
**FRESNO LOCAL AGENCY FORMATION COMMISSION (LAFCo)
EXECUTIVE OFFICER'S REPORT**

AGENDA ITEM No. 10

Date: May 13, 2009
To: Fresno Local Agency Formation Commission
From: Rick Ballantyne, Executive Officer
Subject: Final 2009-2010 Fresno LAFCo Budget

Summary

On April 15, 2009, the Commission approved the *Proposed 2009-2010 Fresno LAFCo Budget*. Staff had reported that last year's revenues and expenditures were generally less than budgeted resulting in a fund balance amount approximating last year's. Savings were realized from many budget categories, but were most significant in personnel areas.

LAFCo's Fund Balance Account is again proposed to be used to maintain City and County contributions at last year's level. A total of \$209,125 from LAFCo's Fund Balance Account will be transferred to fund operations. The amount remaining within the fund balance will be slightly increased to 21.32% of this year's budgeted amount. Both the Fund Balance Account and anticipated revenues will be utilized to help off-set City and County contributions and maintain them at the same levels.

Under this year's budget, the Cities' and the County's contribution will remain the same as last year. While agency revenues are expected to be less than projected last year, a reduced budget coupled with a substantial transfer from the Fund Balance Account (\$209,125) will allow the Cities and County to maintain the same contribution level as last year.

Discussion

California Government Code, Sections 56000 *et seq.*, requires the Commission to adopt a proposed budget by May 1st and a final budget by June 15th annually at a noticed public hearing. At today's hearing the Commission will consider approval of LAFCo's Final Budget for Fiscal Year 2009-2010.

At a minimum, State law requires that the budget must be equal to the previous fiscal year's budget unless reduced staffing or workload costs indicate that a reduction would be appropriate. This year's budget is being proposed to be reduced from \$714,959 to \$660,699—or \$54,260 (7.5%) less and reflects only a one-half year position for the LAFCo Deputy Executive Officer. It was previously reported that the Executive Officer had indicated his intent to retire at the end of the calendar year and that the Deputy Executive Officer would be appointed as the Interim Executive Officer during a recruitment period. The Commission may also consider other options regarding staffing which may affect the budget.

It was also reported that LAFCo's Office Assistant II position would be reduced to a 32-hour per week, part-time position (Susan Pool). Even with such reductions, staffing would be sufficient to carry out LAFCo's Annual Work Program that includes initiating the Municipal Service Review and Sphere of Influence Update Program.

REVENUES

Revenues to support LAFCo come from three sources: Fresno County, the 15 Cities in the County, and LAFCo's application processing fees. Based on the adopted 2008-2009 Budget, \$175,787 was contributed by the County and Cities (50% each) to offset LAFCo's net operating costs as required by State law. Application fees deposited during the year to date amount to \$53,850. This amount is substantially less than that necessary to meet the projected \$156,500 revenue estimates by June 30th of this fiscal year. However, the reduction in estimated revenue has been off-set by a reduction in LAFCo estimated expenditures of \$59,311. Also, earned interest from LAFCo's Special Account will approximate \$20,000 for the fiscal year.

LAFCo Fund Balance Account

As revenues are received from the various sources, they are deposited in a Fund Balance Account created exclusively for LAFCo's use which is administered by the County Auditor-Controller's Office. Funds are drawn from this account as needed to meet LAFCo expenses. Funding not utilized during a given year remains available for use in future years.

During the last several years of significant city annexation activity that generated substantial revenue for LAFCo through its application fees, balanced budgets, accrued interest, and a budgeted position that had went unfilled for a time, LAFCo as of April 5, 2009, had a fund balance of \$463,835, which we estimate will be drawn down by the end of the fiscal year. This balance will increase again when the City and County contributions are paid shortly after the budget is adopted.

Prudent budget management dictates that we should maintain a reasonable balance in the account to carry LAFCo until the City and County contributions are received, and as a cushion against further reductions in application revenue. Based on a recent review of LAFCo's account balance, we are recommending that \$140,875 be maintained in this account, with the remainder, to be allocated as revenue in this year's budget.

With revenues (***fees and contribution from LAFCo's reserve***) accounting for \$309,125 of the **\$660,699** total recommended appropriations, the "net operating cost" is **\$351,574**. Accordingly, the County and Cities would be required to contribute **\$175,787** each toward LAFCo support in accordance with State law. This would result in the County and Cities each contributing the same amount as last year. A summary of estimated revenues for the proposed budget indicating a balanced budget is shown in Exhibit 2.

Recommended Action

The recommended Final 2009-2010 budget would balance anticipated costs with projected revenues, while maintaining a prudent reserve fund (Fund Balance Account) of 21.32% of the estimated annual budget amount.

Staff recommends approval of the Final FY 2009-2010 LAFCo Budget estimates as shown on Exhibits 1 through 5.

EXHIBIT 1
FISCAL YEAR 2009-2010 FINAL BUDGET
Total Services, Supplies and Capital Facilities - Appropriations

Fund No.: 4825 Special Fund
Subclass No.: 10000
Org No.: 9690 LAFCo Contract

BUDGET ITEM	Approp. 2008-2009	Est. Expense 2008-2009	Remaining at Year End	Recomm. 2009-10
7039 Mobile Communications	\$0	\$0	\$0	\$240
7040 Telephone Charges	\$6,122	\$5,508	\$614	\$4,727
7101 Liability Insurance	\$15,777	\$11,582	\$4,195	\$13,319
7175 Insurance-Other	\$30	\$0	\$30	\$17
7205 Maintenance-Equipment	\$1,200	\$488	\$712	\$600
7250 Professional Memberships	\$6,185	\$6,185	\$0	\$6,395
7265 Office Operations Expense	\$7,750	\$3,485	\$4,265	\$5,000
7266 Messenger Service	\$0	\$0	\$0	\$2,651
7268 Postage	\$5,000	\$4,150	\$850	\$5,000
7286 PeopleSoft Human Resources Charge	\$0	\$0	\$0	\$723
7287 PeopleSoft Financials Charge	\$2,712	\$2,712	\$0	\$3,508
7294 Professional & Special Serv. Contract	\$5,000	\$0	\$5,000	\$0
7295 Profess. & Special Serv. (w/ benefits & salaries)	\$580,247	\$548,703	\$31,544	\$541,276
7296 Data Processing Services	\$22,306	\$20,865	\$1,441	\$18,556
7325 Publication & Legal Notices	\$8,000	\$2,000	\$6,000	\$3,000
7340 Office Leases	\$37,230	\$37,470	-\$240	\$39,787
7412 Mileage	\$2,400	\$1,400	\$1,000	\$2,400
7415 Trans, Travel & Education (Staff)	\$6,000	\$5,600	\$400	\$6,000
7417 Trans & Travel - Comm & Adv Bds	\$4,500	\$4,500	\$0	\$4,500
8300 Fixed Assets (Furnishings)	\$1,500	\$1,000	\$500	\$0
8991 Contingencies	\$3,000	\$0	\$3,000	\$3,000
Total	\$714,959	\$655,648	\$59,311	\$660,699

Total Recommended Appropriations for 2009-2010 **\$660,699**

EXHIBIT 2
FISCAL YEAR 2009-2010 FINAL BUDGET
Net Operating Cost and City/County Contribution Calculation 2009-2010

Total Budget	\$660,699.00
Net Operating Cost (Total Budget Minus Fees and Reserve Balance Transfer)	\$351,574.00
Est. Revenue & Fund Balance Transfer	
Fees	\$100,000.00
Special Fund Transfer To Revenue Account	\$209,125.00
Fee and Reserve Fund Revenue Transfer Subtotal	\$309,125.00
Cities' Contribution (The actual apportionment will be determined by the County Auditor)	\$175,787.00
County Contribution	\$175,787.00
City/County Contribution	\$351,574.00
Total Revenue	\$660,699.00

EXHIBIT 3
FISCAL YEAR 2009-2010 PROPOSED BUDGET
Special Fund Balance

Estimated Special Fund Balance as of June 30, 2009 *	\$350,000.00
Recommended Amount To Be Transferred to Revenue Account	\$209,125.00
Estimated Special Fund Balance After Transfer	\$140,875.00
Percentage of Budget Remaining In Special Fund After Transfer	21.32%

* Fund Estimate Prepared by Fresno County Auditor's Office

EXHIBIT 4
FISCAL YEAR 2009-2010 FINAL BUDGET
ACCOUNT #7295 - PROFESSIONAL AND SPECIALIZED SERVICES
General Administrative, Auditor-Controller, Professional and Specialized, Salaries/Benefits

BUDGET ITEM	Approp.2008-2009	Est. Exp. 2008-2009	Est. @ Year end	Recom. 2009-10
GENERAL COUNTY				
Administrator, Personnel, Employee Relations,	\$8,494	\$6,000	\$2,494	\$8,000
SUB-TOTAL	\$8,494	\$6,000	\$2,494	\$8,000
AUDITOR-CONTROLLER TREASURER-TAX COLLECTOR				
Financial Statements and General Accounting	\$6,000	\$6,000	\$0	\$6,000
Independent Financial Audit				\$7,000
SUB-TOTAL	\$6,000	\$6,000	\$0	\$13,000
PROFESSIONAL & SPECIALIZED SERVICES				
Fresno Co. Assessor	\$10,200	\$3,750	\$6,450	\$9,000
LAFCo Counsel	\$80,000	\$73,319	\$6,681	\$80,000
Fresno Co. Elections	\$5,000	\$1,000	\$4,000	\$5,000
Fresno Co. Health	\$3,360	\$2,464	\$896	\$3,520
Special Counsel	\$5,000	\$5,000	\$0	\$5,000
SUB-TOTAL	\$103,560	\$85,533	\$18,027	\$102,520
SALARIES AND BENEFITS				
6100 - Regular Salaries	\$299,614	\$279,382	\$20,232	\$258,115
6200 - Extra Help	\$0	\$20,000	(\$20,000)	\$20,660
6300 - Overtime	\$0	\$0	\$0	\$0
6350 - Unemployment Insurance	\$290	\$290	\$0	\$525
6400 - Retirement Contribution	\$105,766	\$99,636	\$6,130	\$87,292
6500 - Oasdi Contribution	\$22,790	\$22,510	\$280	\$21,591
6550 - Workers Comp Contribution	\$561	\$591	(\$30)	\$657
6600 - Health Insurance Contribution	\$31,733	\$27,409	\$4,324	\$27,750
6650 - Life & Disability Insurance	\$909	\$928	(\$19)	\$769
6670 - Benefit Administration	\$530	\$424	\$106	\$396
SUB-TOTAL	\$462,193	\$451,170	\$11,023	\$417,756 *
GRAND TOTAL	\$580,247	\$548,703	\$31,544	\$541,276

* Portion of County Support - Total Contribution of Salaries and Benefits

EXHIBIT 5

FISCAL YEAR 2009-2010 FINAL BUDGET
Salaries and Benefits

Fund No.: 0001 General Fund
Subclass No.: 10000
Org No.: Fresno Local Agency Formation Commission Contract

Account Number & Description	FY 2009-2010
6100 - Regular Salaries	\$258,115
6200 - Extra Help	\$20,661
6300 - Overtime	\$0
6350 - Unemployment Insurance	\$525
6400 - Retirement Contribution	\$87,292
6500 - Oasdi Contribution	\$21,591
6550 - Workers Comp Contribution	\$657
6600 - Health Insurance Contribution	\$27,750
6650 - Life & Disability Insurance	\$769
6670 - Benefit Administration	\$396
Total Salaries and Benefits	\$417,756