

Agenda Item 2



EXECUTIVE OFFICER'S REPORT

PROJECT: FY 2026/2027 Preliminary Budget

PROPOSAL: Review and distribute the Preliminary FY 2026/2027 Budget.

PURPOSE: Public workshop and discussion about the proposed LAFCo budget for FY 2024/2025 pursuant to Government Code Section 56381, Annual Budget.

PROCESS: This is an item for public information and discussion amongst all Commissioners, alternate Commissioner's insights and comments are considered important for this item.

RECOMMENDATION: It is recommended that the Commission review and distribute the proposed preliminary budget for FY 2026/2027. The Budget Sub-Committee met with the Executive Officer on March 26, 2026 and recommended that overall cities/county allocations remain static. The overall allocation has not changed since the FY 2023/2024 budget. The individual city allocation will change based on the percentage of total city population as determined by the State Department of Finance 2026 E-1 population estimate. This estimate is usually published annually on or near May 1 and will be presented as part of the final budget. For reference the FY 2025/2026 allocations are shown below.

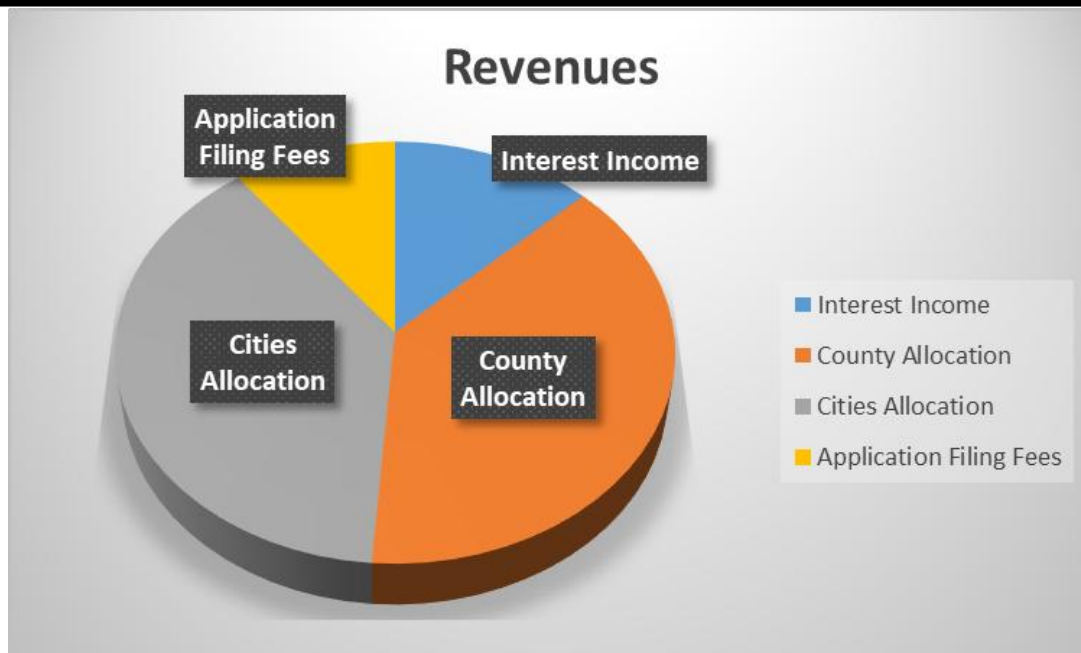
San Joaquin Local Agency Commission Allocation FY 2025/2026					
City	Population 1/1/2024	Population 1/1/2025	% All City Population	FY 25/26 Allocation	Delta FY25 to FY26
Escalon	7,337	7,232	1%	\$ 2,801.31	\$ (55.69)
Lathrop	37,102	38,596	6%	\$ 14,950.14	\$ 356.14
Lodi	67,262	67,093	10%	\$ 25,988.44	\$ (214.56)
Manteca	92,116	93,733	14%	\$ 36,307.42	\$ 478.42
Mountain House	-	28,795	4%	\$ 11,153.73	\$ 276.73
Ripon	15,966	15,753	2%	\$ 6,101.92	\$ (101.08)
Stockton	323,355	320,877	48%	\$ 124,291.52	\$ (712.48)
Tracy	97,501	98,215	15%	\$ 38,043.52	\$ (28.48)
	640,639	670,294	100%	\$ 259,638.00	\$ -
San Joaquin County	161,689	135,562		\$ 259,638.00	\$ -

BACKGROUND: State Government Code Section 56381 directs the preparation of LAFCo's annual operating budget. This section directs the following:

- Commission shall adopt annually, a proposed budget by May 1 and final budget by June 15.
- Commission shall transmit its proposed and final budgets to the board of supervisors and each city.
- County and its cities shall each provide a one-half share of the commission's operational costs.
- At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year.

Consistent with these directions, the Mayor's Select Committee has decided that the cities share be apportioned amongst the individual cities on a per capita basis from the January 1 State Department of Finance Population Estimates (E-1). This estimate is made available in early May. The LAFCo 2025 population estimate was 805,252.

REVENUE SOURCE	Approved Budget	Approved Budget	Proposed Budget
	FY 2024/2025	FY 2025/2026	FY 2026/2027
Interest Income	\$ 86,260.00	\$ 95,454.97	\$ 88,258.97
County Allocation	\$ 259,638.00	\$ 259,638.00	\$ 259,638.00
Cities Allocation	\$ 259,638.00	\$ 259,638.00	\$ 259,638.00
Application Filing Fees	\$ 70,000.00	\$ 71,960.00	\$ 79,156.00
TOTAL REVENUE	\$ 675,536.00	\$ 686,690.97	\$ 686,690.97



The GC Section 56381 cities/county allocations account for approximately 77% of the forecasted revenue. The interest income and application filing fees account for about 23% of the total revenues for the Commission. Interest income is forecasted 7.25% lower than last fiscal year. Keeping total revenues equal to last year is a projected 9% increase in application filing fees. This balance is important because of the need to ensure that the total budget for the Commission is at least the amount of last fiscal year is a Government Code Section 56381 requirement.

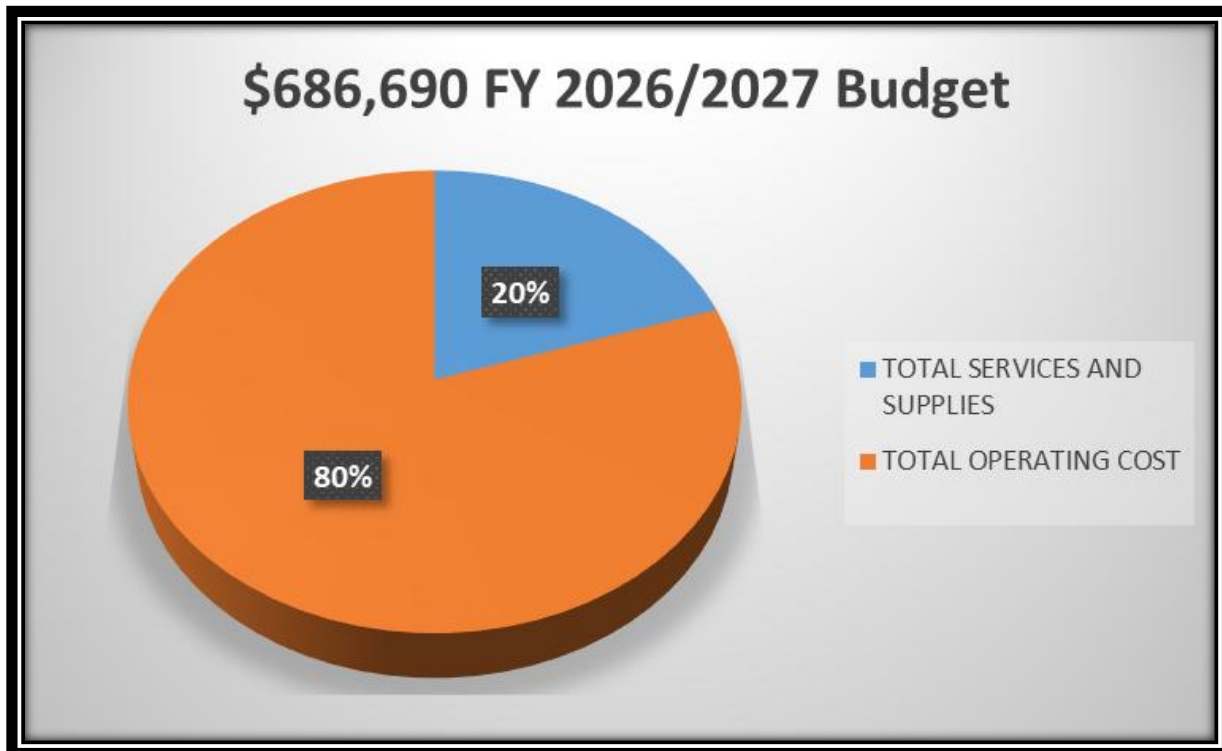
Staff expenditures comprise approximately 81% of the total Commission expenditures. The Budget Sub-Committee reviewed a proposed job classification and step structure for both the Clerk Analyst and Clerk positions with a three percent (3%) raise in their respective payrate starting at mid-range step. The structure for both positions would start at step 3, the mid-step in a 5-step job classification. This proposal has a budget impact of \$3,598.80 to the staff costs next year. No changes to the EO rate or contract.

STAFF COST	FY 2024/2025 Budget	FY 2025/2026 Budget	FY 2026/2027 Budget
Salaries			
SALARIES & WAGES-REGULAR	\$ 295,397.00	\$ 298,098.02	\$ 301,696.42
SALARIES-CAFETERIA	\$ -	\$ 8,376.37	\$ 8,702.72
SALARIES-CAR ALLOWANCE	\$ 7,020.00	\$ 7,020.00	\$ 7,020.00
Salaries and Wages	\$ 302,417.00	\$ 313,494.39	\$ 317,419.14
Fringe Benefits			
UNEMPLOYMENT COMP INSURANCE	\$ 425.00	\$ 446.25	\$ 468.56
RETIREMENT-EMPLOYER SHARE	\$ 99,208.00	\$ 101,192.16	\$ 103,216.00
RETIREMENT-EMPLOYER ADDTL CONT	\$ 12,432.00	\$ 12,680.64	\$ 12,934.25
SOCIAL SECURITY-OASDI	\$ 17,351.00	\$ 18,218.55	\$ 19,129.48
SOCIAL SECURITY-MEDICARE	\$ 4,329.00	\$ 4,545.45	\$ 4,772.72
LIFE INSURANCE	\$ 299.00	\$ 313.95	\$ 329.65
HEALTH INSURANCE	\$ 42,007.00	\$ 47,252.74	\$ 56,703.29
DENTAL INSURANCE	\$ 399.00	\$ 723.31	\$ 867.97
VISION CARE	\$ 98.00	\$ 118.53	\$ 142.23
Fringe Benefits	\$ 176,548.00	\$ 185,491.58	\$ 198,564.16
TOTAL STAFF COST	\$ 478,965.00	\$ 498,985.97	\$ 515,983.30



Staff costs comprise 80% of the proposed \$686,690.00 budget with operating costs comprising 20%.

Clerk	Step			Clerk/Analyst			
	Hourly	Increase	Annually	Hourly		Annually	
Step 1	\$29.78		\$37,164.80	\$36.15		\$75,190.71	
Step 2	\$30.70	3%	\$38,314.22	\$37.27	3%	\$77,516.19	3%
Step 3	\$31.65	3%	\$39,499.20	\$38.42	3%	\$79,913.60	3%
Step 4	\$32.60	3%	\$40,684.18	\$39.57	3%	\$82,311.01	3%
Step 5	\$33.58	3%	\$41,904.70	\$40.76	3%	\$84,780.34	3%
Clerk position = 24 hr/wk (0.6 FTE)							
Current =	\$ 30.70			Current =	\$ 37.26		
Proposed	\$ 31.65			Proposed =	\$ 38.42		
% Incr.	3.00%			% Incr.	3.02%		
Impact =	\$ 1,185.60			Impact =	\$ 2,412.80	Total =	\$ 3,598.40



Operating expenses are predominately overhead fixed costs or necessary operational costs that are vendor controlled (County), the cost of which are out of direct LAFCo control. The one exception is the professional services line item. Expenditures from this line item are typically reimbursed with application fees.

SERVICES AND SUPPLIES	FY 2024/2025 Budget	FY 2025/2026 Budget	FY 2026/2027 Budget
PROFESSIONAL SERV-PROGRAMS	\$ 75,802.00	\$ 60,338.54	\$ 63,690.46
OFFICE OPERATIONS	\$ 30,573.00	\$ 35,301.13	\$ 36,183.65
MEMBERSHIPS & CONFERENCES	\$ 34,409.00	\$ 21,191.23	\$ 21,235.49
COUNTY SERVICES	\$ 37,069.00	\$ 44,255.81	\$ 32,988.92
INSURANCE	\$ 15,065.00	\$ 15,818.25	\$ 16,609.16
TOTAL SERVICES AND SUPPLIES	\$ 294,969.00	\$ 176,904.95	\$ 170,707.68

The sub-committee recommended budget is projected to continue the reduction of the reserve account. The reserve account is projected to have a year-end balance of \$1,208,358.81 and a reserve to expenditure ratio of 176%.

TOTAL OPERATING COST	\$ 773,934.00	\$ 675,890.92	\$ 686,690.97
Revenues - Operating Costs	\$ (98,398.00)	\$ 10,800.05	\$ 0.00
FUND BALANCE	\$ 1,450,357.00	\$ 1,381,061.54	\$ 1,208,358.81
RESERVE RATIO	187%	204%	176%

The overall reserve account is intended to cover several types of expenditures. A survey of other LAFCo's showed the following components of the overall reserve account as shown on the following page.

A more detailed description of the reserve account components can be adopted with the final budget. Preliminary definitions of the reserve account components are:

General Reserves are expenses for purposes including, but not limited to, unanticipated fees, unrealized application fee revenue, and professional services such as special studies, and environmental review.



Legal is for use in the event of significant, unbudgeted legal costs or lawsuits involving LAFCo.

Leave Cash-out is to cover annual estimated total compensated absences due at end of the fiscal year.

Working Capital is intended for unanticipated services and supplies such as office operations, conferences/travel, and capital item replacement.

LAFCo	General	Legal	Capital/Building	Leave Cash-Out	Unfunded Liabilities	Working Capital
Imperial	10%	\$ 40,000.00	\$ 460,000.00			
Marin	25%					
Mendocino	25%					
Merced	6%	\$ 20,000.00				
Placer	25%					
Riverside	25%		Est. Asset Value >\$3,000	75%	80%	
Santa Barbara	30% - 50%					
Ventura	10%	\$143,000.00				60 days
Yolo	20%					
Average	20.67%	\$ 67,666.67				

Reserve Account Component	Minimum Balance	% Total Reserve	Projected 06/30/2027 Balance
General	\$250,000.00	50%	\$604,179.00
Legal	\$150,000.00	25%	\$302,089.50
Leave Cash-Out	\$10,000.00	10%	\$120,835.80
Working Capital	\$45,000.00	15%	\$181,253.70
Total	\$455,000.00	100%	\$1,208,358.00

The overall minimum balance in the upcoming fiscal year represents a 66% reserve to expenditure ratio.

The final budget will take into account the budget subcommittee recommendation and reflect the Commission's decision at the time of budget adoption.

