



Lou Ann Texeira
 Executive Officer

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May 10, 2017
 Agenda Item 11

May 10, 2017 (Agenda)

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

Third Quarter Budget Report - Fiscal Year 2016-17

Dear Members of the Commission:

This is the third quarter budget report for FY 2016-17, which compares adopted and actual expenses and revenues for the period July 1, 2016 through March 31, 2017.

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, 2016, LAFCO adopted its final FY 2016-17 budget with appropriations totalling \$893,733 (including contingency/reserve and OPEB Trust).

Expenditures - With 75% of the fiscal year elapsed, the Commission’s third quarter expenditures total \$465,807 (including the \$40,000 OPEB Trust contribution) or 53% of total appropriations. The Commission budgeted \$403,257 in *salaries/benefits* for FY 2016-17; at the end of the third quarter, actual expenses total \$303,215 or 76% of the total budgeted amount. The Commission budgeted \$370,476 in *services/supplies*; and at the end of the third quarter, actual expenses total \$162,592 or 44%. The reason expenditures are low is that there was a delay in initiating the MSRs scheduled for FY 2016-17 due to work on two special studies completed in 2016. Also, the FY 2016-17 budget includes funding for relocation of the LAFCO to 40 Muir

Road and five months at a higher rate. Relocation will not occur this fiscal year. The budget also includes an \$80,000 contingency/reserve; no funds have been expended from this account.

Revenues - The primary sources of revenues are local agency contributions and application fees. Total revenues received as of March 31, 2017 are \$741,491. All local agencies have paid their prorated contributions to the LAFCO budget.

As for applications, FY 2016-17 application activity is below FY 2015-16 activity. During the first nine months of FY 2015-16, LAFCO received five new applications; whereas, four new applications were received during the first nine months of FY 2016-17.

In the past, LAFCO has received investment earnings. Due to current market conditions, LAFCO is not currently investing, and awaits the County Treasurer’s notice to resume investment activity.

Finally, when available, we budget fund balance to offset agency contributions. The FY 2016-17 budget includes \$150,000 in budgeted fund balance. A portion of available fund balance may be used at the end of the fiscal year, if needed. See table below for a summary of budget activity.

Account	FY 2016-17 Final Budget	Third Quarter Actuals	Percentage
Salaries & Benefits	\$403,257	\$303,215	76%
Services & Supplies	370,476	162,592	44%
Contingency/Reserve	80,000	-	-
OPEB Trust	40,000	40,000	100%
Total Appropriations	\$893,733	\$465,807	53%
Agency Contributions	\$723,733	\$723,733	100%
Application/Other Revenue	20,000	17,758	89%
Interest Earnings		-	-
Fund Balance	150,000	-	-
Total Revenues	\$893,733	\$741,491	

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 2016-17 third quarter budget report.

Sincerely,

LOU ANN TEXEIRA
 EXECUTIVE OFFICER