



Chairman

Bill Horn
County Board of
Supervisors

November 7, 2016

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Vice Chairman

Sam Abed
Mayor
City of Escondido

TO: Local Agency Formation Commission

Members

FROM: Executive Officer

Dianne Jacob
County Board of
Supervisors

SUBJECT: First Quarter FY 2016-17 Budget Update

Andrew Vanderlaan
Public Member

FIRST QUARTER BUDGET UPDATE

Lorie Zapf
Councilmember
City of San Diego

Expenditures through the first quarter of FY 2016-17 totaled \$396,720 and are within budget. Salaries and Benefits amounted to \$220,156 and Services and Supplies totaled \$176,564. In subsequent quarters, overall expenditures will be proportionately higher than the expenses reported in the first quarter due to litigation and processing of certain high-priority fire reorganization and island projects. These additional expenses have been anticipated and will involve the transfer of appropriations and trust funds amounting to approximately \$100-\$350,000. The below discussion and attached tables (Figures 1 and 2) cover LAFCO's financial activity in greater detail through the first quarter of FY 2016-17.

Lorraine Wood
Councilmember
City of Carlsbad

Jo MacKenzie
Vista Irrigation District

Ed Sprague
Olivenhain Municipal
Water District

Alternate Members

Greg Cox
County Board of
Supervisors

Revenue

Chris Cate
Councilmember
City of San Diego

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. Actual apportionment revenue totaled \$1,577,626, compared to the budgeted amount of \$1,578,564. No proposal-based revenue was submitted through the first quarter due to the waiver of processing fees for fire-related projects. However, this condition will likely change beginning in the second quarter upon the submittal of fee-based jurisdictional proposals.

Racquel Vasquez
Councilmember
City of Lemon Grove

Harry Mathis
Public Member

Judy Hanson
Leucadia Wastewater
District

Executive Officer

Michael D. Ott

Legal Counsel

Michael G. Colantuono

During the second quarter, a transfer of about \$157,298 of trust fund monies will be made to cover commission-authorized fee waivers, special projects, and litigation. The authorized trust fund transfers are associated with the CSA No. 115 Reorganization (\$31,890); Alpine Fire Protection District Island Annexation (\$28,333); Ramona Municipal Water District Latent Sewer Powers Expansion (\$22,075) and litigation involving the City of Coronado (\$75,000). The Commission has previously approved the associated fund transfers for these fee waivers, special projects, and litigation. Refer to the Executive Officer's recommendation and Figure 2 for more detail.

Expenditures

LAFCO's expenditures in FY 2016-17 through the first quarter totaled \$396,720, compared to \$465,312 in FY 2015-16. The prior year expenses (FY 2015-16) were higher than the amounts reported in FY 2016-17 because of litigation, special reorganization projects, and one-time costs associated with completion of a major records management project in 2015.

In terms of Salaries and Benefits, overall costs are under and within budget. Salaries and wages amounted to \$220,156 (wages: \$135,430 and benefits: \$84,726). The FY 2016-17 figures are within and lower than budgeted because of two vacancies (Administrative Analyst I and student worker). These positions may be filled in the subsequent quarters of FY 2016-17.

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 first quarter, there is approximately \$1,388,258 in the spendable category and approximately \$422,075 of this total is classified as *Committed* based on Commission directives. The *Committed* classification covers activities related to litigation, island projects, fire agency reorganizations, records management, etc. The balance (\$966,183) is considered unassigned and can be allocated for other discretionary purposes, as determined by the Commission.

Figure 2 attached to the First Quarter 2016-17 Budget Update contains a summary of trust fund activity. The Commission should ratify the application and in some cases removal of classifications for Accounts 46725 and 46726 per the footnotes on Figure 2. These footnotes reference the Commission's action on October 3, 2016 that placed a *Committed* classification on funds (\$100,000) associated with the CSA No. 115 Reorganization. In addition, upon the transfer of \$22,075 from Account 46726 to the Commission's operating revenue account, the *Assigned* designation for these funds should be accordingly

removed. The removal of this classification for \$22,075 is associated with a deposit paid by the applicant for the Montecito Ranch development project in 2011. The funds were not spent in 2011 because the project was delayed due to jurisdictional issues. These issues have since been resolved and a Latent Powers proposal will be considered by the Commission in 2017. Removal of the *Assigned* classification can, therefore, be approved at this time.

This report is provided for the Commission's information, approval, and ratification. Therefore, it is

RECOMMENDED: That your Commission,

- 1) Receive and approve the First Quarter FY 2016-17 LAFCO Budget Update;
- 2) Ratify and approve the *Commitment* of funds (\$100,000) in Account 46725 for fee waivers and associated analysis of a reorganization of CSA No. 115. Authorize the Executive Officer to remove this classification upon transfer of the associated funds to LAFCO's operating account and to notify the Commission accordingly; and
- 3) Remove the *Assigned* designation for \$22,075 in Trust Fund Account 46726 associated with the transfer of funds to LAFCO's operating account in association with the Montecito Ranch Latent Powers proposal (Ramona MWD).

Respectfully submitted,



MICHAEL D. OTT
Executive Officer

MDO:eb

Attachment

Figures 1 & 2: First Quarter LAFCO Budget Update FY 2016-17

Figure 1
First Quarter LAFCO Budget Update FY2016-17

Ordinary Income/Expense	Actual	Adopted	First 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	\$ 1,577,626.30	\$ 1,578,564.00
46234 · Service to Property Owner	76,510.00	125,000.00	0.00	150,000.00
47540 · Operating Transfers	175,000.00	370,365.00	0.00	250,000.00
47615 · Other Sales - Taxable	0.00	0.00	0.00	0.00
49000 · Processing Fee	0.00	0.00	0.00	0.00
49200 · Interest & Dividends	5,255.31	5,500.00		5,500.00
0000 · Miscellaneous Revenue /Transfer	101,912.86	0.00	0.00	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	\$ 1,577,626.30	\$ 1,984,064.00
Expense				
51110 · Salaries & Benefits				
Total	785,911.87	1,073,205.00	220,156.04	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	790.63	2,000.00
52182 · Vehicle Fuel	1,274.24	500.00	232.74	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	0.00	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	3,598.82	17,500.00
52354 · Mail/Postage-ISF	9,228.40	8,000.00	1,672.17	9,500.00
52370 · Professional Services				
52370.A · Special Counsel	0.00	0.00	0.00	2,500.00
52370.B · General Counsel Litigation	0.00	2,500.00	19,023.38	75,000.00
52370.C · General Counsel	66,154.45	35,000.00	5,258.50	35,000.00
52370.D · GIS Support	82,282.00	60,000.00	31,570.00	60,000.00
52370.E · Web & Doc Support	82,282.00	65,000.00	0.00	65,000.00
52370.F · Local Govt Services	34,679.00	50,000.00	13,230.00	50,000.00
52370.G · Legislation	23,087.00	15,000.00	1,344.00	15,000.00
52370.H · Accounting	16,478.00	25,000.00	0.00	25,000.00
52370.I · Other (Doc. Mgt)	69,927.00	175,000.00	15,405.00	75,000.00
Total 52370 · Professional Services	374,889.45	427,500.00	85,830.88	402,500.00
52490 · Publications	126.61	2,500.00	126.61	2,500.00
52504 · Copy Equipment	5,604.89	1,166.24	710.53	
52530 · Office Lease	73,874.68	75,000.00	18,544.05	77,000.00
52550 · Special Department				
52550.A · Service Review	47,964.00	25,000.00	4,293.00	25,000.00
52550.B · County Overhead Costs	41,000.00	31,000.00	0.00	35,000.00
52550.C · Other	0.00	0.00	13,420.25	0.00
52550.D · Minor Expense	60,167.88	15,000.00	14,080.40	35,000.00
52550.E · Other (Doc. Mgt)	34,104.32	10,000.00	0.00	5,000.00
Total 52550 · Special Department	183,236.20	81,000.00	31,793.65	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	1,992.78	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 Svcs ISF	0.00	200.00	0.00	200.00
52721 · Network Services IT	26,472.73	32,000.00	4,903.52	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	8,519.32	51,000.00
52725 · Cross Functional Svcs I	20,871.15	6,000.00	4,316.37	6,000.00
52726 · Microfiche & Print	101.00	200.00	0.00	200.00
52728 · Application Service	2,126.00	10,000.00	220.38	10,000.00
52732 · Desktop Computing	22,505.53	30,000.00	3,945.18	30,000.00
52734 · Help Desk	4,636.94	2,500.00	755.22	2,500.00
52750 · Catalog Items	18,303.50	40,309.92	0.00	116,480.00
52752 · Other Services	1,019.50	500.00	0.00	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	504.66	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	0.00	1,000.00
Subtotal Services & Supplies	\$ 838,239.99	\$ 823,771.72	\$ 176,564.51	\$ 911,887.00
TOTAL Salaries & Bens and Serv. & Supplies⁵	\$ 1,624,151.86	\$ 1,896,976.72	\$ 396,720.55	\$ 1,984,064.00

Figure 2
First Quarter LAFCO Budget Update FY 2016-17

Fund Activity	Est. Actual FY15-16 Budget	Adopted (Adj.) FY15-16 Budget	First 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				(175,000.00)
Transfer to operating account				(100,000.00)
Deposit	-	-	-	
Interest	3,318.76	-	-	
46725 -Contingency [Total]	695,052.46	453,480.82	798,377.20	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)		-
Transfer to operating account	-	-	-	-
Deposit	-	-	-	
Interest	1,293.55	-		
Deposit to Special Project account	-	7,779.40	-	
46726 -Special Project [Total]	200,150.64	153,265.66	200,480.01	199,217.85
46727 - Jurisdictional⁴	148,606.27	147,731.57	149,463.42	148,785.67
Transfer to operating account	-	-	-	-
Deposit	-	-	-	
Interest	643.23			
46727 - Jurisdictional [Total]	149,249.50	147,731.57	149,463.42	148,785.67
FUND Interest	-	5,500.00	-	5,500.00
FUND ACTIVITY TOTAL	\$ 1,284,558.47	\$ 878,305.33	\$ 1,388,258.30	936,268.72

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:

 \$75,000 designated as COMMITTED for litigation expenses per LAFCO Minute Item No. 9 (2)(c) adopted 04/04/16.

 \$175,000 designated as COMMITTED for fire agency and island reorganizations per LAFCO Minute Item No.9 (2)(c) adopted 04/04/16.

 \$100,000 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:

 \$22,075 designated as ASSIGNED for the Montecito Ranch Project per Minute Item No. 9 adopted 06/02/13.

 \$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.