



Chairman

Sam Abed, Mayor
City of Escondido

AGENDA REPORT

December 4, 2017
Item No. 2 (Consent/Action)

Vice Chairwoman

Jo MacKenzie, Director
Vista Irrigation District

November 22, 2017

Members

Catherine Blakespear, Mayor
City of Encinitas

TO: Commissioners

Bill Horn, Supervisor
County of San Diego

FROM: Executive Officer

Dianne Jacob, Supervisor
County of San Diego

SUBJECT: Budget Update for 2017-18 and Year End Projections

Ed Sprague, Director
Olivenhain Municipal Water

SUMMARY

Andrew Vanderlaan
Public Member

The San Diego Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions for 2017-2018 through September 30th. The report projects the Commission is on pace to finish with an operating net of \$0.144 million or 9%; an amount that is mostly attributed to savings in salaries and benefits. The report is being presented to the Commission to accept and file and provide direction as needed.

Lorie Zapf, Councilmember
City of San Diego

Alternate Members

Chris Cate, Councilmember
City of San Diego

BACKGROUND

Greg Cox, Supervisor
County of San Diego

[San Diego LAFCO | Prescribed Funding](#)

Judy Hanson, Director
Leucadia Wastewater District

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 among the agencies 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.

Harry Mathis
Public Member

Racquel Vasquez, Mayor
City of Lemon Grove

Executive Officer

Keene Simonds

Counsel

Michael G. Colantuono

San Diego LAFCO

December 4, 2017 Regular Meeting

Agenda Item No. 2 | Budget Update for 2017-18 and Year-End Projections

FY 2017-18 Adopted Budget

San Diego LAFCO’s adopted final budget for 2017-2018 totals \$1.986 million. This amount represents 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 three active units: intergovernmental contributions; service charges; earnings; and miscellaneous. The Commission’s unaudited estimated total fund balance – which includes restricted, committed, and unassigned – as of July 1, 2017 was \$1.274 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	\$1.274

amounts in millions

DISCUSSION

This item is for San Diego LAFCO to receive an update comparison of (a) budget to (b) actual expenses and revenues through the month of September. The report provides the Commission the opportunity to track expenditure trends and consider year-end operating projections from the Executive Officer. The report is being presented to the Commission to formally accept and file and provide related direction as needed.

Summary of Operating Expenses

San Diego LAFCO’s budgeted operating expense total for 2017-18 is \$1.986. Actual expenses through the first three months totaled \$0.530 million. This amount represents 27% of the budgeted total with 25% of the fiscal year complete. A breakdown of budget to actual expenses by unit through September 30th follows.

Expense Units	Adopted	Actuals Through 9/30	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,100,599	344,821	31	755,778
2) Services and Supplies	881,300	184,976	21	696,324
3) Other	5,000	505	10	4,495
Total	\$1,986,899	\$530,302	27%	\$1,456,597

Actuals through the first three months or one-fourth and related analysis suggest the Commission is on pace to finish the fiscal year with \$1.632 million in total expenses. Should this projection hold the Commission will achieve an unexpended budgeted savings of \$0.354 million or 18%. An expanded discussion on budgeted and actual expenses through the first three months and related year-end projections within the expense units follow.

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. Through the first three months the Commission's actual expenses within the affected line-item accounts totaled \$0.344 or 31% of the budgeted amount with 25% of the fiscal year complete. This proportional overrun in actuals through the unit is entirely attributed to unbudgeted payouts made to three former employees at the time of their retirement/departure in August 2017 to cover vacation and other owed accruals.¹ Going forward it is expected overall actuals will fall significantly below budgeted amounts due to delays in filling budgeted positions with a projected year-end total of \$0.916 million. This projection – should it hold - would produce an overall budgeted savings within the unit of \$0.185 million or 17%.²

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 are dedicated to professional services to cover such items as planning and legal services as well as general overhead from the County. Through the first three months the Commission's actual expenses within the affected line-item accounts totaled \$0.185 million or 21% of the budgeted amount with 25% of the fiscal year complete. Actuals in only of the line-item accounts – memberships – significantly exceeded the proportional threshold for the period at 58% and is the result of making several upfront annual payments. Going forward it is expected overall actuals will fall substantively below budgeted amounts due to savings in consultant use given several contracts for onsite support have recently termed with a projected year-end total of \$711 million.³ This projection – should it hold – would produce an overall budgeted savings within the unit of \$0.170 million or 19%.

Expense Unit | Other

The Commission budgeted \$5,500 in two separate units to collectively address depreciation and fixed asset purchases in 2017-18. Through the first three months the Commission's actual expenses within this combined unit totaled \$505 million or 10% of the budgeted amount with 25% of the fiscal year complete. Going forward it is expected actuals will match budgeted amounts and leave a \$0 year-end balance.

¹ Payouts made during the first three months to cover unused vacation and related accruals totaled \$0.140 million.

² For budgeting purposes the projected year-end totals within salaries and benefits includes maintaining current staffing levels as of report date as well as the hiring of two analysts by January 2018.

³ For budgeting purposes the projected year-end totals within services and supplies assumes close to a one-fourth reduction in actual consultant services.

San Diego LAFCO

December 4, 2017 Regular Meeting

Agenda Item No. 2 | Budget Update for 2017-18 and Year-End Projections

Summary of Operating Revenues

San Diego LAFCO’s budgeted operating revenue total for 2017-18 is \$1.986 million. Actual revenues through the first three months totaled \$1.641 million. This amount represents 81% of the budgeted total with 25% of the fiscal year complete. A breakdown of budget to actual expenses by unit through September 30th follows.

Revenue Units	Adopted	Actuals Through 9/30	Percent Collected	Outstanding Balance
1) Intergovernmental	1,635,099	1,579,057	97	56,042
2) Service Charges	125,000	35,320	28	89,680
3) Earnings	6,800	0	0	6,800
4) Miscellaneous	220,000	0	0	220,000
Total	\$1,986,899	\$1,614,377	81%	\$372,522

Actuals through the first three months and related analysis suggest the Commission’s year-end revenue totals will tally \$1.776 million and result in a moderate shortfall of (\$0.210) or (11%). However, and as outlined below, nearly all of the projected shortfall is the result of the expectation of cancelling a budgeted reserve transfer given the anticipated savings in budgeted expenses. An expanded discussion on the budgeted and actual revenues through the first three months in the four revenue units 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. Through the first three months of the fiscal year the Commission received \$1.579 million or 97% of apportioned agency contributions with 25% of the fiscal year complete. Staff anticipates full payments shortly and as such a \$0 balance by the end of the fiscal year.

Revenue Unit | Service Charges

The Commission budgeted \$0.125 million in application fees in 2017-18. Through the first three months \$35,320 in application fees have been collected. Staff anticipates – and at based on anticipated proposal activity – the account ultimately tallying \$0.141 million and result in a year-end surplus of \$0.016 million or 13%.

Revenue Unit | Interest

The Commission budgeted \$6,800 in interest earnings in 2017-18. No interest earnings have been booked by the County Treasurer through the first three months and as such no monies have been collected. Staff anticipates – and at least for budgeting purposes for this update– no monies will be booked based on recent year-end practices. This

will result in a fiscal year deficit of the full (\$6,800) budgeted amount in the unit.⁴

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 offset new agency contributions and in step with subsidizing certain proposal activities given their overall public benefit. No transfers were made through the first three months, and assuming other expense-to-revenue projections no transfers will be made. This will result in a fiscal year deficit of the full (\$0.220 million) budgeted amount in the unit

ANALYSIS

Activity through the first three months of the fiscal year indicates San Diego LAFCO is proceeding advantageously with respect to achieving a significant operating surplus by the end of the fiscal year in the amount of \$0.144 million or 9%. This projected improvement is largely tied to accruing savings associated with the significant turnover in staff involving the departure of three employees and two onsite consultants during the first quarter.⁵ Additionally, while most – if not all – of these now vacated positions are expected to be filled, staff anticipates San Diego LAFCO continuing into the immediate future at lower than budgeted staffing levels while a more holistic review of staffing options is performed through an ad hoc committee process. All other expense and revenue actuals are generally proceeding as expected with limited to no deviations.

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 the item 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.

⁴ Staff will inquire with the County Auditor-Controller with respect to the status of the interest earned by San Diego LAFCO and report back to the Commission.

⁵ A fourth position – Local Government Analyst I- was also budgeted in 2017-18 but remains vacated.

San Diego LAFCO

December 4, 2017 Regular Meeting

Agenda Item No. 2 | Budget Update for 2017-18 and Year-End Projections

PROCEDURES

This item has been agendized 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 Through September 30, 2017

SAN DIEGO LOCAL AGENCY FORMATION COMMISSION

Regional Service Planning | State of California

Operating Budget Report through September 2017

OPERATING EXPENSES

		2015-16		2016-17		FY2017-18			
		Adopted FY15-16	Actual FY15-16	Adopted FY16-17	Actual FY16-17	Adopted FY17-18	Through Sep-17 (25% of FY)	Projected Year End (100% of FY)	Ending Balance
Salary and Benefit Unit									
<u>Accounts</u>	<u>Descriptions</u>								
51110-51310	Salaries and Wages	1,028,205.00	493,668.00	1,073,177.00	538,165.00	1,100,599.00	266,674.00	626,674.00	
51410	Retirement - SDCERA	-	153,326.00	-	187,262.00		43,008.00	164,508.00	
51415	Retirement - OPEB	-	8,188.00	-	9,323.00		1,828.00	8,578.00	
51421	Retirement - Pension Obligation Bonds	-	30,851.00	-	34,496.00		7,074.00	26,874.00	
51450	Retirement - Social Security	-	32,921.00	-	36,919.00		8,850.00	35,850.00	
51510-51550	Group Insurances (Health)	-	66,797.00	-	69,440.00		17,330.00	53,330.00	
51560	Unemployment Insurance	-	161.00	-	154.00		57.00	210.00	
		1,028,205.00	785,912.00	1,073,177.00	875,759.00	1,100,599.00	344,821.00	916,024.00	184,575.00
Services and Supplies Unit									
<u>Accounts</u>	<u>Descriptions</u>								
52074	Telecommunications	500.00	-	500.00	-	500.00	-	-	500.00
52178	Vehicle - Maintenance	2,000.00	1,150.00	2,000.00	1,456.00	2,000.00	49.00	1,500.00	500.00
52182	Vehicle - Fuel	500.00	1,274.00	1,500.00	1,096.00	1,500.00	158.00	1,300.00	200.00
52270	Memberships	9,000.00	7,577.00	10,107.00	8,107.00	15,000.00	8,674.00	8,674.00	6,326.00
52304	Miscellaneous	-	-	50.00	-	50.00	-	-	50.00
52330	Office: General	1,000.00	-	1,000.00	-	1,000.00	-	-	1,000.00
52332	Office: Postage	500.00	-	500.00	-	500.00	-	-	500.00
52334	Office: Printing	2,000.00	7,194.00	7,500.00	20.00	7,500.00	-	-	7,500.00
52336	Office: Books and Guidelines	2,000.00	110.00	2,000.00	-	2,000.00	-	120.00	1,880.00
52338	Office: Drafting/Engineering	50.00	-	50.00	-	50.00	-	-	50.00
52344	Office: Stores Unallocated	15,000.00	13,974.00	17,500.00	10,806.00	18,000.00	3,001.00	10,000.00	8,000.00
52354	Office: Mail Services	8,000.00	9,228.00	9,500.00	8,220.00	9,000.00	2,034.00	7,500.00	1,500.00
52370	Professional Services: Consultants	427,500.00	378,861.00	402,500.00	408,717.00	382,500.00	102,790.00	300,000.00	82,500.00
52490	Publications and Legal Notices	2,500.00	127.00	2,500.00	57.00	7,500.00	-	2,500.00	5,000.00
52504	Leases: Equipment	1,166.00	5,996.00	-	4,779.00	4,000.00	1,306.00	5,224.00	(1,224.00)
52530	Leases: Office Space	75,000.00	73,875.00	77,000.00	75,722.00	80,000.00	19,166.00	77,931.48	2,068.52
52550	Special Expenses: County Overhead	126,000.00	190,483.00	100,000.00	196,412.00	155,000.00	16,007.00	140,000.00	15,000.00
52562	Special Expenses: New Hire Backgrounds	-	93.00	-	-	-	72.00	216.00	(216.00)
52566	Special Expenses: Minor Equipment	1,000.00	-	1,000.00	-	1,000.00	-	1,000.00	-
52602-52622	Travel and Transportation	13,500.00	9,084.00	18,500.00	8,802.00	13,500.00	2,253.00	9,012.00	4,488.00
52704-52722	Reimbursements: Network	33,500.00	28,905.00	33,500.00	29,140.00	31,500.00	4,991.00	24,955.00	6,545.00
52723	Reimbursements: Data Center	50,546.00	54,901.00	51,000.00	52,403.00	45,000.00	8,726.00	43,630.00	1,370.00
52725	Reimbursements: Financial Systems	6,000.00	22,671.00	6,000.00	20,940.00	20,000.00	3,154.00	15,770.00	4,230.00
52726-52732	Reimbursements: Desktop Computing	40,200.00	27,079.00	40,200.00	28,248.00	27,700.00	3,931.00	19,655.00	8,045.00
52374	Reimbursements: Help Desk	2,500.00	5,058.00	2,500.00	4,531.00	2,500.00	526.00	2,630.00	(130.00)
52750-52754	Reimbursements: Catalog Equipment	41,310.00	20,281.00	117,480.00	27,121.00	51,000.00	7,807.00	39,035.00	11,965.00
52758	Reimbursements: Vehicle Lease	2,500.00	773.00	2,500.00	166.00	2,500.00	331.00	1,000.00	2,000.00
		863,772.00	858,694.00	906,887.00	886,743.00	881,300.00	184,976.00	711,652.48	169,647.52
Other Units									
<u>Accounts</u>	<u>Descriptions</u>								
53585	Equipment Depreciation	2,500.00	2,019.00	2,500.00	2,019.00	2,500.00	505.00	2,500.00	-
54955-54961	Fixed Assets	2,500.00	-	1,500.00	-	2,500.00	-	2,500.00	-
		5,000.00	2,019.00	4,000.00	2,019.00	5,000.00	505.00	5,000.00	-
EXPENSE TOTALS		1,896,977.00	1,646,625.00	1,984,064.00	1,764,521.00	1,986,899.00	530,302.00	1,632,676.48	354,222.52

OPERATING REVENUES

		2015-16		2016-17		FY2017-18				
		Adopted FY15-16	Actual FY15-16	Adopted FY16-17	Actual FY16-17	Adopted FY17-18	Through Sep-17 (25% of FY)	Projected Year End (100% of FY)	Ending Balance	
Intergovernmental Unit										
<u>Accounts</u>	<u>Descriptions</u>									
45918	Agency Apportionments	1,394,946.00	1,394,946.00	1,578,564.00	1,577,636.00	1,635,099.00	1,579,057.00	97%	1,635,099.00	-
		1,394,946.00	1,394,946.00	1,578,564.00	1,577,636.00	1,635,099.00	1,579,057.00	97%	1,635,099.00	-
Service Charges Unit										
<u>Accounts</u>	<u>Descriptions</u>									
46234	Applicant Fees	125,000.00	76,510.00	150,000.00	186,717.00	125,000.00	35,320.00	28%	141,280.00	16,280.00
		125,000.00	76,510.00	150,000.00	186,717.00	125,000.00	35,320.00	28%	141,280.00	16,280.00
Earnings Unit										
<u>Accounts</u>	<u>Descriptions</u>									
44105	Interests and Dividends	5,500.00	-	5,500.00	-	6,800.00	-	0%	-	(6,800.00)
		5,500.00	-	5,500.00	-	6,800.00	-	0%	-	(6,800.00)
Miscellaneous Unit										
<u>Accounts</u>	<u>Descriptions</u>									
47540	Operating Transfer	370,365.00	175,000.00	250,000.00	-	220,000.00	-	0%	-	(220,000.00)
		370,365.00	175,000.00	250,000.00	-	220,000.00	-	0%	-	(220,000.00)
	REVENUE TOTALS	1,895,811.00	1,646,456.00	1,984,064.00	1,764,353.00	1,986,899.00	1,614,377.00	81%	1,776,379.00	(210,520.00)
OPERATING NET		\$ (169.00)		\$ (168.00)		\$ -		\$ 143,702.52		