



San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

5C

AGENDA REPORT
Consent | Action

August 3, 2020

TO: Commissioners

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

SUBJECT: End of Year Budget Report for 2019-2020

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review an end of year report comparing budget and actual expense and revenue transactions for 2019-2020. The report notes the Commission finished the fiscal year in positive standing with a net operating balance of \$143,189 or 8.0% and without the need to transact a budgeted use of reserves in the amount of \$72,600. The substantive result is an overall improvement of \$215,789 over budgeted expectations and increase to the fund balance from \$1.488 to \$1.704 million going into 2020-2021. The report is being presented to the Commission to formally accept and file.

BACKGROUND

San Diego LAFCO's adopted budget for 2019-2020 with amendments totaled \$1.916 million. This amount represented the total approved operating expenditures for the fiscal year and 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 revenues are divided between four active units: intergovernmental contributions;

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service charges; earnings; and miscellaneous.¹ The Commission’s total audited fund balance as of July 1, 2019 was \$1.488 million with \$1.238 million in unassigned monies.

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 administrative close of 2019-2020 and ahead of an audited review. The report provides the Commission the opportunity to review expense 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 |
 Operating Expenses**

San Diego LAFCO’s budgeted operating expense total for 2019-2020 was \$1.916 million. Actual expenses booked through the end of the year equaled \$1.788 million. This booked amount represents 93% of the budgeted total with unexpended savings of \$0.129 million. A breakdown of budget to actual expenses by unit through June 30th follows.

Expense Units	Adopted with Amendments	Actuals Through 6-30	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,189,183	1,153,901	97.0	35,282
2) Services and Supplies	722,177	631,341	87.4	90,836
3) Other	5,000	2,500	50.0	2,500
Total	\$1,916,300	\$1,787,742	93.3%	\$128,558

Budget Amendments:

San Diego LAFCO approved amendments to the 2019-2020 budget in May 2020 to decrease the budget for regular salaries (salaries and benefits) by \$0.030 million and concurrently increase the budget for professional services (services and supplies) by \$0.030 million. No other amendments were approved.

An expanded discussion on budgeted and actuals through the end of the year within the four expense units follow.

Expense Unit | Salaries and Benefits

San Diego LAFCO budgeted \$1.189 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. The Commission’s actual expenses within the affected line item accounts totaled \$1.154 million or 97% of the budgeted amount. The mid-year vacancy of one of the Commission’s two Analyst I/II position underlies the unit savings.

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.

Expense Unit | Services and Supplies

San Diego LAFCO budgeted \$0.722 million in services and supplies for 2019-2020 to provide funding for direct support services. Most of the budgeted funds were 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. The Commission’s actual expenses within the affected line accounts totaled \$0.631 million or 87% of the budgeted amount. Most of this savings is attributed to lower than expected overhead costs billed by the County.

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’s actual expenses totaled \$2,500 or 50% of the budgeted amount and tied to funding depreciation for LAFCO’s copier and scanning machines. No new capital assets were purchased during the fiscal year.

Summary | Operating Revenues

San Diego LAFCO’s budgeted operating revenue total for 2019-2020 was \$1.916 million. Actual revenues through the end of the year equaled \$1.931 million. This booked amount represents 101% of the budgeted total with unexpended surplus of \$0.015 million. A breakdown of budget to actual expenses by unit through June 30th follows.

Revenue Units	Adopted	Actuals Through 6-30	Percent Collected	Outstanding Balance
1) Intergovernmental	1,703,700	1,703,700	100.0	0
2) Service Charges	125,000	201,419	161.1	(76,419)
3) Earnings	15,000	25,812	172.1	(10,812)
4) Miscellaneous	72,600	0	0	72,600
Total	\$1,916,300	\$1,930,932	100.8%	\$14,632

An expanded discussion on budgeted and actuals through the end of the year within the four revenue units follow.

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 were collected by the close of the second quarter.

Revenue Unit | Service Charges

San Diego LAFCO budgeted \$0.125 million in application fees in 2019-2020. The Commission's actual revenues within the unit totaled \$0.201 million or 161% of the budgeted amount. The collected amount is tied to 21 proposal filings during the fiscal year coupled with implementing a new fee schedule. (LAFCO received 13 proposals in 2018-2019.)

Revenue Unit | Interest

San Diego LAFCO budgeted \$0.015 million in interest earnings in 2019-2020. The Commission's actual revenues in the unit totaled \$0.026 million or 172% of the budgeted amount and directly attributed to above-average returns in the investment pool administered by the County Treasurer's Office.

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. The Executive Officer cancelled the transfer, however, given overall revenues sufficiently outpaced expenses.

ANALYSIS

San Diego LAFCO finished 2019-2020 favorably and generated a sizeable net operating surplus of \$0.143 million or 8.0%. Savings in staff salaries and overhead charges from the County of San Diego along with implementing a new fee schedule directly underlies the surplus. The surplus – markedly – also allowed the Commission to eliminate a budgeted use of \$0.072 million in reserves as offsetting revenues during the fiscal year. The substantive result is an overall improvement of \$0.216 million over budgeted expectations and increase to the Commission fund balance from \$1.488 to \$1.704 million going into 2020-2021.

RECOMMENDATION

It is recommended San Diego LAFCO accept and file the report consistent with practice and as outlined as Alternative One below.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

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.

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 June 30, 2020

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San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

OPERATING EXPENSES

Salaries and Benefits Unit

Account No.	Description	FY 2016-2017		FY 2017-2018		FY 2018-2019		FY 2019-2020		
		Adopted	Year-End	Adopted	Year-End	Adopted	Year-End	w/Amendments	Year-End	% of Budget
51110-51310	Salaries and Wages	1,073,177	538,165	1,100,599	617,838	689,719	638,748	722,780	695,356	96.2%
51410	Retirement - SDCERA	-	187,262	-	166,680	239,780	230,865	258,148	255,294	98.9%
51415	Retirement - OPEB	-	9,323	-	7,256	10,560	10,091	10,539	10,165	96.5%
51421	Retirement - OPEB Bonds	-	34,496	-	27,841	41,598	37,308	40,321	38,219	94.8%
51450	Payroll Taxes (Social and Medicare)	-	36,919	-	35,613	48,958	46,163	53,393	49,698	93.1%
51510-51550	Group Insurance (Health and Dental)	-	69,440	-	74,615	96,958	95,405	100,234	105,031	104.8%
51560	Unemployment Insurance	-	154	-	235	4,032	163	3,769	138	3.7%
		1,073,177	875,759	1,100,599	930,078	1,131,604	1,058,743	1,189,183	1,153,901	97.0%

Services and Supplies Unit

Account No.	Description	FY 2016-2017		FY 2017-2018		FY 2018-2019		FY 2019-2020		
		Adopted	Year-End	Adopted	Year-End	Adopted	Year-End	w/Amendments	Year-End	% of Budget
52074	Telecommunications	500	-	500	2,266	2,500	3,860	3,600	3,829	106.4%
52138	General Liability Insurance	-	-	-	-	-	-	-	3,419	
52178	Vehicle - Maintenance	2,000	1,456	2,000	489	2,000	610	1,500	1,309	87.2%
52182	Vehicle - Fuel	1,500	1,096	1,500	401	1,500	367	1,000	245	24.5%
52270	Memberships	10,107	8,107	15,000	11,328	13,000	14,601	28,139	18,049	64.1%
52304	Miscellaneous	50	-	50	6,001	50	20	50	10	20.0%
52330	Office: General	1,000	-	1,000	15,253	8,500	6,399	7,420	4,781	64.4%
52332	Office: Postage	500	-	500	-	500	84	500	275	55.0%
52334	Office: Printing	7,500	20	7,500	-	10,000	4,795	10,000	1,199	12.0%
52336	Office: Books and Guidelines	2,000	-	2,000	3,609	2,000	3,226	2,000	4,112	205.6%
52338	Office: Drafting/Engineering	50	-	50	-	50	-	50	-	0.0%
52344	Office: Supplies and Furnishings	17,500	10,806	18,000	13,140	17,500	9,302	17,800	8,145	45.8%
52354	Office: County Mail Services	9,500	8,220	9,000	10,037	9,000	18,896	10,000	8,514	85.1%
52370	Professional Services: Consultants	402,500	408,717	382,500	326,850	259,110	398,125	234,505	226,762	96.7%
52490	Publications and Legal Notices	2,500	57	7,500	7,085	5,000	10,382	4,650	8,088	173.9%
52504	Leases: Equipment	-	4,779	4,000	5,498	6,500	8,137	6,600	5,915	89.6%
52530	Leases: Office Space	77,000	75,722	80,000	79,789	79,880	79,555	82,657	81,877	99.1%
52550	Special Expenses: County Overhead	100,000	196,412	155,000	47,826	155,000	113,842	100,896	48,613	48.2%
52562	Special Expenses: New Hire Backgrounds	-	-	-	572	-	689	-	-	
52566	Special Expenses: Minor Equipment	1,000	-	1,000	1,164	1,000	2,788	1,000	641	64.1%
52602	Computer Training	2,000	-	2,000	-	2,000	-	2,000	-	0.0%
52610	Travel and Training In County	500	-	500	11,301	5,000	6,634	4,500	7,367	163.7%
52612	Employee Auto	10,000	8,802	10,000	8,724	10,000	9,069	9,700	8,779	90.5%
52622	Travel and Training Out of County	1,000	-	1,000	14,390	10,000	25,432	23,550	13,271	56.4%
52704-52722	Reimbursements: Network	33,500	29,140	31,500	27,137	30,000	26,450	30,000	29,065	96.9%
52723	Reimbursements: Data Center	51,000	52,403	45,000	48,214	45,000	30,728	45,000	29,233	65.0%
52725	Reimbursements: Financial Systems	6,000	20,940	20,000	18,888	20,000	27,556	20,000	23,320	116.6%
52726-52732	Reimbursements: Desktop Computing	40,200	28,248	27,700	47,462	25,000	25,311	25,000	51,246	205.0%
52734	Reimbursements: Help Desk	2,500	4,531	2,500	3,154	3,000	4,743	3,000	2,689	89.6%
52750-52754	Reimbursements: Catalog Equipment	117,480	27,121	51,000	23,973	45,000	32,097	45,000	38,604	85.8%
52758	Reimbursements: Vehicle Lease	2,500	166	3,000	1,986	2,000	1,986	2,000	1,986	99.3%
		901,887	886,743	881,300	736,535	770,090	865,684	722,117	631,341	87.4%

OPERATING EXPENSES CONTINUED...

Other Units									
Account No.	Description								
53585	Equipment Depreciation	2,500	2,019	2,500	2,019	2,500	2,500	2,500	100.0%
54955-54961	Fixed Assets	1,500	-	2,500	-	2,500	-	2,500	0.0%
		4,000	2,019	5,000	2,019	5,000	2,500	5,000	50.0%
	EXPENSE TOTALS	1,979,064	1,764,521	1,986,899	1,668,632	1,906,694	1,926,927	1,916,300	93.3%

OPERATING REVENUES

		FY 2016-2017		FY 2017-2018		FY 2018-2019		FY 2019-2020		
		Adopted	Year-End	Adopted	Year-End	Adopted	Year-End	Adopted	Year-End	% of Budget
Intergovernmental Unit										
Account No.	Description									
45918.1	Apportionments County	451,018	451,018	467,171	467,171	475,684	475,684	486,771	486,771	100.0%
45918.2	Apportionments Cities (less SD)	451,018	451,018	467,171	467,171	475,684	475,684	486,771	486,771	100.0%
45918.3	Apportionments City of San Diego	225,509	225,509	233,586	233,586	237,842	237,842	243,386	243,387	100.0%
45918.4	Apportionments Special Districts	451,018	450,090	467,171	467,171	475,684	475,684	486,771	486,771	100.0%
		1,578,564	1,577,636	1,635,099	1,635,099	1,664,894	1,664,894	1,703,700	1,703,700	100.0%
Service Charges Unit										
Account No.	Description									
46234	Service Charges	150,000	186,717	125,000	168,009	125,000	82,147	125,000	201,419	161.1%
		150,000	186,717	125,000	168,009	125,000	82,147	125,000	201,419	161.1%
Earnings Unit										
Account No.	Description									
44105	Interest and Dividends	5,500	-	6,800	15,535	6,800	19,052	15,000	25,812	172.1%
		5,500	-	6,800	15,535	6,800	19,052	15,000	25,812	172.1%
Miscellaneous Unit										
Account No.	Description									
47540	Transfer from Fund Balance	250,000	-	220,000	-	110,000	217,186	72,600	-	0.0%
		250,000	-	220,000	-	110,000	217,186	72,600	-	0.0%
	REVENUE TOTALS	1,984,064	1,764,353	1,986,899	1,818,643	1,906,694	1,983,279	1,916,300	1,930,932	100.8%

OPERATING NET	5,000	(168)	-	150,011	-	56,352	-	143,189
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FUND BALANCE | JUNE 30th

Audited Statements				
	Committed	-	175,000	175,000
	Assigned	75,000	75,000	75,000
	Unassigned	1,394,699	1,375,486	1,238,223
		1,469,699	1,607,486	1,488,233