

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
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April 7, 2010

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer
RE: **FY 2010-11 Preliminary Proposed Budget**

RECOMMENDATION

1. Review of the Preliminary FY 2010-11 Proposed Budget, no action is required.
2. Direct the Executive Officer to schedule a Public Hearing on the FY 2010-11 Final Budget for May 5, 2010.

DISCUSSION

This report outlines the Preliminary FY 2010-11 Proposed Budget based on best available information. LAFCo must adopt the Proposed Budget by May of each year and a Final Budget by June 15th. The Proposed 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 2010-11 Proposed Budget is a *conservative budget*. Nominal cost increases represent Cost-of-Living Adjustments and/or increases in allocated costs paid by LAFCo for support services provided by County Departments. 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.

The Proposed 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.

At the direction of the Commission, staff consistently makes every effort to comply with County of Sacramento and City of Sacramento Budget Policies that may be implemented in light of the current economic conditions.²

Summary FY 2010-11 Proposed Budget

Appropriations	\$1,246,750
Funding Sources	
Project Revenues	400,000
Assessments	686,500
Fund Balance-General	118,000
Miscellaneous Project Revenue	15,000
Interest Earnings	5,000
Reserve Reduction	<u>22,250</u>
Total Revenue and Assessments	\$1,246,750

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 illustrates our Base Budget without major projects.

Summary of Revenue Sources		
Source	Amount	Percent
Fund Balance	\$118,000	14.4%
Assessments	686,500	83.8%
Project Revenue	<u>15,000</u>	<u>1.8%</u>
Total Base Budget	\$819,500	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 three years. LAFCo’s 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

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.

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.

It may be necessary to draw down General Reserves if Year End Fund Balance comes in less than estimated. The Preliminary Proposed Budget assumes that \$21,250 will need to come from our Reserve Account.

Comments from Contributing Agencies

The Preliminary FY 2010-11 Proposed Budget will be distributed to LAFCo's Contributing Agencies for their review and comment.

Issues to be Considered for Proposed and 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 has included COLA increases for Salary and Benefits and the County is not proposing a continuation of the furlough at this time. The City Salary and Benefits reflect a continuation of the furlough program until January, 2011.

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.

Other Operating Efficiencies

Staff continues to review overall expenditures and evaluate all cost savings opportunities.

Summary of Reserves, Year End Fund Balance Estimate, Revenues and Expenditures for FY 2009-10

Estimated Fund Balance (6-30-09)

Fund Balance (Undesignated)	\$118,000
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Currently the Year-End Balance is estimated to be \$118,000 which is the same as last year. This may be optimistic and it may be adjusted for the Proposed and Final Budget based on available 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 take more from reserves.

General Reserves (6-30-09)

Balance (4-2-10)	\$114,000
Estimated Reduction	<u>(21,250)</u>
Reserve Balance (7-1-2010)	\$ 92,750

Currently, the Commission General Reserve Fund Balance is \$114,000. This amount has been set aside for unanticipated expenditures or revenue shortfalls and litigation. These funds cannot be spent without Commission approval. At this time, it may be necessary to reduce reserves if the FY 2009-10 year-end fund balance is not sufficient to cover the FY 2010-11 Appropriations.

FY 2010-11 Preliminary Proposed Budget

The attached budget summarizes the FY 2010-11 Preliminary Proposed Budget. No significant changes are proposed for the base budget. Project revenue and project expenses are based on anticipated projects for FY 2010-11. The project costs are estimates and could change as would the revenue estimates when additional information becomes available.

Salary and Benefits

Salary and Benefits have increased based on COLA and equity adjustments pursuant to the County of Sacramento and City of Sacramento Personnel Budget Reports. Salary and Benefit adjustments require the approval of either the Sacramento City Council or County Board of Supervisors. (Note: No COLA Adjustments were included in the FY 2008-09 budget and the Commission implemented the staff furlough program).

Currently, the Preliminary Proposed Budget shows an *increase* of \$10,000 that represents a 2 percent increase for Salary and Benefit increases.

Service and Supply Accounts

It is estimated that service and supply accounts will *decrease* by approximately \$5,500 from last year's base budget attributable to the following changes in allocated costs shown below.

Summary of Budget Changes

The Following table summarizes the net change from last year’s budget to the proposed budget. The net increase in the Proposed Budget is estimated to be \$4,500 based on current information.

Summary of Budget Changes Between FY 2009-10 and FY 2010-11	
Salary and Benefits	\$10,000
Lease Increase	500
IT Support	(700)
Security Alarm	(300)
Telephone	<u>(5,000)</u>
Total Net Increase	\$4,500

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.

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

Contingencies

The Proposed Budget recommends that \$25,000 be budgeted in contingencies to offset unanticipated expenses or revenue shortfalls that may occur during the budget year. This

minimal amount remains unchanged from previous years. 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.

Estimated Project Costs

City of Elk Grove SOIA	\$250,000
Sutter Pointe SOIA (SRCSD)	60,000
Galt SOIA	60,000
Project Contingency	<u>30,000</u>
Total	\$400,000

Estimated Project Revenue

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

Conclusion and Recommendation

Based on the estimated year-end Fund Balance, the FY 2010-11 Preliminary Proposed Budget is balanced. However, it may be necessary to take money from reserves to offset any Year-End Fund Balance shortfall.

Respectfully Submitted,



Peter Brundage
Executive Officer

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Attachment

(FY 2010-11 Proposed Budget April, 2010)

Sacramento Local Agency Formation Commission

Proposed Budget FY 2010-11 (April, 2010)

Base Budget with Projects

Acct	Description	Final Budget	Proposed Budget	Change
		09-10	11-12	Increase/(Decrease)
Salary and Benefit Accounts				
1000	Total Salaries & Benefits	465,000	475,000	10,000
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		516,500	526,500	10,000
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	10,000	0
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	178,521	0	(178,521)
2591	Misc Billable Project	581,479	400,000	(181,479)
2911	System Dev Sve Web & Desktop Suppo	25,000	25,000	0
2912	System Dev Sup Maintenance	1,500	1,000	(500)
2916	WAN Wide Area Network	4,400	4,200	(200)
2917	Security Alarm Monitoring	2,800	2,500	(300)
2921	Printing Services/Duplication	3,000	3,000	0
2923	GS Messenger Services	2,700	2,700	0
2926	GS Stores	1,000	1,000	0
2934	P/W Charges	8,000	8,000	0
2943	Lease Facility Charges	66,700	67,200	500
2987	Telephone	15,000	10,000	(5,000)
2990	GS Other Dept Svc	500	500	0
Total 2000's Account		1,059,750	694,250	(365,500)
7900	Contingency Base	25,000	25,000	0
7901	Contingency Surplus	0	0	0
	General Purpose Reserve	0	0	0
Total Contingency		25,000	25,000	0
Total Appropriations and Contingency		1,601,250	1,245,750	(355,500)
Less: Project Revenue-Variou				
		15,000	15,000	0
Revenue Reimbursement-Projects				
		581,479	400,000	(181,479)
Interest Earnings				
		5,000	5,000	0
Fund Balance/Carryover				
		118,000	118,000	0
Fund Balance restricted for Arden Arcade				
		57,245	0	(57,245)
Reserve or Fund Balance Betterment-Adjustment				
		16,215	0	(16,215)
Assessments from Contributing Agencies				
		686,500	686,500	0
Incorporation Revenue from Proponents				
		121,811	0	(121,811)
Total Funding		1,601,250	1,224,500	(376,750)
Estimated Surplus/Shortfall		0	(21,250)	(21,250)

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.

