



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5b

AGENDA REPORT
 Consent | Action

May 4, 2020

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Erica Blom, Administrative Assistant

SUBJECT: Budget Update for 2019-2020 |
3rd Quarter Actuals with Year-End Projections and Related Budget Amendments

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions for 2019-2020 through the third quarter. The report projects the Commission will finish with an operating surplus of \$0.099 million or 5%. Savings in salaries and benefits along with additional application fees underlie the projected surplus. Should the projected surplus hold it will allow the Commission to fully replenish the budgeted use of reserves as offsetting revenues in the fiscal year and leave an overall net increase to the fund balance of \$0.026 million. The report is being presented to the Commission to accept and file as well as approve correcting budget amendments to help ensure all expense units finish with positive balances.

BACKGROUND

San Diego LAFCO’s adopted budget for 2019-2020 totals \$1.916 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 purposeful aid of a planned \$0.072 million transfer from unassigned reserves. Budgeted

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revenues are divided between four active units: intergovernmental contributions; service charges; earnings; and miscellaneous.¹ The Commission’s total fund balance as of July 1, 2019 was \$1.447 million.² No amendments have been approved to date.

DISCUSSION

This item is for San Diego LAFCO to receive an update comparison of (a) budget to (b) actual expenses and revenues through the third quarter (March 31st). 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 along with providing related direction to staff as needed.

**Summary |
Operating Expenses**

San Diego LAFCO’s budgeted operating expense total for 2019-2020 is \$1.916 million. Actual expenses booked through the third quarter totaled \$1.296 million. This booked amount represents 68% of the budgeted total with 75% of the fiscal year complete. A breakdown of budget to actual expenses by unit through March 31st follows.

Expense Units	Adopted	Actuals Through 3/31	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,219,183	848,184	69.6	370,999
2) Services and Supplies	692,117	448,329	64.8	243,787
3) Other	5,000	0	0	5,000
Total	\$1,916,300	\$1,296,513	67.7%	\$619,787

Actuals through the third quarter of the fiscal year and related analysis suggest San Diego LAFCO is on pace to finish with \$1.887 million in total expenses. Should this projection hold the Commission will achieve an unexpended budgeted savings in expenses of \$0.029 million or 1.5%. An expanded discussion on budgeted and actuals through the first nine months along with year-end projections within the three expense units follow.

Expense Unit | Salaries and Benefits

San Diego LAFCO budgeted \$1.219 million in salaries and benefits for 2019-2020 with the proceeds largely tied to funding 8.0 fulltime equivalent employees as well as existing retiree obligations. Through the third quarter actual expenses within the affected line item accounts totaled \$0.848 million or 70% of the budgeted amount with 75% of the fiscal year complete. Going forward it is expected overall actuals will total \$1.187 million through the end of the fiscal year. If this projection holds the Commission will achieve an overall unit savings of \$32,222 or 3% less any amendments.

¹ State law mandates operating costs for LAFCOs shall be annually funded among their represented agency 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 LAFCO – is responsible for the remaining 14.3% of annual operating costs.

² The fund balance total of \$1.447 million includes \$0.772 million in unassigned monies. The remainder – \$0.675 million – is currently committed and/or assigned by the Commission for specific purposes.

Expense Unit | Services and Supplies

San Diego LAFCO budgeted \$0.692 million in services and supplies for 2019-2020 to provide funding for direct support services. Most of the budgeted funds are dedicated to professional services to cover such items as bookkeeping and legal services as well as making reimbursements to the County for office rent, information technology, and general overhead. Through the third quarter actual expenses within the affected line item accounts totaled \$0.448 million or 65% of the budgeted amount with 75% of the fiscal year complete. Exactly one-third of these booked expenses – or \$148,539 – involve professional services and represent the single largest actual cost in the unit with two-fifths tied to legal. Going forward it is expected overall actuals will total \$0.698 million through the end of the fiscal year. If this projection holds it would produce an overall deficit within the unit of (\$5,811) or (1%) less any amendments and primarily the result of additional consultant services to help prepare scheduled studies due to the mid-year departure of an analyst.

Expense Unit | Other

San Diego LAFCO budgeted \$5,000 in two separate units to collectively address equipment depreciation and potential fixed asset purchases in 2019-2020. The Commission has not billed any charges through the third quarter. Going forward it is expected actuals will total \$2,500 and result in a year-end balance of \$2,500 or 50% less any amendments.

Summary | Operating Revenues

San Diego LAFCO's budgeted operating revenue total for 2019-2020 is \$1.916 million. Actual revenues through the third quarter totaled \$1.848 million. This amount represents 97% of the budgeted total with 75% of the fiscal year complete. A breakdown of budget to actual revenues within each of the four affected units through March 31st follows.

Revenue Units	Adopted	Actuals Through 3/31	Percent Collected	Outstanding Balance
1) Intergovernmental	1,703,700	1,703,700	100.0	0
2) Service Charges	125,000	124,751	99.6	249
3) Earnings	15,000	20,191	134.6	(5,191)
4) Miscellaneous	72,600	0	0	72,600
Total	\$1,916,300	\$1,848,642	96.5%	\$67,658

Actuals through the third quarter and related analysis suggest San Diego LAFCO's year-end revenue totals will tally \$1.986 million. Should this projection hold the Commission will achieve a budgeted surplus of \$0.070 million or 4% and directly attributed to additional application fee revenues. An expanded discussion on budgeted and actual revenues in the four units through the first nine months along with year-end projections follows.

Revenue Unit | Intergovernmental Fees

San Diego LAFCO budgeted \$1.704 million in intergovernmental fees in 2019-2020. This total budgeted amount was subsequently divided between San Diego LAFCO's four agency membership categories based on statutory formula. The County of San Diego, independent districts, and cities less San Diego all received apportionments equaling \$0.487 million. The remaining amount – \$0.244 million – was apportioned to the City of San Diego. All apportionments have been collected.

Revenue Unit | Service Charges

San Diego LAFCO budgeted \$0.125 million in application fees in 2019-2020. Through the third quarter the Commission collected \$0.124 million in application fees and represents 99% of the budgeted amount with 75% of the fiscal year complete. It is expected actuals will total \$0.185 million by the end of the fiscal year and reflect both additional application activity as well as implementing a new fee schedule. Should this projection hold the Commission will achieve a budgeted surplus of \$0.060 million or 48%.

Revenue Unit | Interest

San Diego LAFCO budgeted \$0.015 million in interest earnings in 2019-2020. Through the third quarter the Commission collected \$0.020 million in interest earnings and represents 134% of the budgeted total. Staff anticipates the unit ultimately tallying \$0.025 million and result in a year-end surplus of \$0.010 million or 68%.

Revenue Unit | Miscellaneous

San Diego LAFCO budgeted \$0.073 million in operating transfers from unassigned reserves in 2019-2020. This transfer was purposefully budgeted in conjunction to use reserves to reduce increases in agency contributions. No transfers were made through the third quarter. A full transfer is expected for budgeting purposes at this time but will be reduced and/or eliminated should an overall surplus occur.

ANALYSIS

Activity through the third quarter of the fiscal year shows San Diego LAFCO is generally proceeding affirmatively and highlighted by all expense units finishing the period with actuals below their proportional budgeted totals (i.e., 75% of the budgeted unit amounts). It is relatedly projected the Commission will finish the fiscal year with an overall operating surplus of \$0.099 million or 5% and attributed to the combination of savings in salaries and benefits as well as additional application fees. Should the projected surplus hold it will allow the Commission to fully replenish the budgeted use of reserves as offsetting revenues and leave an overall net increase to the fund balance of \$26,300 from \$1.447 to \$1.472 million. Nonetheless, two minor budget amendments are warranted for consistency with bottom-line accounting practices and to help ensure all expense units finish the fiscal year with positive balances. These amendments are detailed in the following section and involve transferring existing budgeted monies between two expense units and do not affect the fund balance.

RECOMMENDATION

It is recommended San Diego LAFCO accept and file the report and approve the budget amendments for 2019-2020 consistent to transfer surplus monies within the Salaries and Benefits Unit to the Services and Supplies Unit. This recommendation is consistent with Alternative One outlined below.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

Alternative One (recommended):

Accept and file the report and approve the following budget amendments for 2019-2020:

- (a) Amend and reduce budgeted monies in the salaries and wages account (Salaries and Benefits Unit) from \$752,780 to \$722,780; a difference of (\$30,000); and
- (b) Amend and increase budgeted monies in the professional services account (Services and Supplies Unit) from \$204,505 to \$234,505; a difference of \$30,000.

Alternative Two:

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

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

Attachment:

- 1) 2019-2020 Operating Budget with Actuals Through March 31st and Year-End Projections

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OPERATING EXPENSES

Salaries and Benefits Unit

Account No. Description

51110-51310	Salaries and Wages	1,100,599	617,838
51410	Retirement - SDCERA	-	166,680
51415	Retirement - OPEB	-	7,256
51421	Retirement - OPEB Bonds	-	27,841
51450	Payroll Taxes (Social and Medicare)	-	35,613
51510-51550	Group Insurance (Health and Dental)	-	74,615
51560	Unemployment Insurance	-	235

Services and Supplies Unit

Account No. Description

52074	Telecommunications	500	2,266
52178	Vehicle - Maintenance	2,000	489
52182	Vehicle - Fuel	1,500	401
52270	Memberships	15,000	11,328
52304	Miscellaneous	50	6,001
52330	Office: General	1,000	15,253
52332	Office: Postage	500	-
52334	Office: Printing	7,500	-
52336	Office: Books and Guidelines	2,000	3,609
52338	Office: Drafting/Engineering	50	-
52344	Office: Supplies and Furnishings	18,000	13,140
52354	Office: County Mail Services	9,000	10,037
52370	Professional Services: Consultants	382,500	326,850
52490	Publications and Legal Notices	7,500	7,085
52504	Leases: Equipment	4,000	5,498
52530	Leases: Office Space	80,000	79,789
52550	Special Expenses: County Overhead	155,000	47,826
52562	Special Expenses: Hires - Backgrounds	-	572
52566	Special Expenses: Minor Equipment	1,000	1,164
52602	Computer Training	2,000	-
52610	Travel and Training In County	500	11,301
52612	Employee Auto	10,000	8,724
52622	Travel and Training Out of County	1,000	14,390
52704-52722	Reimbursements: Network	31,500	27,137
52723	Reimbursements: Data Center	45,000	48,214
52725	Reimbursements: Financial Systems	20,000	18,888
52726-52732	Reimbursements: Desktop Computing	27,700	47,462
52734	Reimbursements: Help Desk	2,500	3,154
52750-52754	Reimbursements: Catalog Equipment	51,000	23,973
52758	Reimbursements: Vehicle Lease	3,000	1,986

		FY 2017-2018		FY 2018-2019		FY 2019-2020				
		Adopted	Actuals	Adopted	Actuals	Adopted	Actuals Through 3-31-20	Actuals % Expended	Projected Year End	Projected % Expended
		1,100,599	930,078	1,131,604	1,058,743	1,219,183	848,184	69.6%	1,186,961	97.4%
		881,300	736,535	770,090	865,684	692,117	448,329	64.8%	697,928	100.8%

OPERATING EXPENSES CONTINUED...

Other Units

Account No.	Description									
53585	Equipment Depreciation	2,500	2,019	2,500	2,500	2,500	-	0.0%	2,500.00	100.0%
54955-54961	Fixed Assets	2,500	-	2,500	-	2,500	-	0.0%	-	0.0%
		5,000	2,019	5,000	2,500	5,000	-	0.0%	2,500.00	50.0%
	EXPENSE TOTALS	1,986,899	1,668,632	1,906,694	1,926,927	1,916,300	1,296,513	67.7%	1,887,389	98.5%

OPERATING REVENUES

Account No.	Description	FY 2017-2018		FY 2018-2019		FY 2019-2020				
		Adopted	Actuals	Adopted	Actuals	Adopted	Actuals Through 3-31-20	Percent Collected	Projected Year End	Projected % Collected
Intergovernmental Unit										
45918.1	Apportionments County	467,171	467,171	475,684	475,684	486,771	486,771	100.0%	486,771	100.0%
45918.2	Apportionments Cities (less SD)	467,171	467,171	475,684	475,684	486,771	486,771	100.0%	486,771	100.0%
45918.3	Apportionments City of San Diego	233,586	233,586	237,842	237,842	243,386	243,386	100.0%	243,386	100.0%
45918.4	Apportionments Special Districts	467,171	467,171	475,684	475,684	486,771	486,771	100.0%	486,771	100.0%
		1,635,099	1,635,099	1,664,894	1,664,894	1,703,700	1,703,700	100.0%	1,703,700	100.0%
Service Charges Unit										
46234	Service Charges	125,000	168,009	125,000	82,147	125,000	124,751	99.8%	184,751	147.8%
		125,000	168,009	125,000	82,147	125,000	124,751	99.8%	184,751	147.8%
Earnings Unit										
44105	Interest and Dividends	6,800	15,535	6,800	19,052	15,000	20,191	134.6%	25,239	168.3%
		6,800	15,535	6,800	19,052	15,000	20,191	134.6%	25,239	168.3%
Miscellaneous Unit										
47540	Transfer from Fund Balance	220,000	-	110,000	217,186	72,600	-	0.0%	72,600.00	100.0%
		220,000	-	110,000	217,186	72,600	-	0.0%	72,600.00	100.0%
	REVENUE TOTALS	1,986,899	1,818,643	1,906,694	1,983,279	1,916,300	1,848,642	96.5%	1,986,290	103.7%

OPERATING NET	-	150,011	-	56,352	-	98,900
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FUND BALANCE | JUNE 30th

Committed	175,000	175,000
Assigned	75,000	75,000
Unassigned	1,357,486	1,196,652
	1,607,486	1,446,652

FUND BALANCE | JULY 1st

Committed	
... Stabilization	250,000
... Opportunity	300,000
Assigned	125,000
Unassigned	771,652
	1,446,652