



Date: March 19, 2008 for April 2nd Agenda

Subject: Proposed Budget for Fiscal Year beginning July 1, 2008.

Summary: State law requires that LAFCO adopt a proposed budget no later than May 1st and a final budget no later than June 15th. The Commission has continued a public hearing from March 5th in order to consider adopting a proposed budget. The final budget will be considered at a future LAFCO meeting, probably May 7th.

Staff Recommendation: Approve draft Resolution No. 2008-9 adopting a proposed budget for the fiscal year beginning July 1, 2008 of \$533,000; direct staff to notice a public hearing for the Commission to consider adopting a final budget at the May meeting; and direct staff to prepare any additional information needed to review the budget.

Submitted by: Patrick McCormick, Executive Officer

This proposed budget memo replaces an earlier budget memo dated February 27, 2008.

This is the beginning of several challenging budget years for LAFCO, and the budget review for fiscal year 2008-9 involves some difficult decisions. The fund balance is low due to projected application fees that haven't materialized and a refund of \$59,000 that LAFCO made to its funding agencies last June. The pending budget will need to be balanced by a combination of lower budgeted expenditures and higher revenues. The largest and most flexible budget expenditures are in the professional services (consulting) and litigation reserves. The principal sources of additional revenue are the annual contributions paid to LAFCO by the County, four Cities, and twenty-four Independent Special Districts.

WORK PROGRAM

Over the last year, the Commission has worked amiably and accomplished a great deal. The accomplishments include:

- Concluding the state-mandated Countywide Service Review within a tight budget. The second phase evaluated reorganization options for fire and emergency services in the Pajaro Valley.

- Completing 70 of the 82 state-mandated periodic sphere of influence reviews. The sphere review for the City of Watsonville is on the April 2nd agenda. The Commission has adopted a schedule to complete the sphere reviews for the other 11 agencies during 2008.
- Conducting a study session surveying trends in rural fire protection.
- Providing technical assistance to a group of water company customers who were investigating incorporation of the Trout Gulch Mutual Water Company in order to buy out the Mar Vista Water Company in Aptos.
- Participating in a variety of CALAFCO activities, including serving on the Board and committees, attending training sessions, and presenting training sessions.
- Processing a range of boundary change applications through the public hearing, protest, and filing process.
- Controlling litigation costs. (One lawsuit was filed against the Commission. The real party of interest indemnified the Commission, and that party is defending the case).
- Controlling consultant costs by performing application and sphere reviews in house, without using consultants.

The attached work program identifies the Commission's priorities. The upcoming tasks include:

- Completing the staff report and conducting a public hearing for a proposed fire protection district in Bonny Doon.
- Preparing a set of water policies to use when reviewing future applications.
- Completing the remaining periodic sphere of influence reviews.
- Controlling costs in order to build back, over several years, the professional services reserve to a level that will allow the Commission to perform a major study.

THE PROBLEM THIS YEAR

Revenues are down greatly this year due to the low number of applications. Also, twice in the last seven years, LAFCO has refunded undesignated fund balances to the County, Cities, and Independent Districts when its professional services and litigation reserves were at their target levels and significant undesignated money remained in the fund balance at the end of a fiscal year. In June 2007, LAFCO refunded \$59,000; so, it had only a small undesignated fund balance on July 1, 2007. Also, LAFCO's revenues have plummeted from \$88,580 in FY 2006-07 to an estimated \$22,200 in FY 2007-8. This later estimate cautiously includes only assured revenues (interest, employee health payments, and copier charges); it doesn't include the any new application fees between now and June 30, 2008. The revenue comparisons between the current FY budget and the proposed budget for next year are:

	Adopted FY07-08	Proposed FY08-09
Funding from the 29 agencies (before refund)	\$291,100	\$300,900
Carryover (rebudget) from previous FY	\$182,500	\$194,700
Revenues (application processing fees, interest, employee contributions to health insurance, copies)	\$ 86,000	\$ 37,400
<hr/>		
Total	\$559,600	\$533,000

The budgeted expenditure comparisons are:

	Adopted FY07-08	Proposed FY08-09
Salaries and Benefits	\$259,300	\$276,000
Supplies and Services	\$300,300	\$257,000
Fixed Assets	\$ 0	\$ 0
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Total	\$559,600	\$533,000

The proposed budget drops the professional services amount from \$85,000 in FY07-08 to \$35,000 in the upcoming year. The proposed budget maintains the attorney services amount of \$142,500 at the same level as in FY 07-08, This is \$37,500 for ongoing County Counsel Services and \$105,000 for a litigation reserve. The rationale for reducing the professional services reserve is that the Commission has more flexibility in scheduling major studies that require consultants than in responding to litigation. The remainder of the Supplies and Services budget, \$79,500, is routine operating overhead that doesn't vary much from year to year.

On the revenue side, the proposed budget would increase the funding provided by the County, Cities, and Independent Districts to \$300,900. The following table shows the budget trends since 2001 when the current funding system became law.

Year	Total LAFCO Budget	New Contributions from All Funding Agencies	Refund of Undesignated Fund Balance	New Funding after Refund
2001-02	344,390	334,390	0	334,390
2002-03	285,600	274,400	0	274,400
2003-04	392,200	271,070	0	271,070
2004-05	506,500	268,400	0	268,400
2005-06	508,900	270,900	113,485	157,415
2006-07	536,500	283,000	0	283,000
2007-08	559,600	291,100	59,000	232,100
2008-09	533,000	300,900	0	300,900
Change from FY 07-08	-5%	+3%		+30%
FY 06-07	-1%	+6%		+6%

BUDGET REDUCTION

Government Code section 56381(a) states, in part, that “At a minimum, the proposed and final budget shall be equal to the budget proposed for the previous fiscal year unless the commission finds that reduced staffing of program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter [the Local Government Reorganization Act].” The proposed budget is 5% (\$26,600) less than the adopted budget for FY 2007-8. The proposed budget would reduce the professional services account (consulting) from \$85,000 in FY 2007-8 to \$35,000 in FY 2008-9. This lower level of professional services would not support a major study such as a Countywide Service Review or a fire reorganization study. The LAFCO staff believes that the Commission could find that the lower budget level in the coming year would not result in reduction of program levels because:

- The Countywide Service Review has been completed;
- Future budget savings can be used over the next several years to restore the level of the professional services account to the level needed to perform a major study; and
- All but one of the 5-year sphere reviews are likely to be completed by staff in 2008.

The exception to completing the sphere reviews in 2007 is the adoption of the first Sphere of Influence for the Pajaro Valley Water Management Agency. The Commission’s proposed budget for FY 2008-9 lacks funding for this project. In previous years, the Water Agency has not prioritized funding to assist in the preparing a Sphere of Influence; and the Agency is unlikely to find funding in the coming year given its severe financial problems. An effect of deferring this sphere preparation for another year is a de facto moratorium on boundary changes for the Pajaro Valley Water Management Agency.

PROCESS

The law requires that LAFCO adopt a proposed budget by May 1st. Given the priorities that the Commission has to weigh in adopting a budget, the Commission should carefully consider the budget this year.

It is **RECOMMENDED** that the Commission:

- 1) Discuss the assumptions and priorities upon which to base the budget.
- 2) Approve draft Resolution No. 2008-9 adopting a proposed budget of \$533,000 with a net amount to be funded by the participating agencies of \$300,900.
- 3) Direct staff to schedule a public hearing for the next LAFCO meeting in order to consider adopting a final budget.

Attachments

cc: Auditor-Controller
County, 4 Cities, and 24 Independent Special Districts

LAFCO BUDGET SPREADSHEET

DESCRIPTION	SUB OBJECT	05-06 BUDGET	05-06 ACTUAL	06-07 BUDGET	06-07 ACTUAL	07-08 BUDGET	07-08 ESTIMATE	Mar. 18 08-09 PROPOSED
Regular Pay	3100	\$161,000	\$140,635	\$164,700	\$148,548	\$168,900	\$155,900	\$184,700
Overtime Pay	3105	1,000	1,219	1,400	410	1,400	700	1,800
Extra Help	3110	800	0	1,600	0	1,600	800	1,800
Sick Leave	3115	2,700	0	2,700	0	2,800	0	3,000
Holiday Pay	3135	6,400	7,728	6,800	7,587	7,300	7,800	8,300
Social Security	3150	11,800	11,174	13,400	11,763	13,400	12,400	13,900
PERS	3155	32,800	26,125	34,600	21,271	31,500	26,100	27,700
Insurances	3160	24,700	25,799	26,300	27,092	28,700	29,100	32,000
Unemployment	3165	700	448	700	318	700	600	700
Workers Comp	3170	3,600	-29	3,000	1,067	3,000	2,100	2,100
Salaries Sub.Tot.		\$245,500	\$213,099	\$255,200	\$218,056	\$259,300	\$235,500	\$276,000
Radio	3235	0	0	0	1,283	0	-600	0
Telecom	3240	2,000	1,765	2,000	1,781	2,000	1,900	2,000
Office Equipment	3355	3,100	661	2,300	633	2,300	500	600
Memberships	3450	1,500	0	2,000	1,800	2,200	4,200	2,200
Duplicating	3484	3,200	4,499	3,200	437	3,200	200	2,200
Postage	3491	1,300	1,752	1,400	1,660	1,800	1,800	1,800
Subscriptions	3492	700	460	700	844	700	800	800
Supplies	3493	2,300	1,794	2,300	1,346	2,100	1,800	2,100
Accounting	3505	800	386	800	521	800	700	800
Attorney	3515	132,800	39,780	137,500	25,528	142,500	11,600	142,500
Info. Center	3545	1,000	888	1,000	0	1,000	0	0
Data Processing	3575	8,000	2,826	7,800	3,076	8,000	5,000	5,200
Data Printing	3576	1,200	815	1,200	1,023	1,300	900	1,000
Director Fees	3585	6,000	3,950	6,000	4,500	6,000	4,100	6,000
Surveyor	3590	600	170	600	631	500	1,200	1,300
Prof. Services	3665	72,500	11,713	80,000	26,656	85,000	4,800	35,000
GIS Maps	3670	3,000	17,499	6,000	11,006	11,000	10,800	13,100
Legal Notices	3790	2,200	2,663	2,400	1,885	2,800	3,800	4,400
Equipment Lease	3800	0	2,757	2,800	2,381	2,900	2,900	3,000
Rents	3810	7,900	7,349	7,900	7,371	7,900	8,000	8,000
Misc. Expenses	3975	3,200	2,537	3,200	5,115	3,000	17,200	8,900
Books	4110	200	332	200	293	300	300	300
Air Fare	4150	1,000	0	1,700	438	1,700	1,800	2,100
Training	4154	800	0	800	0	800	800	800
Lodging	4162	2,600	1,249	3,000	5,267	3,000	3,500	4,700
Meals	4164	500	310	500	316	500	400	400
Mileage	4166	1,500	1,677	2,000	1,189	2,000	2,600	2,800
Travel-Other	4168	400	380	500	782	500	500	500
Registrations	4170	2,800	635	4,500	2,624	4,500	4,500	4,500
Supplies Sub.Tot.		\$263,100	\$108,847	\$284,300	\$110,386	\$300,300	\$96,000	\$257,000
Assets Sub.Tot.		\$300	\$160	\$0	\$0	\$0	\$0	\$0
EXPENDITURES		\$508,900	\$322,106	\$539,500	\$328,442	\$559,600	\$331,500	\$533,000

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
 NARRATIVE BUDGET 2008-09
 FINAL BUDGET
 FOR MAY 7, 2008 HEARING

SALARIES & BENEFITS

3100 Regular Pay \$184,700

Executive Officer - The current salary is \$9,102 per month. A 3.25% cost-of-living adjustment is scheduled for September 6, 2008.

Secretary-Clerk - The current salary is \$4,812 per month. A 3.00% cost-of-living adjustment is scheduled for September 6, 2008.

Salary Reserve - The budgeted amount allows for possible adjustments to staff salaries, cash out of administrative leave, and payment of unused leave upon termination of employment. It is budgeted as a lump sum of \$24,771.

The salaries total:

Executive Officer	\$112,094
Secretary-Clerk	\$59,135
Salary Reserve	\$24,771
Total	\$196,000

Revising the accounts to conform to the accounting system used by the County Auditor's Office involves breaking out the following categories of pay into separate line items.

Total Salaries	\$196,000
Sick Leave (#3115)	<3,000>

<u>Holiday Pay (#3135)</u>	<u><8,300></u>
Regular Pay (#3100)	\$184,700

3105 Overtime Pay \$1,800

The Secretary-Clerk works overtime during periods of major projects and night meetings. This amount is calculated at 42 overtime hours at 1.5 times hourly salary.

3110 Extra Help \$ 1,800

These funds will be used if needed for temporary clerical assistance during the Secretary-Clerk's absence. Ten days, \$180 per day.

3115	Sick Leave \$3,000 Sick leave is budgeted as a lump sum.	
3135	Holiday Pay \$8,300 Holiday pay is budgeted as a lump sum.	
3150	Social Security \$13,900 This figure is calculated at the rate of 7.65% of each salary.	
3155	PERS \$27,700 This amount covers the Commission's contributions to the Public Employees Retirement System. Effective July 1, 2008 the employer's share increases from 12.657% to 12.938%. The Commission matches the benefit levels provided to comparable County employees. The Commission therefore pays the 7.00% employee contribution for the Secretary-Clerk, but not for the Executive Officer. The Executive Officer's payments go directly to PERS, and do not get logged as income to the Commission.	
3160	Employee Insurance \$32,000 This amount provides for health insurance through PERS and for dental, eye care, life insurance, and limited disability insurance through the County's program. The employees pay part of these costs (matching payments by county employees). The employees' contributions are budgeted as revenue, and reduce the net cost of this benefit to the Commission from the gross amount shown in this line item by approximately \$4,500. The amount is based upon actual costs through 12/31/08 and an estimated 15% increase for 1/1/09 through 6/30/09.	
3165	Unemployment \$700 This amount is the estimated cost for the most recent 12 months.	
3170	Workers' Comp. \$2,100 The net workers' compensation insurance costs fluctuate greatly with the amount of the annual credit. The FY 2008-9 amount is estimated at highest amount in last the last three years.	
	SUBTOTAL SALARIES AND BENEFITS	\$276,000

SUPPLIES AND SERVICES

- 3235 Radio \$0
This represents the County radio shop charges for renting public address systems for LAFCO meetings in a facility that doesn't have a built-in system. This service is not expected to be needed in FY08-09.
- 3240 Telecom \$2,000
The telephone cost is estimated at current-year estimated cost plus 3%.
- 3355 Maintenance of Office Equipment \$600
LAFCO leases a copier, which is used by the Grand Jury and several other County offices. This amount is estimated at the highest cost over the last three years.
- 3450 Memberships \$2,200
This amount provides for membership in the California Association of LAFCOs payable in June.
- 3484 Duplicating \$2,200
This amount provides for production photocopying for reports done at the County's duplicating shop or at a local printing shop.
- 3491 Postage \$1,800
This is the cost of mailing public notices and regular correspondence. It is budgeted based upon the current year estimate plus 5%.
- 3492 Subscriptions \$800
It is budgeted at the current year estimate.
- 3493 Supplies \$2,100
It represents office supplies. It is budgeted at the highest expenditure of the last three years.
- 3505 Accounting and Auditing \$800
This amount is the cost of accounting services from the County Auditor. It includes payroll, vendor payments, and auditing. It is budgeted at the highest expenditure over the last three years.
- 3515 Attorney \$142,500
This amount represents \$37,500 for routine legal services from County Counsel's office, and a litigation reserve of \$105,000.

- 3545 Information Center \$0
In previous years, this sub-object was used for monthly service charges the County charged LAFCO for overhead of the computer system. These charges now appear in sub-object 3575.
- 3575 Data Processing \$5,200
The County Information Services Department charges LAFCO with a its share of the staffing overhead used to support LAFCO's computers, printers, and access to accounting, fiscal, and other data bases. The amount budgeted is the current year estimated costs plus 3%.
- 3576 Data Printing \$1,000
This is the electronic printing of each agenda packet by the County Information Services Department. This line item is calculated at the highest cost over the last three years.
- 3585 Director Fees \$6,000
This amount is calculated based upon seven commissioners and four alternates being paid a meeting stipend for eleven meetings per year. The \$50 meeting stipend has not been raised in many years. The Commission may want to review its stipend level in the coming year.
- 3590 Engineering Services \$1,300
This amount covers map checking by the County Surveyor and prints of maps from the County Public Works Department. The estimate is based upon the current year estimated amount plus 5%.
- 3665 Professional Services \$35,000
This amount provides for outside assistance in doing spheres of influence, municipal service reviews, reorganization studies, and other special studies. Typical consultants required to augment staff expertise include legal, management, economic, planning, engineering, hydrologic, and environmental consultants. The Local Government Reorganization Act requires LAFCO to review all spheres periodically. This amount assumes that a consultant would be used to support a service review, sphere study, or reorganization report prepared by LAFCO staff.
- 3670 Geographic Information System (GIS) Maps \$13,100
The LAFCO staff is using the County geographic mapping system for maps and data analysis for the Sphere and application reviews. This is estimated at the average amount during the last three years.

- 3790 Legal Notices \$4,400
This amount is used to pay for public hearing notices and other legal advertising. The higher amount reflects increases in advertising rates.
- 3800 Equipment Lease \$3,000
This account pays the computer and printer lease costs charged by the County Information Services Department. This is estimated at the estimated current year costs plus 3%.
- 3810 Rents \$8,000
The County charges LAFCO rent for its office on the third floor of the Governmental Center. The annual rent is \$7,140 with no additional costs. Additionally, the County charges LAFCO to store LAFCO's old records in the County warehouse, and retrieve them when requested. The budgeted amount is equal to the estimated costs in FY 07-08.
- 3975 Miscellaneous Expenses \$8,900
The main use of this account is to show refunds of the portions of application deposits that are returned to applicants when an application is closed. This account is also used for paying web-hosting costs, State Board of Equalization filing fees, and Fish and Game environmental fees. The amount is estimated at approximately half the FY07-08 expenditures because there were some non-recurring filing costs that the staff does not expect to occur at the same high levels in FY 08-09.
- 4110 Books \$300
This entry is used to purchase books and other written materials. The budgeted amount is the average cost for the last three years.
- 4150 Airfare \$2,100
Airfare is used to attend meetings that are in distant locales in California, usually southern California. The budgeted amount is estimated at nine round trip flights at \$233 per trip.
- 4154 Education and Training \$800
This represents staff development courses and seminars. This is budgeted as a lump sum.
- 4162 Lodging \$4,700
Lodging is budgeted to allow Commissioners and staff members to attend training sessions and meetings. The estimate is calculated at the fall CALAFCO conference room rate for nine participants.
- 4164 Meals \$400
Meals are budgeted at the highest cost over the last three years.

4166	Mileage	\$2,800	
	This includes mileage for staff delivery of agendas, office errands, and allowance for Commissioners and staff to attend conferences, seminars, CALAFCO Board meetings, and other meetings. It is calculated at 8% above the estimated current year costs.		
4168	Travel Other	\$500	
	These are miscellaneous travel costs such as train fares, bus fares, parking and bridge tolls. The budgeted amount represents the average over the last three years.		
4170	Registrations	\$4,500	
	Workshop and conference registrations are budgeted at the highest cost over the last three years.		
	SUBTOTAL SUPPLIES AND SERVICES		\$257,000
	(includes \$194,700 rebudgeted reserves)		

FIXED ASSETS

8404	Equipment	\$0	\$ 0
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RECAP OF PROPOSED BUDGET:

SALARIES AND BENEFITS	\$276,000
SUPPLIES AND SERVICES	\$257,000
FIXED ASSETS	<u>0</u>
TOTAL	\$533,000

CALCULATION OF AMOUNT OF NEW FUNDING

RECAP OF PROPOSED BUDGET:

SALARIES AND BENEFITS	\$276,000
SUPPLIES AND SERVICES	\$257,000
FIXED ASSETS	\$ 0
TOTAL	\$533,000

TOTAL BUDGET	\$ 533,000
RE-BUDGET FROM FUND BALANCE	<u>-\$ 194,700</u>
TOTAL TO BE FUNDED IN FY 2008-9	\$ 338,300

BUDGETED REVENUES IN FY 2008-9 \$ 37,400

REVENUE HISTORY

	Act05-06	Act06-07	Est07-08	Prop08-09
Application Processing Fees	\$19,413	\$65,304	\$6,000	\$23,000
Interest	\$12,569	\$20,629	\$12,000	\$10,000
Employee Health and Retirement	\$7,849	\$1,432	\$3,000	\$3,700
<u>Copy Charges</u>	<u>\$2,327</u>	<u>\$1,215</u>	<u>\$700</u>	<u>\$700</u>
Total	\$42,158	\$88,580	\$21,700	\$37,400

CALCULATION OF DUES TO BE PAID BY FUNDING AGENCIES

TOTAL TO BE FUNDED IN FY 2008-9	\$338,300
<u>BUDGETED REVENUES</u>	<u>-\$ 37,400</u>
DUES TO BE PAID BY FUNDING AGENCIES *	\$300,900

* Subject to increase by Auditor's charges.

GOVERNMENT CODE SECTION 56425--Sphere Reviews Required
(Selected sub-sections).

56425.

Duty to Prepare Spheres

(a) In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each local governmental agency within the county and enact policies designed to promote the logical and orderly development of areas within the sphere.

January 1, 2008 Deadline To Review All Spheres

(g) On or before January 1, 2008, and every five years thereafter, the commission shall, as necessary, review and update each sphere of influence.

LAFCO May Recommend Reorganizations

(h) The commission may recommend governmental reorganizations to particular agencies in the county, using the spheres of influence as the basis for those recommendations. Those recommendations shall be made available, upon request, to other agencies or to the public. The commission shall make all reasonable efforts to ensure wide public dissemination of the recommendations.

Government Code 56381—LAFCO Budget

(sub-sections that are inapplicable in Santa Cruz County have been deleted)

56381.

Timeframes for Adoption

(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; to the clerk and chair of the city selection committee, if any, established in each county pursuant to Article 11 (commencing with Section 50270) of Chapter 1 of Part 1 of Division 1; to each independent special district; and to the clerk and chair of the independent special district selection committee, if any, established pursuant to Section 56332.

Auditor's Apportionment

(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 nonenterprise activities as total revenues for general purpose transactions less revenue category aid from other governmental agencies and for enterprise activities as total operating and nonoperating 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)

(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)

(2) - (4)

Collection of Costs

(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.

Retention of Unspent Funds

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.

County Loan

If, during the fiscal year, the commission is without adequate funds to operate, the board of supervisors may loan the commission funds and recover those funds in the commission's budget for the following fiscal year.

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2008-9

On the motion of Commissioner Pirie
duly seconded by Commissioner J. Anderson
the following resolution is adopted:

ADOPTING A PROPOSED BUDGET
FOR THE FISCAL YEAR BEGINNING JULY 1, 2008

WHEREAS, the Santa Cruz Local Agency Formation Commission wishes to provide for a budget to fulfill its purposes and functions that are set by State law;

NOW, THEREFORE, the Santa Cruz Local Agency Formation Commission does hereby resolve, determine, and order as follows:

1. In accordance with Government Code section 56381(a), the Commission adopts a proposed budget for the fiscal year beginning July 1, 2008 in the amount of \$533,000 with the net amount to be funded by the participating agencies of \$300,900.
2. The Executive Officer is directed to transmit the proposed budget to the county, cities, and districts as specified in Government Code section 56381(a), and to notice a public hearing for the purpose of adopting a final budget pursuant to state law.
3. The budget will allow the Commission to fulfill the programs and purposes of the Local Government Reorganization Act because it will not result in a significant reduction of program levels.

PASSED AND ADOPTED by the Santa Cruz Local Agency Formation Commission this second day of April 2008 by the following vote:

AYES: J. Anderson, Barrett, R. Anderson, Coonerty, Begun, Pirie, Rapoza

NOES: None

ABSENT: Campos

/s/ _____
JAMES W. RAPOZA, CHAIRPERSON

Attest:

Approval as to form:

/s/ _____
Patrick M. McCormick
Executive Officer

/s/ _____
Christopher Cheleden,
LAFCO Counsel