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TO: Local Agency Formation Commission
FROM: Executive Officer
SUBJECT: First Quarter FY 2014-15 Budget Update

FIRST QUARTER BUDGET UPDATE

The Commission started FY 2014-15 with a deposit of \$319,111 into the Special Project Trust Fund (Account 46726). The deposit was associated with cost savings and end-of-the-year cost deferrals related to position vacancies and document management costs, plus the deposit of a healthy amount of revenue associated with jurisdictional proposals in FY 2013-14. Expenditures and Revenues through the first quarter of FY 2014-15 are also within budget.

Two action items associated with the first quarter budget update concern the removal of a “committed” designation on \$95,000 of trust funds and amending the staffing schedule. The below discussion and attached tables (Figures 1 and 2) cover LAFCO’s financial activity in greater detail through the first quarter of FY 2014-15.

Revenue

Apportionment revenue consists of funds derived from local agency general purpose revenues based on a complex formula codified in State Law (Government Code Section 56381). Per this statute, local agencies must contribute funds equal to the amount needed by the Commission each year. Through the first quarter of the current fiscal year, 99.6% of LAFCO’s apportionment revenue has been collected by the County Auditor (\$1,390,522). The balance of the amount due (\$4,513) has been deposited with LAFCO in October 2014 and will be reflected in the Commission’s second quarter budget update. Proposal-based revenue totaled \$37,955 (Account 46234 Service to Property Owners: \$27,835 and Account 49900 Miscellaneous Revenue: \$10,120). This amount is slightly lower than anticipated, but within an acceptable range.

Expenditures

LAFCO's FY 2013-14 expenditures totaled \$370,127 (\$205,794 / Salaries and Benefits and \$164,290 / Services and Supplies). These amounts are currently within budget. Services and Supplies costs will experience a temporary spike in the second quarter due to the anticipated billing from the County of some records/document management costs for a multi-year project. These costs will approach \$122,115 and were anticipated at the time the FY 2014-15 budget was adopted. The costs are reflected as an encumbrance in the FY 2014-15 budget.

LAFCO will also experience higher than usual (but anticipated) professional services costs during the next three quarters related to fire agency and island elimination projects. The Commission authorized a subsidy of up to \$175,000 from Trust Fund 46726 to cover projects such as the CSA No. 115 Pepper Drive Reorganization with Lakeside FPD and/or San Miguel FPD; Rancho Santa Fe FPD Reorganization with CSA No. 107, and No. 17; Dissolution of Rural and Pine Valley Fire Protection Districts, Greenwood Memorial Park Reorganization, etc. Significant progress is being made on each of these projects and equally significant improvements will result to public safety and jurisdictional boundaries -- from the eventual approval of the reorganizations.

In terms of Salaries and Benefits, overall costs are also within budget. The Commission, however, will need to consider a mid-year staffing schedule change associated with the recruitment for one Local Governmental Analyst position. Recruitment for this position and filling it is essential because the Commission has been operating with a low analytical staffing level, consisting of one full time analyst position and one part-time analyst. The low staffing level is attributed to position vacancies and under-filling others. As a consequence, consultant services and your Executive Officer have assumed additional responsibilities normally performed by staff analysts. While this arrangement has been effective and contained growth in salary and benefit costs, it is a temporary arrangement.

One of the ramifications of a low analytical staffing level is that the Commission is left, at times, with insufficient office coverage and analytical support on some major projects and long-term programs (e.g., sphere of influence and municipal service reviews). From another standpoint, the arrangement places the Commission in a precarious organizational position with respect to staffing and office continuity. This is a matter that all local agencies and businesses need to keep in mind--LAFCO is no exception. The Commission will accordingly need to address this staffing issue in the remaining months of FY 2014-15 and incrementally over the next few years. The upcoming FY 2015-16 budget will contain further discussion about organizational continuity and actions the Commission should take in the future. Overall cost implications will be neutral in FY 2014-15 and in the upcoming year, because of my commitment to make corresponding and offsetting budget cuts in other expenditure categories.

The amount of the appropriations transfer associated with filling one analyst position for an estimated six month period is estimated to range from \$36,656.88 (\$23,649.60 base

salary, plus \$13,007.28 benefits) to \$73,442 (\$47,382 base salary, plus \$26,060 benefits), depending on the qualifications of the candidate hired for the position. The annual equivalent salary for the analyst positions is: Analyst I (\$47,299.20 to \$57,470.40, annually); Analyst II (\$56,014.40 to \$68,120, annually); or Analyst III (\$74,963.20 to \$94,764.80, annually). A statewide recruitment will need to be conducted to fill this position. A recruitment was anticipated when the Commission placed \$25,000 in Account 52490 as part of the FY 2014-15 budget (Account 52490). This account contains funds to cover recruitment and advertising costs that will total about \$10,000 for this particular recruitment. The remaining funds are allocated for other uses (e.g., hearing notification). Again, this recommended staffing action will be cost-neutral because existing appropriations can be transferred from Services and Supplies to Salaries and Benefits.

In addition to accepting the First Quarter FY 2014-15 Budget update report, the Commission should also remove the “committed” designation on \$95,000 of trust fund monies (Trust Fund Account 46726). Removal of this designation can occur, because the associated funds were transferred into LAFCO’s operating account at the end of FY 2013-14. This report is provided for the Commission’s information, acceptance, and approval. Therefore, it is

RECOMMENDED: That the Commission

- (1) Receive and accept the First Quarter FY 2014-15 LAFCO Budget Update and authorize the Executive Officer to transfer up to \$73,442 from Services and Supplies Accounts 52370 (Professional Services) and 52550 (Special Departmental) associated with the recruitment and hiring of one Local Governmental Analyst Position to be filled at the I-III level, depending on qualifications.
- (2) Remove the “committed” designation of \$95,000 from Trust Fund Account 46726 associated with the transfer of funds in the amount of \$95,000 to Account 47540 to support LAFCO’s records management project in FY 2013-14.

Respectfully submitted,

MICHAEL D. OTT
Executive Officer

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Attachments

Figures 1 & 2: First Quarter LAFCO Budget Update FY 2014-15

Figure 1
First Quarter LAFCO Budget Update FY 2014-15

Ordinary Income/Expense	Actual FY13-14 Budget	Adopted FY13-14 Budget	First Quart Est. FY14-15 Budget	Adopted FY14-15 Budget
Income				
45918 · LAFCO Apportionment (net cost)	1,397,440.00	1,508,619.37	1,390,522.00	1,395,035.00
46234 · Service to Property Owner	166,965.00	91,530.00	27,835.00	143,586.00
47540 · Operating Transfers	95,000.00	175,000.00	0.00	175,000.00
47615 · Other Sales - Taxable	0.00	5,000.00	0.00	7,500.00
49000 · Processing Fee	0.00	0.00	0.00	0.00
49200 · Interest & Dividends	-	2,200.00	0.00	2,000.00
49900 · Miscellaneous Revenue	55,172.51	0.00	10,100.00	0.00
80100 · Receipts Sch TR & Agency	0.00	0.00	0.00	0.00
TOTAL Income	1,714,577.51	1,782,349.37	1,428,457.00	1,723,121.00
Expense				
51110 · Salaries & Wages	478,919.00	563,496.00	128,017.85	535,822.00
Benefits Total	279,179.00	345,174.00	77,776.87	348,549.00
52074 · Telecommunications	0.00	500.00	0.00	500.00
52138 · Public Liability Insurance	0.00	500.00	0.00	500.00
52178 · Auto Maintenance	1,770.26	2,000.00	40.15	2,000.00
52182 · Vehicle Fuel	785.70	1,500.00	123.53	1,500.00
52270 · Memberships	7,319.00	9,000.00	7,428.00	9,000.00
52330 · Office Expense	0.00	8,000.00	0.00	5,000.00
52332 · Postage	0.00	500.00	0.00	500.00
52334 · Printing	14,627.25	10,000.00	2,195.98	10,000.00
52336 · Books - Office Library	855.34	2,000.00	23.13	2,000.00
52338 · Drafting/Engineering	0.00	50.00	0.00	50.00
52344 · Stores Unallocated	7,531.90	12,500.00	3,316.97	12,500.00
52354 · Mail/Postage-ISF	8,337.63	12,000.00	1,867.37	8,000.00
52370 · Professional Services				
52370.A · Special Counsel Litigation	0.00	750.00	0.00	0.00
52370.B · Special Counsel General	17,721.20	8,000.00	4,252.70	10,000.00
52370.C · General Counsel	11,785.20	8,000.00	2,886.90	11,000.00
52370.D · GIS Support	56,204.50	60,000.00	23,016.00	60,000.00
52370.E · Web & Doc Support	56,204.50	65,000.00	0.00	65,000.00
52370.F · Local Govt Services	43,187.00	65,000.00	13,191.00	65,000.00
52370.G · Legislation	25,061.00	35,000.00	4,814.00	20,000.00
52370.H · Accounting	12,100.00	30,000.00	0.00	30,000.00
52370.I · Other (Doc. Capture QC)	24,641.50	55,000.00	17,112.91	90,000.00
Total 52370 · Professional Services	246,904.90	326,750.00	65,273.51	351,000.00
52490 · Publications	1,787.36	1,000.00	0.00	25,000.00
52530 · Office Lease	70,276.73	73,000.00	17,758.36	75,000.00
52550 · Special Department				
52550.A · Service Review	47,940.00	55,000.00	10,060.00	55,000.00
52550.B · County Overhead Costs	30,944.00	31,000.00	8,103.00	31,000.00
52550.C · Other	6,390.32	2,000.00	5,400.00	2,000.00
52550.D · Minor Expense	26,754.74	15,000.00	0.00	17,000.00
52550.E · Other (Doc. Capture)	32,685.48	85,000.00	-	50,000.00
Total 52550 · Special Department	144,714.54	190,399.00	23,563.00	155,000.00
52566 · Minor Equipment	0.00	1,000.00	0.00	1,000.00
52602 · Computer Related Training	0.00	3,500.00	0.00	1,000.00
52608 · Out of County Travel	0.00	0.00	0.00	1,000.00
52610 · Non-Travel/In-County	0.00	500.00	0.00	500.00
52612 · Emp. Auto mileage	8,604.66	10,000.00	1,948.40	10,000.00
52622 · Training/Regis	0.00	2,000.00	0.00	1,000.00
52704 · Purchasing ISF	0.00	500.00	0.00	500.00
52706 · Document Svcs ISF	0.00	200.00	0.00	200.00
52721 · Network Services IT	31,073.43	28,000.00	4,383.26	32,000.00
52722 · Computing Power ISF	0.00	800.00	0.00	800.00
52723 · Data Center Service	10,237.54	6,000.00	7,544.71	50,000.00
52725 · Cross Functional Svcs I	5,553.07	6,000.00	1,193.19	6,000.00
52726 · Microfiche & Print	99.00	200.00	0.00	200.00
52728 · Application Service	33,154.80	95,000.00	5,612.34	25,000.00
52732 · Desktop Computing	22,915.40	29,500.00	4,093.62	27,000.00
52734 · Help Desk	1,506.12	5,500.00	289.14	2,500.00
52750 · Catalog Items	49,325.58	1,000.00	16,616.05	10,000.00
52752 · Other Services	1,000.00	500.00	0.00	500.00
52754 · Non Catalog Items	0.00	500.00	0.00	500.00
52758 · Vehicle Lease	3,090.78	2,500.00	515.14	2,500.00
53585 · Equipment Dep Expense	1,345.76	0.00	504.66	2,500.00
59000 · Fixed Asset	0.00	17,000.00	0.00	1,500.00
00000 - Encumbrance	122,115.00	0.00	122,115.00	0.00
54961 - Fixed Asset Equip & Furn	0	17,000.00	0.00	17,000.00
Subtotal Services & Supplies	794,931.75	871,280.37	164,290.51	860,530.37
TOTAL Salaries & Bens and Serv. & Supplies²	1,553,029.75	1,782,349.37	370,085.23	1,747,401.37

Figure 1
First Quarter LAFCO Budget Update FY 2014-15

Fund Activity	Actual	Adopted	First Quart Est.	Adopted
	<u>FY13-14 Budget⁵</u>	<u>FY13-14 Budget</u>	<u>FY14-15 Budget</u>	<u>FY14-15 Budget</u>
44595 - Fund Balance ¹	118,327.28	94,969.51	122,115.00	118,327.28
46725 - Contingency ²	529,471.53	527,057.45	662,601.56	528,480.82
46726 - Special Project ³	422,217.75	102,081.00	422,217.75	515,486.26
46727 - Jurisdictional ⁴	148,008.51	147,333.69	148,008.51	147,731.57
46728 - Interest	-	1,941.18	-	2,097.34
46729 - FUND ACTIVITY TOTAL	<u>1,218,025.07</u>	<u>873,382.83</u>	<u>1,354,942.82</u>	<u>1,312,123.27</u>

Notes for Figures 1 & 2:

¹Account 44595: All funds are designated "Unassigned" per Minute Item No. 9: June 3, 2013.

²Account 46725: All funds are designated "Unassigned" per Minute Item No. 9: June 3, 2013.

³Account 46726 contains the following designations:

~~\$220,486.26~~ \$200,142.75 ("Unassigned") per LAFCO Minute item No 9: June 3, 2013.

\$175,000 ("Committed") per Min. Item No. 9: June 3, 2013 for fee waivers (Dissolution of the Julian-Cuyamaca, Pine Valley, and Rural FPDs; CSA 115 (Pepper Drive); and the Greenwood Memorial Park Cemetery Island Reorganization proposal.

~~\$95,000 (Committed) per Min. Item 11, November 4, 2013 for doc. mgmt; funds transferred to operating account in FY 2013-14.~~

\$25,000 ("Committed") per Minute Item No. 11: November 4, 2013 associated with the reorganization of CSA 107 (Elfin Forest).

\$22,075 ("Assigned") per Minute item No. 9: June 3, 2013 for the Montecito Ranch Project.

⁴Account 44727: All funds designated "Unassigned" per Minute Item No. 9: June 3, 2013.

⁵Actual budget figures are based on modified accrual system & may differ from audited figures.