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AGENDA REPORT

Consent | Action

October 1, 2018

TO: San Diego Commissioners
FROM: Keene Simonds, Executive Officer
Erica Blom, Administrative Assistant
SUBJECT: End of Year Budget Report for Fiscal Year 2017-2018

SUMMARY

The San Diego Local Agency Formation Commission (LAFCO) will review an end of year report comparing budget and actual transactions for 2017-2018. The report notes the Commission finished the fiscal year with a sizable operating surplus of \$150,011 or 8% while also eliminating a budgeted fund balance transfer of \$220,000; the substantive result being an overall expense savings of \$370,011 or 19%. Reductions in salaries and benefits underlie the referenced savings. The report is being presented to the Commission to accept and file as well as provide direction as needed.

BACKGROUND

San Diego LAFCO | Prescribed Funding

State law mandates operating costs for LAFCOs shall be annually funded among their represented membership categories. San Diego LAFCO's operating costs, accordingly, are divided among four distinct membership categories with the largest apportionment assigned to the County of San Diego at 28.6%. The independent special districts and cities less the City of San Diego are also apportioned funding percentages of 28.6% with individual amounts divided thereafter based on total revenue shares in a given fiscal year. The City of San Diego – and based on special legislation providing the City a dedicated seat on the Commission – is responsible for the remaining 14.3% of San Diego LAFCO's annual operating costs.

FY 2017-18 Adopted Budget

San Diego LAFCO’s adopted final budget for 2017-2018 totaled \$1.986 million. This amount represented the total approved operating expenditures for the fiscal year divided between three active expense units: salaries and benefits; service and supplies; and other. A matching revenue total was also budgeted to provide a projected year-end net of \$0 and with the aid of a planned \$0.220 million transfer from reserves. Budgeted revenues are divided between four active units: intergovernmental contributions; service charges; earnings; and miscellaneous. The Commission’s total fund balance – which includes restricted, committed, and unassigned – as of July 1, 2017 was \$1.469 million.

Budgeted 17-18 Expenses	Budgeted 17-18 Revenues	Budgeted 17-18 Year End Balance	Beginning 17-18 Fund Balance
\$1.986	\$1.986	\$0	\$1.469

amounts in millions

Accounting Practices

San Diego LAFCO practices bottom-line accounting in booking expenses during the fiscal year. The substantive result of this practice means individual line-item accounts may exceed their budgeted total without the need for correcting amendments so long as the overall balance in the affected units (i.e., salaries and benefits, services and supplies, etc.) remain positive. Should a unit’s balance exceed its budgeted allocation, however, a correcting amendment is required before the end of the fiscal year.

DISCUSSION

This item is for San Diego LAFCO to receive a final comparison of (a) budget to (b) actual expenses and revenues in conjunction with the close of 2017-2018. The report provides the Commission the opportunity to review expenditure and revenue trends relative to recent years and provide follow up with staff as needed. The report is being presented to the Commission to formally accept and file.

Summary of Operating Expenses

San Diego LAFCO’s budgeted operating expense total for 2017-18 was \$1.986 million. Actual expenses through the end of the year totaled \$1.668 million; an amount representing 84% of the budgeted total with an unexpended balance of \$0.318 million. A breakdown of budget to actual expenses by unit through the end of the year follows.

Expense Units	Adopted	Actuals	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,100,599	930,078	85	170,521
2) Services and Supplies	881,300	736,535	84	144,765
3) Other	5,000	2,019	40	2,981
Total	\$1,986,899	\$1,688,632	84%	\$318,267

An expanded discussion on budgeted and actuals through the end of the year follows.

Expense Unit | Salaries and Benefits

The Commission budgeted \$1.100 million in salaries and benefits for 2017-18 with the proceeds largely tied to funding 8.0 fulltime equivalent employees as well as existing retiree obligations. Commission per diems are also budgeted within this unit. The Commission's actual expenses within the affected line-item accounts totaled \$0.930 million or 85% of the budgeted amount. The resulting unexpended savings is tied to extended vacancies in two of the budgeted staff positions coupled with cost-reductions in pension contributions associated with new employees.

Expense Unit | Services and Supplies

The Commission budgeted \$0.881 million in services and supplies for 2017-18 to provide funding for direct support services necessary to operate San Diego LAFCO. The majority of the budgeted funds were dedicated to professional services to cover such items as planning and legal services as well as making reimbursements to the County for office rent, information technology, and general overhead. The Commission's actual expenses within the affected line-item accounts totaled \$0.736 million or 84% of the budgeted amount. A sizable portion of the unexpended savings is tied to overhead reimbursements paid to the County and marked by reducing work orders tied to the development of an electronic document management system through a County contractor (Wave). This savings coupled with reductions in consultant services – pertinently – helped to absorb cost overruns in several training and related travel accounts in step with investing in more ongoing education for Commissioners and staff.

Expense Unit | Other

The Commission budgeted \$5,000 in two separate units to collectively address equipment depreciation and fixed asset purchases in 2017-18. The Commission's actual expenses within the unit totaled \$2,019 or 40% of the budgeted amount and tiredly tied to funding depreciation for LAFCO's two copiers and plot printer. No new fixed assets were purchased during the fiscal year.

Summary of Operating Revenues

San Diego LAFCO's budgeted operating revenue total for 2017-18 was \$1.986 million with \$0.220 million to be generated from a fund balance transfer. Actual revenues through the end of the year totaled \$1.818 million; an amount representing 92% of the budgeted total with an uncollected balance of \$0.168 million. A breakdown of budget to actual revenues by unit through the end of year follows.

Revenue Units	Adopted	Actuals	Percent Collected	Outstanding Balance
1) Intergovernmental	1,635,099	1,635,099	100	0
2) Service Charges	125,000	168,009	134	(43,009)
3) Earnings	6,800	15,535	128	(8,735)
4) Miscellaneous	220,000	0	0	220,000
Total	\$1,986,899	\$1,818,643	92%	\$168,256

An expanded discussion on budgeted and actuals through the end of the year follows.

Revenue Unit | Intergovernmental Fees

The Commission budgeted \$1.635 million in intergovernmental fees in 2017-18. This total budgeted amount was subsequently divided between San Diego LAFCO’s four membership categories with the County of San Diego, independent districts, and cities less San Diego all receiving apportionments equaling \$0.467 million. The remaining amount – \$0.233 million – was apportioned to the City of San Diego. All apportioned agency contributions were collected.

Revenue Unit | Service Charges

The Commission budgeted \$0.125 million in application fees in 2017-18. The Commission’s actual revenues within the unit totaled \$0.168 million or 134% of the budgeted amount. This amount is largely tied to collecting application fees for 14 proposals during the fiscal year and represents an overall cost-recovery of 10%.

Revenue Unit | Earnings

The Commission budgeted \$6,800 in interest earnings in 2017-18. The Commission’s actual revenues within the unit totaled \$15,535 or 128% of the budgeted amount.

Revenue Unit | Miscellaneous

The Commission budgeted \$0.220 million in operating transfers from the reserve in 2017-18. This transfer was budgeted, notably, to help lower new agency contributions while also subsidizing potential proposal activities given their overall public benefit. No transfers were made through the first nine months. Overall savings in budgeted expenses negated the need to execute the transfer.

ANALYSIS

San Diego LAFCO finished the fiscal year favorably and without the need for any correcting amendments. This includes generating a sizeable net operating surplus of \$0.150 million or 8% while also – importantly – eliminating a budgeted fund balance transfer of \$0.220 million. This latter amount produces an overall expense savings of \$0.370 million or 19% and attributed to reduced labor costs given extended position vacancies coupled with decreases in overhead and consultant uses. The resulting change to the cash fund balance – and less accrual adjustments – is an increase from \$1.469 to \$1.619 million.

ALTERNATIVES FOR ACTION

The following alternatives are available to the Commission in considering this item:

Alternative One (recommended)

Accept and file the report as presented.

Alternative Two

Continue to a future meeting and provide direction to staff with respect to any additional analysis or information requested.

RECOMMENDATION

It is recommended the Commission proceed with Alternative One as outlined in the preceding section.

PROCEDURES

This item has been placed on the agenda as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Respectfully,



Keene Simonds
Executive Officer

Attachments:

- 1) Operating Budget | General Ledger for 2017-2018 through June 30, 2018
- 2) Summary of Actual Expenses in Professional Services (Account No. 52370)

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FY2017-18 | Year-End Actuals (Cash Basis)

OPERATING EXPENSES

Salary and Benefit Unit

Accounts	Descriptions	FY2015-16		FY2016-17		FY2017-18		FY2017-18	
		Adopted FY15-16	Actuals FY15-16	Adopted FY16-17	Actuals FY16-17	Adopted FY17-18	Actuals FY17-18	Remaining Balance	
51110-51310	Salaries and Wages	1,028,205	493,668	1,073,177	538,165	1,100,599	617,838		
51410	Retirement - SDCERA	-	153,326	-	187,262		166,680		
51415	Retirement - OPEB	-	8,188	-	9,323		7,256		
51421	Retirement - Pension Obligation Bonds	-	30,851	-	34,496		27,841		
51450	Retirement - Social Security	-	32,921	-	36,919		35,613		
51510-51550	Group Insurance (Health)	-	66,797	-	69,440		74,615		
51560	Unemployment Insurance	-	161	-	154		235		
		1,028,205	785,912	1,073,177	875,759	1,100,599	930,078	170,521	15%

Services and Supplies Unit

Accounts	Descriptions	FY2015-16		FY2016-17		FY2017-18		FY2017-18	
		Adopted FY15-16	Actuals FY15-16	Adopted FY16-17	Actuals FY16-17	Adopted FY17-18	Actuals FY17-18	Remaining Balance	
52074	Telecommunications	500	-	500	-	500	2,266	(1,766)	-353%
52178	Vehicle - Maintenance	2,000	1,150	2,000	1,456	2,000	489	1,511	76%
52182	Vehicle - Fuel	500	1,274	1,500	1,096	1,500	401	1,099	73%
52270	Memberships	9,000	7,577	10,107	8,107	15,000	11,328	3,672	24%
52304	Miscellaneous	-	-	50	-	50	6,001	(5,951)	-11902%
52330	Office: General	1,000	-	1,000	-	1,000	15,253	(14,253)	-1425%
52332	Office: Postage	500	-	500	-	500	-	500	100%
52334	Office: Printing	2,000	7,194	7,500	20	7,500	-	7,500	100%
52336	Office: Books and Guidelines	2,000	110	2,000	-	2,000	3,609	(1,609)	-80%
52338	Office: Drafting/Engineering	50	-	50	-	50	-	50	100%
52344	Office: Stores Unallocated	15,000	13,974	17,500	10,806	18,000	13,140	4,860	27%
52354	Office: Mail Services	8,000	9,228	9,500	8,220	9,000	10,037	(1,037)	-12%
52370	Professional Services: Consultants	427,500	378,861	402,500	408,717	382,500	326,850	55,650	15%
52490	Publications and Legal Notices	2,500	127	2,500	57	7,500	7,085	415	6%
52504	Leases: Equipment	1,166	5,996	-	4,779	4,000	5,498	(1,498)	-37%
52530	Leases: Office Space	75,000	73,875	77,000	75,722	80,000	79,789	211	0%
52550	Special Expenses: County Overhead Reimbursements	126,000	190,483	100,000	196,412	155,000	47,826	107,174	69%
52562	Special Expenses: New Hire Backgrounds	-	93	-	-	-	572	(572)	n/a
52566	Special Expenses: Minor Equipment	1,000	-	1,000	-	1,000	1,164	(164)	-16%
52602	Computer Training	2,000	-	2,000	-	2,000	-	2,000	100%
52610	Travel and Training In County	500	-	500	-	500	11,301	(10,801)	-2160%
52612	Employee Auto	10,000	9,084	10,000	8,802	10,000	8,724	1,276	13%
52622	Travel and Training Out of County	1,000	-	1,000	-	1,000	14,390	(13,390)	-1339%
52704-52722	Reimbursements: Network	33,500	28,905	33,500	29,140	31,500	27,137	4,363	14%
52723	Reimbursements: Data Center	50,546	54,901	51,000	52,403	45,000	48,214	(3,214)	-7%
52725	Reimbursements: Financial Systems	6,000	22,671	6,000	20,940	20,000	18,888	1,112	6%
52726-52732	Reimbursements: Desktop Computing	40,200	27,079	40,200	28,248	27,700	47,462	(19,762)	-71%
52374	Reimbursements: Help Desk	2,500	5,058	2,500	4,531	2,500	3,154	(654)	-26%
52750-52754	Reimbursements: Catalog Equipment	41,310	20,281	117,480	27,121	51,000	23,973	27,027	53%
52758	Reimbursements: Vehicle Lease	2,500	773	2,500	166	3,000	1,986	1,014	34%
		863,772	858,694	901,887	886,743	881,300	736,535	144,765	16%

Other Units

Accounts	Descriptions	FY2015-16	FY2016-17	FY2017-18	FY2017-18	Remaining Balance	
53585	Equipment Depreciation	2,500	2,019	2,500	2,019	481	19%
54955-54961	Fixed Assets	2,500	-	1,500	-	2,500	100%
		5,000	2,019	4,000	2,019	2,981	60%

EXPENSE TOTALS

1,896,977	1,646,625	1,979,064	1,764,521	1,986,899	1,668,632	318,267	16%
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OPERATING REVENUES

		FY2015-16		FY2016-17		FY2017-18			
		Adopted FY15-16	Actuals FY15-16	Adopted FY16-17	Actuals FY16-17	Adopted FY17-18	Actuals FY17-18	Remaining Balance	
Intergovernmental Unit									
Accounts	Descriptions								
45918	Agency Apportionments	1,394,946	1,394,946	1,578,564	1,577,636	1,635,099	1,635,099	-	0%
		1,394,946	1,394,946	1,578,564	1,577,636	1,635,099	1,635,099	-	0%
Service Charges Unit									
Accounts	Descriptions								
46234	Applicant Fees	125,000	76,510	150,000	186,717	125,000	168,009	(43,009)	-34%
		125,000	76,510	150,000	186,717	125,000	168,009	(43,009)	-34%
Earnings Unit									
Accounts	Descriptions								
44105	Interests and Dividends	5,500	-	5,500	-	6,800	15,535	(8,735)	-128%
		5,500	-	5,500	-	6,800	15,535	(8,735)	-128%
Miscellaneous Unit									
Accounts	Descriptions								
47540	Operating Transfer	370,365	175,000	250,000	-	220,000	-	220,000	100%
		370,365	175,000	250,000	-	220,000	-	220,000	100%
	REVENUE TOTALS	1,895,811	1,646,456	1,984,064	1,764,353	1,986,899	1,818,643	168,256	8%

OPERATING NET	(169)	(168)	150,011
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FUND BALANCE JUNE 30th (Cash Basis)	1,408,695	1,469,694	1,619,705
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SAN DIEGO LOCAL AGENCY FORMATION COMMISSION
Regional Service Planning | State of California

Professional Services | Account No. 52370
FY2017-18 Expense Details through June 30, 2018

Type	Vendor	Amount
Legal Services	Colantuono, Highsmith & Whatley PC	53,199
Legal Services	County of San Diego	4,273
Consulting Legislative	Harry Ehrlich	9,060
Consulting GIS	GIS Surevyors, Inc	122,904
Consulting Records Management	Casey McGhee	28,405
Consulting Planning	Metroplan LLC	43,931
Consulting Fire Protectoin	John Traylor	31,064
Others*	Variety	28,223

\$ 321,059

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