



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

5C

AGENDA REPORT
 Consent | Action

August 2, 2021

TO: Commissioners

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

**SUBJECT: Budget Report for 2020-2021 |
 Fourth Quarter Actuals and Close of Year Budget Amendments**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review a fourth quarter budget report comparing budgeted and actual transactions for 2020-2021. The report identifies the Commission finished June 30th in positive standing with a net operating balance of \$0.066 million or 3.4% and primary attributed to additional application fees. The substantive result of the surplus is the recovery of almost all of the budgeted use of unassigned reserves during the fiscal year and limit the overall decrease to the fund balance at (0.4%) from \$1.630 million to \$1.623 million. The report is being presented to the Commission to formally accept and file as well as approve close-of-year budget amendments to provide all expenses units finish with positive balances.

BACKGROUND

San Diego LAFCO’s adopted budget for 2020-2021 totaled \$1.916 million less close of year amendments. This amount represents the total approved operating expenditures for the fiscal year divided between salaries and benefits, service and supplies, and other. A matching revenue total was also budgeted with the purposeful aid of a planned \$0.073 million transfer from unassigned reserves. Budgeted revenues are divided between intergovernmental contributions, application fees, investment earnings, and miscellaneous.

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The total fund balance as of July 1, 2020 was \$1.630 million with \$0.954 million unassigned.

DISCUSSION

This item is for San Diego LAFCO to receive a comparison of (a) budget to (b) actual expenses and revenues as part of the administrative close of 2020-2021 and ahead of an outside audit 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 as well as consider correcting amendments for accounting purposes as further discussed.

**Summary |
Operating Expenses**

San Diego LAFCO’s budgeted operating expense total for 2020-2021 less close-of-year amendments was \$1.916 million. Actual expenses booked through the fourth quarter totaled \$1.931 million. This booked amount represents 100.7% of the budgeted total and generates a shortfall of (\$14,204) or (0.7%). A breakdown of budget to actual expenses within all three expense units through June 30th follows.

Expense Units	Adopted with Amendments	Actuals Through 6/30	Percent Expended	Balance
1) Salaries and Benefits	1,367,932	1,370,788	100.2	(2,856)
2) Services and Supplies	543,368	559,716	103.0	(16,348)
3) Other	5,000	0	0.0	5,000
Total	\$1,916,300	\$1,328,081	100.7%	(\$14,204)

Budget Amendments to Date:

San Diego LAFCO approved a series of amendments to the 2020-2021 budget in May and June 2021 and collectively involved transferring \$118,220 of out of Services and Supplies and into the Salaries and Benefits.

An expanded discussion on budgeted and actual expenses through June 30th follows.

Expense Unit | Salaries and Benefits

The Commission’s budgeted expenses for salaries and benefits in 2020-2021 less close-of-year amendments was \$1.367 million with the proceeds largely tied to funding 8.0 fulltime equivalent employees and existing retiree obligations.¹ Total expenses through the fourth quarter were \$1.371 million. This booked amount represents 100.2% of the budgeted total and generates a shortfall of (\$2,856) or (0.2%) and primarily attributed to a voluntary retirement payout involving a senior staff position in June.

¹ Commission per diem payments are also booked in the salaries account.

Expense Unit | Services and Supplies

The Commission’s budgeted expenses for services and supplies in 2020-2021 less close-of-year amendments was \$0.544 million and includes consultants and reimbursements to the County of San Diego for office rent, overhead, and information technology support. Total expenses through the fourth quarter were \$0.560 million. This booked amount represents 103.0% of the budgeted total and generates a shortfall of (\$16,348) or (3.0%) and primarily attributed to making new office lease deposits in June.

Expense Unit | Other

The Commission’s budgeted expenses for equipment depreciation and potential fixed asset purchases in 2020-2021 was \$5,000. No expenses were booked.

**Summary |
Operating Revenues**

San Diego LAFCO’s budgeted operating revenue total for 2020-2021 less close-of-year amendments was \$1.916 million. Actual expenses booked through the fourth quarter totaled \$1.997 million. This booked amount represents 104.2% of the budgeted total and generates a surplus of \$80,285 or 4.2%. A breakdown of budget to actual expenses within all three expense units through June 30th follows.

Revenue Units	Adopted with Amendments	Actuals Through 6/30	Percent Collected	Balance
1) Intergovernmental	1,693,700	1,693,700	100.0	0
2) Application Fees	130,000	221,918	170.7	(91,918)
3) Investment Earnings	20,000	8,368	41.8	11,632
4) Miscellaneous	72,600	0	0	0
Total	\$1,916,300	\$1,996,585	104.2%	(\$80,285)

An expanded discussion on budgeted and actual revenues through June 30th follows.

Revenue Unit | Intergovernmental Fees

The Commission budgeted \$1.694 million in intergovernmental fees in 2020-2021 less close-of-year amendments. This total budgeted amount was divided between the Commission’s four agency membership categories based on statutory formula and detailed in the accompanying footnote.² All apportionments were collected.

Revenue Unit | Application Fees

The Commission budgeted \$0.130 million in application fees in 2020-2021 less close-of-year amendments. Total revenues through the fourth quarter were \$0.222 million and generates a surplus of \$91,918 or 70.1%.

² The County of San Diego, independent districts, and cities less San Diego all received apportionments equaling \$0.484 million. The remaining amount – \$0.242 million – was apportioned to the City of San Diego.

Revenue Unit | Investment Earnings

The Commission budgeted \$0.020 million in interest earnings in 2020-2021 less close-of-year amendments. Total revenues collected through the fourth quarter were \$8,368 and generates a shortfall of (\$11,632) or (58.2%) and largely attributed to lower interest rates.

Revenue Unit | Miscellaneous

The Commission budgeted \$0.073 million in operating transfers from unassigned reserves in 2020-2021 less any close-of-year amendments. This transfer was purposefully budgeted in conjunction to use reserves to reduce increases in agency contributions and transacted as planned in June.

ANALYSIS

San Diego LAFCO finished 2020-2021 favorably and generated an operating surplus \$0.066 million or 3.4% and – among other features – recovers most of the \$0.073 million in budgeted use of reserves. The net effect of the operating surplus is much lower than expected decrease in the Commission’s fund balance from \$1.630 to \$1.623 million. The Commission also – notably – accomplished the operating surplus while making and absorbing upfront investments in the Commission’s future. This includes creating long-term cost-savings through the implementation of a voluntary employee separation program as well as securing a larger and more efficient office space. These investments, nonetheless, underlie the need for year-end amendments to address shortfalls in two expense units – Salaries and Benefits and Services and Supplies – for accounting purposes to ensure ending positive balances. These amendments collectively increase the total operating budget from \$1.916 million to \$1.938 million and retroactively authorize the underlying cost overruns.

RECOMMENDATION

It is recommended San Diego LAFCO accept and file the fourth quarter budget report and approve the closing budget amendments for 2020-2021 and increase operating costs to \$1.938 million to ensure all expense units finish with positive balances. 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 2020-2021:

- (a) Amend and increase budgeted monies in the salaries and wages account (Salaries & Benefits) from \$837,635 to \$841,000; a difference of \$3,365.
- (b) Amend and increase budgeted monies in the reimbursements: desktop computing (Services & Supplies) from \$25,000 to \$43,000; a difference of \$18,000.

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) 2020-2021 Operating Budget with Actuals Through June 30, 2021

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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 2018-2019		FY 2019-2020		FY 2020-2021		
		Adopted	Actuals	Adopted	Actuals	Adopted w/amendments	Actuals June 30th	Actuals % Budget
51110-51310	Salaries and Wages	689,719	638,748	722,780	695,356	837,635	851,062	101.6%
51410	Retirement - SDCERA	239,780	230,865	258,148	255,294	316,593	293,416	92.7%
51415	Retirement - OPEB	10,560	10,091	10,539	10,165	10,977	9,944	90.6%
51421	Retirement - OPEB Bonds	41,598	37,308	40,321	38,219	41,998	38,804	92.4%
51450	Payroll Taxes (Social Security and Medicare)	48,958	46,163	53,393	49,698	55,613	61,062	109.8%
51510-51550	Group Insurance (Health and Dental)	96,958	95,405	100,234	105,031	103,116	116,261	112.7%
51560	Unemployment Insurance	4,032	163	3,769	138	2,000	239	12.0%
		1,131,604	1,058,743	1,189,184	1,153,901	1,367,932	1,370,788	100.2%

Services and Supplies Unit

Account No.	Description	FY 2018-2019		FY 2019-2020		FY 2020-2021		
		Adopted	Actuals	Adopted	Actuals	Adopted w/amendments	Actuals June 30th	Actuals % Budget
52074	Telecommunications	2,500	3,860	3,600	3,829	3,636	6,937	190.8%
52138	General Liability Insurance	-	-	-	3,419	-	10,576	
52178	Vehicle - Maintenance	2,000	610	1,500	1,309	980	646	65.9%
52182	Vehicle - Fuel	1,500	367	1,000	245	1,000	112	11.2%
52270	Memberships	13,000	14,601	28,139	18,049	18,181	17,261	94.9%
52304	Miscellaneous	50	20	50	10	50	25	50.0%
52330	Office: General	8,500	6,399	7,420	4,781	7,420	6,064	81.7%
52332	Office: Postage	500	84	500	275	500	22	4.5%
52334	Office: Printing	10,000	4,795	10,000	1,199	10,000	7,916	79.2%
52336	Office: Books and Guidelines	2,000	3,226	2,000	4,112	2,000	437	21.8%
52338	Office: Drafting/Engineering	50	-	50	-	50	-	0.0%
52344	Office: Supplies and Furnishings	17,500	9,302	17,800	8,145	15,800	6,692	42.4%
52354	Office: County Mail Services	9,000	18,896	10,000	8,514	10,000	7,156	71.6%
52370	Professional Services: Consultants	259,110	398,125	234,505	226,762	190,094	192,297	101.2%
52490	Publications and Legal Notices	5,000	10,382	4,650	8,088	4,650	15,118	325.1%
52504	Leases: Equipment	6,500	8,137	6,600	5,915	6,600	6,477	98.1%
52530	Leases: Office Space	79,880	79,555	82,657	81,877	84,764	109,094	128.7%
52550	Special Expenses: County Overhead	155,000	113,842	100,896	48,613	50,904	40,739	80.0%
52562	Special Expenses: New Hire Backgrounds	-	689	-	-	-	1,112	
52566	Special Expenses: Minor Equipment	1,000	2,788	1,000	641	1,000	-	0.0%
52602	Computer Training	2,000	-	2,000	-	2,000	-	0.0%
52610	Travel and Training In County	5,000	6,634	4,500	7,367	4,500	2,364	52.5%
52612	Employee Auto	10,000	9,069	9,700	8,779	9,700	7,200	74.2%
52622	Travel and Training Out of County	10,000	25,432	23,550	13,271	-	-	
52704-52722	Reimbursements: Network	30,000	26,450	30,000	29,065	30,000	31,162	103.9%
52723	Reimbursements: Data Center	45,000	30,728	45,000	29,233	29,006	28,752	99.1%
52725	Reimbursements: Financial Systems	20,000	27,556	20,000	23,320	20,000	19,575	97.9%
52726-52732	Reimbursements: Desktop Computing	25,000	25,311	25,000	51,246	25,000	46,459	185.8%
52734	Reimbursements: Help Desk	3,000	4,743	3,000	2,689	3,000	2,274	75.8%
52750-52754	Reimbursements: Catalog Equipment	45,000	32,097	45,000	38,602	10,532	8,776	83.3%
52758	Reimbursements: Vehicle Lease	2,000	1,986	2,000	1,986	2,000	1,986	99.3%
		770,090	865,684	722,117	631,341	543,367	559,716	103.0%

OPERATING EXPENSES CONTINUED...

Other Units

Account No. Description

53585 Equipment Depreciation
54955-54961 Fixed Assets

EXPENSE TOTALS

FY 2018-2019		FY 2019-2020	
Adopted	Actuals	Adopted	Actuals
2,500	2,500	2,500	2,500
2,500	-	2,500	-
5,000	2,500	5,000	2,500
1,906,694	1,926,927	1,916,300	1,787,742

FY 2020-2021		
Adopted w/amendments	Actuals June 30th	Actuals % Budget
2,500	-	-
2,500	-	-
5,000	-	-
1,916,300	1,930,504	100.7%

OPERATING REVENUES

Intergovernmental Unit

Account No. Description

45918.1 Apportionments | County
45918.2 Apportionments | Cities (less SD)
45918.3 Apportionments | City of San Diego
45918.4 Apportionments | Special Districts

Service Charges Unit

Account No. Description

46234 Service Charges

Earnings Unit

Account No. Description

44105 Interest and Dividends

Miscellaneous Unit

Account No. Description

47540 Use of Fund Balance (transfer)

REVENUE TOTALS

FY 2018-2019		FY 2019-2020	
Adopted	Actuals	Adopted	Actuals
475,684	475,684	486,771	486,771
475,684	475,684	486,771	486,771
237,842	237,842	243,386	243,386
475,684	475,684	486,771	486,771
1,664,894	1,664,894	1,703,700	1,703,700
125,000	82,147	125,000	201,419
125,000	82,147	125,000	201,419
6,800	19,052	15,000	25,812
6,800	19,052	15,000	25,812
110,000	217,186	72,600	-
110,000	217,186	72,600	-
1,906,694	1,983,279	1,916,300	1,930,931

FY 2020-2021		
Adopted w/amendments	Actuals June 30th	Actuals % Budget
483,914	483,914	100.0%
483,914	483,914	100.0%
241,957	241,957	100.0%
483,914	483,914	100.0%
1,693,700	1,693,700	100.0%
130,000	221,918	170.7%
130,000	221,918	170.7%
20,000	8,368	41.8%
20,000	8,368	41.8%
72,600	72,600	100.0%
72,600	72,600	100.0%
1,916,300	1,996,585	104.2%

OPERATING NET	-	56,352	-	143,189	-	66,080.89
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FUND BALANCE			
	Audited	Audited	Unaudited
Committed			
... Stabilization	-	250,000	250,000
... Opportunity	175,000	300,000	300,000
Assigned	75,000	125,000	125,000
Unassigned	1,238,233	954,738	948,219
	1,488,233	1,629,738	1,623,219