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May 12, 2010 (Agenda)

May 12, 2010
 Agenda Item 12

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

Final FY 2010-11 LAFCO Budget

Dear Members of the Commission:

DISCUSSION

The Contra Costa Local Agency Formation Commission (LAFCO) is responsible for adopting a proposed and final budget each year. The LAFCO budget is jointly funded by the County, cities and special districts, with each group paying one-third of LAFCO's net operating budget.

On March 10, the Commission approved the FY 2010-11 Proposed Budget and Work Plan (available on the LAFCO website at www.contracostalafco.org). The Proposed Budget was subsequently distributed to the County, cities and special districts for their review; no comments were received.

The Final Budget (attached) is similar to the Proposed Budget, and reflects an overall decrease of 4.56% as compared to the FY 2009-10 budget. The decrease is primarily attributable to reductions in Services & Supplies with a decline in applications and related processing costs, and the winding down of municipal service review (MSR) activity. The Final Budget includes several revisions in terms of budget estimates and budget format. In addition, we have updated FY 2009-10 year-end projections to reflect an additional three months of actual expenses and revenues.

Expenditures

Appropriations include employee *Salaries & Benefits*, *Services & Supplies* and a *Contingency* as summarized in the table below. Overall, FY 2010-11 estimated expenditures reflect a decrease of 5.14% as compared to the FY 2009-10 budget.

Salaries & Benefits are expected to increase slightly (1.4%). As compared to the Proposed Budget, the Final Budget shows minor reductions in Workers Compensation and Liability insurance costs, as the insurance provider waived cost of living adjustments. *Services & Supplies* costs are expected to decrease by nearly 9% due to a decline in application activity and related costs, and the winding down of MSR work. The FY 2010-11 budget includes a *Contingency* comparable to FY 2009-10.

Appropriations	FY 2009-10 Adopted Budget	FY 2010-11 Final Budget	Change
Salaries/Benefits	\$313,671	\$318,116	1.40%
Services/Supplies	340,433	312,576	(8.91%)
Other	9,000		
Contingency	80,000	80,000	0%
Total	\$743,104	\$710,692	(4.56%)

In terms of the budget format, at the Commission’s direction, we created separate line items for Commissioner training/registrations and stipends, and have included percentage changes in several of the major budget items as shown in the attached.

Revenues

LAFCO’s funding sources include local agency (i.e., County, cities and independent special districts) contributions, application fees, other revenues (e.g. interest earnings, special projects), and available year-end fund balance as summarized in the table below.

Revenues	FY 2009-10 Adopted Budget	FY 2010-11 Final Budget
Agency Contributions	\$560,783	\$555,575
Application Fees	50,000	34,000
Other	11,000	
Fund Balance	121,321	121,117
Total	\$743,104	\$710,692

Local agency contributions represent the most significant LAFCO revenue source. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CKH Act”) requires that the net operational costs of LAFCO be apportioned one-third to the County, one-third to the cities, and one-third to the independent special districts. Government Code §56381 describes how the County Auditor apportions and collects the revenues following adoption of the Final Budget. The city and district allocations are based on revenues reported to the State Controller and vary year to year.

Application fees and interest earnings are expected to come in below budgeted amounts in the current year due to a decline in application activity and no interest earnings – both of which reflect the current economic climate. During the first three quarters of FY 2009-10, LAFCO received seven new applications, as compared to 17 new applications during the first three quarters of FY 2008-09. We expect this trend to continue in FY 2010-11.

With regard to the available fund balance, Government Code §56381(c) provides “If at the end of the fiscal year, the Commission has funds in excess of what it needs, the Commission may retain those funds and calculate them into the following fiscal year’s budget.” The FY 2009-10 fund balance is currently unknown and will be calculated at year end (typically by September-October). However, based on the beginning year fund balance, and projected FY 2009-10 revenues and expenses, it is estimated that the available fund balance will be in excess of \$100,000. The LAFCO fund balance, or any portion thereof, can be used to offset the FY 2010-11 revenues, thereby reducing the revenues to be collected from the funding agencies; or placed in a reserve account, separate from the contingency that is appropriated each year. The FY 2010-11 budget provides that to the extent

possible, the available fund balance be used to offset FY 2010-11 revenues thereby reducing the cost to the funding agencies.

CONCLUSION

The Commission and LAFCO staff continue to exercise fiscal prudence, and recognize the economic realities of the times and the current constraints on local government. Approval of the Final Budget will enable the Commission to perform its core responsibilities effectively, and to continue work on baseline and second round MSRs/SOI updates.

RECOMMENDATIONS

1. Receive this report and open the public hearing to accept testimony on the Final FY 2010-11 LAFCO Budget,
2. After receiving public comments close the hearing,
3. After Commission discussion, adopt the Final Budget for FY 2010-11, with any desired changes, and authorize staff to distribute the Final Budget to the County, cities and independent special districts as required by Government Code Section 56381.

Respectfully submitted,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachments:

- Final FY 2010-11 LAFCO Budget

**CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
FINAL BUDGET FOR FISCAL YEAR 2010-11**

<u>Account name and number</u>	FY 2009-10 Final Budget (Adjusted)	FY 2009-10 Estimated	FY 2010-11 Final	<u>% Change</u>
Salaries and Employee Benefits				
Permanent Salaries– 1011	\$ 181,845	\$ 181,055	\$ 184,500	
Deferred Comp Cty Contribution - 1015				
FICA- 1042	\$ 12,517	\$ 13,604	\$ 14,114	
Retirement expense- 1044	\$ 56,783	\$ 59,873	\$ 60,407	
Employee Group Insurance- 1060	\$ 36,733	\$ 35,702	\$ 36,228	
Retiree Health Insurance- 1061	\$ 24,278	\$ 19,674	\$ 20,000	
Unemployment Insurance- 1063	\$ 364	\$ 860	\$ 1,149	
Workers Comp Insurance- 1070	\$ 1,151	\$ 1,142	\$ 1,718	
Total Salaries and Benefits	\$ 313,671	\$ 311,910	\$ 318,116	1.40%
Services and Supplies				
Office Expense- 2100 (includes courier service)	\$ 5,000	\$ 4,780	\$ 5,000	
Publications -2102	\$ 300		\$ 300	
Postage -2103	\$ 3,000	\$ 1,526	\$ 3,000	
Communications - 2110	\$ 870	\$ 222	\$ 230	
Tele Exchange Services 2111	\$ 900	\$ 870	\$ 880	
Minor Comp Equipment - 2132	\$ 1,000	\$ 925	\$ 1,000	
Pubs & Legal Notices 2190	\$ 3,500	\$ 1,284	\$ 3,000	
Memberships - 2200	\$ 8,100	\$ -	\$ 8,000	
Rents & Leases - 2250 (copier)	\$ 4,000	\$ 3,445	\$ 4,000	
Bldg Occupancy Costs - 2262	\$ 8,800	\$ 6,491	\$ 7,282	
Auto Mileage Emp. – 2301	\$ 200	\$ 430	\$ 600	
Other Travel Employees – 2303	\$ 8,000	\$ 8,846	\$ 10,000	
Prof & Spec Services – 2310	\$ 248,345	\$ 215,641	\$ 222,247	-11.74%
Contracted Temp Help - 2314 (Web)	\$ 2,040	\$ 2,160	\$ 2,280	
Data Processing Services - 2315	\$ 4,000	\$ 2,134	\$ 2,150	
Data Processing Security - 2326	\$ 156	\$ 126	\$ 78	
Courier - 2331	\$ 2,000		\$ 2,113	
Other Inter-Dept Costs - 2340			\$ 194	
NOD/NOE Filings - 2490	\$ 500	\$ 650	\$ 500	
Liability/E&O Insurance - 2360	\$ 4,622	\$ 4,622	\$ 4,622	
Commission Training/Registration/Stipends - 2467	\$ 35,100	\$ 30,850	\$ 35,100	
Total Services & Supplies	\$ 340,433	\$ 285,002	\$ 312,576	-8.91%
Other Charges				
SOI Initial Study	\$ 9,000	\$ 9,000		
Total Expenditures	\$ 663,104	\$ 605,912	\$ 630,692	-5.14%
Contingency Reserve	\$ 80,000		\$ 80,000	
TOTAL APPROPRIATIONS	\$ 743,104	\$ 605,912	\$ 710,692	-4.56%
Revenues				
Agency contributions - 9500 & 9800	\$ 560,783	\$ 560,758	\$ 555,575	
Application & other revenues	\$ 50,000	\$ 30,567	\$ 34,000	
Interest Earnings	\$ 2,000			
SOI Initial Study	\$ 9,000	\$ 9,000		
Fund Balance	\$ 121,321		\$ 121,117	
TOTAL FINANCE SOURCES & REVENUE	\$ 743,104	\$ 600,325	\$ 710,692	