agreement will not constitute a waiver.
8. **Entire Agreement**: This Agreement contains the entire Agreement of the Parties, and no representations, inducements, promises, or agreements otherwise between the Parties, not embodied herein, or incorporated herein by reference shall be of any force or effect.

9. **Severability**: If any portion of this Agreement or application thereof to any person or circumstances shall be declared invalid by a court of competent jurisdiction, or if it is found in contravention of any federal, state or county statute, ordinance, or regulation the remaining provisions of this Agreement or the application thereof shall not be invalidated thereby and shall remain in full force and effect to the extent that the provisions of the Agreement are severable.
10. **Successors and Assigns**: This Agreement shall be binding on and enforceable by and against the Parties to it and their respective heirs, legal representatives, successors and assigns.
11. **Duplicate Counterparts**: This Agreement may be executed in any number of counterparts, and each such counterpart, executed telecopy, fax or photocopy shall be deemed to be an original instrument, but all of which together shall constitute one or the same Agreement.
12. **Agreement to Perform Necessary Acts**: Each Party to this Agreement agrees to perform any further acts and execute and deliver any documents that may be necessary to carry out the provisions of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by and through their respective authorized officers.

CITY OF MODESTO,
a municipal corporation

STANISLAUS LOCAL AGENCY
FORMATION COMMISSION (LAFCO)

By: _____
JAMES N. HOLGERSSON,
City Manager

By: _____
SARA LYTTLE-PINHEY
Executive Officer

ATTEST:

By: _____
STEPHANIE LOPEZ, City Clerk

APPROVED AS TO CONTENT:

By: _____
CYNTHIA BIRDSILL, Director
Community & Economic Development

APPROVED AS TO FORM:

By: _____
ADAM U. LINDGREN, City Attorney

APPROVED AS TO FORM:

By: _____
ROBERT J. TARO, LAFCO Counsel

Exhibit "A"

Fee Schedule

1. Compensation

1.1 Compensation for Fiscal Year 2016-17 shall be as follows:

Annual Maintenance & Operations + Debt Service = \$21.92 / square foot

Total Cost: 168 sq. ft. X \$21.92 sq. ft. = \$3,682.56 / 12 months = \$306.88 per month

1.2. Payment for Fiscal Year 2016-2017 shall be made no later than July 31, 2016.

1.3. Compensation for each subsequent fiscal year shall be adjusted to reflect actual Maintenance and Operations costs as reflected in the Tenth Street JPA budget, and Tenth Street Place actual debt service costs (1998 Series A-Public Administration Center, 1010 Tenth Street Place). The City of Modesto - Community and Economic Development Department will contact the City of Modesto - Finance Department (Principal Accountant) for Tenth Street Place debt services costs and the County Auditor-Controller's General Ledger Division for Tenth Street Place operations and maintenance costs, by July 1st of each succeeding year and provide an invoice to the LAFCO Executive Officer by July 15th for the rent for that fiscal year.

1.4 Payment for each subsequent fiscal year shall be made no later than July 31st of each year.

DRAFT

**STANISLAUS COUNTY LOCAL AGENCY
FORMATION COMMISSION**

RESOLUTION

DATE: May 25, 2016

NO. 2016-11

SUBJECT: Adoption of the Final LAFCO Budget for Fiscal Year 2016-2017

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

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

THE FOLLOWING RESOLUTION WAS ADOPTED:

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

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

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

WHEREAS, the Commission conducted a public hearing on April 27, 2016 and approved a Proposed Budget for Fiscal Year 2016-2017, as submitted by the Executive Officer;

WHEREAS, the Commission considered the Final Budget for Fiscal Year 2016-2017 at a duly noticed public hearing on May 25, 2016;

WHEREAS, the Final Budget includes filling the Commission Clerk position at a full-time level with associated benefits, consistent with the existing position allocation;

WHEREAS, approval of the Final Budget will enable the Commission to perform its core responsibilities effectively, and to continue its work on State mandated Municipal Service Reviews and Sphere of Influence Updates;

NOW, THEREFORE, BE IT RESOLVED that the Commission:

1. Finds that the Final Budget for Fiscal Year 2016-2017 will allow the Stanislaus Local Agency Formation Commission to fulfill the purposes and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act.
2. Adopts the Final Budget for Fiscal Year 2016-2017 as recommended by Staff, with total operating expenses of \$412,505, as outlined in Exhibit 1.

3. Authorizes the Executive Officer to execute a lease agreement with the City of Modesto for 168 square feet of office space.
4. Directs Staff to transmit the adopted Final Budget for Fiscal Year 2016-2017 to the Board of Supervisors, each City, each Independent Special District, and the County Auditor, pursuant to Government Code Section 56381(a).
5. Requests that the County Auditor apportion and collect the net operating expenses of the Commission's Final Budget for Fiscal Year 2016-2017 in the amount of \$330,936 from the County and each of the nine cities no later than July 1, 2016 for the amount each entity owes in accordance with Government Code Sections 56381(b)(2) and 56381(c).
6. Authorizes the Executive Officer and the County Auditor to determine the method of collection if a city or the County does not remit its required payment within 60 days, as outlined in 56381(c).

ATTEST:

Sara Lytle-Pinhey
Executive Officer

Attachment: Exhibit 1 - Final Fiscal Year 2016-2017 Budget

EXHIBIT 1
Stanislaus LAFCO
FINAL BUDGET - FISCAL YEAR 2016-2017

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Undesignated Fund Balance (Est.)	\$ 75,569