



Lou Ann Texeira
Executive Officer

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January 11, 2017
 Agenda Item 11

January 11, 2017

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

Second Quarter Budget Report - Fiscal Year 2016-17

Dear Members of the Commission:

This is the second quarter budget report for FY 2016-17, which compares adopted and actual expenses and revenues for the period July 1, 2016 through December 31, 2016.

The LAFCO operating budget includes three components: salaries/benefits, services/supplies, and contingency/reserve/OPEB Trust. 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 11, 2016, LAFCO adopted its final FY 2016-17 budget with total appropriations of \$893,733, which includes an \$80,000 contingency/reserve fund and an annual contribution of \$40,000 to fund the Other Post-Employment Benefits (OPEB) liability.

With 50% of the fiscal year elapsed, the Commission’s second quarter expenditures are \$330,655 or 37% of total appropriations. The Commission budgeted \$403,257 in *salaries/benefits* for FY 2016-17; at the end of the second quarter, actual expenses total \$167,887 or 42% of the total budgeted amount. The Commission budgeted \$370,476 in *services/supplies*; and at the end of the second quarter, actual expenses total \$122,768 or 34%. The \$40,000 payment toward the OPEB liability was made and is reflected in the second quarter budget report; no funds have been expended from the contingency/reserve fund.

The primary sources of revenues are local agency contributions, application fees, and interest earnings. Total revenues received through the second quarter are \$886,877 (including fund balance) or 99% of projected revenues. All local agencies have paid their prorated contributions to the LAFCO budget.

As for application fees, FY 2016-17 application activity is double FY 2015-16 activity. Through the second quarter of FY 2016-17, LAFCO received two new applications; and through the second quarter of FY 2015-16, one new application was received.

LAFCO is currently receiving no investment earnings, and awaits the County Treasurer's notice to resume investment activity based on market conditions.

Finally, when available, we budget fund balance to offset agency contributions. The FY 2016-17 budget includes \$150,000 in budgeted fund balance. See table below for a budget summary.

Account	FY 2016-17 Final Budget	Second Quarter Actuals
Salaries & Benefits	\$403,257	\$167,887
Services & Supplies	370,476	122,768
Contingency/Reserve	80,000	0
OPEB Trust	40,000	\$ 40,000
Total Appropriations	\$893,733	\$330,655
Agency Contributions	\$723,733	\$ 723,733
Application/Other Revenue	20,000	13,144
Interest Earnings	-	-
Fund Balance	150,000	150,000
Total Revenues	\$893,733	\$886,877

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 2016-17 second quarter budget report.

Sincerely,

LOU ANN TEXEIRA
 EXECUTIVE OFFICER