

SACRAMENTO LOCAL AGENCY FORMATION COMMISSON
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March 3, 2004

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: Monthly Expenditure and Revenue Report
Compared to FY 2003-04 Budget

RECOMMENDATION

1. Receive and file Monthly Expenditure and Revenue Report
2. Receive and File Contract Status Report
3. Approve FY 2004-05 Budget Process
4. Appoint Budget Subcommittee to Develop FY 2004-05 Proposed Budget

DISCUSSION

The attached year-to-date expenditure and revenue report is based on reports issued by Sacramento Auditor-Controller's Office and assumptions made by LAFCo in order to reflect the most up to date information possible.

Journal Vouchers for allocated costs, lease payments, salary and benefits and other support services provided by the County of Sacramento are not always processed on a monthly basis. In certain cases, the expenditure report prepared by staff represents estimates of what these expenditures should be based on monthly projections. What this means is that expenditures have been paid or incurred but they are not yet reflected in the County's cost reports for LAFCo. Indirectly, this benefits LAFCo because interest earnings are calculated on LAFCo's average daily fund balance throughout the year. The higher the fund balance, the higher the interest earnings.

Based on actual costs and projected costs through the month of February, it appears that overall expenditures are at 47 percent of budget and revenues and assessments collected are at about 95 percent of budget.

As reported last month, it appears that the budget is still on track. Most of the expenditures are below the budgeted the amounts. The few expenditure exceptions that are over budget do not contain significant amount of dollars. In addition, it appears that project revenue will

be greater than budgeted. The combined impact should help increase year-end savings or fund balance.

Analysis of Contract Expenditures

Planning Partners (Environmental)

Contract Amount:	\$25,000	Balance	\$19,819
Budget Amount	\$20,000	Balance	\$14,819
Year-to-Date Expenditure	<u>\$ 5,181</u>		

Commission Counsel

Contract Amount	\$75,000	Balance	\$29,878
Budget Amount	\$60,000	Balance	\$14,878
Year-to-Date Expenditure	<u>\$45,122</u>		

During the preparation of the FY 2003-04 budget, reductions were made to a number of accounts including Other Professional Services and Legal Services. At the same time, the Commission approved, based on staff's recommendation, fee-for-service contracts for environmental and legal services. These contracts were based on higher amounts than the budget amount in anticipation that project revenue would cover the increased costs for these services.

	<u>Budget Amount</u>	<u>Contract Amount</u>
Environmental Services	\$20,000	\$25,000
Commission Counsel	<u>\$60,000</u>	<u>\$75,000</u>
	\$80,000	\$100,000

The contract amount determines how much can be paid to any contract provider. If invoices exceed the contract amount, the Commission must approve a contract amendment prior to paying the contractor. The budget is based on an estimate of revenues and expenditures. As long as LAFCo does not operate at a deficit, and total expenditures do not exceed the total approved appropriations, it is not necessary to increase appropriations. Therefore, if expenditures in some accounts are lower than expenditures in other accounts and total expenditures do not exceed total appropriations, a budget amendment is not required. Line item budget variances can and do occur for a number of reasons.

So far, it has not been necessary to use the contingency account of \$25,000 for this year. This savings and other projected savings in other expenditure accounts will provide budget authority within the 2000 accounts to pay the higher contract amounts without exceeding the

authorized budget. (Note: It is not known if the budget amounts will be exceeded at this time, however, if this situation does occur there is some administrative flexibility to make payments that do not require Commission authorization to either amend contract amounts or budget accounts).

Since total expenditures for services and supply (2000 object level) will likely be under the authorized appropriations at the 2000 object level, it is not necessary to amend the budget at this time. Staff will continue to monitor expenditures and report back to the Commission the monthly budget and contract status.

FY 2004-05 Proposed Budget Process

Staff recommends the following budget process and schedule:

March 3, 2004	Appoint Budget Sub-Committee
March 7 to April 1	Develop Proposed Budget Recommendations
April 7, 2004	Present Proposed Budget to Commission based on Sub-Committee Recommendation; Commission directs Staff to distribute Proposed Budget.
April 8 to May 1	Distribute Proposed Budget to affected agencies
May 5, 2004	The Commission must approve a Proposed Budget.
May to June	Develop Final Budget Recommendation
June 2, 2004	The Commission must adopt a Final Budget. (Deadline June 15, 2004)
August-September	Adjust adopted budget based on final carryover from FY 2003-04.

Budget Notice Requirement

LAFCo is required to notice the following affected agencies for review and comment.

Distribute to: Board of Supervisors
Cities
Clerk and Chair of City Selection Committee
Clerk and Chair of Independent Special District Selection Committee
Special District Advisory Committee

(March 2004 Budget Report)