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January 13, 2010 (Agenda)

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

Second Quarter Budget Report - Fiscal Year 2009-10

Dear Members of the Commission:

This is the second quarter budget report for FY 2009-10. This budget report compares adopted and actual expenses and revenues through the first six months of the fiscal year.

The LAFCO operating budget comprises three components: salaries/benefits, services/supplies, and contingency/reserve. The budget is based on “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 pro-rated based on general revenues reported to the State Controller’s Office. LAFCO also receives revenue through application fees and interest earnings. The Commission budgets in accordance with prescribed funding sources.

DISCUSSION

On May 13, 2009, LAFCO adopted its final budget for FY 2009-10 totalling approximately \$734,000. With 50% of the fiscal year elapsed, the Commission’s second quarter expenditures are \$220,920 or 30% of approved expenditures.

The Commission has budgeted \$313,671 in *salaries/benefits* in FY 2009-10; and at the end of the second quarter, actual expenses totalled \$128,070 or 41% of the total budgeted amount. The Commission has budgeted \$340,433 in *services/supplies*; and at the end of the second quarter, actual expenses totalled \$42,132 or 27%. The LAFCO budget also includes an \$80,000 contingency; no funds have been drawn from this account.

The primary sources of LAFCO revenues are local agency contributions, application fees and interest earnings. Total revenues for the second quarter are approximately \$585,745, or 80% of projected

revenues. With regard to agency contributions, all local agencies have paid their prorated contributions to the LAFCO budget, with the exception of Reclamation District 2117. With regard to application fees, FY 2009-10 application activity is significantly lower than FY 2008-09 activity. Between July 1 and December 31, 2009, LAFCO has received five new applications; whereas, between July 1 and December 31, 2008, LAFCO received 13 new applications. Also, 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. LAFCO staff will continue to closely monitor the budget.

No budget adjustments are recommended at this time; however, if this situation changes, we will bring the matter to your attention. Please contact the LAFCO office if you have any questions.

RECOMMENDATION

It is recommended that the Commission receive and file this FY 2009-10 second quarter fiscal report.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER