

SONOMA LOCAL AGENCY FORMATION COMMISSION

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Staff Report

Meeting Date: March 1, 2023

Agenda No. Item 5

Agenda Item Title: Fiscal Year 2022-23 Preliminary Proposed Budget

Environmental Determination: Not a Project under CEQA

Staff Contacts: Mark Bramfitt and Cynthia Olson

Analysis

Background

The meeting of the Budget Committee is an opportunity for staff to provide information about initial estimates for Fiscal Year 2023-24 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 2023-24 Proposed Budget will take place on April 5, 2023, and the second, on the Final Budget, will occur on June 7, 2023.

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 (S&B)

Staff is proposing that the budget include four positions totaling 3.7 FTEs. These positions are 1.0 FTE Executive Officer, 1.0 FTE Administrative Analyst, 1.0 FTE Commission Clerk and 0.7 FTE Administrative Analyst (vacant). Staff proposes that the budget maintains the allocation for the Administrative Analyst III position at 0.7 FTE to allow the Executive Officer the flexibility to hire additional staff as needed to handle increases in the Commission's workload.

In June 2021, the Commission Clerk resigned leaving that position vacant. Staff worked with the County Human Resources to conduct an open recruitment for a new clerk and filled the position beginning in August 2022. The S&B year-end actuals shown for 2021-22 and 2022-23 reflect the position being vacant for approximately six months of each fiscal year.

The proposed FY 2023-24 expenditure for S&B reflects a 5% increase over last year due in large part to standard merit increases for the Commission Clerk and Senior Analyst and changes in staff's participation in the County health insurance program.

The contracts between the County and the various labor unions expire after February 28, 2023. The parties are in negotiations and should the new contracts include increases in S&B prior to, or into, 2023-24, any increases beyond the amounts budgeted would need to be absorbed through use of the fund balance.

Services and Supplies

The proposed FY 2023-24 expenditure for Services and Supplies reflects a 3% increase over last year.

Contracted Services

At its February 1, 2023, meeting, the Commission authorized using contracted consultant services to prepare a study of Disadvantaged Unincorporated Communities. Staff plans to issue an RFP for the study in the next few months. Staff anticipates that it will also receive a request from the City of Santa Rosa for a Municipal Services Review late in 2022-23 or early 2023-24. Both reports will be expensed in FY 2023-24. Any amounts over the proposed budgeted amount would be covered by the funds from the fund balance.

Staff anticipates that there may be other projects coming to the Commission in FY 2023-24 that would require consulting services. These could include the following:

- A preliminary feasibility assessment that would form the basis for evaluating the potential for annexing the Springs into the City of Sonoma
- A study to determine potential local government structures that would best position River communities to receive community services
- Municipal Services Review for one or more sanitation districts.

Legal Services

Our use of legal counsel has increased as we handle more 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). Staff intends to continue to use Counsel for this purpose but may need to contract with a CEQA consultant should Counsel become unavailable.

Office Lease

The lease on the office space expires in April 2023. Staff was able to secure a five-year extension of the lease for a reduced rental rate as reflected in the proposed budget.

Fund Balance

While we do not yet have firm projections for end of FY 2022-23 actuals, staff believes that actual spending will come in below the budget, largely due to decreased cost of salaries and benefits cost for unfilled positions and fees collected for proposals and projects. Funds not expensed will be held in the Commission's 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 \$828,338 remaining in the fund balance at the close of the fiscal year, approximately \$415,000 is to be held in reserve with the remaining funds to cover the discrepancy between the proposed revenues and expenditures in the 2023-24 Budget as well as any expenses incurred above those amounts currently budgeted.

Staff continues to advise the Commission that while it has a “healthy” fund balance, due in large part to the decreased cost of S&B from vacant positions, the discrepancy between the total expenditures and total revenues continues to grow at a faster rate than increases in agency apportionments.

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

Fiscal Year 2022-23 Preliminary Proposed Budget

Staff has prepared a proposed budget showing a 0%, 3% and 5% increase in the apportionments to our funding agencies, all of which require a significant use of the fund balance.

Recommendation

Staff recommends that the Committee review the preliminary Fiscal Year 2023-24 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 5, 2023, meeting.

Attachments

1. Fiscal Year 2023-24 Preliminary Proposed Budget Spreadsheet