

SONOMA LOCAL AGENCY FORMATION COMMISSION

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Staff Report

Meeting Date:	March 5, 2025
Agenda No.	Item 4
Agenda Item Title:	Fiscal Year 2025-26 Proposed Preliminary Budget and Fee Schedule
Environmental Determination:	Not a Project under CEQA
Staff Contacts:	Mark Bramfitt and Cynthia Olson

Analysis

Background

The meeting of the Fiscal Committee is an opportunity for staff to provide information about initial estimates for Fiscal Year 2025-26 and receive feedback from Committee members on the budget proposal.

As required by state law, each year the Commission conducts two noticed public hearings on its upcoming year's budget. This year, the first hearing on the Fiscal Year 2025-26 Proposed Budget will take place on April 2, 2025, and the second, on the Final Budget, will occur on June 4, 2025.

The Commission's expenditures consist of Salaries and Benefits and Services and Supplies. Revenues consist primarily of apportionments from funding agencies: County, cities, and independent special districts. Other sources of revenue are the interest from invested funds and fees for services. These fees are reflected in the Commission's revenue accounts but are not forecasted in the proposed budget.

Staff has prepared a preliminary budget for the next fiscal year that is 5% higher than the current year budget.

Salaries and Benefits

Staff is proposing that the budget include four positions totaling 3.7 FTEs. These positions are 1.0 FTE Executive Officer, 1.0 FTE Senior Analyst, 1.0 FTE Commission Clerk and 0.7 FTE Junior Analyst (vacant). Staff proposes that the budget maintains the allocation for the Junior Analyst position at 0.7 FTE to permit the hiring of additional staff in anticipation of the future retirement of the Executive Officer and Senior Analyst.

The proposed FY 2025-26 expenditure for Salaries and Benefits reflects a 3% increase over last year. This is due to a slight increase in medical insurance, salaries and associated payroll expenses.

Services and Supplies

The proposed FY 2025-26 expenditure for Services and Supplies reflects a 13% increase over last year. This increase is primarily due to the increased costs for services provided to LAFCO by the County and the cost of the biennial audit for Fiscal Years ending 2023 and 2024. Accounts with significant changes are addressed below.

Sonoma LAFCO contracts with County Administrator's Office to provide professional and support staff, office space, equipment, and supplies, and County Counsel provide legal services. Most of the expenditures for these services are captured in the budget as an individual line item. However, there are some County services charges that are billed to

the account titled County Services. Each year the County Auditor prepares a Cost Plan that allocates the unbilled costs for the various services to departments and agencies receiving those services.

In FY 2022-23 the County Auditor changed the methodology for the calculations of the Cost Plan to better capture the full cost of services, including indirect costs, from the various County departments. For the FY 2025-26 budget, this means increases for LAFCO to the charges for Auditor Accounting Services, Legal Services, ISD Services, and the addition of charges for Human Resources Services and General Liability Insurance. These costs change each year as the overall cost of County services changes.

Auditing Services Outside

Staff intends to contract with an auditing firm to conduct the biennial audit of the Fiscal Years ending in 2024 and 2024.

Auditor Services

The cost for Auditor Accounting Services increased in part due to the accounting support necessary for the biennial audit and the increase in LAFCO costs in the Cost Plan.

Legal Services

Staff anticipates that the need for legal services will continue at the current level. There are pending complex projects requiring legal review and consultation including the review and development of Commission policies. Staff also receives assistance from Counsel with regards to the review and drafting of documents related to the California Environmental Quality Act (CEQA). The amount is also reflects the increase in LAFCO costs in the Cost Plan.

Travel and Private Car Expenses

With the questions as to the status of the CALAFCO organization, staff has not budgeted for the Staff or Annual Conference. In the event staff does attend the conferences, travel expenses will be covered by funds from the fund balance.

County Services

The increase in the budgeted amount reflects an increase in, or addition of, costs from the various departments including Human Resources, Risk Management, Information Services. Cost Plan allocations for the Auditor and County Counsel are reflected in those line items.

Revenues

The actual revenues reflect an increase over the budgeted interest in pooled cash due to the favorable economy and return on investments. Staff proposes that the budgeted amount remain the same for the next fiscal year.

Staff proposes a 5% increase in apportionments to the funding agencies to cover at least a portion of the increase in expenditures. This will necessitate the use of approximately \$259,000 of the Fund Balance. Staff continues to advise the Committee that while it has a “healthy” fund balance, due in large part to the decreased cost of Salaries and Benefits from the vacant position, the discrepancy between the total expenditures and total revenues continues to grow at a faster rate than increases in agency apportionments. This will be unsustainable if the vacant position is filled.

Staff does not believe the use of the fund balance to offset this discrepancy is a long-term solution. Staff recommends that the Commission continue to increase apportionments, as necessary, to reduce the discrepancy, particularly if all the positions become filled.

Fund Balance

While we do not yet have firm projections for end of FY 2024-25 actuals, staff believes that FY 2024-25 actual spending will come in at or slightly above the adopted budget. It is anticipated that the decreased cost of salaries and benefits due to the unfilled position, higher interest on pooled cash and fees collected for proposals and projects will be sufficient to cover the expenditures thereby not requiring use of the fund balance.

In December 2022, the Commission adopted a Fiscal Reserve Policy that states in part: The Commission will retain reserve funds of approximately 50% of the annual budget for employee severance payments, liability insurance deductibles and unforeseen operating costs including legal proceedings or adjustment of apportionments.

Therefore, of the projected \$819,128 remaining in the fund balance at the close of the fiscal year, approximately \$409,564 is to be held in reserve with the remaining funds to cover the discrepancy between the proposed revenues and expenditures in the 2025-26 Budget as well as any expenses incurred above those amounts currently budgeted.

Staff continues to advise the Committee that while it has a “healthy” fund balance at this time, if the vacant position is filled, the use of these funds to cover the difference between revenues and expenditures will quickly deplete the fund balance. Staff recommends that the Committee consider the need to significantly increase agency apportionments to reduce the discrepancy between the total expenditures and total revenues in the coming years.

Fiscal Year 2025-26 Preliminary Proposed Budget

Staff has prepared a proposed budget showing a 5% increase in the apportionments to our funding agencies, all of which require a significant use of the fund balance.

FY 2025-26 Fee Schedule

Staff is not recommending any changes to the FY 2024-25 Fee Schedule and proposes the FY 2025-26 remain the same.

Recommendation

Staff recommends that the Committee review the preliminary Fiscal Year 2025-26 budget as prepared by staff, make any desired changes, and provide guidance that staff will use in preparing the Proposed Budget to be presented to the Commission at the April 2, 2025, meeting.

Attachments

1. Fiscal Year 2025-26 Preliminary Proposed Budget Spreadsheet
2. Fiscal Year 2025-26 Proposed Fee Schedule