



January 12, 2011
Agenda Item 10

January 12, 2011 (Agenda)

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

Second Quarter Budget Report - Fiscal Year 2010-11

Dear Members of the Commission:

This is the second quarter budget report for FY 2010-11, which compares adopted and actual expenses and revenues for the period July 1, 2010 through December 31, 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 totaling \$710,692 (including contingency/reserve). With 50% of the fiscal year elapsed, the Commission’s second quarter expenditures are \$206,004 or 29% of total appropriations. The Commission budgeted \$318,116 in *salaries/benefits* for FY 2010-11; at the end of the second quarter, actual expenses total \$130,419 or 41% of the total budgeted amount. The Commission budgeted \$312,576 in *services/supplies*; and at the end of the second quarter, actual expenses total \$75,585 or 24%. 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. Also, 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 second quarter, including agency contributions and application fees, are \$574,312, or 97% of these projected revenues. Nearly all local agencies have paid their prorated contributions, except for the Rollingwood-Wilart Park Recreation & Park District (\$27). This agency has not responded to several requests by the County Auditor for payment. As discussed with the Commission in November, if payment was not received by

December 31, 2010, the Commission may 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 comparable to FY 2009-10 activity. During the first six months of FY 2010-11, LAFCO received six new applications, as compared to five new applications during the first six months 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 second quarter fiscal report; and provide direction regarding pursuit of an appropriate method of collection of payment from the Rollingwood Wilart Park Recreation & Park District.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER