

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

August 15, 2007

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer
RE: FY 2007-08 Proposed Amendments to Adopted Final Budget

RECOMMENDATION

1. Adopt Resolution No. 1344, amending LAFCo's Adopted Final Budget for FY 2007-08. Authorize the total FY 2007-08 Appropriation in the amount of \$1,259,663.
2. Rescind the Base Budget Assessment increase in the amount of \$99,555.
3. Approve the allocation of June 30, 2007 Year-End Carryover balance as follows:

General Reserves	\$30,000
Contingencies	25,000
MSR's/Other Professional Services	64,000
Miscellaneous Adjustments	<u>2,108</u>
Total Adjustments	\$121,108

DISCUSSION

The Commission has the following options related to the recommendations proposed above. The Commission can reject, modify, or adopt staff's recommendations. One option the Commission has is to eliminate the special assessment of \$100,000 and use the balance of the improved carryover to cover LAFCo's share of cost related to funding the Arden Arcade Incorporation Proposal.

However, I believe the proposed recommendations represent the best long-term decision to obtain adequate reserve and contingency balances in an attempt to minimize future assessment increases and create a satisfactory surplus for unforeseen budget issues.

FY 2006-07 Fund Balance

Year-end carryover or fund balance came in much better than anticipated. The final year end carryover was \$278,163. The following factors which contributed to this betterment are summarized as follows:

FY 06-07 Expenditures under Budget	\$71,173
FY 06-07 Revenue Over Budget	152,745
FY 05-06 Unbudgeted Fund Balance	<u>54,245</u>
FY 06-07 Year-End Fund Balance	\$278,163

The primary cause of the betterment is related to increased revenue and unbudgeted fund balance from the previous year.

Analysis of Carryover Improvement

Expenditures under Budget

Year-End Carryover was estimated to be \$57,500 primarily based on comparing budget expenditures to actual expenditures. Actual Expenditures were \$71,173 under budget. At the same time, I estimated that actual revenues would be similar to budget estimates plus reimbursement for consultant’s costs related to on-going projects. However, actual revenue was higher than budget estimates.

Revenue Analysis

FY 06-07 actual revenues were \$152,745 over budget. Project revenue is difficult to estimate because it is dependent on the type and amount of applications that are submitted to LAFCo. Consequently, the conservative revenue estimate significantly improved this year’s fund balance.

The following table summarizes actual revenues over budget for FY 06-07:

FY 05-06 Revenue (prior year)	30,245
FY 06-07 Revenue Accrual	65,000
FY 06-07 Revenue Over	<u>57,499</u>
Total FY 06-07 Revenue Over Budget	\$152,744

During FY 06-07 we received unbudgeted revenue from the previous year (FY 05-06) in the amount of approximately \$30,245. This revenue was not accrued and resulted in actual revenue being higher than budget.

Also, during, this year we accrued \$65,000 in revenue. This is the first time we accrued revenue which again significantly improved actual revenues and increased June 30, 2007 fund balance by this amount.

Prior Year Fund Balance

Finally, year-end carry over for FY 05-06 was \$54,245 better than year-end estimate. No adjustment was made to the Adopted FY 06-07 budget. Consequently, this amount was never factored into the FY 06-07 Budget, however, this amount was included and reported in LAFCo's trial balance statement. Therefore the actual FY 06-07 year-end carryover was underestimated by this amount.

In order to reduce the likelihood of future under/over estimates, I have implemented an internal tracking system for project revenue. This should result in improved ability to monitor and forecast year-end fund balance and track project revenue. In addition, I have obtained access to the County COMPASS Accounting System in order to access financial information on a timely basis.

Summary of Proposed Changes to Final FY 07-08 Budget

I am recommending that the improved carryover be allocated as follows:

Actual Year-End Carryover (Fund Balance)	\$278,163
Less: Estimated Year-End Carryover	<u>57,500</u>
Improved carryover	\$220,663
Less:	
Eliminate Base Assessment Increase	(99,555)
Increase General Reserves	(30,000)
Increase Contingencies	(25,000)
Increase Other Professional Services	<u>(66,108)</u>
Carryover balance	0

The increased carryover eliminates the need for the base assessment increase in the amount of \$99,555 or \$33,185 per 1/3 share. I am recommending that a portion of the carryover improvement be used to increase contingencies and General Reserves. The remaining portion would be used for working on Municipal Service Reviews and lump sum payment to the City of Sacramento to offset salary and equity increases for the Assistant Executive Officer position.

For various reasons, the City of Sacramento has not factored in COLA or Equity adjustments for the Assistant Executive Officer's position over the last several years.

LAFCo and City staffs are in the process of determining the amount that needs to be adjusted.

Summary of Reserves

Reserves

Reserves	\$70,000
FY 07-08 Reserve Increase	<u>30,000</u>
Total Reserve	\$100,000

The General Purpose Reserve is a part of fund balance that is restricted and cannot be spent without Commission approval. It can be used for litigation, unbudgeted expenditures, for shortfall in revenue estimates, and it provides a cash flow cushion. The Commission must approve and authorize any transfer or use of reserves.

The reserve amount represents about 8 percent of total FY 07-08 appropriations.

Contingencies

The Amended Final Adopted Budget also recommends increasing contingencies by \$25,000 to \$50,000. As well, contingencies cannot be spent without Commission authorization. In the past, the Commission has transferred money from contingencies to cover items that were over budget in the service and supply accounts. The transfer process requires the Commission to approve an Appropriation Adjustment Request (AAR).

Municipal Service Reviews

I am recommending that we set aside \$40,000 for Municipal Service Reviews as a priority for this year. We have hired a student intern to work on Municipal Service Reviews. The student intern position is funded from temporary staff account. We would only use the new funds to hire consultants to draft the more complicated MSR's and studies. Any unspent funds would be rolled forward or used as carryover for next year's budget.

COLA and Equity Adjustment

The balance of the funds should be set aside for both retroactive Cost-of-Living and Equity Adjustments for Assistant Executive Officer position. The City of Sacramento has not automatically made adjustments to Don Lockhart's salary over the last several years. Consequently, we need to catch up several years in a lump sum payment of approximately \$20,000.

Assessment History

<u>Year</u>	<u>Assessment Amount</u>	<u>1/3 Share of Cost</u>
FY 01-02	\$704,000	\$234,600
FY 02-03	\$435,150	\$145,050
FY 03-04	\$495,000	\$165,000
FY 04-05	\$544,500	\$181,500
FY 05-06	\$586,500	\$195,500
FY 06-07	\$586,500	\$195,500
FY 07-08	\$686,055	\$228,833
FY 08-09 ¹	\$586,500	\$195,500

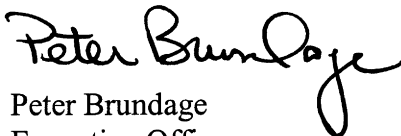
Conclusion

The good news of improved year-end fund balance eliminated the need to increase LAFCo's proposed base assessment increase in the amount of \$99,555. The additional carryover is recommended to be allocated to reserves, contingencies, and other professional services as outlined in this report. The FY 2007-08 Budget contains an assessment increase in the amount of \$100,000 to fund a portion of the Arden Arcade Incorporation. This is a one-time increase and will not become part of the base budget. Based on the FY 06-07 fund balance improvement, it is likely that next year's assessment should be similar to FY 06-07 base assessment in the amount of \$586,500.

In the event, LAFCo does not expend any portion of its share of cost for the Arden Arcade Incorporation study, LAFCo's unspent share of cost can be refunded to our funding agencies or used as a credit towards next years assessment (FY 08-09). I will report back to the Commission for direction if the Arden Arcade Incorporation proposal is withdrawn or terminated as discussed in the Arden Arcade August 15th Status Report.

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Respectfully,



Peter Brundage
Executive Officer

PB:(fy amended final budget 07-08 budget)

¹ Estimated assessment based on FY 07-08 Year-End Fund Balance

Sacramento Local Agency Formation Commission

Amended Final Budget FY 2007-08 (August, 2007)

Acct	Description	Final Budget	Final Budget	Change
		06-07	07-08	
1000	Total Salaries & Benefits	372,000	400,000	28,000
1005	Secretary Part time	42,000	42,000	0
1124	Commission Reimbursement	9,000	9,000	0
1240	Worker's Comp	245	500	255
1250	Unemployment	0	0	0
Total 1000's Account		423,245	451,500	28,255
2005	Advertising-public notice, meetings etc.	7,500	7,500	0
2022	Periodicals, Books, Subs	1,300	1,300	0
2029	Business & Conf Expenses	7,500	10,000	2,500
2035	Education/Training	1,200	2,200	1,000
2039	Employee Transportation	200	200	0
2051	Liability Insurance for Commission	12,000	12,000	0
2061	Membership CaLAFCo Dues	4,000	5,500	1,500
2076	Office Supplies	7,500	8,000	500
2081	Postage	3,746	3,746	0
2275	Rents/Leases Equipment-Copier	20,000	21,000	1,000
2505	Accounting/Audit Fees	10,000	10,000	0
2531	Legal Costs projects	0	60,000	60,000
2531	Legal-General	80,000	60,000	(20,000)
2591	Other Professional Services	100,000	68,000	(32,000)
	Incorporation Studies	0	290,000	290,000
	MSR's	0	46,000	46,000
2911	System Dev Sve Web & Desktop Suppc	20,000	24,500	4,500
2912	System Dev Sup Maintence	1,500	1,500	0
2915	Compass Costs	2,500	2,500	0
2917	Security Alarm Monitoring	2,300	3,400	1,100
2921	Printing Services/Duplication	3,000	3,000	0
2923	GS Messenger Services	2,300	2,400	100
2926	GS Stores	800	800	0
2934	P/W Charges	8,000	8,000	0
2943	Lease Facility Charges	61,400	62,500	1,100
2987	Telephone	13,500	13,500	0
2990	GS Other Dept Svc	509	617	108
Total 2000's Account		370,755	728,163	357,408
7900	Contingency Base	25,000	25,000	0
7901	Contingency Surplus	0	25,000	25,000
	General Purpose Reserve	0	30,000	30,000
		25,000	80,000	55,000
TOTAL APPROPRIATIONS/CONTINGENCY		819,000	1,259,663	440,663
	Less: Project Revenue-Variou	100,000	100,000	0
	Revenue Reimbursement-Incorporation		190,000	190,000
	Interest Earnings	2,500	5,000	2,500
	Fund Balance/Carryover	130,000	278,163	148,163
	Contributions from Others-06-07 Base	586,500	686,500	100,000
	07-08 Increase to 06-07 Base Assessment		0	0
	Assessment Increase for Incorporation		0	0
TOTAL FUNDING		819,000	1,259,663	440,663
Estimated Surplus/Shortfall		0	0	0

RESOLUTION NO. LAFC 1344

**RESOLUTION OF THE SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION AMENDING THE ADOPTED
FY 2007-08 FINAL BUDGET**

WHEREAS, the Sacramento Local Agency Formation Commission has conducted a public hearing on August 15, 2007, during which all additions and deletions amending the Adopted Final Budget for Fiscal Year 2007-08 were considered and made, and

WHEREAS, IT IS HEREBY RESOLVED, in accordance with Government Code Section 56381, that the Amended Final Budget for Fiscal Year 2007-08 is hereby adopted in accordance to the following:

(1)	Salaries and Employees Benefits	\$ 9,500
(2)	Services and Supplies	\$1,170,163 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	\$ 50,000
(7)	Provision for Reserve Increases	<u>\$ 30,000</u>
	TOTAL BUDGET REQUIREMENTS	\$1,259,663

BE IT FURTHER RESOLVED that means of financing the expenditures program will be by monies derived from Revenue to Accrue, Fund Balance Available and Contributions from Affected Agencies.

BE IT FURTHER RESOLVED that the Final Budget for FY 2007-08 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 1344 was adopted by the **SACRAMENTO LOCAL AGENCY FORMATION COMMISSION** on the date of August 15, 2007, by the following vote, to wit:

AYES:

NOES:

ABSENTIONS:

ABSENT:

Chuck Rose, Chair
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

ATTEST:

Peter Brundage
Executive Officer

PB
(Reso 1341 Adopts FY Final 2007-08 Budget)

Sacramento Local Agency Formation Commission

Amended Final Budget FY 2007-08 (August, 2007)

Acct	Description	<u>Final Budget</u> <u>07-08</u>
1000	Total Salaries & Benefits	0
1005	Secretary Part time	0
1124	Commission Reimbursement	9,000
1240	Worker's Comp	500
1250	Unemployment	0
Total 1000's Account		<u>9,500</u>
2005	Advertising-public notice, meetings etc.	7,500
2022	Periodicals, Books, Subs	1,300
2029	Business & Conf Expenses	9,500
2035	Education/Training	1,200
2039	Employee Transportation	200
2051	Liability Insurance for Commission	12,000
2061	Membership CaLAFCo Dues	5,500
2076	Office Supplies	7,500
2081	Postage	3,746
2275	Rents/Leases Equipment-Copier	21,000
2505	Accounting/Audit Fees	10,000
2531	Legal Costs projects	90,000
2531	Legal-General	60,000
2541	Personnel Services	42,000
2591	Other Professional Services	776,108
2911	System Dev Sve Web & Desktop Support	24,500
2912	System Dev Sup Maintenance	1,500
2915	Compass Costs	2,500
2917	Security Alarm Monitoring	3,400
2921	Printing Services/Duplication	3,000
2923	GS Messenger Services	2,400
2926	GS Stores	800
2934	P/W Charges	8,000
2943	Lease Facility Charges	62,500
2987	Telephone	13,500
2990	GS Other Dept Svc	509
Total 2000's Account		<u>1,170,163</u>
7900	Contingency Base	25,000
7901	Contingency Surplus	25,000
General Purpose Reserve		<u>30,000</u>
		<u>80,000</u>
TOTAL APPROPRIATIONS/CONTINGENCY		<u>1,259,663</u>
Less: Project Revenue-Variou		290,000
Interest Earnings		5,000
Fund Balance/Carryover		278,163
Contributions from Others		<u>686,500</u>
TOTAL FUNDING		<u>1,259,663</u>
Estimated Surplus/Shortfall		0