



Lou Ann Texeira
Executive Officer

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February 8, 2012 (Agenda)

February 8, 2012
Agenda Item 9

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

Second Quarter Budget Report - Fiscal Year 2011-12

Dear Members of the Commission:

This is the second quarter budget report for FY 2011-12, which compares adopted and actual expenses and revenues for the period July 1, 2011 through December 31, 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 as 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 50% of the fiscal year elapsed, the Commission’s total **expenditures** as of December 31, 2011, were \$236,205 or 37% of total appropriations. The Commission budgeted \$326,607 in *salaries/benefits* for FY 2011-12; at the end of the second quarter, actual expenses totalled \$138,145 or 42% of the budgeted amount. The Commission budgeted \$304,770 in *services/supplies*; and at the end of the second quarter, actual expenses totalled \$98,060 or 32%. The budget also included an \$80,000 contingency/reserve. In August 2011, the Commission approved a budget adjustment and allocated \$26,000 from reserves to fund a special study relating to the Mt. Diablo Health Care District (MDHCD) governance options.

The primary sources of **revenues** are local agency contributions, application fees, and interest earnings. Total revenues as of December 31, 2011 were \$499,260, or 96% of projected revenues. Most local agencies have paid their prorated contributions to the LAFCO budget, except for the City of Hercules (\$4,920). The Auditor's Office recently sent out a fourth notice to the City of Hercules. The Auditor's Office and LAFCO staff are currently working with City staff on a payment plan.

As for application fees, FY 2011-12 application activity is comparable to FY 2010-11. During the first half of FY 2011-12, LAFCO received five new applications, as compared to six new applications during the first half 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 Budget	Adjustments	FY 2011-12 Adjusted Budget	Mid Year Actuals
Salaries & Benefits	\$326,607		\$326,607	\$138,145
Services & Supplies	278,770	26,000	304,770	98,060
Contingency/Reserve	80,000	(26,000)	54,000	
OPEB Trust	10,000		10,000	
Total Appropriations	\$695,377		\$695,377	\$236,205
Agency Contributions	\$486,377		\$486,377	\$481,436
Application/Other Revenue	34,000		34,000	17,824
Interest Earnings				
Fund Balance	175,000		175,000	
Total Revenues	\$695,377		\$695,377	\$499,260

RECOMMENDATION

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

Sincerely,

LOU ANN TEXEIRA
 EXECUTIVE OFFICER