

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street #100
Sacramento, California 95814
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September 1, 2004

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer
RE: FY 2004-05 Budget Report

RECOMMENDATION

1. Review annual assessments for LAFCo contributing agencies.
2. Review LAFCo Revenue and Expenditure Reports:
 - a. FY 2003-04 (Period 13)
 - b. FY 2004-05 (Period 1)
3. Review FY 2004-05 Revised Final Budget.
4. Direct the Executive Officer to either use the surplus carryover to reduce the FY 2005-06 assessment from contributing agencies or refund the \$68,000 carryover to contributing agencies this year.
5. If a refund is not to be issued, adopt the Resolution Amending the FY 2004-05 Budget and increase the Contingency Fund by \$68,178 for a Total FY 04-05 Final Appropriation of: \$749,178.

DISCUSSION

Annual Assessments

Annual Assessments for each of the agencies that contribute to LAFCo's budget is attached for your information. All agencies have been invoiced for FY 2004-05. The annual assessments have been approved by the Auditor-Controller.

FY 2003-04 Year End Analysis

FY 2003-04 year-end actual revenue and expenditures compared to budget are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning Fund Balance 7/1/03	\$105,000	\$174,828	\$69,828
+ Revenues	\$520,000	\$566,913	\$46,913
- Expenses	<u>(625,000)</u>	<u>(559,563)</u>	<u>\$65,437</u>
Ending Fund Balance 6/30/04	-0-	\$182,178	\$182,178

Summary of FY 2003-04 Year End Fund Balance Variance

Actual Fund Balance 6/30/04	\$182,178
Less Estimated Year End Fund 6/30/04	<u>(114,000)</u>
Variance	\$ 68,178

Budget History

Expenditures, Revenue & Fund Balance

	<u>Actual</u> <u>FY 00-01</u>	<u>Actual</u> <u>FY 01-02</u>	<u>Actual</u> <u>FY 02-03</u>	<u>Actual</u> <u>FY 03-04</u>	<u>Adopted</u> <u>Budget</u> <u>FY 04-05</u>
Beginning Fund Balance		\$120,306	\$244,428	\$174,828	\$114,000
Revenue		\$ 35,946	\$ 45,147	\$ 71,913	\$ 22,500
Contributions		\$704,227	\$435,150	\$495,000	\$544,500
Expenses		<u>(616,051)</u>	<u>(549,897)</u>	<u>(559,563)</u>	<u>(681,000)¹</u>
Ending Fund Balance	\$120,306	\$244,428	\$174,828	182,178	-0-

¹ Includes \$61,000 for Reserve and Contingencies.

Three-Year Average
Revenue, Contributions & Expenditures

	<u>Average</u>	<u>FY 2004-05</u> <u>Budget</u>
Revenue	\$51,000	\$22,500
Contributions	\$544,792	\$544,500
Expenditures	<u>(575,170)</u>	<u>(620,000)</u> ²
Average Variance	\$ 20,624	(\$53,000)

FY 2003-04 Fund Balance

The year end fund balance on June 30, 2004 was \$182,178. The estimated year-end fund balance was projected to be \$114,000. This variance represents an increase of \$68,178. The variance amount is surplus, above the FY 2004-05 budget requirement.

It appears that most of the significant year end expenses were expended during the FY 2003-04 budget year. Expenses for FY 2003-04 that were submitted to the Auditor's Office after June 30, 2004 will be paid from this year's budget. These year end expenses do not appear to be extensive. As a result, the year end fund balance increase of \$68,000 appears to be a surplus.

FY 2004-05 REVISED FINAL BUDGET
SUMMARY

<i>Total Funding</i>	<i>\$749,178</i>
<i>Less:</i>	
<i>Base Contingency</i>	<i>(\$25,000)</i>
<i>General Reserve</i>	<i>(\$36,000)</i>
<i>Surplus Contingency</i>	<i><u>(\$68,178)</u></i>
<i>Total Available for Expenditures</i>	<i>\$620,000</i> ³

² Excludes \$36,000 set aside for Reserve and \$25,000 set aside for Contingencies.

³ Three year average Expenditures: \$575,000.

The FY 2004-05 Revised Final Budget provides expenditure authority in the amount of \$620,000.

The Base Contingency of \$25,000 provides funds to meet unexpected cost overruns, primarily related to projects, during any given year.

In addition, the Commission established a General Purpose Reserve of \$36,000. This Reserve sets aside money for unavoidable liabilities (litigation, payment of vacation upon retirement or termination, etc.).

The Surplus Contingency of \$68,178 is the result of surplus year end carryover for FY 2003-04. **This amount is not needed for FY 2004-05 expenditures.** The Commission has at least three options related to this surplus:

- (1) Use Surplus Contingency to reduce assessments to contributing agencies for FY 2005-06.
- (2) Refund Surplus Contingency to contributing agencies for FY 2004-05.
- (3) Increase General Purpose Reserve by all or a portion of the Surplus carryover.

If refunds are not issued, adopt the Revised Final Budget Appropriation of \$749,178 and increase Contingencies by \$68,178, or to \$93,178. **The increase of \$68,178 will be used in FY 2005-06 to lower annual assessments,** as set forth in the next section.

Financial Impacts of Surplus on Contributing Agency Assessments

The \$68,000 Surplus represents a savings of approximately 12.5 percent for each agency. The following table illustrates how surplus carryover would be reallocated and illustrates the impact on FY 2004-05 budget contributions and/or refund option:

	<i>Total Surplus</i>		<i>\$68,000</i>
	<i>1/3 Share of Surplus</i>		<i>\$22,600</i>
Overall Percent Reduction:	$\$68,000 / \$544,500$	=	12.5%
Overall Revised Contribution:	$\$544,500 - \$68,000$	=	\$476,500

County of Sacramento Contribution:	Before	\$181,500
	Adjustment	<u>(22,600)</u>
	After	\$158,900

Revised Cities' Contributions: \$158,900

City of Sacramento Contribution:	Before	\$90,750
	Adjustment	<u>(11,300)</u>
	After	\$79,450

Cities of Folsom, Isleton, Galt Citrus Heights, Elk Grove, and Rancho Cordova Contribution:	Before	\$90,750
	Adjustment	<u>(11,300)</u>
	After	\$79,450 [Total]

Revised Special Districts' Contributions: \$158,900

SMUD Contribution:	Before	\$90,750
	Adjustment	<u>(11,300)</u>
	After	\$79,450

All Other Special District Contributions:	Before	\$90,750
	Adjustment	<u>(11,500)</u>
	After	\$79,450 [Total]

Basically, the \$68,000 surplus carry over represents approximately a 12.5 percent reduction to each contributing agency. **I recommend that the surplus be used to offset next year's assessment for each contributing agency.** The surplus will be added to the contingency account so that it cannot be expended without Commission action.

FY 2004-05 Revenue and Expenditure Report

The revised Final Budget and the Revenue and Expenditures Report for Period 1 is attached for your review. There are no variances to report at this time. The Period 13 (FY 2003-04 Year End Report) is also attached for your information. Period 13 Year End Report provides year end actuals.

PB:Maf
Attachments
(Budget Report)

RESOLUTION NO. LAFC 1286

**RESOLUTION OF THE SACRAMENTO
LOCAL AGENCY FORMATION COMMISSION
ADOPTING A REVISED FINAL BUDGET
FOR FY 2004-05**

WHEREAS, hearings during which time additions and deletions to the Final Budget for 2004-05 could be made, is now passed,

NOW, THEREFORE, IT IS HEREBY RESOLVED, in accordance with the Cortese-Knox-Hertzberg Local Reorganization Act of 2000, that the Revised Final Budget for Fiscal Year 2004-05 be and is hereby adopted in accordance with the following:

Salaries & Employee Benefits	\$351,845
Services & Supplies	\$268,155
Other Charges	-0-
Fixed Assets	
Land	-0-
Structures & Improvements	-0-
Equipment	-0-
Expenditure Transfers	-0-
Contingencies	\$ 93,178
Provision for Reserve Increases	<u>\$ 36,000</u>
TOTAL BUDGET REQUIREMENT	\$749,178

BE IT FURTHER RESOLVED that \$68,178 of the Contingency Amount will be used to reduce the FY 2005-06 assessments for contributing agencies.

BE IT FURTHER RESOLVED that means of financing the expenditures program of the Sacramento Local Agency Formation Commission will be by monies derived from Revenue, Fund Balance, and Fees.

BE IT FURTHER RESOLVED that the Revised Final Budget be and is hereby adopted in accordance with the listed attachments which show in detail the approved appropriations, revenues and methods of financing, total annual appropriations subject to limitations attached hereto and by reference made a part hereof.

ON A MOTION made by Commissioner _____, seconded by Commissioner _____, the Sacramento Local Agency Formation Commission adopted this Resolution approving a Revised Final Budget for FY 2004-05 on the date of September 1, 2004, by the following vote, to wit:

AYES:

NOES:

ABSENT:

Illa Collin, Chair
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

ATTEST:

Marilyn Ann Flemmer
Commission Clerk

PB:Maf
(Reso 1286 Revised FY 04-05 Budget)

Attachments:

Revenue and Expenditure Detail Schedule