



LAFCO - San Luis Obispo - Local Agency Formation Commission  
SLO LAFCO - Serving the Area of San Luis Obispo County

**COMMISSIONERS**

Chairman  
FRANK MECHAM  
County Member

Vice-Chairman  
MARSHALL OCHYLSKI  
Special District Member

ROBERT ENNS  
Special District Member

ROBERTA FONZI  
City Member

BRUCE GIBSON  
County Member

TOM MURRAY  
Public Member

EDWARD WAAGE  
City Member

**ALTERNATES**

DAVID BROOKS  
Public Member

Ed EBY  
Special District Member

ADAM HILL  
County Member

JAMIE L. IRONS  
City Member

**STAFF**

DAVID CHURCH  
Executive Officer

RAYMOND A. BIERING  
Legal Counsel

MIKE PRATER  
Senior Analyst

DONNA J. BLOYD  
Commission Clerk

**TO: MEMBERS, FORMATION COMMISSION**

**FROM: DAVID CHURCH, AICP, EXECUTIVE OFFICER**

**DATE: JUNE 16, 2016**

**SUBJECT: FISCAL YEAR 2016-17 SAN LUIS OBISPO LAFCO  
BUDGET WITH CHANGES**

**Recommendation:** It is respectfully recommended, that the Commission adopt by resolution and file with the County Auditor the Fiscal Year 2016-17 LAFCO Budget, as revised in Attachment A in this Staff Report.

**Introduction.** The Cortese-Knox-Hertzberg Act calls for the proposed budget to be adopted by May 1, 2015 with the final budget approved by June 15. The funding formula for LAFCO's

Budget is established in the Cortese-Knox-Hertzberg Act. LAFCO's budget is funded primarily by the County, Cities and Independent Special Districts, with each group paying one-third of the LAFCO adopted budget. The City and District shares are pro-rated based on general revenues reported to the State Controller's Office by the jurisdictions. The County pays a full one-third of the LAFCO budget.

The final budget and signed resolution will be submitted to the County Auditor's Office as well as well as the Special Districts and Cities. The County Auditor will distribute invoices for payment to the Cities and Special Districts within the County. Attachment B is the agreement for services with the County Auditor for FY 2016-17.

**Pension Rate Increase.** On Tuesday May 10, Staff was notified by the Executive Secretary of the San Luis Obispo County Pension Trust that a recent actuarial study indicated that the pension rate increase for next year would be 4% to 5%; not the 1.5% as adopted by the Commission in April. The attached budget includes a 5% increase in the pension rate for next year which results in a \$3,010 increase from the April budget that is split (50/50) between the employer and employee; 2.5% LAFCO and 2.5% employee. The pension rate will remain unchanged in the first half of fiscal year 2016-17. The new rate would be applied in January, 2017. This recommended change to the budget is shown in Attachment A.

**Attachments**

**A: Budget Resolution/Budget**

**B: County Auditor-Agreement**

**Independent Audit.** It was requested by Commissioner Murray that Staff research the possibility of completing an independent financial audit for LAFCO. There is no requirement for LAFCOs to perform such an Audit; however many LAFCO's routinely complete an independent annual audit as part of their fiscal procedures. The County Auditor indicated that an Independent Audit would be useful in providing a more complete review of LAFCO's finances. He also indicated the estimated cost is between \$6,000 and \$8,000. The Commissioner/Consultant Expense line item was increase by \$7,000 to cover an audit of FY 2015/16. Alternatively, the funds could be transferred into the budget from Reserves/Fund Balance when needed. The process for completing an Audit would involve developing and distributing an Request for Proposal, Selection of a qualified accounting firm, completion of the audit fiscal year 15/16, and consideration of the audit by the Commission.

**Summary.** These changes to Pension and Commissioner/Consultant Expense line items increase overall expenses by from 5.8% to 7.3% when compared to the Budget adopted by the Commission in April. The Charges to Agencies increased from 4.2% in April to 5.8% in today's revised budget.

# **Attachment A**

## **Budget Resolution/Budget**

**IN THE LOCAL AGENCY FORMATION COMMISSION**  
**COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA**

Date:

**PRESENT:**

**ABSENT:**

**RESOLUTION NO. 2016-\_\_**

**RESOLUTION ADOPTING THE FISCAL YEAR 2016-17  
LAFCO FINAL BUDGET**

The following resolution is now offered and read:

**WHEREAS**, the Executive Officer has given the notices required by law and forwarded copies of his report to officers, persons and public agencies prescribed by law; and

**WHEREAS**, the matter was set for public hearing at 9:00 a.m. on Thursday, April 21, 2016, and the public hearing was duly conducted and the proposed LAFCO Budget for Fiscal Year 2016-2017 was considered on Thursday, April 21, 2016; and

**WHEREAS**, at said hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented, or filed, and all persons present were given the opportunity to hear and be heard in respect to any matter relating to said proposed budget; and

**WHEREAS**, the Commission considered the Proposed Budget prior to May 1, 2016 and approved it as the Adopted Budget for Fiscal Year 2016-2017 on June 16, 2016 with the changes recommended in the Staff Report;

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** by the Local Agency Formation Commission of the County of San Luis Obispo, State of California, as follows:

1. That the recitals set forth hereinabove are true, correct, and valid.

2. That pursuant to Government Code Section 56381(a), the Commission hereby adopts a Final Budget for Fiscal Year 2016-17 in the amount of \$591,957.17 as set forth in Exhibit A. The amount charged to the Cities, Special Districts and County, after deducting fees from applications and the use of reserves/fund balance is \$546,957.18. This amount will be charged to the Funding Agencies based on the formula and procedure contained in the Cortese-Knox-Hertzberg Act and as implemented by the County Auditor.
3. That the Executive Officer of this Commission is authorized to mail copies of the Final Budget in the manner provided by law.

Upon a motion of Commissioner \_\_\_\_\_, seconded by Commissioner \_\_\_\_\_, and on the following roll call vote:

AYES:

NAYS:

ABSTAIN:

\_\_\_\_\_  
Frank Mecham, Chairperson      Date  
Local Agency Formation Commission

**ATTEST:**

\_\_\_\_\_  
David Church      Date  
LAFCO Executive Officer

**APPROVED AS TO FORM AND LEGAL EFFECT:**

\_\_\_\_\_  
Raymond A. Biering      Date  
LAFCO Legal Counsel

**Exhibit A**  
**San Luis Obispo Local Agency Formation Commission**  
 Adopted Budget - Fiscal Year 2016-2017

Revised June 16, 2016

<b>EXPENDITURES SUMMARY</b>	<b>Current Year</b>	<b>Expense YTD</b>	<b>Proj. Yr End</b>	<b>Adopted 16-17</b>	<b>Inc/Dec</b>	<b>% Inc/Dec</b>
Salaries	249,269	185,167	249,269	269,971	20,702	8.3%
Benefits and Taxes	184,035	125,972	176,039	197,889	13,854	7.5%
Services and Supplies	118,136	96,308	117,164	124,097	5,961	5.0%
<b>Total Expenses</b>	<b>551,439.99</b>	<b>407,447.10</b>	<b>542,472.00</b>	<b>591,957.17</b>	<b>40,517.17</b>	<b>7.3%</b>

<b>EXPENDITURES DETAIL</b>	<b>Current Year</b>	<b>Expense YTD</b>	<b>Proj. Yr End</b>	<b>Adopted 16-17</b>	<b>Inc/Dec</b>	<b>% Inc/Dec</b>
<b>Salaries and Benefits</b>						
Salaries	249,269	185,167	249,269	269,971	20,702	8.3%
Benefits and Taxes	184,035	125,972	176,039	197,889	13,855	7.5%
<b>Subtotal Salaries &amp; Benefits</b>	<b>433,303.52</b>	<b>311,139.05</b>	<b>425,308.00</b>	<b>467,859.89</b>	<b>34,556.37</b>	<b>8.0%</b>
<b>Variable Costs (%) :</b>						
FICA -Employer Match	15,789	11,380	15,800	16,738	949	6.0%
Medicare - Employer Match	3,693	2,846	3,700	3,915	222	6.0%
Retirement-Employer Contribution <sup>1)</sup>	65,713	47,117	65,000	74,787	9,074	13.8%
Retirement-Employer for Employee	32,300	23,530	32,300	34,903	2,603	8.1%
Retirement - Employee Contribution <sup>2)</sup>	5,511	3,325	5,511	9,691	4,180	75.8%
Pension Obligation Bond Payment	17,139	11,785	17,139	18,147	1,008	5.9%
SDI/SUI-Employer Contribution	2,500	311	1,000	2,500	0	0.0%
Fed Unemploy Tax-Employer Cont	300	305	300	300	0	0.0%
<b>Fixed Costs (\$) :</b>						
Health Plan/Café Cash	35,100	24,497	35,100	35,100	0	0.0%
Life Insurance	500	0	200	500	0	0.0%
Def Comp - EO Employer Match	11,000	4,200	5,500	11,000	0	0.0%
<b>Total Benefits</b>	<b>184,035</b>	<b>125,972</b>	<b>176,039</b>	<b>197,889</b>	<b>13,855</b>	<b>7.5%</b>

1) Includes 1/2 of anticipated 5% pension increase. 2) Includes 1/2 of anticipated 5% increase. Paid by employee; *not included in LAFCO Budget.*

<b>Services and Supplies</b>	<b>Current Year</b>	<b>Expense YTD</b>	<b>Proj. Yr End</b>	<b>Adopted 16-17</b>	<b>Inc/Dec</b>	<b>% Inc/Dec</b>
Food	1,000	576	900	1,000	0	0.0%
Maintenance - Equipment	500	0	0	300	-200	-40.0%
Maintenance - Software	500	0	250	500	0	0.0%
CALAFCO/Other Memberships	4,300	4,127	4,127	4,400	100	2.3%
Office Supplies	2,700	1,676	2,300	2,700	0	0.0%
Commissioner/Consultant Expenses	10,000	17,786	18,500	17,000	7,000	70.0%
Publication/Legal Notices	1,000	747	1,200	800	-200	-20.0%
Rent	38,000	30,565	36,700	38,000	0	0.0%
Small Equipment	400	0	0	400	0	0.0%
Large Equipment	2,000	1,045	1,500	1,000	-1,000	-50.0%
Computer Software	500	221	300	500	0	0.0%
Employee Mileage	400	0	200	300	-100	-25.0%
Commissioner Mileage	1,800	749	1,800	1,800	0	0.0%
Airfare/Public Transportation	500	0	0	500	0	0.0%
Accommodations/Travel	5,000	2,580	3,500	5,000	0	0.0%
Auto Allowance	5,400	3,946	5,400	5,400	0	0.0%
Training/Conf Registration	4,500	3,109	4,300	4,500	0	0.0%
Utilities	3,250	2,689	3,250	3,500	250	7.7%
Car/Vehicle Rentals	800	465	800	800	0	0.0%
Postage	1,200	529	800	1,000	-200	-16.7%
Custodian	910	640	960	1,000	90	9.9%
Copying	800	0	0	800	0	0.0%
ITD-SAP/Board Chambers	850	254	700	850	0	0.0%
Phones	1,450	831	1,200	1,450	0	0.0%
County Auditor	7,376	7,377	7,377	7,597	221	3.0%
Insurance	8,000	6,085	7,300	8,000	0	0.0%
Legal Counsel/Other Co Billings	15,000	10,312	13,800	15,000	0	0.0%
<b>Subtotal Services &amp; Supplies</b>	<b>118,136</b>	<b>96,308</b>	<b>117,164</b>	<b>124,097</b>	<b>5,961</b>	<b>5.0%</b>

<b>Total Expenses</b>	<b>551,440</b>	<b>407,447</b>	<b>542,472</b>	<b>591,957</b>	<b>40,517</b>	<b>7.3%</b>
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**Exhibit A**  
**San Luis Obispo Local Agency Formation Commission**  
**Adopted Budget - Fiscal Year 2016-2017**  
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<b>REVENUE DETAIL</b>	<b>Current Year</b>	<b>Realized YTD</b>	<b>Proj. Yr End</b>	<b>Adopted 16-17</b>	<b>Inc/Dec</b>	<b>% Inc./Dec.</b>
Interest	500	1,105	1,105	1,000	500	100.0%
Environmental Fees	3,000	500	500	3,000	0	0.0%
Sphere of Influence Fee	1,000	0	0	1,000	0	0.0%
LAFCO Processing Fees	10,000	25,346	25,346	10,000	0	0.0%
Other Revenue/Grants/Insurance reimb.	0	1,119	1,119	0	0	
<b>Sub-Total w/out Agency Charges</b>	<b>14,500</b>	<b>28,070</b>	<b>28,070</b>	<b>15,000</b>	<b>500</b>	<b>3.4%</b>
LAFCO Charge to Agencies	516,940	516,940	516,940	546,957	30,017	5.8%
<b>Total Revenue <sup>1)</sup></b>	<b>551,440</b>	<b>545,010</b>	<b>545,010</b>	<b>591,957</b>	<b>40,517</b>	<b>7.3%</b>
<b>1) Includes estimated Transfer of Reserves/Fund Balance</b>						
Transfer of Reserves to Fund Bal. (If needed)	20,000.00	0.00	2,538.06	<b>30,000.00</b>	10,000.00	50.0%

<b>RESERVES and FUND BALANCE</b>	<b>Beginning Res./FB FY 15/16</b>	<b>% of Budget</b>	<b>Proj. Year End Fund Balance</b>	<b>Projected Year End Reserves FY 14/15</b>	<b>Estimated Res./FB FY 15/16</b>	<b>% of Budget</b>
<b>Reserves</b>	<b>158,920.00</b>	<b>28.8%</b>	<b>158,920.00</b>	<b>161,458.06</b>	<b>131,458.06</b>	<b>22.2%</b>
Transfer in 4th Qtr-If needed			<b>2,538.06</b>	<b>30,000.00</b>		
<b>Total</b>	<b>158,920.00</b>	<b>28.8%</b>	<b>161,458.06</b>	<b>131,458.06</b>		

**CHARGES TO AGENCIES**

<b>Agency Share</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Inc/Dec</b>	<b>% Inc/Dec</b>
Cities	172,313.33	182,319.06	10,005.73	5.8%
County	172,313.33	182,319.06	10,005.73	5.8%
Special Districts	172,313.33	182,319.06	10,005.73	5.8%
<b>Total</b>	<b>516,940</b>	<b>546,957</b>	<b>30,017</b>	<b>5.8%</b>

**ACCOUNTS RECEIVABLE - LRDM**

	<b>FY-2016/17</b>
Legal Costs owed to LAFCO	10,782.50
LAFCO Staff Costs	14,775.00
<b>Total</b>	<b>25,557.50</b>

# **Attachment B**

## **County Auditor–Agreement**





COUNTY OF SAN LUIS OBISPO

Office of the Auditor-Controller

1055 Monterey Street, Room D220
San Luis Obispo, California 93408
Phone (805) 781-5040 · Fax (805) 781-1220
www.slocounty.ca.gov/ac

APR 27 2016

James P. Erb, CPA, CICA
Auditor-Controller

James Hamilton, CPA Assistant
Lydia Corr, CPA Deputy
Tamara Kaizuka, CPA Deputy

TO: DAVID CHURCH, EXECUTIVE OFFICER
FROM: JAMES P. ERB, AUDITOR-CONTROLLER
DATE: APRIL 5, 2016
SUBJECT: AUDITOR-CONTROLLER SERVICES AGREEMENT

AGENCY NAME: SLO COUNTY LOCAL AGENCY FORMATION COMMISSION (LAFCO)

TERM: The services and costs under this agreement are for the 2016-2017 fiscal year.

ANNUAL COST AND BILLING

The annual cost for the services identified below is \$7,488. Your agency will be billed by journal entry during the first quarter of the fiscal year for the entire annual cost. A copy of the journal entry will be provided to your agency.

SERVICES TO BE PROVIDED BY AUDITOR-CONTROLLER

- 1. General Accounting - Includes the use of the County's centralized accounting system and the validation, processing, and recording of financial transactions submitted by the agency.
2. Accounts Payable - Includes validating, processing, recording and mailing of claim related payments.
3. Accounting Support - Includes providing budget monitoring, responding to routine inquiries, working with auditors, and replying to bank confirmations.
4. The cost of any additional services will be negotiated separately.

The signatures below are authorized to represent their agencies and agree to the terms and conditions presented in this agreement.

AUDITOR-CONTROLLER

AGENCY DIRECTOR

Handwritten signatures and dates for James P. Erb (4-5-16) and the Agency Director (4-27-16)

Return original to Auditor-Controller, Attn: Karen Magill-Pang