

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street, Suite #100
Sacramento, California 95814
(916) 874-6458

May 4, 2011

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer
RE: **FY 2011-12 Final Budget**

RECOMMENDATION

Adopt the attached Budget Resolution approving the FY 2011-12 Final Budget with total Appropriations of \$1,227,000.

DISCUSSION

This report outlines the FY 2011-12 Final Budget based on the best available information. LAFCo must adopt the Proposed Budget by May of each year and a Final Budget by June 15th. The Final Budget is based on an estimated Fund Balance by projecting year-end expenditures and revenues. Every attempt is made to accurately estimate Fund Balance because it is used as a base funding source for the following year's budget.¹

The FY 2011-12 Final Budget reflects cost reductions discussed in this report. Nominal cost increases represent Cost-of-Living Adjustments and/or increases in allocated costs paid by LAFCo for support services provided by the County of Sacramento.

Salary and Benefit increases are based on policies and practices implemented by the County of Sacramento and City of Sacramento. These costs are determined by the respective agencies and LAFCo has no control over these cost increases. There is no cost of living or equity adjustments for employees other than changes to benefit costs such as retirement, insurance, social security, and other similar benefit costs.

The Final Budget includes reductions to several of the Service and Supply Accounts as discussed in this report.

¹ The final Fund Balance will not be available from the County Auditor until late July or early August. Staff will report back to the Commission in August or September after the Year-End Fund Balance is available to advise the Commission if any adjustments are required.

LAFCo complies with County of Sacramento and City of Sacramento Budget Policies that may be implemented in light of the current economic conditions.²

Summary FY 2011-12 Proposed Budget

Appropriations	\$1,227,000
Funding Sources	
Project Revenues	400,000
Assessments	686,500
Fund Balance-General	120,500
Miscellaneous Project Revenue	15,000
Interest Earnings	<u>5,000</u>
Total Revenue and Assessments	\$1,227,000

LAFCo Funding Sources

LAFCo’s Budget is primarily funded from assessments from contributing agencies, Fund Balance, and project revenue. Project revenue can vary from year to year. The table below summarizes the estimated revenue and funding sources for FY 2011-12:

Summary of Revenue Sources		
Source	Amount	Percent
Fund Balance	\$120,500	9.9%
Interest	5,000	.1%
Assessments	686,500	56.2%
Project Revenue	<u>415,000</u>	<u>33.8%</u>
Total Base Budget	\$1,227,000	100.0%

Fund Balance or carryover is used to help fund next year’s budget. Historically, fund balance has averaged about \$100,000 to \$120,000 for the last several years. Fund Balance is dependent on cost savings and/or revenues in excess of revenue budgeted.

Affected Agency Assessment

The proposed budget assumes no assessment increase. Total contributions from other affected agencies will remain at \$686,500, the same as the last four (4) years. LAFCo’s

² Note: Proposed Salary and Benefit increases may be adjusted based on implementation of furlough and COLA adjustments based on County and City Budget Policies.

contribution from the cities, county, and special districts is \$228,833 for each category or 1/3 each. The cities and special districts allocation is calculated as a percentage of their revenue compared to the total revenue for their category. Consequently, individual assessments for each affected agency may vary from year to year, however, the 1/3 share in the amount of \$228,833 will not change next fiscal year. This calculation is pursuant to State law [GC 56381] and uses the most recent State Controller's Report for Cities and Special Districts to make the assessment allocation to each affected agency.

Issues to be Considered for Final Budget

Cost of living adjustments for salary and benefits are based on city and county policies for the respective employees. (Note: LAFCo contracts with the city and county for staff). Currently, the County and City are not proposing COLA or equity increases for Salaries.

The County and City Policies may change during their budget deliberations. Therefore, adjustments will be made based on any future changes adopted by the County Board of Supervisors and City Council related to employee salaries and benefits.

Summary of Reserves, Year End Fund Balance Estimate, Revenues and Expenditures for current FY 2010-11 Budget

Estimated Fund Balance (6-30-10)

Fund Balance (Undesignated)	\$120,500
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Currently the Year-End Balance is estimated to be \$120,500 which is estimated to be \$2,500 greater than last year. This may be optimistic and it will be adjusted for the Final Budget based on actual information. The actual Year-End Fund Balance is not available until late July. If fund balance is greater than estimated the amount of reserves that will be needed will be less, on the other hand, if fund balance is lower then it will be necessary to transfer funds from reserves.

General Fund Reserves (6-30-10)

Balance (5-4-10)	\$113,562
Increase (9-1-10)	<u>107,371</u>
Reserve Balance (7-1-2010)	\$246,621

Currently, the Commission General Reserve Fund Balance is \$246,621. This amount has been set aside for unanticipated expenditures, revenue shortfalls and/or litigation. These funds cannot be spent without Commission approval. At this time, it may be necessary to reduce reserves if the FY 2010-11 year-end fund balance is not sufficient to cover the FY 2011-12 Appropriations. Note: Also, approximately \$50,000 in General Reserves may be needed to cover a late invoice for FY 2009-10 as reported in the September 1, 2010 Budget Update provided to the Commission.

FY 2011-12 Final Budget

The attached budget summarizes the FY 2011-12 Final Budget. No significant changes are proposed for the base budget. Project revenue and project expenses are based on anticipated projects for FY 2011-12. The project costs are estimates and could change as would the revenue estimates when additional information becomes available.

Summary of Budget Changes

Salary and Benefits

Salary and Benefits do not include and COLA or equity adjustments pursuant to the County of Sacramento and City of Sacramento Personnel Budget Reports. LAFCo staff is either employees of the County of Sacramento or City of Sacramento. Salary and Benefit adjustments are determined by the respective agencies i.e. either the approval of the Sacramento City Council or County Board of Supervisors. Minor increases represent changes in benefit costs such as medical insurance premiums, retirement contributions, increased employer share of social security taxes, etc.

Estimated Increase: \$5,000 for insurance, retirement, social security, etc.

Service and Supply Accounts

It is estimated that service and supply accounts will *decrease* by approximately \$35,250 from last year's base budget attributable to the following changes in allocated costs and office lease cost. This reduction is partially offset by salary and benefit changes and an increase in contingencies in the amount of \$11,500.

The following table summarizes the net change from last year's budget to the proposed budget. The *net decrease* in the Proposed Budget is estimated to be \$18,750 as shown on the following table based on current information.

Summary of Budget Changes	
Salary and Benefits	\$5,000
Service and Supply Reductions	(35,250)
Contingency	11,500
Net Budget Reduction	\$(18,750)

The County allocated cost of \$7,500 is a new charge this year. The County of Sacramento is charging administrative overhead to LAFCo for safety, personnel services, countywide information and technology, purchasing and stores costs based on a FTE basis.

We are also proposing to eliminate alarm services and messenger services provided by the County of Sacramento. In addition, the office lease is currently being renegotiated. There will be a reduction in lease costs, however, the amount has not been finalized or approved by the Commission. It is anticipated that the proposed lease will be presented to the Commission in the next couple of months.

Detail of Budget Changes Between FY 2010-11 and FY 2011-12	
Salary and Benefits	\$5,000
County Allocated Cost	7,500
Audit Fees	(5,000)
Countywide IT Services	1,700
System Dev and Web	(8,000)
IT Maintenance	(500)
WAN Network	300
Security Alarm	(2,500)
Printing	(750)
Messenger Service	(2,700)
P/W Support	(600)
Office Lease	(18,700)
Telephone	(6,000)
Contingencies	<u>11,500</u>
Total Net Decrease	\$(18,750)

Contract Costs and Revenue

LAFCo contracts for legal, environmental and surveyor services. All contracts include both reimbursable and non-reimbursable expenses. The reimbursable expenses are related to project and/or applications. The non-reimbursable expenses do not relate to specific projects or applications and reflect the on-going costs of operating an independent LAFCo.

The following contract amounts represent non-reimbursable expenditures. These accounts have not increased in several years and remain the same as previous years. For example, legal expenditures may include charges for legal opinions that may be requested by Commissioners, general legal advice, and information that is needed that is not related to a specific project.

Non-Project

Legal	\$60,000
Environmental Services	20,000
Surveyor	<u>0</u>
Total Net Cost	\$80,000

Contingencies

The Final Budget recommends that \$31,500 be budgeted in contingencies to offset unanticipated expenses or revenue shortfalls that may occur during the budget year. This amount has been increased by \$11,500 from previous years. The estimated savings in the office lease expense will be used to increase contingencies. If it is not needed it is a savings that contributes to year-end carryover and Fund Balance.

Summary of Project Costs and Revenues

The following table highlights possible projects that may commence in the next fiscal year. The estimated cost of these projects will be entirely offset by revenue. These costs are estimates and could be either higher or lower.

Estimated Project Costs

City of Elk Grove SOIA	\$250,000
Folsom Annexation	60,000
Cordova Hills	30,000
Greenbriar Litigation	20,000
Project Contingency	<u>40,000</u>
Total	\$400,000

Estimated Project Revenue

Project Fees and Revenue	<u>\$400,000</u>
Total	\$400,000

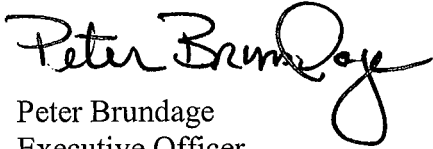
Operating Efficiencies

Staff continues to review overall expenditures and evaluate all cost savings opportunities. Currently, staff is negotiating a lease renewal. The lease expires during September, 2011. The proposed lease will be presented to the Commission for approval setting forth the proposed terms and conditions. It is anticipated there will be a cost savings associated with the renewal.

Conclusion and Recommendation

Based on the estimated year-end Fund Balance, the FY 2011-12 Preliminary Proposed Budget is balanced. However, it may be necessary to take money from reserves to offset any Year-End Fund Balance shortfall. Staff recommends that the Commission adopt the FY 2011-12 Final Budget.

Respectfully Submitted,

A handwritten signature in black ink that reads "Peter Brundage". The signature is written in a cursive style with a large, looping "y" at the end.

Peter Brundage
Executive Officer

Attachment
(FY 2011-12 Final Budget June, 2011)

Government Code 56381 - Statutory Funding Formula and Budget Process

56381. (a) The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter. The commission shall transmit its proposed and final budgets to the board of supervisors, to each city, and to each independent special district.

(b) After public hearings, consideration of comments, and adoption of a final budget by the commission pursuant to subdivision (a), the auditor shall apportion the net operating expenses of a commission in the following manner:

(1) (A) In counties in which there is city and independent special district representation on the commission, the county, cities, and independent special districts shall each provide a one-third share of the commission's operational costs.

(B) The cities' share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of cities representing the majority of the combined cities' populations.

(C) The independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. Except as provided in subparagraph (D), an independent special district's total revenue shall be calculated for non-enterprise activities as total revenues for general purpose transactions less revenue category aid from other governmental agencies and for enterprise activities as total operating and non-operating revenues less revenue category other governmental agencies, as reported in the most recent edition of the "Special Districts Annual Report" published by the Controller, or by an alternative method approved by a majority of the agencies, representing a majority of their combined populations. For the purposes of fulfilling the requirement of this section, a multicounty independent special district shall be required to pay its apportionment in its principal county. It is the intent of the Legislature that no single district or class or type of district shall bear a disproportionate amount of the district share of costs.

(D) (i) For purposes of apportioning costs to a health care district formed pursuant to Division 23 (commencing with Section 32000) of the Health and Safety Code that operates a hospital, a health care district's share, except as provided in clauses (ii) and (iii), shall be apportioned in proportion to each district's net from operations as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development, as a percentage of the combined independent special districts' net operating revenues within a county.

(ii) A health care district for which net from operations is a negative number may not be apportioned any share of the commission's operational costs until the fiscal year following positive net from operations, as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development.

(iii) A health care district that has filed and is operating under public entity bankruptcy pursuant to federal bankruptcy law, shall not be apportioned any share of the commission's operational costs until the fiscal year following its discharge from bankruptcy.

(iv) As used in this subparagraph "net from operations" means total operating revenue less total operating expenses.

(E) Notwithstanding the requirements of subparagraph (C), the independent special districts' share may be apportioned by an alternative method approved by a majority of the districts, representing a majority of the combined populations. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs

(C) and (D), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(F) Notwithstanding the requirements of subparagraph (C), no independent special district shall be apportioned a share of more than 50 percent of the total independent special districts' share of the commission's operational costs, without the consent of the district as otherwise provided in this section. In those counties in which a district's share is limited to 50 percent of the total independent special districts' share of the commission's operational costs, the share of the remaining districts shall be increased on a proportional basis so that the total amount for all districts equals the share apportioned by the auditor to independent special districts.

(2) In counties in which there is no independent special district representation on the commission, the county and its cities shall each provide a one-half share of the commission's operational costs. The cities' share shall be apportioned in the manner described in paragraph (1).

(3) In counties in which there are no cities, the county and its special districts shall each provide a one-half share of the commission's operational costs. The independent special districts' share shall be apportioned in the manner described for cities' apportionment in paragraph (1). If there is no independent special district representation on the commission, the county shall pay all of the commission's operational costs.

(4) Instead of determining apportionment pursuant to paragraph (1), (2), or (3), any alternative method of apportionment of the net operating expenses of the commission

may be used if approved by a majority vote of each of the following: the board of supervisors; a majority of the cities representing a majority of the total population of cities in the county; and the independent special districts representing a majority of the combined total population of independent special districts in the county. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D) of paragraph (1), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(c) After apportioning the costs as required in subdivision (b), the auditor shall request payment from the board of supervisors and from each city and each independent special district no later than July 1 of each year for the amount that entity owes and the actual administrative costs incurred by the auditor in apportioning costs and requesting payment from each entity. If the county, a city, or an independent special district does not remit its required payment within 60 days, the commission may determine an appropriate method of collecting the required payment, including a request to the auditor to collect an equivalent amount from the property tax, or any fee or eligible revenue owed to the county, city, or district. The auditor shall provide written notice to the county, city, or district prior to appropriating a share of the property tax or other revenue to the commission for the payment due the commission pursuant to this section. Any expenses incurred by the commission or the auditor in collecting late payments or successfully challenging nonpayment shall be added to the payment owed to the commission. Between the beginning of the fiscal year and the time the auditor receives payment from each affected city and district, the board of supervisors shall transmit funds to the commission sufficient to cover the first two months of the commission's operating expenses as specified by the commission. When the city and district payments are received by the commission, the county's portion of the commission's annual operating expenses shall be credited with funds already received from the county. 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. If, during the fiscal year, the commission is without adequate funds to operate, the board of supervisors may loan the commission funds. The commission shall appropriate sufficient funds in its budget for the subsequent fiscal year to repay the loan.

56381.6. (a) Notwithstanding the provisions of Section 56381, for counties whose membership on the commission is established pursuant to Sections 56326, 56326.5, 56327, or 56328, the commission's annual operational costs shall be apportioned among the classes of public agencies that select members on the commission in proportion to the number of members selected by each class. The classes of public agencies that may be represented on the commission are the county, the cities, and independent special districts. Any alternative cost apportionment procedure may be adopted by the commission, subject to a majority affirmative vote of the commission that includes the affirmative vote of at least one of the members selected by the county, one of the members selected by the cities, and one of the members selected by districts, if special districts are represented on the commission.

(b) Allocation of costs among individual cities and independent special districts and remittance of payments shall be in accordance with the procedures of Section 56381. Notwithstanding Section 56381, any city that has permanent membership on the commission pursuant to Sections 56326, 56326.5, 56327, or 56328 shall be apportioned the same percentage of the commission's annual operational costs as its permanent member bears to the total membership of the commission, excluding any public members selected by all the members. The balance of the cities' portion of the commission's annual operational costs shall be apportioned to the remaining cities in the county in accordance with the procedures of Section 56381.

Sacramento Local Agency Formation Commission

Final Budget FY 2011-12 (June, 2011)

Base Budget with Projects

Acct	Description	Final Budget 10-11	Proposed Budget 11-12	Change Increase/(Decrease)
Salary and Benefit Accounts				
1000	Total Salaries & Benefits	475,000	480,000	5,000
1005	Secretary Part time	42,000	42,000	0
1124	Commission Reimbursement	9,000	9,000	0
1240	Worker's Comp	500	500	0
1250	Unemployment	0	0	0
Total 1000's Account		526,500	531,500	5,000
Service and Supply Accounts				
2005	Advertising-public notice, meetings etc.	7,500	7,500	0
2022	Periodicals, Books, Subs	2,000	2,000	0
2029	Business & Conf Expenses	12,000	12,000	0
2035	Education/Training	2,200	2,200	0
2039	Employee Transportation	200	200	0
2051	Liability Insurance for Commission	7,000	7,000	0
2061	Membership CaLAFCo Dues	7,250	7,250	0
2076	Office Supplies	8,000	8,000	0
2081	Postage	5,000	5,000	0
2275	Rents/Leases Equipment-Copier	18,000	18,000	0
2505	Accounting/Audit Fees	10,000	5,000	(5,000)
2531	Legal Costs projects	0	0	0
2531	Legal-General	60,000	60,000	0
2591	Other Professional Services	30,000	30,000	0
2591	Incorporation Studies	0	0	0
2591	Misc Billable Project	400,000	400,000	0
2910	County Wide IT Servcies	0	1,700	1,700
2911	System Dev Sve Web & Desktop Supp	25,000	17,000	(8,000)
2912	System Dev Sup Maintenance	1,000	500	(500)
2916	WAN Wide Area Network	4,200	4,500	300
2917	Security Alarm Monitoring	2,500	0	(2,500)
2921	Printing Services/Duplication	3,000	2,250	(750)
2923	GS Messenger Services	2,700	0	(2,700)
2926	GS Stores	1,000	1,000	0
2934	P/W Charges	8,000	7,400	(600)
2943	Lease Facility Charges	67,200	48,500	(18,700)
2987	Telephone	10,000	4,000	(6,000)
2990	GS Other Dept Svc	500	500	0
2995	County Allocated Costs	0	7,500	7,500
Total 2000's Account		694,250	659,000	(35,250)
7900	Contingency Base	25,000	36,500	11,500
7901	Contingency Surplus	0	0	0
	General Purpose Reserve	0	0	0
Total Contingency		25,000	36,500	11,500
Total Appropriations and Contingency		1,245,750	1,227,000	(18,750)
Less: Project Revenue-Variou				
		15,000	15,000	0
Revenue Reimbursement-Projects				
		400,000	400,000	0
Interest Earnings				
		5,000	5,000	0
Fund Balance/Carryover				
		118,000	120,500	2,500
Fund Balance restricted for Arden Arcade				
		0	0	0
Reserve or Fund Balance Betterment-Adjustment				
		0	0	0
Assessments from Contributing Agencies				
		686,500	686,500	0
Incorporation Revenue from Proponents				
		0	0	0
Total Funding		1,224,500	1,227,000	2,500
Estimated Surplus/Shortfall		(21,250)	0	21,250

RESOLUTION NO. LAFC 2011-11-0601-00-00

THE SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

**RESOLUTION APPROVING THE
FISCAL YEAR 2011-12 FINAL BUDGET**

WHEREAS, the Sacramento Local Agency Formation Commission has conducted a public hearing on May 4, 2011, during which all additions and deletions amending the Final Budget for Fiscal Year 2011-2012 (FY 2011-12) were considered and made.

WHEREAS, in accordance with Government Code Section 56381, that the Final Budget for FY 2011-12 is hereby adopted in accordance to the following:

(1)	Salaries and Employees Benefits	\$ 9,500
(2)	Services and Supplies	\$1,192,500 ¹
(3)	Other Charges	-0-
(4)	Fixed Assets	
	(A) Land	-0-
	(B) Structures and Improvements	-0-
	(C) Equipment	-0-
(5)	Expenditure Transfers	-0-
(6)	Contingencies	\$ 25,000
(7)	Provision for Reserve Increases	\$ 0
	TOTAL BUDGET REQUIREMENTS	\$1,227,000
	TOTAL FUNDING	\$1, 227,000

WHEREAS, the FY 2011-12 Budget is subject to any salary and benefit changes made by the County Board of Supervisors and Sacramento City Council during their budget deliberations. LAFCo contracts with City and County staff. These positions are subject to salary and benefits which are approved by the respective agencies;

WHEREAS, that means of financing the expenditures program will be by monies derived from Revenue, Fund Balance Available, and Contributions from Affected Agencies in the amount of \$1, 227,000.

NOW THEREFOR, BE IT RESOLVED that the Final Budget for FY 2011-12 be and is hereby adopted with the listed attachments which show in detail the approved appropriations subject to limitations attached hereto and by reference made a part hereof.

¹ Includes reimbursement to City and County of Sacramento for Reimbursements of Salary and Benefits for Executive Officer, Assistant Executive Officer and Commission Clerk.

ON A MOTION made by Commissioner _____ seconded by Commissioner _____
the foregoing Resolution No. LAFC **2011-11-0601-00-00** was adopted by the
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION, on this **1st day of**
June 2011, by the following vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

By:

Christopher Tooker, Chair
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

ATTEST:

Diane Thorpe
Commission Clerk