



Lou Ann Texeira
Executive Officer

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October 12, 2011 (Agenda)

October 12, 2011
Agenda Item 12

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

First Quarter Budget Report - Fiscal Year 2011-12

Dear Members of the Commission:

This is the first quarter budget report for FY 2011-12, which compares adopted and actual expenses and revenues for the period July 1, 2011 through September 30, 2011.

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.

DISCUSSION

On May 11, 2011, LAFCO adopted its final FY 2011-12 budget with appropriations totalling \$695,377 (including contingency/reserve).

With 25% of the fiscal year elapsed, the Commission’s first quarter expenditures are \$111,886 or 16% of total appropriations. The Commission budgeted \$326,607 in *salaries/benefits* for FY 2010-11; at the end of the first quarter, actual expenses total \$55,960 or 17% of the total budgeted amount. The Commission budgeted \$277,770 in *services/supplies*; and at the end of the first quarter, actual expenses total \$55,925 or 20%. The budget also includes an \$80,000 contingency/reserve. On August 10, the Commission approved a budget adjustment and allocated \$26,000 from the Contingency Reserve to fund a special study relating to the Mt. Diablo Health Care District governance options.

The primary sources of revenues are local agency contributions, application fees, and interest earnings. Total revenues for the FY 2011-12 first quarter are \$481,616, or 93% of projected revenues. Most local agencies have paid their prorated contributions to the LAFCO budget, except for the Town of Danville (\$4,931.86), City of Hercules (\$4,919.50), City of Pinole (\$3,354.99), and Rollingwood-Wilart Park Recreation & Park District (\$21.52). The Auditor's Office recently sent out second notices to these agencies. LAFCO staff will continue to work with the Auditor's office to pursue payment.

As for application fees, FY 2011-12 application activity is presently slower than FY 2010-11. During the first quarter of FY 2011-12, LAFCO received two new applications, as compared to four new applications during the first quarter of FY 2010-11.

With regard to investment income, 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.

Finally, when available, we budget fund balance to offset agency contributions. The FY 2011-12 budget includes \$175,000 in available fund balance. See table below for a summary.

Account	FY 2011-12 Final Budget	Adjustment	FY 2011-12 Adjusted Budget	First Quarter Actuals
Salaries & Benefits	\$326,607		\$326,607	\$55,960
Services & Supplies	278,770	26,000	304,770	55,926
Contingency/Reserve	80,000	(26,000)	54,000	
OPEB Trust	10,000		10,000	
Total Appropriations	\$695,377		\$695,377	111,886
Agency Contributions	\$486,377		\$486,377	\$473,149
Application/Other Revenue	34,000		34,000	8,467
Interest Earnings				
Fund Balance	175,000		175,000	
Total Revenues	\$695,377		\$695,377	\$481,616

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

RECOMMENDATION

It is recommended that the Commission receive the FY 2011-12 first quarter fiscal report.

Sincerely,

LOU ANN TEXEIRA
 EXECUTIVE OFFICER