



Lou Ann Texeira
 Executive Officer

MEMBERS

Helen Allen
 City Member
Federal Glover
 County Member
Martin McNair
 Public Member

Dwight Meadows
 Special District Member
David A. Piepho
 Special District Member

Rob Schroder
 City Member

Gayle B. Uilkema
 County Member

ALTERNATE MEMBERS

Sharon Burke
 Public Member
George H. Schmidt
 Special District Member
Mary N. Piepho
 County Member
Don Tatzin
 City Member

November 10, 2010 (Agenda)

November 10, 2010
 Agenda Item 9

Contra Costa Local Agency Formation Commission
 651 Pine Street, Sixth Floor
 Martinez, CA 94553

First Quarter Budget Report - Fiscal Year 2010-11

Dear Members of the Commission:

This is the first quarter budget report for FY 2010-11, which compares adopted and actual expenses and revenues for the period July 1, 2010 through September 30, 2010.

The LAFCO operating budget includes three components: salaries/benefits, services/supplies, and contingency/reserve. The budget is based on the “bottom line,” which allows for variation within line item accounts as long as the overall balance remains positive. Funds may not be drawn from the contingency/reserve without Commission approval.

LAFCO’s budget is funded primarily by the County, cities and independent special districts, with each group paying one-third of the LAFCO budget. The city and district shares are prorated based on general revenues reported to the State Controller’s Office. LAFCO also receives revenue through application fees and interest earnings. The Commission budgets in accordance with prescribed funding sources.

DISCUSSION

On May 12, 2010, LAFCO adopted its final FY 2010-11 budget with appropriations totalling \$710,692 (including contingency/reserve). With 25% of the fiscal year elapsed, the Commission’s first quarter expenditures are \$135,053 or 19% of total appropriations. The Commission budgeted \$318,116 in *salaries/benefits* for FY 2010-11; at the end of the first quarter, actual expenses total \$79,552 or 25% of the total budgeted amount. The Commission budgeted \$312,576 in *services/supplies*; and at the end of the first quarter, actual expenses total \$55,501 or 18%. The LAFCO budget also includes an \$80,000 contingency/reserve; no funds have been drawn from this account.

The primary sources of revenues are local agency contributions, application fees, and interest earnings. In addition, when available, we use fund balance to offset the cost to the funding agencies. The FY 2010-11 budget anticipates using \$121,117 in available fund balance. Total revenues for the first quarter are \$565,177, or 96% of projected revenues. Most local agencies have paid their prorated contributions to the LAFCO budget, except for the City of Pinole (\$4,332), Rollingwood-Wilart Park Recreation & Park District (\$27), and Reclamation Districts 800 (\$852) and 2090 (\$552). The City of Pinole has informed the County Auditor's Office that payment will be released on December 17, 2010 due to cash flow deficiencies in the City's treasury. The three districts have not responded to several requests for payment. LAFCO staff will continue to work with the Auditor's office to pursue payment. If payment is not received by December 31, 2010, the Commission may wish to consider an alternative method of collection as provided for in Government Code Section 56381(c) which states as follows:

"if the county, a city, or an independent special district does not remit its required payment within 60 days, the Commission may determine an appropriate method of collecting the required payment, including a request to the auditor to collect an equivalent amount from the property tax, or any fee or eligible revenue owed to the county, city, or district. The auditor shall provide written notice to the county, city, or district prior to appropriating a share of the property tax or other revenue to the commission for the payment due the commission pursuant to this section. Any expenses incurred by the commission or the auditor in collecting late payments or successfully challenging nonpayment shall be added to the payment owed to the commission."

As for application fees, FY 2010-11 application activity is greater than FY 2009-10. During the first quarter of FY 2010-11, LAFCO received five new applications, as compared to two new applications during the first quarter of FY 2009-10.

Finally, LAFCO is currently accruing no interest earnings. We have been advised by the County Treasurer to refrain from investing at this time due to the distressed market, as investment fees would likely equal or exceed interest earnings.

No budget adjustments are recommended at this time. LAFCO staff will continue to closely monitor the budget, and keep the Commission apprised.

Please contact the LAFCO office if you have any questions.

RECOMMENDATION

It is recommended that the Commission receive and file this FY 2010-11 first quarter fiscal report.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER