

June 4, 2003

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: FY 2003-04 Final Budget

RECOMMENDATION

1. Adopt the FY 2003-04 Final Budget Appropriation in the amount of \$625,000. This figure represents a reduction of approximately twenty-five (25) percent from last year's budget.

Total Appropriation: \$625,000

Funding Sources:

Project Revenue \$20,000

Interest 5,000

Carry Over/Fund Balance \$105,000

Share of Cost \$495,000

Total Funds \$625,000

2. Allocate \$53,000 of estimated year end carryover for FY 2002-03 to special districts, except SMUD, to offset implementation of AB 1948. [Note: This is a one-time transition amount.]

3. Adopt the share of cost schedule for FY 2003-04 set forth below:

Cities \$165,000

County of Sacramento \$165,000

Special Districts \$165,000

Total \$495,000

This schedule represents an increase of \$60,000, or fourteen percent (14%), in share of cost over FY 2002-03.

4. Approve FY 2003-04 special district share of cost allocation adjustment as follows:

Special Districts Share of Cost \$165,000

SMUD Share (50%) \$ 82,500

All Other Districts \$ 82,500

Less Share of Cost Stabilization Account Reserve \$ 53,000

Adjusted Special Districts Share of Cost \$ 29,500

5. Establish Work Plan Priorities for FY 2003-04.

DISCUSSION

Staff presented a draft Budget for FY 2003-04 on March 5, 2003 and a revision on April 29, 2003. The budget presented on March 5th was the same amount as that of the FY 2002-03 budget [\$820,000]. On April 29, 2003, the proposed budget included a reduction of approximately ten (10) percent for total appropriations of \$740,000.

In light of the State and local budget short falls projected, staff was directed to further review last year's actual expenditures and FY 2002-03 year end estimates and make further reductions, if possible.

As a result of this effort, staff's recommendation is a final budget of \$625,000 for FY 2003-04, together with a revised fee schedule and work plan.

WORK PLAN

Adoption of the FY 2003-04 Budget will result in a work plan that will focus on priorities established by the Commission. Staff recommends that priority be given to any application submitted by proponents/applicants; followed by policy development, and finally by mandated Municipal Service Reviews and Sphere of Influence Updates. Staff will attempt to work on Municipal Service Reviews and Sphere of Influence Updates that are not likely to require special reports, or use of consultants. However, staff recognizes the need that work should commence on Sphere of Influence Updates for cities which may be more complex. The attached work plan attempts to balance the most pressing priorities until state and local budgets improve.

AMENDED FEE SCHEDULE

The Proposed Amended Fee Schedule for FY 2003-04 is proposed for discussion under Agenda Item No. 7 (separate memorandum). The proposed fee schedule reflects a fee recovery policy for proponent initiated projects.

PROPOSED FY 2003-04 FINAL BUDGET

FY 2003-04 Budget Appropriation

Salary and Benefits \$325,000
Commission Salaries \$ 9,000
Legal Fees \$ 60,000
Other Professional Services \$ 25,000
Rent and Utilities \$ 57,000
Xerox Copier \$ 20,000
Computers/ Website Maintenance \$ 25,000
Books, Periodicals \$ 500
Education/ Training \$ 1,000

Insurance \$ 11,000
Audit \$ 10,000
Security \$ 3,500
Conference/ Business Travel \$ 7,500
Cable Broadcast \$ 6,000
Office Supplies \$ 7,500
Telephone \$ 6,000
CALAFCo Membership \$ 2,070
Printing \$ 3,600
Mail/ Messenger \$ 2,500
Public Notices \$ 8,000
Public Works \$ 4,000
Maps/ Cartography \$ 5,000
County Stores \$ 830
General Contingency \$ 25,000
TOTAL \$625,000

FUNDING

The County, cities and independent special districts are now required to fund the net cost of LAFCo operations. Each category is required to contribute one-third of the total net cost.

The net cost of LAFCo can vary from year to year for many different reasons. For example, annual costs are offset by revenues, interest earnings and fund balance. In the past, fund balance or savings carry over has been used to finance the next year's budget. This, in essence, reduces the share of cost contributions. Even though expenditures remain the same, or are even reduced, the share of cost may increase, or change from year to year depending upon carry over.

Estimate Year End Carryover/ Fund Balance for FY 2002-03

The total year end carryover/ fund balance is estimated to be \$158,000.

Beginning Fund Balance \$240,000
Contributions \$435,000
Interest Earnings \$ 7,000
Project Revenue \$ 12,000
Total Funds \$694,000

Actual Expenses to May 13, 2003 \$358,225
Projected Year End Expenditures \$177,775
Projected Fund Balance \$158,000
Special District Reserve \$ 80,000
Undesignated Fund Balance \$ 78,000

Total Fund Balance \$158,000
Special Districts Stabilization Account \$ 53,000
Unrestricted Fund Balance \$105,000

Summary of Funding Sources for FY 2003-04

Projected Revenue \$ 20,000
Interest \$ 50,000
Carryover \$105,000
Share of Cost \$495,000
Total Funds \$625,000

In the event actual carryover is lower than projected, it may be necessary to make a mid-year budget adjustment. Carryover/ fund balance will be available in late July.

SPECIAL DISTRICT SHARE OF COST STABILIZATION

Last year, the budget was approved with \$80,000 set aside for share of cost stabilization pending adoption of AB 1948. AB 1948 capped SMUD's contribution at 50 percent versus 80 percent. The purpose of this account was for a one-time transition fund for special districts which contribute to LAFCo's budget to off set the impact of this legislation.

The 1/3 share of cost for FY 2003-04 for special districts is estimated to be \$165,000. The share of cost has increased approximately fourteen percent (14%) above last year's assessment.

Proposed Special District Allocation for FY 2003-04

Special District 1/3 Share of Cost \$165,000
SMUD's Share of Cost (50%) \$ 82,500
Share of Cost for All Other Special Districts \$ 82,500
Less Reserve \$ 53,000
Adjusted Share of Cost for all other Special Districts \$ 29,500

The share of cost for special districts, except SMUD, in FY 2002-03 was \$26,685. This year's adjusted allocation results in an increase of \$2,815 for all districts except SMUD. This is an increase of ten and one-half (10.5%) for all special districts. Without the special adjustment, the assessment for all special districts, except SMUD, would have been 209% higher, or \$55,815 greater.

The share of cost for all special districts, except SMUD, will likely increase significantly next year because this adjustment is a one-time adjustment.

As a result of AB 1948, SMUD's allocation went from \$118,365 to \$82,500, or a savings of \$35,865. SMUD's assessment has decreased by approximately thirty percent (30%).

Only fifty-three thousand dollars, \$53,000, of the \$80,000 stabilization account will be used to offset assessments to special districts resulting from implementation of AB 1948. The remaining portion, or \$27,000 will be added back to fund balance/ carryover to benefit all contributing agencies.

Fund Balance/ Carryover: \$105,000

The undesignated portion of the projected carryover (\$105,000) for FY 2002-03 will be used to fund the FY 2003-04 budget. This portion of the fund balance equally benefits the County of Sacramento, cities and special districts. The County of Sacramento does not want to set aside any of the fund balance for a future share of cost stabilization account because the County has projected a significant budget short fall for FY 2003-04.

In previous years, LAFCo has used fund balance, or carryover, to fund the next year's budget. This reduces the share of cost assessment for all affected agencies. **Because of the budget crisis for cities and the County, I do not recommend at this time that your Commission set up a reserve account for the purpose of future share of cost stabilization for contributing agencies. However, when funding improves, it may be prudent to set up reserves for this purpose.**

PB:Maf
(FY 2003-04 Final Budget)