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August 7, 2017

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Vice Chairwoman

Jo MacKenzie
Vista Irrigation District

TO: Local Agency Formation Commission

FROM: Executive Officer

Members

Bill Horn
County Board of
Supervisors

SUBJECT: Fourth Quarter FY 2016-17 Budget Update

Dianne Jacob
County Board of
Supervisors

FOURTH QUARTER BUDGET UPDATE

Andrew Vanderlaan
Public Member

Total expenditures through the fourth quarter of FY 2016-17 amounted to \$1,654,023 and are \$330,041 under budget. Costs for Salaries and Benefits totaled \$875,759.21 and Services and Supplies amounted to \$778,264. Per Commission authorization, a transfer of trust funds into LAFCO's operational budget was made during the third quarter to cover costs associated with the Montecito Ranch Latent Powers Expansion proposal (Ramona MWD) and expenses related to an island annexation and several fire agency reorganizations. The fund transfers amounted to \$22,075 for the Montecito Ranch proposal, and \$100,000 associated with processing fee relief for the Greenwood Memorial Park Island Reorganization, and the County Service Area No. 115 (Pepper Drive) Reorganization Nos. 1 and 2. The below discussion and attached figures cover LAFCO's financial and proposal activity in greater detail through the fourth quarter of FY 2016-17. The Commission should note that while the accounting period has closed for FY 2016-17, there may be some additional budget adjustments will be made after this budget update report is issued for reconciliation purposes. In addition, the fourth quarter figures are unaudited numbers and there will likely be some deviation between the budgeted numbers and the audited ones in the upcoming FY 2016-17 Annual Audit.

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Judy Hanson
Leucadia Wastewater
District

Executive Officer

Michael D. Ott

Revenue
Apportionment revenue consists of funds derived from local agency general purpose revenues based on a complex formula codified in State

Counsel

Michael G. Colantuono

Law (Government Code Section 56381). Per this provision, local agencies must contribute funds equal to the amount needed by the Commission each year. Through the fourth quarter of the current fiscal year, 99.9% of LAFCO's apportionment revenue has been collected by the County Auditor. Actual apportionment revenue totaled \$1,577,636, compared to the budgeted amount of \$1,578,564. First through fourth quarter fee-based revenue totaled \$122,066 (Acct. 46234: \$60,692 and Acct. 0000: \$61,374). Revenue closely approximated the budgeted amount of \$150,000.

During the previous quarter (third quarter), a transfer of \$122,075 of trust fund monies was made to cover expenses related to special projects. The authorized trust fund transfers are associated with the CSA No. 115 Reorganization (\$31,890); Alpine Fire Protection District Reorganization (\$28,333); Ramona Municipal Water District Latent Sewer Powers Expansion (\$22,075); Greenwood Memorial Park Island Reorganization (\$15,700) and \$24,077 to partially cover litigation expenses related the City of Coronado lawsuit. The Commission has previously approved the associated fund transfers for these fee waivers, special projects, and litigation; however, the actual amount transferred was substantially less than the \$250,000 authorized by the Commission. Refer to figure 2 for more detail.

Expenditures

LAFCO's total Services and Supplies expenditures in FY 2016-17 through the fourth quarter amounted to \$778,264 and are currently \$133,623 under the total year-end expenditure amount of \$911,887. In terms of Salaries and Benefits, overall costs through the third quarter amounted to \$875,759.21 and are \$197,418 under the year-end budgeted amount of \$1,073,177.

Trust Fund Designations

The Commission follows an adopted trust fund policy pursuant the General Accounting Standards Board (GASB) guidelines. According to the LAFCO trust fund policy, the fund balance is classified according to spendable and non-spendable categories. No funds are currently classified as non-spendable; however the spendable category is subject to four different spending classifications (Restricted, Committed, Assigned, and Unassigned). As of the fourth quarter, the balance of the Commission's trust funds totaled \$1,274,579. All of these funds are considered Spendable per GASB guidelines. During the first quarter of FY 2016-17 the trust funds totaled \$1,388,258 and decreased by \$113,669 due to fund transfers associated with subsidization of a fire agency and island reorganization, plus one latent powers proposal. This decrease was anticipated and was a budgeted expenditure in the FY 2016-17 LAFCO Budget. Refer to Figure 2.

As explained in the notes for Figure 2, LAFCO trust funds are categorized with certain designations per GASB guidelines. The primary designations used by the Commission are “Committed” and “Unassigned”. Through the fourth quarter, Account No. 44595 (Fund Balance) totaled \$239,937.67. All of these funds are considered “Unassigned”. This is a revolving account that is used to cover start-up operational expenses each year during the time frame that the County Auditor establishes a line item for LAFCO’s annual budget and appropriations, usually in July-August of the fiscal year.

In the beginning of FY 2016-17, Trust Fund Account No. 46725 had a balance of \$692,659. Of this total, three separate Committed designations were applied to funds within this account as follows: \$75,000 (litigation); \$175,000 (fire agency and island reorganizations), and \$100,000 (CSA No. 115 Reorganizations). At the end of FY 2016-17, \$50,000 was transferred out of Account 46725 associated with the Greenwood Memorial Park Reorganization and another \$50,000 associated with the CSA No. 115 Reorganization. In addition, the removal of a Committed designation amounting to \$75,000 can also be done because of resolution of the Coronado v. LAFCO litigation in June 2017. With these fund transfers, there is currently \$704,220 in Account 46725.

Trust Fund Account No. 46726 is the Commission’s Special Project Fund. The balance of this account is currently \$179,871. All funds in this account are considered “Unassigned”. \$22,075 was transferred out of this account during the third quarter to cover expenses associated with the Montecito Ranch Latent Powers Expansion proposal (Ramona MWD). The latent powers expansion proposal was approved by the Commission in 2016. Fees associated with this proposal were submitted to LAFCO over five years ago and were deposited into Trust Fund Account No. 46726.

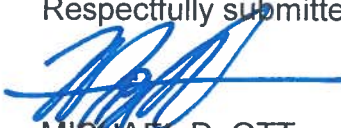
Trust Fund Account No. 46727 is the Commission’s Jurisdictional Fund and all funds are designated as Unassigned. The balance of this fund is currently \$150,550. There was no activity in this fund during the third quarter, except for interest earnings that amounted to \$1,087.

In summary, expenditures are within budget and the San Diego LAFCO is in excellent fiscal shape. The Commission’s reserve funds have been maintained at a healthy level and have enabled the Commission to facilitate jurisdictional changes that would not otherwise occur (e.g., fire agency reorganizations and island elimination projects). This report is provided for the Commission’s information, approval, and ratification. In the upcoming fiscal year, the Commission will likely need to discuss the transfer of funds from Services and Supplies to Salaries and Benefits, because of staffing changes and the need to hire salaried staff to replace outgoing contract staff. This fiscal situation will likely be the subject of discussion in future budget update reports. Therefore, it is

RECOMMENDED: That the Commission

- 1) Receive and approve the Fourth Quarter FY 2016-17 LAFCO Budget Update;
and
- 2) Review balances and ratify designations and notes as shown on Figure 2 for LAFCO accounts 44595, 46725, 46726, and 46727:
 - a. Remove Committed designation of \$75,000 in Trust Fund Account 46725 due to resolution of LAFCO litigation (Coronado v. San Diego LAFCO).
 - b. Remove Committed designation of \$100,000 in Trust Fund Account 46725 associated with completion of the Greenwood Memorial Park Island Reorganization (fee subsidy of \$50,000) and the CSA No. 115 Reorganization (fee subsidy of \$50,000).
 - c. Retain Committed designations in Trust Fund Account 46725 totaling \$200,000 for future fire agency reorganizations (\$150,000) and completion of the CSA No. 115 Reorganization (\$50,000).
 - d. Retain Committed designation of \$50,000 for miscellaneous fee waivers in Trust Fund Account 46726.

Respectfully submitted,



MICHAEL D. OTT
Executive Officer

MDO:trl

Attachments

Figure 1: Fourth Quarter Budget Update FY 2016-17

Figure 2: Fourth Quarter Fund Activity Update FY 2016-17

Figure 1
First to Fourth Quarter LAFCO Budget Update FY2016-17

Ordinary Income/Expense	Actual	Adopted	1st to 4th Quart Est. Actual	Adopted
	FY15-16 Budget	FY15-16 Budget	FY16-17 Budget	FY16-17 Budget
Income				
45918 · LAFCO Apportionment (net cost)	\$ 1,394,945.74	\$ 1,394,946.00	\$ 1,577,636.00	\$ 1,578,564.00
46234 · Service to Property Owner	76,510.00	125,000.00	60,692.00	150,000.00
47540 · Operating Transfers	175,000.00	370,365.00	122,075.00	250,000.00
47615 · Other Sales - Taxable	0.00	0.00	0.00	0.00
49000 · Processing Fee	0.00	0.00		0.00
49200 · Interest & Dividends	5,255.31	5,500.00		5,500.00
0000 · Miscellaneous Revenue /Transfer	101,912.86	0.00	61,374.44	0.00
80100 · Receipts Sch TR & Agency	0.00	0.00	0.00	0.00
TOTAL Income	\$ 1,753,623.91	\$ 1,895,811.00	\$ 1,821,777.44	\$ 1,984,064.00
Expense				
51110 · Salaries & Benefits	785,911.87	1,073,205.00	875,759.21	1,073,177.00
52074 · Telecommunications	0.00	500.00	0.00	500.00
52138 · Public Liability Insurance	0.00	0.00	0.00	0.00
52178 · Auto Maintenance	903.79	2,000.00	1,416.60	2,000.00
52182 · Vehicle Fuel	1,274.24	500.00	1,095.96	1,500.00
52270 · Memberships	7,577.00	9,000.00	8,107.00	10,107.00
52304 · Miscellaneous	0.00	0.00	0.00	50.00
52330 · Office Expense	0.00	1,000.00	0.00	1,000.00
52332 · Postage	0.00	500.00	0.00	500.00
52334 · Printing	7,194.18	2,000.00	20.11	7,500.00
52336 · Books - Office Library	110.03	2,000.00	0.00	2,000.00
52338 · Drafting/Engineering	0.00	50.00	0.00	50.00
52344 · Stores Unallocated	13,974.13	15,000.00	10,806.10	17,500.00
52354 · Mail/Postage-ISF	9,228.40	8,000.00	8,220.46	9,500.00
52370 · Professional Services				
52370.A · Special Counsel	0.00	0.00		2,500.00
52370.B · General Counsel Litigation	0.00	2,500.00	58,014.18	75,000.00
52370.C · General Counsel	66,154.45	35,000.00	30,995.16	35,000.00
52370.D · GIS Support	82,282.00	60,000.00	135,730.00	60,000.00
52370.E · Web & Doc Support	82,282.00	65,000.00		65,000.00
52370.F · Local Govt Services	34,679.00	50,000.00	98,936.75	50,000.00
52370.G · Legislation	23,087.00	15,000.00	15,288.00	15,000.00
52370.H · Accounting	16,478.00	25,000.00	10,450.00	25,000.00
52370.I · Other (Doc. Mgt)	69,927.00	175,000.00	66,765.00	75,000.00
Total 52370 · Professional Services	374,889.45	427,500.00	416,179.09	402,500.00
52396 · Contracted Service	0	0	57.48	0
52490 · Publications	126.61	2,500.00	0.00	2,500.00
52504 · Copy Equipment	5,604.89	1,166.24	4,779.45	0.00
52530 · Office Lease	73,874.68	75,000.00	75,721.60	77,000.00
52550 · Special Department				
52550.A · Service Review	47,964.00	25,000.00		25,000.00
52550.B · County Overhead Costs	41,000.00	31,000.00	56,179.36	35,000.00
52550.C · Other	0.00	0.00		0.00
52550.D · Minor Expense	60,167.88	15,000.00	42,032.74	35,000.00
52550.E · Other (Doc. Mgt)	34,104.32	10,000.00		5,000.00
Total 52550 · Special Department	183,236.20	81,000.00	98,212.10	100,000.00
52562 · Investigative Tech.	93.25	0.00	0.00	1,000.00
52566 · Minor Equipment	0.00	1,000.00	0.00	2,000.00
52602 · Computer Related Training	0.00	2,000.00	0.00	0.00
52610 · Non-Travel/In-County	0.00	500.00	0.00	500.00
52612 · Emp. Auto mileage	9,083.83	10,000.00	8,802.17	15,000.00
52622 · Training/Regis	0.00	1,000.00	0.00	1,000.00
52704 · Purchasing ISF	0.00	500.00	0.00	500.00
52706 · Document Srvs ISF	0.00	200.00	0.00	200.00
52721 · Network Services IT	26,472.73	32,000.00	26,624.32	32,000.00
52722 · Computing Power ISF	0.00	800.00	0.00	800.00
52723 · Data Center Service	52,409.89	50,545.56	47,945.22	51,000.00
52725 · Cross Functional Srvs I	20,871.15	6,000.00	19,278.07	6,000.00
52726 · Microfiche & Print	101.00	200.00	0.00	200.00
52728 · Application Service	2,126.00	10,000.00	4,496.69	10,000.00
52732 · Desktop Computing	22,505.53	30,000.00	21,709.53	30,000.00
52734 · Help Desk	4,636.94	2,500.00	4,153.71	2,500.00
52750 · Catalog Items	18,303.50	40,309.92	17,788.11	116,480.00
52752 · Other Services	1,019.50	500.00	1,000.00	500.00
52754 · Non Catalog Items	0.00	500.00	0.00	500.00
52758 · Vehicle Lease	772.65	2,500.00	0.00	2,500.00
53585 · Equipment Dep Expense	1,850.42	2,500.00	1,850.42	2,500.00
54955 · Fixed Asset	0.00	1,500.00	0.00	1,500.00
54958 · Office Equip - prior year	0.00	-	-	-
54961 · Furniture & Equipment	0	1,000.00	-	1,000.00
Subtotal Services & Supplies	\$ 838,239.99	\$ 823,771.72	\$ 778,264.19	\$ 911,887.00
TOTAL Salaries & Bens and Serv. & Supplies⁵	\$ 1,624,151.86	\$ 1,896,976.72	\$ 1,654,023.40	\$ 1,984,064.00

Figure 2
First to Fourth Quarter LAFCO Budget Update FY 2016-17

Fund Activity	Est. Actual FY15-16 Budget	Adopted (Adj.) FY15-16 Budget	1st - 4th Quart Est. Actual FY16-17 Budget	Adopted FY16-17 Budget
44595 - Fund Balance¹	\$ 240,105.87	\$ 118,327.28	\$ 239,937.67	\$ 240,105.87
46725 - Contingency²	766,733.70	528,480.82	798,377.20	692,659.33
Transfer to operating account	(75,000.00)	(75,000.00)		(75,000.00)
Transfer to operating account			(100,000.00)	(175,000.00)
Transfer to operating account				(100,000.00)
Deposit	-	-		
Interest	3,318.76	-	5,842.89	
46725 -Contingency [Total]	695,052.46	453,480.82	704,220.09	342,659.33
46726 - Special Project³	298,857.09	295,486.26	200,480.01	199,217.85
Transfer to operating account	(100,000.00)	(150,000.00)	(22,075.00)	(22,075.00)
Transfer to operating account	-	-	-	-
Deposit	-	-		
Interest	1,293.55	-	1,466.08	
Deposit to Special Project account	-	7,779.40	-	
46726 -Special Project [Total]	200,150.64	153,265.66	179,871.09	177,142.85
46727 - Jurisdictional⁴	148,606.27	147,731.57	149,463.42	148,785.67
Transfer to operating account	-	-	-	-
Deposit	-	-	-	-
Interest	643.23	-	1,087.13	
4627 - Jurisdictional [Total]	149,249.50	147,731.57	150,550.55	148,785.67
FUND Interest	-	5,500.00	-	5,500.00
FUND ACTIVITY TOTAL	\$ 1,284,558.47	\$ 878,305.33	\$ 1,274,579.40	914,193.72

Notes and Transaction Detail for Figures 1 & 2:

¹Account 44595: All funds designated as UNASSIGNED per Minute Item No. 9 adopted 06/03/13.

²Account 46725: All funds designated as UNASSIGNED per Minute Item No. 9 adopted 06/03/13, except as follows:

\$150,000 designated as COMMITTED for fire agency reorganizations per LAFCO Minute Item No.9 (2)(c) adopted 04/04/16.

\$ 50,000 designated as COMMITTED for CSA No. 115 fire agency reorganization per LAFCO Minute Item No. (9)(b) adopted 10/03/16.

³Account 46726 All funds designated as UNASSIGNED per 06/03/13 Minute Item No. 9, except as follows:

\$ 50,000 designated as COMMITTED for fee waivers per Minute Item No. 9 adopted 06/03/13.

⁴Account 46727: All funds designated as UNASSIGNED per Minute Item No. 9 adopted 06/03/13.