

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

May 2, 2007

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer
RE: **FY 2007-08 PROPOSED LAFCo BUDGET**

RECOMMENDATION

1. Adopt Resolution No. 1340, approving LAFCo Proposed Budget for FY 2007-08. Authorize the total FY 07-08 Appropriation in the amount of \$848,555.
2. The Proposed Base Budget appropriation does not include any appropriations or revenue for the Arden-Arcade Incorporation proposal. Additional funding and appropriations will be required depending upon Commission action related to Agenda Item No. 4---Funding Options for the Arden-Arcade Incorporation. Therefore, it will be necessary to adjust the Proposed FY 2007-08 Proposed Budget based on an Amended Motion or direct staff to include adjustments in the Final FY 2007-08 Budget.
3. Direct the Executive Officer to schedule a Public Hearing on the FY 2007-08 Final Budget on June 6, 2007.

DISCUSSION

The Commission is required to adopt a Proposed Budget by May and a Final Budget by June. Final Fund Balance will not be available until late July or early August after year-end closing. Therefore, both the Proposed and Final Budgets are based on year-end estimates. A budget update will be provided to the Commission in August/September regarding the final year-end fund balance.

Attached please find the Proposed FY 2007-08 Budget. The proposed share-of-cost for the "base" budget is estimated to be \$686,055 or \$228,685 for the 1/3 share-of-cost.

The total increase is estimated to be \$99,555 or \$33,185 per 1/3 share of cost, based on year-end budget projections.

Please note, the base budget does not include any appropriation for the Arden Arcade Incorporation proposal. Adjustments can either be made by motion to the Proposed Budget or to the Final Budget depending on Commission action related to Funding Options for the Arden Arcade Incorporation proposal.

The attached budget report dated April 4, 2007 discusses in detail the changes between the FY 2006-07 Final Budget and FY 2007-08 Proposed Budget.

I have reviewed year-end expenditures and revenues and believe that they accurately reflect the previous forecast made during April. I did not see any unordinary expenditures; however, both legal and environmental review costs are higher than the FY 06-07 Adopted Budget. These higher costs should be offset by higher revenues. I am in the process of validating this information. I will continue to monitor the year-end estimates for preparation of the Final Budget. It will likely be necessary to increase both appropriations and revenues for the FY 2006-07 budget in June to reflect increased project costs and revenues; however, these adjustments should not impact the fund balance estimate.

Summary of Changes Proposed for FY 2007-08

<u>Account</u>	<u>Amount</u>	<u>Comment</u>
Salary and Benefits	\$28,000	COLA Adjustments
Miscellaneous Cost Increases	1,555	
Fund Balance	72,500	Reduction in Fund Balance
Increase Interest Revenue	<u>(2,500)</u>	
Net Increase in Base Budget	\$99,555	

Summary of Reserve Funding

The General Reserve will remain at \$70,000. No increase or decrease is proposed at this time. This money has been set aside in previous years for unanticipated expenses. It cannot be spent without Commission approval.

<u>Budget Year</u>	<u>Amount</u>
FY 2004-05	\$36,000
FY 2005-06	\$34,000
FY 2006-07	-0-
FY 2007-08	<u>-0-</u>
Total	\$70,000

Summary of Contributions

The following table summarizes the total funding contribution from the county, cities and special districts over the last four years.

<u>Budget Year</u>	<u>Amount</u>	<u>1/3 Share from Jurisdictions</u>
FY 2004-05	\$544,500	\$181,500
FY 2005-06	\$586,506	\$195,500
FY 2006-07	\$586,500	\$195,500
FY 2007-08	\$686,055	\$228,685

(Note: The FY 2007-08 Proposed Budget does not include any appropriation for the Arden Arcade Incorporation proposal. Contributions from affected agencies could be impacted depending on how the incorporation is funded).

CONCLUSION

There are no staffing level changes and no other major expenditures are anticipated. Ongoing expenditures have increased by anticipated inflation costs or changes in allocated costs, as provided by the County of Sacramento and City of Sacramento per approved salary and benefits based upon the respective job classification. The primary increase in the Proposed FY 07-08 Budget is due to a lower fund balance (year-end carryover) estimate.

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Respectfully Submitted,



Peter Brundage
Executive Officer

(Proposed FY 07-08 Budget Memo)

Attached: Resolution No. 1340

Sacramento Local Agency Formation Commission

Proposed Budget FY 2007-08 (May, 2007)

Acct	Description	Final Budget	Proposed Budget	Change
		06-07	07-08	
1000	Total Salaries & Benefits	372,000	400,000	28,000.00
1005	Secretary Part time	42,000	42,000	0.00
1124	Commission Reimbursement	9,000	9,000	0.00
1240	Worker's Comp	245	500	255.00
1250	Unemployment	0	0	0.00
Total 1000's Account		423,245	451,500	28,255.00
2005	Advertising-public notice, meetings etc.	7,500	7,500	0.00
2022	Periodicals, Books, Subs	1,300	1,300	0.00
2029	Business & Conf Expenses	7,500	9,500	2,000.00
2035	Education/Training	1,200	1,200	0.00
2039	Employee Transportation	200	200	0.00
2051	Liability Insurance for Commission	12,000	12,000	0.00
2061	Membership CaLAFCo Dues	4,000	5,500	1,500.00
2076	Office Supplies	7,500	7,500	0.00
2081	Postage	3,746	3,746	0.00
2275	Rents/Leases Equipment-Copier	20,000	21,000	1,000.00
2505	Accounting/Audit Fees	10,000	10,000	0.00
2531	Legal Costs projects	0	60,000	60,000.00
2531	Legal-General	80,000	60,000	(20,000.00)
2591	Other Professional Services	100,000	50,000	(50,000.00)
2911	System Dev Sve Web & Desktop Suppc	20,000	24,500	4,500.00
2912	System Dev Sup Maintenance	1,500	1,500	0.00
2915	Compass Costs	2,500	2,500	0.00
2917	Security Alarm Monitoring	2,300	3,400	1,100.00
2921	Printing Services/Duplication	3,000	3,000	0.00
2923	GS Messenger Services	2,300	2,400	100.00
2926	GS Stores	800	800	0.00
2934	P/W Charges	8,000	8,000	0.00
2943	Lease Facility Charges	61,400	62,500	1,100.00
2987	Telephone	13,500	13,500	0.00
2990	GS Other Dept Svc	509	509	0.00
Total 2000's Account		370,755	372,055	1,300.00
7900	Contingency Base	25,000	25,000	0.00
7901	Contingency Surplus	0	0	0.00
General Purpose Reserve		0	0	0.00
		25,000	25,000	0.00
TOTAL APPROPRIATIONS/CONTINGENCY		819,000	848,555	29,555.00
Less: Revenue		100,000	100,000	0.00
Interest Earnings		2,500	5,000	2,500.00
Fund Balance/Carryover		130,000	57,500	(72,500.00)
Contributions from Others-Base		586,500	586,500	0.00
Base Increase			99,555	
TOTAL FUNDING		819,000	848,555	29,555.00
Estimated Surplus/Shortfall		0	0	0

RESOLUTION NO. LAFC 1340

**RESOLUTION OF THE SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION ADOPTING THE
FY 2007-08 PROPOSED BUDGET**

WHEREAS, the Sacramento Local Agency Formation Commission has conducted a public hearing on May 2, 2007, during which all additions and deletions to the Proposed 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 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	\$814,055 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	\$848,555

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 Proposed 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 1340 was adopted by the **SACRAMENTO LOCAL AGENCY FORMATION COMMISSION** on the date of May 2, 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 1340 Adopts FY Proposed 2007-08 Budget)

Sacramento Local Agency Formation Commission

Proposed Budget FY 2007-08 (May, 2007)

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Contributions from Others-Base		586,500	586,500	0.00
Base Increase			99,555	
TOTAL FUNDING		819,000	848,555	29,555.00
Estimated Surplus/Shortfall		0	0	0

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

April 4, 2007

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

RECOMMENDATION

1. Adopt the Proposed Budget for FY 07-08 that includes a proposed assessment increase for base expenditures as well as an assessment increase to fund studies for the proposed Arden-Arcade Incorporation based on the current LAFCo Fee Policy adopted by the Commission on November 5, 2003. The FY 07-08 Assessment would be as follows:

	<u>Total</u>	<u>1/3 Share</u>
Base Assessment	\$586,500	\$195,500
Proposed Increase to Base	99,555	33,185
Proposed Increase for Incorporation	<u>150,000</u>	<u>50,000</u>
Total Assessment FY 07-08	\$836,055	\$278,685

Base Budget Assessment excluding incorporation studies would be:

Base assessment w/o incorporation	\$686,055	\$228,685
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2. Direct the Executive Officer to distribute the FY 2007-08 Proposed Budget to affected agencies for review and comment.
3. Direct the Executive Officer to schedule a Public Hearing on the FY 2007-08 Proposed Budget on May 2, 2007.

DISCUSSION

The following report discusses the FY 07-08 Proposed Budget. This report examines two proposed budgets. The first Budget will be described as the *base budget*. This budget is a status quo budget to maintain current service levels. The second budget includes additional expenditures required to fund incorporation studies consistent with the current LAFCo Fee Policy. The Commission may adopt either budget, however, if the base budget is adopted, it would not be possible to continue with any further incorporation studies related to the proposed Arden-Arcade Incorporation. New funding sources would need to be found.

LAFCo must adopt a Proposed Budget by May of each year and a Final Budget by June 15th. Final Fund Balance will not be available until late July or early August. Staff will report back to the Commission in August or September after the Fund Balance is available. Therefore, both the Proposed and Final Budget will be based on an estimated Fund Balance.

Summary of Reserves, Year End Fund Balance, Revenues, and Expenditures for FY 06-07

Reserves

Reserves \$70,000

The Reserved Fund Balance has not changed and is currently \$70,000. This amount is in addition to the Fund Balance. This amount was set aside in previous years for unanticipated expenditures. It is a part of fund balance that is restricted and cannot be spent without Commission approval.

Fund Balance

Beginning Fund Balance July 1, 2006:

Estimated Fund Balance	\$130,000
Actual Fund Balance	<u>184,000</u>
Net Increase	\$ 54,000

The beginning Fund Balance was \$54,000 better than budget estimate. This increase was the result of project revenue related to the SMUD annexation proposal and other projects. No adjustment was made to the FY 06-07 Final Budget.

Summary of Fund Balance and Reserves as of July 1, 2007:

Fund Balance	\$184,000
Reserves	<u>70,000</u>
Total	\$254,000

Expenditures

There were a number of expenditures that were not included in the FY 06-07 Final Budget because they were not anticipated. In addition, it appears that other expenditures are exceeding budgeted amounts. These expenditures are discussed below.

Summary of Unbudgeted Expenditures during FY 06-07:

Salary and Benefits

1. Under Budgeted Salary and Benefits	\$ 34,000
2. Vacation Pay Out Due to Retirement	13,000
3. Increase Related to 5% Differential	<u>1,000</u>
Total Unbudgeted Increase	\$ 48,000

1. Base Salary and Benefits were understated by \$34,000 in the Adopted FY 06-07 Budget. The \$34,000 represents adjustments for Salary and Benefits for two Fiscal Years. During FY 06-07 Fiscal Year, I was notified that LAFCo's reimbursement to the County had not covered the total amount paid during FY 05-06 for actual salary and benefits. I believe this amount represents overtime paid in lieu of taking vacation. A portion of this overage for FY 06-07 is attributable to a retroactive equity adjustment for the Commission Clerk Position. This position is classified as an ASO I designation in Sacramento County which received an 8 percent equity adjustment. This overage represents 2 fiscal years: FY 05-06 and FY 06-07 or approximately \$17,000 each year. This issue was previously reported to the Commission.
2. A lump sum payment was made upon the retirement of the Commission Clerk. The Commission Clerk had accrued vacation time, upon retirement the employee is entitled to this payment. It is not unusual for employees to accrue vacation in anticipation of retirement. The payment for accrued retirement is estimated to be \$13,000, including related payroll taxes. I am in the process of confirming my estimate with county payroll. This is a one-time expenditure. This expenditure was not anticipated during the preparation of the FY 06-07 budget.
3. Finally, the Commission approved a 5 percent pay differential for the Commission Clerk effective January 2007. The estimated increase of this differential is approximately \$1,000 from the effective date of January 2007 to March 23, 2007. This expenditure was a mid-year adjustment during FY 06-07.

Services and Supplies

Services and supplies are estimated to be over budget by approximately \$32,245. The following accounts are over budget:

<u>Account</u>	<u>Amount</u>
Public Notices	\$7,500
Subscriptions	200
Conferences	1,500
Office Supplies	145
OCIT	300
Alarm Services	<u>600</u>
Total	\$10,245
Other Professional Services	<u>\$22,000</u>
Total	\$32,245

I have not been able to determine the exact cause for the overages to public notices and Other Professional Services. There are two possible reasons to explain this over budget. It is possible that FY 05-06 Year End expenditures did not clear until FY 06-07 or that expenditures are higher than the budget. I will report back in May after further investigation.

FY 06-07 Estimated Revenues

Estimated Year-End Revenues for FY 06-07:

Miller, Owen, and Trost (Billable)	\$ 96,000
Miscellaneous Project Revenue	<u>48,000</u>
Total Estimated Revenue	\$144,000
Budgeted Revenue	\$100,000
Estimated Actuals	<u>144,000</u>
Net Increase	\$ 44,000

Based on the above year end estimate, revenues should be higher than budgeted by approximately \$44,000.

FY 06-07 Estimated Fund Balance (June 30, 2007)

The Summary of Changes describes the estimated budget changes that caused the reduction in estimated Year End Fund Balance.

Summary of Changes FY 06-07 Adopted Budget

Salary and Benefits	\$38,250	
Services and Supplies	32,250	
Contingencies	<u>(25,000)</u>	
Total Expenditures	\$45,500	Over Budget
Interest	\$ 5,000	
Beginning Fund Balance	54,000	
Projected Revenues	<u>44,000</u>	
Total	\$103,000	Over Budget
Estimated Fund Balance June 30, 2007	\$57,500	

Thus, the Year End Fund Balance is estimated to be \$57,500. This is a reduction from last year of \$72,500

	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>Change</u>
Fund Balance	130,000	57,500	(72,500)

FY 07-08 Proposed Budget

Proposed changes to the Base Budget for FY 07-08:

Proposed Changes to Salary and Benefits

Salary and Benefits are costs that are provided to LAFCo by the County of Sacramento and City of Sacramento based on compensation packages of the respective agencies. These estimates include cost of living adjustments and in some cases equity adjustments that have been approved by the County of Sacramento and City of Sacramento. LAFCo contracts with both the County and City of Sacramento for employees. The employees on contract to LAFCo are unrepresented and the Salary and Benefit packages are negotiated by Labor Relations of each agency and approved by the County Board of Supervisors or City Council.

Benefits account for approximately 30 percent of the total labor costs. The following summarizes salary and benefit expenses for FY 07-08.

<u>Position</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
Executive Officer	122,500	52,500	175,000
Asst. Executive Officer	91,000	39,000	130,000
Commission Clerk	<u>67,200</u>	<u>27,800</u>	<u>95,000</u>
Total Salary and Benefits	280,700	119,300	400,000

Summary of Changes to Salary and Benefits

	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>Increase</u>
Total Salary and Benefits	\$372,000	\$400,000	\$28,000

Salary and Benefits for FY 06-07 were budgeted at \$372,000. The proposed change represents an increase of \$28,000 or about 7 percent. The County has built in a COLA adjustment of 4 percent for FY 07-08. This COLA has not been approved; however it is being used to prepare the County's Proposed Budget. The above also includes the 5 percent differential for Commission Clerk that has previously been approved by the Commission. In addition, the City is behind in providing COLA adjustments for the Assistant Executive Officer Position for several years. This increase also reflects the approved equity adjustment. An increase has been included in the above estimate in anticipation that this situation will be corrected. In addition, this estimate includes an equity adjustment for the Principal Administrative Analyst classification (Executive Officer). Again, this equity adjustment was recently approved for various job classifications within the County of Sacramento including all Principal Administrative Analysts.

Proposed Changes to Services and Supplies

Increases are proposed for the following services and supplies:

Business and Conference	\$2,000
CALAFCo Membership Dues	1,500
Copier Lease and Usage	1,000
OCIT charges	4,500
Alarm Service	1,100
Messenger Service	100
Office Rent	<u>1,100</u>
Total Miscellaneous Increases	\$11,300

These increases are beyond the control of LAFCo. These are changes in our allocated costs that have been developed by the County of Sacramento or pursuant to approved cost increases in contracts.

- Business and Conference is a discretionary expenditure. Recently, more Commissioners have been benefiting from attending conferences. This increase is an attempt to offset some of this increase.
- CALAFCo dues have increased by \$1,500. This increase was approved by the CALAFCo Board of directors to help support the statewide association of LAFCo's. Sacramento LAFCo is a member of this association.
- Copier Lease and Usage includes an estimated increase in charges based on the lease agreement. Note: this is an estimate. The lease agreement provides a base or fixed monthly charge. In addition, we are charged for the number of copies if we exceed a certain amount. This is a variable cost that fluctuates depending on how many copies are made during the year.
- OCIT charges are an allocated cost determined by the County of Sacramento based on computer support and web site services that are provided to LAFCo. This estimated is based on OCIT's current rates and experience from past years.
- Alarm Service is an allocated cost provided by the County of Sacramento.
- Messenger services are an allocated cost determined by the County of Sacramento.
- Office rent is estimated to increase by \$1,100 based on the lease agreement.

Other Professional Services Account

FY 07-98 proposed appropriations for legal and environmental services:

	<u>Project</u>	<u>Base Non-Project</u>	<u>Total</u>
Legal	\$60,000	\$60,000	\$120,000
Environmental Services	<u>30,000</u>	<u>20,000</u>	<u>50,000</u>
Total	\$90,000	\$80,000	\$170,000
Less: Project Revenue	<u>\$(90,000)</u>	<u>0</u>	<u>\$(90,000)</u>
Net Cost	0	\$80,000	\$80,000

The non-project charges have remained constant over the past several years. These costs cover issues that are not reimbursable by third parties.

