



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

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AGENDA REPORT
 Consent | Action

February 4, 2019

TO: Commissioners

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

SUBJECT: **Budget Update for 2018-2019 |**
2nd Quarter Expenses-to-Actuals and Year End Projections

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions for 2018-2019 through the second quarter. The report projects – and in the absence of amendments – the Commission will finish with a moderate operating deficit of (\$44,127) or (2.4%) and primarily the result of expending additional monies on consultant and legal services coupled with a decrease in proposal fees. Savings in salaries and benefits are helping to limit the overall shortfall and tied to phasing in the filling of two budgeted analyst positions during the fiscal year. The report is being presented to the Commission to formally file as well as provide direction as needed.

BACKGROUND

San Diego LAFCO |
Prescribed Funding

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

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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.

2018-2019 Adopted Budget

San Diego LAFCO’s adopted final budget for 2018-2019 totals \$1.906 million. This amount represents the total approved operating expenditures for the fiscal year 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 \$0.110 million transfer from reserves. Budgeted revenues are divided between four active units: intergovernmental contributions; service charges; earnings; and miscellaneous. The Commission’s total fund balance as of July 1, 2018 was \$1.619 million.¹

DISCUSSION

This item is for San Diego LAFCO to receive an update comparison of (a) budget to (b) actual expenses and revenues through the second quarter (December 31st). The report provides the Commission the opportunity to track expenditure trends and consider year-end operating projections from the Executive Officer. The report is being presented to the Commission to formally accept and file as well as provide related direction as needed.

**Summary |
Operating Expenses**

San Diego LAFCO’s budgeted operating expense total for 2018-2019 is \$1.906 million. Actual expenses booked through the second quarter totaled \$0.937 million. This booked amount represents 49% of the budgeted total with 50% of the fiscal year complete. A breakdown of budget to actual expenses by unit through December 31st follows.

Expense Units	Adopted	Actuals Through 12/31	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,131,604	476,868	42	654,736
2) Services and Supplies	770,090	460,290	60	309,800
3) Other	5,000	0	0	5,000
Total	1,906,694	937,158	49	969,536

Actuals through the second quarter of the fiscal year and related analysis suggest San Diego LAFCO is on pace to finish with \$1.921 million in total expenses. Should this projection hold the Commission will incur an overrun in expenses of (\$14,851) or (0.8%) relative to the budget adopted in April 2018. An expanded discussion on budgeted and actuals through the first six months along with year-end projections within the three expense units follow.

¹ The fund balance total of \$1.619 million includes \$300,000 in commitments. These commitments are divided between (a) \$125,000 for fire service reorganizations, (b) \$75,000 for litigation, (c) \$50,000 for CSA No. 115’s reorganization, and (d) \$50,000 for general fee waivers.

Expense Unit | Salaries and Benefits

San Diego LAFCO budgeted \$1.131 million in salaries and benefits for 2018-2019 with the proceeds largely tied to funding 8.0 fulltime equivalent employees as well as existing retiree obligations.² Through the second quarter the Commission's actual expenses within the affected line item accounts totaled \$0.476 million or 42% of the budgeted amount with 50% of the fiscal year complete. The proportional savings are tied to phasing in the appointment of two budgeted positions – GIS Analyst and Analyst I – with delayed starting dates of October 2018 and January 2019, respectively. Going forward and through the end of the fiscal year it is expected overall actuals in the unit will total \$1.060 million. Should this projection hold the Commission will achieve an overall unit savings of \$71,188 or 6.2%.

Expense Unit | Services and Supplies

San Diego LAFCO budgeted \$0.770 million in services and supplies for 2018-2019 to provide funding for direct support services. The majority of the budgeted funds are dedicated to professional services to cover such items as planning and legal services as well as making reimbursements to the County for office rent, information technology, and general overhead. Through the second quarter the Commission's actual expenses within the affected line item accounts totaled \$0.460 million or 60% of the budgeted amount with 50% of the fiscal year complete. More than one-half of these booked expenses – \$241,787 – involve professional services with close to 25% of this amount directly tied to costs in processing the “Julian-Cuyamaca Fire Protection District Reorganization.”³ Going forward and through the end of the fiscal year it is expected overall actuals in the services and supplies unit will total \$0.856 million with additional details footnoted.⁴ Should this projection hold it would produce an overall deficit within the unit of (\$88,539) or (11.5%).

Expense Unit | Other

San Diego LAFCO budgeted \$5,000 in two separate units to collectively address equipment depreciation and potential fixed asset purchases in 2018-2019. The Commission has not billed any charges through the second quarter. Going forward it is expected actuals will total \$2,019 and result in a year-end balance of \$2,981 or 60%.

Summary | Operating Revenues

San Diego LAFCO's budgeted operating revenue total for 2018-2019 is \$1.906 million. Actual revenues through the second quarter totaled \$1.713 million. This amount represents 90% of the budgeted total with 50% of the fiscal year complete. A breakdown of budget to actual revenues within each of the four affected units through December 31st follows.

² Commission per diem payments are also booked in the salaries account.

³ San Diego LAFCO incurred close to \$60,000 in direct professional service costs in processing the Julian-Cuyamaca Fire Protection District reorganization through December 31st. This amount is specific to legal and consultant services and does not include other direct costs involving notices, mailings, and related materials and booked to other accounts within the unit.

⁴ It is projected San Diego LAFCO will finish the fiscal year with \$0.858 million in expenses within the Services and Supplies unit. Of this amount, it is further projected \$0.179 million – or 21% – will be directly tied to processing the reorganization of the Julian-Cuyamaca Fire Protection District and divided approximately therein between (a) legal at \$76,000, (b) consultants at \$33,000, (c) mailing and publication services at \$20,000, and (d) elections at \$50,000.

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Revenue Units	Adopted	Actuals Through 12/31	Percent Collected	Outstanding Balance
1) Intergovernmental	1,664,894	1,664,894	100	0
2) Service Charges	125,000	37,465	30	87,535
3) Earnings	6,800	11,262	166	(4,462)
4) Miscellaneous	110,000	0	0	110,000
Total	1,906,694	1,713,621	90	193,073

Actuals through the second quarter and related analysis suggest San Diego LAFCO’s year-end revenue totals will tally \$1.877 million. Should this projection hold the Commission will incur a shortfall in revenues of (\$29,276) or (1.5%) as budgeted in April 2018. An expanded discussion on budgeted and actual revenues in the four units through the first six months along with year-end projections follows.

Revenue Unit | Intergovernmental Fees

San Diego LAFCO budgeted \$1.665 million in intergovernmental fees in 2018-2019. 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 \$0.476 million. The remaining amount – \$0.238 million – was apportioned to the City of San Diego. All agency apportionments were received by the end of the second quarter.

Revenue Unit | Service Charges

San Diego LAFCO budgeted \$0.125 million in application fees in 2018-2019. Through the second quarter the Commission collected \$37,465 in application fees and represents 30% of the budgeted amount. Markedly, several proposal filings occurred at the end of the prior fiscal year that were otherwise expected during the first quarter of this fiscal year at the time the budget was adopted in April 2018. Accordingly, staff anticipates overall actuals in this unit will tally \$80,000 and result in a year-end shortfall of (\$45,000) or (36%).

Revenue Unit | Interest

San Diego LAFCO budgeted \$6,800 in interest earnings in 2018-2019. Through the second quarter the Commission collected \$11,262 in interest earnings and represents 116% of the budgeted total. Staff anticipates the unit ultimately tallying \$22,524 and result in a year-end surplus of \$15,724 or 231%.

Revenue Unit | Miscellaneous

San Diego LAFCO budgeted \$0.110 million in operating transfers from reserves in 2018-2019. This transfer was purposefully budgeted in conjunction with standing practice to use reserves to reduce increases in agency contributions. No transfers were made through the second quarter. A full transfer is expected prior to the fiscal year close.

ANALYSIS

Activity through the second quarter shows San Diego LAFCO is on pace – and in the absence of amendments – to finish the fiscal year with a moderate operating deficit of (\$44,127) or (2.4%). This projected deficit is primarily the result of increasing costs to process the Julian-Cuyamaca Fire Protection District Reorganization coupled with a decline in expected revenues from proposal fees as detailed in the preceding section. Savings in salaries and benefits are helping to limit the extent of the deficit and tied to phasing in the filling of two budgeted analyst positions during the fiscal year. Nonetheless, a budget amendment to formally increase the services and supplies unit is merited in order to authorize the underlying costs, but is being deferred to May 2019 and will be presented to the Commission in conjunction with the next quarter report. The deferral of the budget amendment to May 2019, markedly, allows for additional precision in identifying the appropriate amount to be added to the unit while reducing the potential need for a subsequent correcting amendment.

RECOMMENDATION

It is recommended San Diego LAFCO accept and file the report consistent with the actions outlined in the proceeding section as Alternative One.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

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) Operating Budget | General Ledger Through December 31, 2018

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San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

ADOPTED OPERATING BUDGET | 2018-19

OPERATING EXPENSES

		FY2015-16		FY2016-17		FY2017-18		FY2018-19			
		Adopted FY15-16	Actuals FY15-16	Adopted FY16-17	Actuals FY16-17	Adopted FY17-18	Actuals FY17-18	Adopted FY18-19	Actuals Through 12-31-18	% Expended	Projected Year End Totals
Salary and Benefit Unit											
Accounts	Descriptions										
51110-310	Salaries and Wages	1,028,205	493,668	1,073,177	538,165	1,100,599	617,838	689,719	287,160	42%	641,200
51410	Retirement - SDCERA	-	153,326	-	187,262	-	166,680	239,780	106,133	44%	230,440
51415	Retirement - OPEB	-	8,188	-	9,323	-	7,256	10,560	4,552	43%	10,098
51421	Retirement - Pension Bonds	-	30,851	-	34,496	-	27,841	41,598	16,789	40%	38,636
51450	Payroll Tax (Social and Medicare)	-	32,921	-	36,919	-	35,613	48,958	19,541	40%	45,253
51510-50	Group Insurance (Health)	-	66,797	-	69,440	-	74,615	96,958	42,620	44%	91,099
51560	Unemployment Insurance	-	161	-	154	-	235	4,032	73	2%	3,690
		1,028,205	785,912	1,073,177	875,759	1,100,599	930,078	1,131,604	476,868	42%	1,060,416
Services and Supplies Unit											
Accounts	Descriptions										
52074	Telecommunications	500	-	500	-	500	2,266	2,500	1,453	58%	3,496
52178	Vehicle - Maintenance	2,000	1,150	2,000	1,456	2,000	489	2,000	272	14%	1,022
52182	Vehicle - Fuel	500	1,274	1,500	1,096	1,500	401	1,500	132	9%	882
52270	Memberships	9,000	7,577	10,107	8,107	15,000	11,328	13,000	11,753	90%	12,503
52304	Miscellaneous	-	-	50	-	50	6,001	50	-	0%	-
52330	Office: General	1,000	-	1,000	-	1,000	15,253	8,500	2,770	33%	6,290
52332	Office: Postage	500	-	500	-	500	-	500	-	0%	-
52334	Office: Printing	2,000	7,194	7,500	20	7,500	-	10,000	1,501	15%	5,502
52336	Office: Books and Guidelines	2,000	110	2,000	-	2,000	3,609	2,000	171	9%	921
52338	Office: Drafting/Engineering	50	-	50	-	50	-	50	-	0%	-
52344	Office: Stores Unallocated	15,000	13,974	17,500	10,806	18,000	13,140	17,500	5,726	33%	12,203
52354	Office: County Mail Services	8,000	9,228	9,500	8,220	9,000	10,037	9,000	13,949	155%	28,949
52370	Professional Services: Consultants	427,500	378,861	402,500	408,717	382,500	326,850	259,110	241,787	93%	372,745
52490	Publications and Legal Notices	2,500	127	2,500	57	7,500	7,085	5,000	4,560	91%	6,560
52504	Leases: Equipment	1,166	5,996	-	4,779	4,000	5,498	6,500	2,756	42%	6,262
52530	Leases: Office Space	75,000	73,875	77,000	75,722	80,000	79,789	79,880	39,615	50%	79,590
52550	Special Expenses: County Overhead	126,000	190,483	100,000	196,412	155,000	47,826	155,000	29,636	19%	109,272
52562	Special Expenses: New Hire Backgrounds	-	93	-	-	-	572	-	585	-	1,085
52566	Special Expenses: Minor Equipment	1,000	-	1,000	-	1,000	1,164	1,000	2,788	279%	3,538.39
52602	Computer Training	2,000	-	2,000	-	2,000	-	2,000	-	0%	-
52610	Travel and Training In County	500	-	500	-	500	11,301	5,000	792	16%	1,792
52612	Employee Auto	10,000	9,084	10,000	8,802	10,000	8,724	10,000	4,566	46%	10,000
52622	Travel and Training Out of County	1,000	-	1,000	-	1,000	14,390	10,000	18,638	186%	26,238
52704-22	Reimbursements: Network	33,500	28,905	33,500	29,140	31,500	27,137	30,000	13,152	44%	28,804
52723	Reimbursements: Data Center	50,546	54,901	51,000	52,403	45,000	48,214	45,000	15,319	34%	33,139
52725	Reimbursements: Financial Systems	6,000	22,671	6,000	20,940	20,000	18,888	20,000	14,083	70%	30,667
52726-32	Reimbursements: Desktop Computing	40,200	27,079	40,200	28,248	27,700	47,462	25,000	14,191	57%	30,882
52734	Reimbursements: Help Desk	2,500	5,058	2,500	4,531	2,500	3,154	3,000	1,589	53%	3,177
52750-54	Reimbursements: Catalog Equipment	41,310	20,281	117,480	27,121	51,000	23,973	45,000	17,512	39%	41,123
52758	Reimbursements: Vehicle Lease	2,500	773	2,500	166	3,000	1,986	2,000	993	50%	1,986
		863,772	858,694	901,887	886,743	881,300	736,535	770,090	460,290	60%	858,629
Other Units											
Accounts	Descriptions										
53585	Equipment Depreciation	2,500	2,019	2,500	2,019	2,500	2,019	2,500	-	0%	2,500
54955-61	Fixed Assets	2,500	-	1,500	-	2,500	-	2,500	-	0%	-
		5,000	2,019	4,000	2,019	5,000	2,019	5,000	-	0%	2,500
EXPENSE TOTALS		1,896,977	1,646,625	1,979,064	1,764,521	1,986,899	1,668,632	1,906,694	937,158	49%	1,921,545

OPERATING REVENUES		FY2015-16		FY2016-17		FY2017-18		FY2018-19			
		Adopted FY15-16	Actual FY15-16	Adopted FY16-17	Actual FY16-17	Adopted FY17-18	Projected FY17-18	Adopted FY18-19	Actuals Through 12-31-18	% Expended	Projected Year End Totals
Intergovernmental Unit											
Accounts	Descriptions										
45918	Agency Apportionments	1,394,946	1,394,946	1,578,564	1,577,636	1,635,099	1,635,099	1,664,894	1,664,894	100%	1,664,894
		1,394,946	1,394,946	1,578,564	1,577,636	1,635,099	1,635,099	1,664,894	1,664,894	100%	1,664,894
Service Charges Unit											
Accounts	Descriptions										
46234	Applicant Fees	125,000	76,510	150,000	186,717	125,000	168,009	125,000	37,465	30%	80,000
		125,000	76,510	150,000	186,717	125,000	168,009	125,000	37,465	30%	80,000
Earnings Unit											
Accounts	Descriptions										
44105	Interests and Dividends	5,500	-	5,500	-	6,800	15,535	6,800	11,262	166%	22,524
		5,500	-	5,500	-	6,800	15,535	6,800	11,262	166%	22,524
Miscellaneous Unit											
Accounts	Descriptions										
47540	Operating Transfer (Use of Reserves)	370,365	175,000	250,000	-	220,000	-	110,000	-	0%	110,000
		370,365	175,000	250,000	-	220,000	-	110,000	-	0%	110,000
REVENUE TOTALS		1,895,811	1,646,456	1,984,064	1,764,353	1,986,899	1,818,643	1,906,694	1,713,621	90%	1,877,418

OPERATING NET	\$	-	\$	(169)	\$	(168)	\$	-	\$	150,011	\$	-	\$	(44,127)
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GENERAL FUND BALANCE JUNE 30th				
Committed		175,000	-	175,000
Assigned Contingency		97,075	75,000	75,000
Unassigned		<u>1,136,620</u>	<u>1,394,699</u>	<u>1,357,486</u>
		\$ 1,408,695	\$ 1,469,699	\$ 1,607,486