



Chairman

Bill Horn
County Board of
Supervisors

February 1, 2016

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Vice Chairman

Sam Abed
Mayor
City of Escondido

TO: Local Agency Formation Commission

FROM: Executive Officer

Members

Dianne Jacob
County Board of
Supervisors

SUBJECT: Second Quarter FY 2015–2016 Budget Update

Andrew Vanderlaan
Public Member

SECOND QUARTER BUDGET UPDATE

Lorie Zapf
Councilmember
City of San Diego

Overall expenditures related to Salaries and Benefits and Services and Supplies are all within budget through the second quarter of FY 2015-16. Total expenditures amounted to \$827,771, compared to \$747,259 during the same time period in FY 2014-15. Total revenue (income) amounted to \$1,528,000, compared to \$1,485,245 in FY 2014-15. Fee-based revenue amounted to \$133,971, compared to \$90,210 in FY 2014-15. The below discussion and attached tables (Figures 1 and 2) cover LAFCO’s financial activity in greater detail through the second quarter of FY 2015-16.

Lorraine Wood
Councilmember
City of Carlsbad

Expenditures

Jo MacKenzie
Vista Irrigation District

Vacant
Special District

Alternate Members

LAFCO’s total expenditures in FY 2015-16 totaled \$827,771 through the second quarter and are divided between Salaries and Benefits and Services and Supplies (Salaries and Benefits: \$408,149 and Services and Supplies: \$419,621). In comparison, through the second quarter of FY 2014-15, total expenditures amounted to \$747,259 (Salaries and Benefits: \$367,257 and Services and Supplies: \$380,002). The FY 2015-16 figures are somewhat higher than the amounts in FY 2014-15 because a portion of LAFCO’s prior year Geographic Information Technology costs was posted in FY 2015-16 due to a delay in consultant billing. In addition, costs associated with converting audio recordings to an electronic medium exceeded original cost estimates due to the poor quality of the pre-2000 recordings. The audio recordings have since been preserved and archived in an immutable electronic format. Refer to account 52550(D) in Figure 1 for further information.

Greg Cox
County Board of
Supervisors

Chris Cate
Councilmember
City of San Diego

Racquel Vasquez
Councilmember
City of Lemon Grove

Ed Sprague
Olivenhain Municipal
Water District

Harry Mathis
Public Member

Executive Officer

Michael D. Ott

An unbudgeted increase in professional services will occur during the third and fourth quarters due to the recently filed lawsuit by the City of Coronado against the San Diego LAFCO and Imperial Beach regarding the Naval Base

Legal Counsel

Michael G. Colantuono

Coronado contractual service agreement. LAFCO staff will be discussing cost sharing strategies with the Department of the Navy and the City of Imperial Beach regarding this litigation; however, the Commission should allocate up to \$75,000 of Contingency Reserve Funds to cover defense related litigation expenses in FY 2015-16. Refer to recommendation no. 2 of the staff report for specific authorizing language.

In terms of Salaries and Benefits, overall costs (\$408,149) are under and within budget. Wages and compensation amounted to \$254,931 and benefits totaled \$153,218 through the second quarter of the fiscal year. Although the Commission filled two vacant positions in FY 2015-16, several positions continue to be filled at lower levels than budgeted, resulting in salary savings. This staffing characteristic will change by the end of FY 2015-16 when incumbent staff members are expected to fill budgeted position classifications.

Revenue

Apportionment revenue consists of funds derived from local agency general purpose revenues based on a complex formula codified in State Law (Government Code Section 56381). Per this statute, local agencies must contribute funds equal to the amount needed by the Commission each year. Through the first quarter of the current fiscal year, 99.9% of LAFCO's apportionment revenue has been collected by the County Auditor (\$1,394,029.16). Proposal-based revenue totaled \$133,971 (Account 46234 Service to Property Owners: \$27,680 and Account 49900 Miscellaneous Revenue: \$106,291). These amounts are at anticipated levels, but may level-off in the third quarter because of several anticipated fee refunds and credits requested by applicants.

Fund Activity

LAFCO's funds that are held in trust with the County of San Diego are continuing to grow. Through the second quarter, the total fund balance totaled \$1,455,768. The increase in the fund balance for account 44595 is temporary and related to the transactions dates for fund deposits and expenditures. Therefore, the \$240,105 currently in account 44595 will likely adjust downward by the end of the fiscal year. The overall increase in fund balance for accounts 46725, 46726, and 46727 is related to interest earnings in FY 2015-16 and finishing FY 2014-15 under budget. Up to \$150,000 in account 46726 is authorized for a transfer into LAFCO's operating account; however it is likely that a lower amount will be actually transferred by the end of FY 2015-16 to cover costs associated with fee waivers for fire agency reorganizations (e.g., CSA Nos. 107 and 115 jurisdictional boundary changes) and one island annexation proposal (Greenwood Memorial Estates Reorganization).

Summary

The Commission is continuing to operate within budget with a decreased staffing level, yet it is still completing the review of a number of priority projects and reaching completion on others, such as the dissolution of the Pine Valley and San Diego Rural Fire Protection Districts. LAFCO staff is continuing to process several additional major projects that will be scheduled for consideration during the remaining months in FY 2015-16 (e.g., dissolution

of CSA No. 107 and annexation to Rancho Santa Fe FPD). LAFCO staff is also beginning the preliminary stages of the Escondido sphere of influence review.

The FY 2015-16 Second Quarter Budget Update is provided for the Commission's information, acceptance, and approval. Therefore, it is

RECOMMENDED: That the Commission,

- (1) Receive, accept, and approve the Second Quarter FY 2015-16 LAFCO Budget Updated.
- (2) Assign up to \$75,000 of funds from Trust Fund Account 46725 to cover costs associated with the City of Coronado's lawsuit against the San Diego LAFCO. Authorize the Executive Officer to transfer associated funds to LAFCO's operating account to cover litigation costs and further direct the Executive Officer to report to the Commission in writing regarding any funds transfers made pursuant to this directive.

Respectfully submitted,

MICHAEL D. OTT
Executive Officer

MDO:trl

Attachments

Figures 1 and 2: Second Quarter LAFCO Budget Update FY 2015-16

Figure 1
Second Quarter LAFCO Budget Update FY2015-16

Ordinary Income/Expense	Est. Actual	Adopted	1st & 2nd Quart Est.	Adopted
	FY14-15 Budget	FY14-15 Budget	FY15-16 Budget	FY15-16 Budget
Income				
45918 - LAFCO Apportionment (net cost)	\$ 1,395,035.00	\$ 1,395,035.00	\$ 1,394,029.16	\$ 1,395,945.74
46234 - Service to Property Owner	95,000.00	143,586.00	27,680.00	125,000.00
47540 - Operating Transfers	125,000.00	175,000.00	0.00	150,000.00
47615 - Other Sales - Taxable	0.00	7,500.00	0.00	0.00
49000 - Processing Fee	0.00	0.00	0.00	0.00
49200 - Interest & Dividends	-	2,000.00	0.00	5,500.00
49900 - Miscellaneous Revenue	18,710.00	0.00	106,291.20	145,365.00
80100 - Receipts Sch TR & Agency	0.00	0.00	0.00	0.00
TOTAL Income	\$ 1,633,745.00	\$ 1,723,121.00	\$ 1,528,000.36	\$ 1,821,810.74
Expense				
51110 - Salaries & Wages	510,863.00	535,822.00	254,931.00	645,127.00
Benefits Total	336,779.00	348,549.00	153,218.42	428,078.26
52074 - Telecommunications	500.00	500.00	0.00	500.00
52138 - Public Liability Insurance	500.00	500.00	0.00	0.00
52178 - Auto Maintenance	1,500.00	2,000.00	467.00	2,000.00
52182 - Vehicle Fuel	1,000.00	1,500.00	632.94	1,500.00
52270 - Memberships	7,500.00	9,000.00	7,577.00	9,000.00
52304 - Miscellaneous	0.00	77,039.00	0.00	0.00
52330 - Office Expense	0.00	5,000.00	0.00	1,000.00
52332 - Postage	500.00	500.00	0.00	500.00
52334 - Printing	5,000.00	10,000.00	2,475.79	2,000.00
52336 - Books - Office Library	1,000.00	2,000.00	110.03	2,000.00
52338 - Drafting/Engineering	0.00	50.00	0.00	50.00
52344 - Stores Unallocated	12,000.00	12,500.00	6,431.18	15,000.00
52354 - Mail/Postage-ISF	7,500.00	8,000.00	3,906.93	8,000.00
52370 - Professional Services				
52370.A - Special Counsel Litigation	0.00	0.00	0.00	0.00
52370.B - Special Counsel General	15,000.00	12,973.00	0.00	2,500.00
52370.C - General Counsel	15,000.00	11,000.00	29,736.00	35,000.00
52370.D - GIS Support	60,000.00	60,000.00	38,112.00	60,000.00
52370.E - Web & Doc Support	50,000.00	65,000.00	38,112.00	65,000.00
52370.F - Local Govt Services	50,000.00	65,000.00	18,491.00	50,000.00
52370.G - Legislation	18,000.00	20,000.00	12,355.00	15,000.00
52370.H - Accounting	30,000.00	30,000.00	5,406.00	25,000.00
52370.I - Other (Doc. Mgt)	75,000.00	90,000.00	34,300.00	100,000.00
Total 52370 - Professional Services	313,000.00	353,973.00	176,512.00	352,500.00
52490 - Publications	5,000.00	25,000.00	126.61	2,500.00
52504 - Copy Equipment	2,775.00		2,939.16	
52530 - Office Lease	75,000.00	75,000.00	36,786.58	75,000.00
52550 - Special Department				
52550.A - Service Review	40,000.00	55,000.00	20,290.50	25,000.00
52550.B - County Overhead Costs	31,000.00	31,000.00	15,818.50	31,000.00
52550.C - Other	5,400.00	2,000.00	6,600.00	0.00
52550.D - Minor Expense	25,000.00	17,000.00	57,849.83	15,000.00
52550.E - Other (Doc. Mgt)		50,000.00	5,400.00	10,000.00
Total 52550 - Special Department	101,400.00	155,000.00	105,958.83	81,000.00
52562 - Investigative Tech.	0.00	0.00	93.25	0.00
52566 - Minor Equipment	0.00	1,000.00	0.00	1,000.00
52602 - Computer Related Training	0.00	2,000.00	0.00	2,000.00
52610 - Non-Travel/In-County	0.00	500.00	0.00	500.00
52612 - Emp. Auto mileage	7,500.00	10,000.00	4,367.65	10,000.00
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 Svcs ISF	0.00	200.00	0.00	200.00
52721 - Network Services IT	30,000.00	32,000.00	12,001.68	32,000.00
52722 - Computing Power ISF	500.00	800.00	0.00	800.00
52723 - Data Center Service	50,545.56	50,000.00	23,678.43	50,545.56
52725 - Cross Functional Svcs I	6,000.00	6,000.00	9,522.51	6,000.00
52726 - Microfiche & Print	200.00	200.00	0.00	200.00
52728 - Application Service	46,594.49	67,103.00	1,779.02	10,000.00
52732 - Desktop Computing	27,000.00	27,000.00	10,515.72	30,000.00
52734 - Help Desk	1,500.00	2,500.00	2,107.70	2,500.00
52750 - Catalog Items	69,308.58	10,000.00	10,846.00	40,309.92
52752 - Other Services	0.00	500.00	13.00	500.00
52754 - Non Catalog Items	0.00	500.00	0.00	500.00
52758 - Vehicle Lease	2,500.00	2,500.00	772.65	2,500.00
53585 - Equipment Dep Expense	2,500.00	2,500.00		2,500.00
59000 - Fixed Asset	0.00	1,500.00	0.00	1,500.00
54958 - Office Equip - prior year		0.00	0.00	0.00
54961 - Fixed Asset Equip & Furn	0	5,000.00	0.00	1,000.00
Subtotal Services & Supplies	\$ 778,323.63	\$ 960,865.00	\$ 419,621.66	\$ 748,605.48
TOTAL Salaries & Bens and Serv. & Supplies⁵	\$ 1,625,965.63	\$ 1,845,236.00	\$ 827,771.08	\$ 1,821,810.74

Figure 2
Second Quarter LAFCO Budget Update FY 2015-16

Fund Activity	Est. Actual FY14-15 Budget	Adopted FY14-15 Budget	1st & 2nd Quart Est. FY15-16 Budget	Adopted FY15-16 Budget
44595 - Fund Balance ¹	122,115.00	118,327.28	240,105.87	118,327.28
46725 - Contingency ²	663,877.20	528,480.82	767,659.33	528,480.82
46726 - Special Project ³	515,486.26	515,486.26	299,217.85	295,486.26
Transfer to operating account	(95,000.00)	(95,000.00)	-	-
Transfer to operating account	(125,000.00)	(175,000.00)	-	(150,000.00)
Deposit to Special Project account				7,779.40
46726 - Special Project [Total]	295,486.26	245,486.26	299,217.85	153,265.66
46727 - Jurisdictional ⁴	148,293.46	147,731.57	148,785.67	147,731.57
46728 - Interest	-	2,097.34	-	5,500.00
46729 - FUND ACTIVITY TOTAL	\$ 1,229,771.92	\$ 1,042,123.27	\$ 1,455,768.72	\$ 953,305.33

Notes for Figures 1 & 2:

¹Account 44595: All funds are currently designated "Unassigned" per Minute Item No. 9: June 3, 2013.

²Account 46725: All funds are currently designated "Unassigned" per Minute Item No. 9: June 3, 2013, except to \$75,000 that are proposed to be designated as "assigned per Minute Item No. XX: February 1, 2016.

³Account 46726 contains the following designations:

\$150,000 committed for fee waivers in FY 2015-16 (Min. item no. 6 April 6, 2015).

\$22,075 "Assigned" per Minute item No. 9: June 3, 2013 for the Montecito Ranch Project.

\$126,782.09 designated "Unassigned" (Min. item no. 6 April 6, 2015).

⁴Account 44727: All funds designated "Unassigned" per Minute Item No. 9: June 3, 2013.