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## AGENDA REPORT Consent | Action

February 5, 2018

**TO:** San Diego Commissioners  
**FROM:** Keene Simonds, Executive Officer  
**SUBJECT:** Budget Update for 2017-18 |  
2<sup>nd</sup> Quarter Expenses-to-Actuals and Year End Projections

## SUMMARY

The San Diego Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions for 2017-2018 through December 31<sup>st</sup>. The report projects the Commission is on pace to advantageously finish with a modest operating net of \$5,665 while also – importantly – canceling the need for a budgeted fund balance transfer of \$220,000 to help offset operating costs. Savings in salaries and benefits underlie the referenced surplus. The report is being presented to the Commission to accept and file and 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 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.

## 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 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 a correcting amendment so long as the overall balance in the affected unit (i.e., salaries and benefits, services and supplies, etc.) remains 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 an update comparison of (a) budget to (b) actual expenses and revenues through the month of December. 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 million. Actual expenses through the first six months totaled \$0.894 million. This amount represents 45% of the budgeted total with 50% of the fiscal year complete. A breakdown of budget to actual expenses by unit through December 31<sup>st</sup> follows.

Expense Units	Adopted	Actuals Through 12/31	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,100,599	536,078	49	564,521
2) Services and Supplies	881,300	357,871	41	523,429
3) Other	5,000	1,009	20	3,991
<b>Total</b>	<b>\$1,986,899</b>	<b>\$894,958</b>	<b>45%</b>	<b>\$1,091,941</b>

Actuals through the first six months or one-half and related analysis suggest the Commission is on pace to finish the fiscal year with \$1.752 million in total expenses. Should this projection hold the Commission will achieve an unexpended budgeted savings of \$0.234 million or 12%. An expanded discussion on budgeted and actual expenses through the first six 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 six months the Commission's actual expenses within the affected line-item accounts totaled \$0.536 million or 49% of the budgeted amount with 50% of the fiscal year complete. Notable expenses to date – markedly – include covering unbudgeted payouts made to three former employees at the time of their retirement/departure in August 2017 to cover vacation and other owed accruals.<sup>1</sup> Going forward and through the end of the fiscal year it is expected overall actuals in salaries and benefits will total \$0.934 million. This projection covers both existing staffing levels as well as accommodating the potential addition of two new analysts by April as detailed in the accompanying footnote.<sup>2</sup> Should this projection hold the Commission will achieve an overall budgeted savings in the unit of \$0.166 million or 15%.

#### **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 six months the Commission's actual expenses within the affected line-item accounts totaled \$0.357 million or 41% of the budgeted amount with 50% of the fiscal year complete. Close to one-half of these expenses were booked to the Professional Services account and are summarized in the accompanying attachment. Going forward and through the end of the fiscal year it is expected overall actuals in services and supplies will total \$0.814 million. Should this projection hold it would produce an overall budgeted savings within the unit of \$0.068 million or 8%.

#### **Expense Unit | Other**

The Commission budgeted \$5,000 in two separate units to collectively address equipment depreciation and fixed asset purchases in 2017-18. Through the first six months the Commission's actual expenses within this combined unit totaled \$1,009 or 20% of the budgeted amount with 50% of the fiscal year complete. Going forward it is expected actuals will match budgeted amounts and leave a \$0 year-end balance.

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

<sup>2</sup> It is assumed San Diego LAFCO will fill two budgeted fulltime positions by April 1, 2018: (a) one Local Government Analyst I at a starting annual pay of \$60,000 and (b) one Local Government Analyst II at a starting annual pay of \$70,000. Both anticipated starting salaries represent the approximate mid-point in the position's respective salary schedules.

## Summary of Operating Revenues

San Diego LAFCO’s budgeted operating revenue total for 2017-18 is \$1.986 million with \$0.220 million to be generated from a fund balance transfer. Actual revenues through the first six months totaled \$1.723 million. This amount represents 87% of the budgeted total with 50% of the fiscal year complete. A breakdown of budget to actual expenses by unit through December 31<sup>st</sup> follows.

Revenue Units	Adopted	Actuals Through 12/31	Percent Collected	Outstanding Balance
1) Intergovernmental	1,635,099	1,635,099	100	0
2) Service Charges	125,000	88,351	71	36,649
3) Earnings	6,800	0	0	6,800
4) Miscellaneous	220,000	0	0	220,000
<b>Total</b>	<b>\$1,986,899</b>	<b>\$1,723,450</b>	<b>87%</b>	<b>\$263,449</b>

Actuals through the first six months and related analysis suggest the Commission’s year-end revenue totals will tally \$1.758 million and result in a moderate shortfall of (\$0.228) 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 budgeted and actual revenues through the first six 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. All apportioned agency contributions were collected during the first six months.

### Revenue Unit | Service Charges

The Commission budgeted \$0.125 million in application fees in 2017-18. Through the first six months \$88,351 in application fees – or 71% of the budgeted total – have been collected. Staff anticipates the account ultimately tallying \$0.118 million and result in a year-end deficit of (\$0.007 million) or (5%).

### 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 six months, and as such no monies have been collected. Staff anticipates – and at least for budgeting purposes for this update – ultimately receiving \$5,100 by the end of the year, which would result in an overall shortfall of (\$1,700) or (25%).

### 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 six months, and assuming other expense-to-revenue projections hold 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 six months of the fiscal year shows San Diego LAFCO is proceeding advantageously and on course to achieve a modest operating surplus while also – and most significantly – canceling the need for a budgeted fund balance transfer of \$0.220 million. This projected budgetary improvement is largely tied to accrued savings in salaries and benefits due to unexpected turnover in staff beginning in the first quarter and marked by departures affecting the Executive Officer position as well as two of the three budgeted Chief Policy Analyst positions with the latter group remaining vacant as of date. It is expected both Analyst positions will be filled by late March with the corresponding costs incorporated into the year-end projections.<sup>3</sup>

### 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.

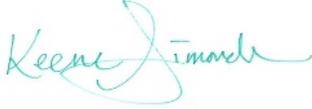
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<sup>3</sup> In lieu of filling the two budgeted and vacant Chief Policy Analyst positions the Executive Officer is recruiting two Local Governmental Analyst I/II. One of these positions is already budgeted. Should the recruitments prove successful the Executive Officer will return to the Commission to approve an amendment to the staffing schedule to remove one Chief Policy Analyst and add a second Local Governmental Analyst I/II.

## 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 Through December 31, 2017
- 2) Summary of Actual Expenses in Professional Services (Account No. 52370)

**Operating Budget Report through December 31, 2017**

**OPERATING EXPENSES**

		FY2015-16		FY2016-17		FY2017-18				
		Adopted FY15-16	Actual FY15-16	Adopted FY16-17	Actual FY16-17	Adopted FY17-18	Through 2nd Quarter (50% of FY)	Projected Year End (100% of FY)	<u>Ending Balance</u>	
<b>Salary and Benefit Unit</b>										
<b>Accounts</b>	<b>Descriptions</b>									
51110-51310	Salaries and Wages	1,028,205	493,668	1,073,177	538,165	1,100,599	384,590	620,960		
51410	Retirement - SDCERA	-	153,326	-	187,262	-	81,119	169,454		
51415	Retirement - OPEB	-	8,188	-	9,323	-	3,541	7,367		
51421	Retirement - Pension Obligation Bonds	-	30,851	-	34,496	-	13,701	28,773		
51450	Retirement - Social Security	-	32,921	-	36,919	-	17,803	32,179		
51510-51550	Group Insurance (Health)	-	66,797	-	69,440	-	35,208	73,735		
51560	Unemployment Insurance	-	161	-	154	-	116	1,577		
		<b>1,028,205</b>	<b>785,912</b>	<b>1,073,177</b>	<b>875,759</b>	<b>1,100,599</b>	<b>536,078</b>	<b>49%</b>	<b>934,044</b>	<b>166,555</b>
<b>Services and Supplies Unit</b>										
<b>Accounts</b>	<b>Descriptions</b>									
52074	Telecommunications	500	-	500	-	500	1,188	2,200		
52178	Vehicle - Maintenance	2,000	1,150	2,000	1,456	2,000	319	1,500		
52182	Vehicle - Fuel	500	1,274	1,500	1,096	1,500	222	1,300		
52270	Memberships	9,000	7,577	10,107	8,107	15,000	11,224	12,000		
52304	Miscellaneous	-	-	50	-	50	6,000	6,000		
52330	Office: General	1,000	-	1,000	-	1,000	3,972	8,500		
52332	Office: Postage	500	-	500	-	500	-	-		
52334	Office: Printing	2,000	7,194	7,500	20	7,500	-	3,500		
52336	Office: Books and Guidelines	2,000	110	2,000	-	2,000	515	850		
52338	Office: Drafting/Engineering	50	-	50	-	50	-	-		
52344	Office: Stores Unallocated	15,000	13,974	17,500	10,806	18,000	6,107	12,320		
52354	Office: Mail Services	8,000	9,228	9,500	8,220	9,000	3,816	7,500		
52370	Professional Services: Consultants	427,500	378,861	402,500	408,717	382,500	169,344	374,290		
52490	Publications and Legal Notices	2,500	127	2,500	57	7,500	-	1,250		
52504	Leases: Equipment	1,166	5,996	-	4,779	4,000	2,264	5,224		
52530	Leases: Office Space	75,000	73,875	77,000	75,722	80,000	38,649	77,931		
52550	Special Expenses: County Overhead	126,000	190,483	100,000	196,412	155,000	26,613	140,000		
52562	Special Expenses: New Hire Backgrounds	-	93	-	-	-	72	350		
52566	Special Expenses: Minor Equipment	1,000	-	1,000	-	1,000	-	1,000		
52602	Computer Training	2,000	-	2,000	-	2,000	-	-		
52610	Travel and Training   In County	500	-	500	-	500	6,037	8,000		
52612	Employee Auto	10,000	9,084	10,000	8,802	10,000	4,318	8,000		
52622	Travel and Training   Out of County	1,000	-	1,000	-	1,000	5,703	7,000		
52704-52722	Reimbursements: Network	33,500	28,905	33,500	29,140	31,500	11,974	24,955		
52723	Reimbursements: Data Center	50,546	54,901	51,000	52,403	45,000	21,771	43,630		
52725	Reimbursements: Financial Systems	6,000	22,671	6,000	20,940	20,000	6,671	15,770		
52726-52732	Reimbursements: Desktop Computing	40,200	27,079	40,200	28,248	27,700	12,040	22,000		
52374	Reimbursements: Help Desk	2,500	5,058	2,500	4,531	2,500	1,314	2,630		
52750-52754	Reimbursements: Catalog Equipment	41,310	20,281	117,480	27,121	51,000	16,911	25,000		
52758	Reimbursements: Vehicle Lease	2,500	773	2,500	166	3,000	827	1,000		
		<b>863,772</b>	<b>858,694</b>	<b>901,887</b>	<b>886,743</b>	<b>881,300</b>	<b>357,871</b>	<b>41%</b>	<b>813,700</b>	<b>67,600</b>
<b>Other Units</b>										
<b>Accounts</b>	<b>Descriptions</b>									
53585	Equipment Depreciation	2,500	2,019	2,500	2,019	2,500	1,009	2,500		
54955-54961	Fixed Assets	2,500	-	1,500	-	2,500	-	2,500		
		<b>5,000</b>	<b>2,019</b>	<b>4,000</b>	<b>2,019</b>	<b>5,000</b>	<b>1,009</b>	<b>20%</b>	<b>5,000</b>	
<b>EXPENSE TOTALS</b>		<b>1,896,977</b>	<b>1,646,625</b>	<b>1,979,064</b>	<b>1,764,521</b>	<b>1,986,899</b>	<b>894,958</b>	<b>45%</b>	<b>1,752,744</b>	<b>234,155</b>

**OPERATING REVENUES**

		FY2015-16		FY2016-17		FY2017-18				
		Adopted FY15-16	Actual FY15-16	Adopted FY16-17	Actual FY16-17	Adopted FY17-18	Through 2nd Quarter (50% of FY)	Projected Year End (100% of FY)	Ending Balance	
<b>Intergovernmental Unit</b>										
<b>Accounts</b>	<b>Descriptions</b>									
45918	Agency Apportionments	1,394,946	1,394,946	1,578,564	1,577,636	1,635,099	1,635,099	1,635,099	-	
		1,394,946	1,394,946	1,578,564	1,577,636	1,635,099	1,635,099	100%	1,635,099	
<b>Service Charges Unit</b>										
<b>Accounts</b>	<b>Descriptions</b>									
46234	Applicant Fees	125,000	76,510	150,000	186,717	125,000	88,351.09	118,210		
		125,000	76,510	150,000	186,717	125,000	88,351.09	71%	118,210	
<b>Earnings Unit</b>										
<b>Accounts</b>	<b>Descriptions</b>									
44105	Interests and Dividends	5,500	-	5,500	-	6,800	-	5,100		
		5,500	-	5,500	-	6,800	-	0%	5,100	
<b>Miscellaneous Unit</b>										
<b>Accounts</b>	<b>Descriptions</b>									
47540	Operating Transfer	370,365	175,000	250,000	-	220,000	-	-		
		370,365	175,000	250,000	-	220,000	-	0%	-	
<b>REVENUE TOTALS</b>		<b>1,895,811</b>	<b>1,646,456</b>	<b>1,984,064</b>	<b>1,764,353</b>	<b>1,986,899</b>	<b>1,723,450</b>	<b>87%</b>	<b>1,758,409</b>	<b>(228,490)</b>
<b>OPERATING NET</b>		<b>(169)</b>		<b>(168)</b>		<b>5,665</b>				
<b>AUDITED FUND BALANCE   JUNE 30th</b>		<b>1,408,695</b>		<b>1,469,694</b>						

**SAN DIEGO LOCAL AGENCY FORMATION COMMISSION**  
 Regional Service Planning | State of California

**Professional Services | Account No. 52370**  
**FY2017-18 Expense Details through December 31, 2017**

<b>Type</b>	<b>Vendor</b>	<b>Amount</b>
Legal Services	Colanttuono, Highsmith & Whatley PC	18,371
Legal Services	County of San Diego	2,480
Consulting   Legislative	Harry Ehrlich	3,660
Consulting   GIS	GIS Surevyors, Inc	64,536
Consulting   Records Management	Casey McGhee	28,405
Consulting   Planning	Metroplan LLC	2,775
Consulting   Fire Protectoin	John Traylor	6,602
Others	Variety	42,515

\$ 169,344

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