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February 9, 2022

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

February 9, 2022
Agenda Item 14

Mid-Year Budget Report - Fiscal Year 2021-22

Dear Members of the Commission:

This is the mid-year budget report for FY 2021-22, which compares adopted and actual expenses and revenues for the period July 1, 2021 through December 31, 2021.

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 9, 2021, LAFCO adopted its final FY 2021-22 budget with total appropriations of \$874,131, which includes an \$80,000 contingency/reserve fund, a contribution of \$25,000 to fund the Other Post-Employment Benefits liability (OPEB), and a contribution of \$30,000 to pre-fund LAFCO’s retirement account with the Contra Costa County Employees’ Retirement Association (CCCERA). Both the OPEB contribution of \$25,000 and the CCCERA pre-fund contribution of \$22,000 were made. The CCCERA contribution was reduced from the \$30,000 budgeted amount to \$22,000 due to a true-up surplus from FY 2020-21.

With 50% of the fiscal year elapsed, the Commission’s total expenditures are \$298,023 or 34% of total appropriations. The Commission budgeted \$380,045 in *salaries/benefits* for FY 2021-22; at the end of the second quarter, actual expenses total \$178,630 or 47% of the budgeted amount. The

Commission budgeted \$359,086 in *services/supplies*; and at the end of the second quarter, actual expenses total \$72,393 or 20% of the budgeted amount.

The primary sources of revenues are local agency contributions, application fees, and available fund balance. Total revenues received during the first half of FY 2021-22 are \$883,416 (including appropriated fund balance) or approximately 101% of estimated revenues. All funding agencies (i.e., County, cities, independent special districts) have remitted their annual apportionments to LAFCO.

Regarding application activity, mid-year 2021-22 application activity is significantly greater than 2020-21 activity. During the first half of FY 2021-22, LAFCO received 11 new applications, and during the first half of FY 2020-21 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 2021-22 budget includes \$175,000 in budgeted fund balance. See table below for a summary of mid-year expenditures and revenues.

Account	FY 2021-22 Final Budget	Mid-Year Actuals
Salaries & Benefits	\$ 380,045	\$ 178,630
Services & Supplies	359,086	72,393
Contingency/Reserve	80,000	0
OPEB Trust	25,000	25,000
CCCERA Pre-Fund	30,000	22,000
Total Appropriations	\$ 874,131	\$ 298,023
Agency Contributions	\$ 674,131	\$ 674,131
Application/Other Revenue	25,000	34,285
Interest Earnings	-	-
Fund Balance	175,000	175,000
Total Revenues	\$ 874,131	\$ 883,416

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 2021-22 mid-year budget report.

Sincerely,

LOU ANN TEXEIRA
 EXECUTIVE OFFICER