



Lou Ann Texeira  
*Executive Officer*

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January 9, 2019  
 Agenda Item 12

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

**Second Quarter Budget Report - Fiscal Year 2018-19**

Dear Members of the Commission:

This is the second quarter budget report for FY 2018-19, which compares adopted and actual expenses and revenues for the period July 1, 2018 through December 31, 2018.

The LAFCO operating budget includes three components: salaries/benefits, services/supplies, a contingency/reserve fund, Other Post-Employment Benefits (OPEB) Trust and retirement pre-funding account. 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 9, 2018, LAFCO adopted its final FY 2018-19 budget with total appropriations of \$996,415, which includes an \$80,000 contingency/reserve fund, a contribution of \$40,000 to fund the OPEB liability, and a contribution of \$30,000 to pre-fund LAFCO’s retirement account with the Contra Costa County Employees’ Retirement Association (CCCERA).

With 50% of the fiscal year elapsed, the Commission’s second quarter expenditures are \$357,511 or 36% of total appropriations. The Commission budgeted \$454,786 in *salaries/benefits* for FY 2018-19; at the end of the second quarter, actual expenses total \$170,006 or 38% of the budgeted amount. The Commission budgeted \$391,629 in *services/supplies*; and at the end of the second quarter, actual expenses total \$147,505 or 38%. The \$40,000 payment toward the OPEB liability is reflected in the second quarter budget report; the \$30,000 CCCERA liability payment is not yet reflected.

The primary sources of revenues are local agency contributions, application fees, and available fund balance. Total revenues received during the second quarter are \$995,737 (including fund balance) or 99.9% of projected revenues.

Other sources of revenue include application fees, interest earnings and fund balance. Regarding application fees, FY 2018-19 application activity is slightly lower than FY 2017-18 activity. During the first two quarters of FY 2018-19, LAFCO received seven new applications, compared to eight new applications received during the first two quarters of FY 2017-18.

Regarding interest earnings, LAFCO is currently receiving some investment earnings through the OPEB trust account, which remains in that account.

Finally, when available, we budget available fund balance to offset agency contributions. The FY 2018-19 budget includes \$175,000 in budgeted fund balance.

A summary of second quarter expenditures and revenues is presented in the table below.

<b>Account</b>	<b>FY 2018-19 Final Budget</b>	<b>Second Quarter Actuals</b>
Salaries & Benefits	\$454,786	\$170,006
Services & Supplies	391,629	147,505
Contingency/Reserve	80,000	0
OPEB Trust	40,000	40,000
CCCERA Pre-Fund	30,000	0
<b>Total Appropriations</b>	<b>\$996,415</b>	<b>\$357,511</b>
Agency Contributions	\$796,415	\$796,400
Application/Other Revenue	20,000	24,337
Interest Earnings	-	-
Fund Balance	175,000	175,000
<b>Total Revenues</b>	<b>\$996,415</b>	<b>\$995,737</b>

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 2018-19 second quarter budget report.

Sincerely,

LOU ANN TEXEIRA  
 EXECUTIVE OFFICER