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October 14, 2020

Contra Costa Local Agency Formation Commission
 40 Muir Road, 1st Floor
 Martinez, CA 94553

**October 14, 2020
 Agenda Item 13**

First Quarter Budget Report - Fiscal Year 2020-21

Dear Members of the Commission:

This is the first quarter budget report for FY 2020-21, which compares adopted and actual expenses and revenues for the period July 1, 2020 through September 30, 2020.

The LAFCO operating budget includes several 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 if the overall balance remains positive. Funds may not be drawn from the contingency/reserve without Commission approval.

The LAFCO budget is funded primarily by the County, cities and independent special districts, with each group paying one-third of the LAFCO expenses. The County pays one-third and 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 June 10, 2020, LAFCO adopted its final FY 2020-21 budget with total appropriations of \$994,882, which includes a \$100,000 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 25% of the fiscal year elapsed, the Commission’s first quarter expenditures are \$102,992 or 10.35% of total appropriations. The Commission budgeted \$387,000 in *salaries/benefits* for FY 2020-21; at the end of the first quarter, actual expenses total \$61,517 or 15.89% of the budgeted amount. The Commission budgeted \$437,882 in *services/supplies*; and at the end of the first quarter, actual expenses total \$41,474 or 9.47%.

The primary sources of revenues are local agency contributions, application fees, and available fund balance. Total revenues received during the first quarter are \$826,144 (including fund balance) or approximately 83% of projected revenues. As of this writing, the following agencies have not remitted their annual payments to LAFCO: City of Richmond, Contra Costa Water District, and Reclamation District (RD) 2122. LAFCO staff is currently working with the Auditor's Office to collect funds from these agencies. The Auditor's Office and LAFCO staff agreed to waive apportionment payments which are less than \$1.00, and have waived payments for RD 2090, RD 2137, and for RD 2117 who reported no revenue to the State Controller's Office.

As for application fees, first quarter FY 2020-21 application activity is slower than FY 2019-20 activity. During the first quarter of FY 2020-21, LAFCO received one new application, and during the first quarter of FY 2019-20 LAFCO received two new applications.

Other revenues include investment earnings through the OPEB trust account, which remains in that account, and fund balance. LAFCO budgets fund balance to offset agency contributions. The FY 2020-21 budget includes \$175,000 in budgeted fund balance.

See table below for a summary of first quarter expenditures and revenues.

Account	FY 2020-21 Final Budget	First Quarter Actuals
Salaries & Benefits	\$ 387,000	\$ 61,517
Services & Supplies	437,882	41,474
Contingency/Reserve	100,000	0
OPEB Trust	40,000	0
CCCERA Pre-Fund	30,000	0
Total Appropriations	\$ 994,882	\$ 102,991
Agency Contributions	\$ 794,882	\$ 647,229
Application/Other Revenue	25,000	3,915
Interest Earnings	-	-
Fund Balance	175,000	175,000
Total Revenues	\$ 994,882	\$ 826,144

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 2020-21 first quarter budget report.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER