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Counsel

Michael G. Colantuono

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AGENDA REPORT Consent | Action

December 3, 2018

TO: San Diego Commissioners
FROM: Keene Simonds, Executive Officer
Erica Blom, Administrative Assistant
SUBJECT: **Budget Update for 2018-2019 |
1st Quarter Expenses-to-Actuals and Year End Projections**

SUMMARY

The San Diego Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions for 2018-2019 through the first quarter. The report projects the Commission is on pace to finish with a modest operating surplus of \$14,665 or 1%. Savings in salaries and benefits underlie the projected surplus and – pertinently – are helping to absorb the fee waiver and associated costs in processing the reorganization proposal involving the Julian-Cuyamaca Fire Protection District. The report is being presented to the Commission to accept and 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 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 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

Budgeted FY19 Expenses	Budgeted FY19 Revenues	Budgeted FY19 Year End Balance	Beginning FY19 Fund Balance
\$1.906	\$1.906	\$0	\$1.619

amounts in millions

Accounting Practices

San Diego LAFCO practices bottom-line accounting in booking expenses during the fiscal year. The substantive result of this practice means individual line-item accounts may exceed their budgeted total without the need for correcting amendments so long as the overall balance in the affected units (i.e., salaries and benefits, services and supplies, etc.) remain positive. Should a unit’s balance exceed its budgeted allocation, however, a correcting amendment is required by the Commission before the end of the fiscal year.

DISCUSSION

This item is for San Diego LAFCO to receive an update comparison of (a) budget to (b) actual expenses and revenues through the first quarter (September 30th). 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 of Operating Expenses

San Diego LAFCO’s budgeted operating expense total for 2018-2019 is \$1.906 million. Actual expenses booked through the first three months totaled \$0.442 million. This booked amount represents 23% of the budgeted total with 25% of the fiscal year complete. A breakdown of budget to actual expenses by unit through September 30th follows.

¹ The fund balance total of \$1.619 million is pending audit review and 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 Units	Adopted	Actuals Through 9/30	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,131,604	216,742	19	914,862
2) Services and Supplies	770,090	224,975	29	545,115
3) Other	5,000	0	0	5,000
Total	1,906,694	441,717	23	1,467,977

Actuals through the first quarter of the fiscal year and related analysis suggest San Diego LAFCO is on pace to finish with \$1.862 million in total expenses. Should this projection hold the Commission will achieve an unexpended budgeted savings in expenses of \$44,669 or 2%. An expanded discussion on budgeted and actuals through the first three months along with year-end projections within the three expense units follow.

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 first quarter the Commission’s actual expenses within the affected line item accounts totaled \$0.217 million or 19% of the budgeted amount with 25% of the fiscal year complete. The proportional savings to date are tied to two budgeted positions (GIS Analyst and Analyst I) remaining vacant through the first three months. Going forward and through the end of the fiscal year it is expected overall actuals in the salaries and benefits unit will total \$1.067 million. This projection includes costs tied to filling the two referenced positions by the start of the third quarter as well as covering potential mid-year salary adjustments for non-management.³ Should this projection hold the Commission will achieve an overall unit savings of \$64,175 or 6%.

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 first quarter the Commission’s actual expenses within the affected line item accounts totaled \$0.225 million or 29% of the budgeted amount with 25% of the fiscal year complete. Close to one-half of these booked expenses – \$103,229 – involve professional services with more than 25% of this amount directly tied to costs in processing the Julian-Cuyamaca Fire Protection District (FPD) reorganization.⁴ Going forward and through the end of the fiscal year it is expected overall actuals in the services and supplies

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

³ Any mid-year salary adjustments for non-management would be informed by the pending completion of a class/compensation report by County Human Resources and under the direction of the Executive Officer.

⁴ San Diego LAFCO incurred close to \$40,000 in direct professional service costs in processing the Julian-Cuyamaca FPD reorganization through September 30th. This amount does not include other direct costs involving notices, mailings, and related materials and booked to other accounts within the unit.

unit will total \$0.792 million with additional details footnoted.⁵ Should this projection hold it would produce an overall deficit within the unit of (\$22,487) or (3%).

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 first quarter. Going forward it is expected actuals will total \$2,019 and result in a year-end balance of \$2,981 or 60%.

Summary of Operating Revenues

San Diego LAFCO’s budgeted operating revenue total for 2018-2019 is \$1.906 million. Actual revenues through the first quarter totaled \$1.622 million. This amount represents 85% of the budgeted total with 25% of the fiscal year complete. A breakdown of budget to actual revenues within each of the four affected units through September 30th follows.

Revenue Units	Adopted	Actuals Through 9/30	Percent Collected	Outstanding Balance
1) Intergovernmental	1,664,894	1,609,756	97	3
2) Service Charges	125,000	6,710	1	99
3) Earnings	6,800	5,449	80	20
4) Miscellaneous	110,000	0	0	100
Total	1,906,694	1,621,915	85	15

Actuals through the first quarter and related analysis suggest San Diego LAFCO’s year-end revenue totals will tally \$1.877 million and result in a moderate shortfall of (\$30,004) or (2%). The projected shortfall is entirely attributed to a sizeable reduction in service charges. An expanded discussion on budgeted and actual revenues in the four units through the first three 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 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. Through the first quarter the Commission’s actual revenues collected in this unit totaled \$1.664 million and includes all agency contributions with the exception of Rainbow Municipal Water District and City of National City. These remaining contributions are expected to be collected shortly and will result in a zero year-end balance.

⁵ As referenced, it is projected San Diego LAFCO will finish the fiscal year with \$0.792 million in expenses within the Services and Supplies unit. Of this amount, it is further projected \$0.140 million – or 18% – will be directly tied to processing the Julian-Cuyamaca FPD reorganization.

Revenue Unit | Service Charges

San Diego LAFCO budgeted \$0.125 million in application fees in 2018-2019. Through the first quarter the Commission collected \$6,710 in application fees and represents less than 1% 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 first quarter the Commission collected \$5,449 in interest earnings and represents 80% of the budgeted total. Staff anticipates the unit ultimately tallying \$21,796 and result in a year-end surplus of \$14,996 or 220%.

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 first quarter. A full transfer is expected prior to the fiscal year close.

ANALYSIS

Activity through the first quarter of the fiscal year shows San Diego LAFCO is generally proceeding advantageously and without the need for any correcting amendments. Savings in salaries and benefits underlie the projected year-end surplus of \$14,665 and with other efficiencies is expected to absorb expected overruns in services and supplies. This includes – markedly and without necessitating a separate reserve transfer – absorbing the Commission’s expected \$140,000 cost to process the Julian-Cuyamaca FPD reorganization through the end of the year. Should these projections hold the Commission will finish the fiscal year with a fund balance of \$1.524 million with the unassigned portion equaling \$1.274 million. The next budget update is scheduled for February 2019.

RECOMMENDATION

It is recommended San Diego LAFCO proceed with Alternative One as outlined in the preceding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

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 September 30, 2018

ADOPTED OPERATING BUDGET | 2018-19

OPERATING EXPENSES

		FY2015-16		FY2016-17		FY2017-18		FY2018-19			
		Adopted	Actuals	Adopted	Actuals	Adopted	Actuals	Adopted	Actuals	% Expended	Projected
		FY15-16	FY15-16	FY16-17	FY16-17	FY17-18	FY17-18	FY18-19	1st Quarter	% Expended	Year End Totals
Salary and Benefit Unit											
<u>Accounts</u>	<u>Descriptions</u>										
51110-51310	Salaries and Wages	1,028,205	493,668	1,073,177	538,165	1,100,599	617,838	689,719	127,191	18.4%	641,047
51410	Retirement - SDCERA	-	153,326	-	187,262	-	166,680	239,780	48,778	20.3%	233,209
51415	Retirement - OPEB	-	8,188	-	9,323	-	7,256	10,560	2,088	19.8%	10,198
51421	Retirement - Pension Obligation Bonds	-	30,851	-	34,496	-	27,841	41,598	7,698	18.5%	39,647
51450	Payroll Tax (Social and Medicare)	-	32,921	-	36,919	-	35,613	48,958	9,995	20.4%	47,597
51510-51550	Group Insurance (Health)	-	66,797	-	69,440	-	74,615	96,958	20,959	21.6%	92,601
51560	Unemployment Insurance	-	161	-	154	-	235	4,032	33	0.8%	3,130
		1,028,205	785,912	1,073,177	875,759	1,100,599	930,078	1,131,604	216,742	19.2%	1,067,429
Services and Supplies Unit											
<u>Accounts</u>	<u>Descriptions</u>										
52074	Telecommunications	500	-	500	-	500	2,266	2,500	734	0.29	2,938
52178	Vehicle - Maintenance	2,000	1,150	2,000	1,456	2,000	489	2,000	80	0.04	1,321
52182	Vehicle - Fuel	500	1,274	1,500	1,096	1,500	401	1,500	37	0.02	750
52270	Memberships	9,000	7,577	10,107	8,107	15,000	11,328	13,000	9,777	0.75	11,877
52304	Miscellaneous	-	-	50	-	50	6,001	50	-	-	-
52330	Office: General	1,000	-	1,000	-	1,000	15,253	8,500	989	0.12	7,000
52332	Office: Postage	500	-	500	-	500	-	500	-	-	-
52334	Office: Printing	2,000	7,194	7,500	20	7,500	-	10,000	1,501	0.15	7,004
52336	Office: Books and Guidelines	2,000	110	2,000	-	2,000	3,609	2,000	-	-	1,250
52338	Office: Drafting/Engineering	50	-	50	-	50	-	50	-	-	-
52344	Office: Stores Unallocated	15,000	13,974	17,500	10,806	18,000	13,140	17,500	3,552	0.20	15,709
52354	Office: County Mail Services	8,000	9,228	9,500	8,220	9,000	10,037	9,000	7,275	0.81	12,275
52370	Professional Services: Consultants	427,500	378,861	402,500	408,717	382,500	326,850	259,110	103,229	0.40	349,155
52490	Publications and Legal Notices	2,500	127	2,500	57	7,500	7,085	5,000	2,500	0.50	5,000
52504	Leases: Equipment	1,166	5,996	-	4,779	4,000	5,498	6,500	1,112	0.17	5,198
52530	Leases: Office Space	75,000	73,875	77,000	75,722	80,000	79,789	79,880	19,645	0.25	79,880
52550	Special Expenses: County Overhead	126,000	190,483	100,000	196,412	155,000	47,826	155,000	17,518	0.11	72,572
52562	Special Expenses: New Hire Backgrounds	-	93	-	-	-	572	-	136	-	500
52566	Special Expenses: Minor Equipment	1,000	-	1,000	-	1,000	1,164	1,000	95	0.10	3,500
52602	Computer Training	2,000	-	2,000	-	2,000	-	2,000	-	-	-
52610	Travel and Training In County	500	-	500	-	500	11,301	5,000	800	0.16	3,951
52612	Employee Auto	10,000	9,084	10,000	8,802	10,000	8,724	10,000	2,425	0.24	9,700
52622	Travel and Training Out of County	1,000	-	1,000	-	1,000	14,390	10,000	10,010	1.00	17,510
52704-52722	Reimbursements: Network	33,500	28,905	33,500	29,140	31,500	27,137	30,000	6,741	0.22	28,650
52723	Reimbursements: Data Center	50,546	54,901	51,000	52,403	45,000	48,214	45,000	7,589	0.17	32,252
52725	Reimbursements: Financial Systems	6,000	22,671	6,000	20,940	20,000	18,888	20,000	7,337	0.37	31,181
52726-52732	Reimbursements: Desktop Computing	40,200	27,079	40,200	28,248	27,700	47,462	25,000	8,172	0.33	34,732
52734	Reimbursements: Help Desk	2,500	5,058	2,500	4,531	2,500	3,154	3,000	793	0.26	3,371
52750-52754	Reimbursements: Catalog Equipment	41,310	20,281	117,480	27,121	51,000	23,973	45,000	12,429	0.28	53,315
52758	Reimbursements: Vehicle Lease	2,500	773	2,500	166	3,000	1,986	2,000	496	0.25	1,986
		863,772	858,694	901,887	886,743	881,300	736,535	770,090	224,975	0.29	792,577
Other Units											
<u>Accounts</u>	<u>Descriptions</u>										
53585	Equipment Depreciation	2,500	2,019	2,500	2,019	2,500	2,019	2,500	-	-	2,019
54955-54961	Fixed Assets	2,500	-	1,500	-	2,500	-	2,500	-	-	-
		5,000	2,019	4,000	2,019	5,000	2,019	5,000	-	-	2,019
EXPENSE TOTALS		1,896,977	1,646,625	1,979,064	1,764,521	1,986,899	1,668,632	1,906,694	441,717	0.23	1,862,024

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	Actuals FY17-18	Adopted FY18-19	Actuals 1st Quarter	% Collected	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	1,609,756	0.97	1,664,894
		1,394,946	1,394,946	1,578,564	1,577,636	1,635,099	1,635,099	1,664,894	1,609,756	0.97	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	6,710	0.05	80,000
		125,000	76,510	150,000	186,717	125,000	168,009	125,000	6,710	0.05	80,000
Earnings Unit											
Accounts	Descriptions										
44105	Interests and Dividends	5,500	-	5,500	-	6,800	15,535	6,800	5,449	0.80	21,796
		5,500	-	5,500	-	6,800	15,535	6,800	5,449	0.80	21,796
Miscellaneous Unit											
Accounts	Descriptions										
47540	Operating Transfer	370,365	175,000	250,000	-	220,000	-	110,000	-	-	110,000
		370,365	175,000	250,000	-	220,000	-	110,000	-	-	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	1,621,915	0.85	1,876,690

OPERATING NET	\$	(169)	\$	(168)	\$	-	\$	150,011	\$	(0.00)	\$	14,665
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FUND BALANCE JUNE 30th											
	Committed	300,000		300,000		300,000					
	Unassigned	1,108,695		1,169,699		1,319,710					
		\$ 1,408,695		\$ 1,469,699		\$ 1,619,710					
		audited		audited		unaudited					