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Counsel

Michael G. Colantuono

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AGENDA REPORT

Consent | Action

May 7, 2018

TO: San Diego Commissioners
FROM: Keene Simonds, Executive Officer
Erica Blom, Administrative Assistant
SUBJECT: **Budget Update for 2017-18 |**
3rd 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 2017-2018 through March 31st. The report projects the Commission is on pace to favorably finish with a modest operating net of \$3,487 while also – importantly – reducing the budgeted fund balance transfer from \$220,000 to \$20,000; an overall expense savings of \$200,000 or 10%. Reductions in salaries and benefits underlie the referenced savings. 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 the Commission – is responsible for the remaining 14.3% of San Diego LAFCO's annual operating costs.

FY 2017-18 Adopted Budget

San Diego LAFCO’s adopted final budget for 2017-2018 totals \$1.986 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 aid of a planned \$0.220 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 – which includes restricted, committed, and unassigned – as of July 1, 2017 was \$1.469 million.

Budgeted 17-18 Expenses	Budgeted 17-18 Revenues	Budgeted 17-18 Year End Balance	Beginning 17-18 Fund Balance
\$1.986	\$1.986	\$0	\$1.469

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 a correcting amendment so long as the overall balance in the affected unit (i.e., salaries and benefits, services and supplies, etc.) remains positive. Should a unit’s balance exceed its budgeted allocation, however, a correcting amendment is required 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 month of March. 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 2017-18 is \$1.986 million. Actual expenses through the first nine months totaled \$1.240 million. This amount represents 62% of the budgeted total with 75% of the fiscal year complete. A breakdown of budget to actual expenses by unit through March 31st follows.

Expense Units	Adopted	Actuals Through 3/31	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,100,599	709,140	64	391,459
2) Services and Supplies	881,300	529,269	60	352,031
3) Other	5,000	1,514	30	3,486
Total	\$1,986,899	\$1,239,923	62%	\$746,976

Actuals through the first nine months of the fiscal year and related analysis suggest the Commission is on pace to finish with \$1.786 million in total expenses. Should this projection hold the Commission will achieve an unexpended budgeted savings in expenses of \$0.201 million or 10%. An expanded discussion on budgeted and actuals through the first nine months and year-end projections within the three expense units follow.

Expense Unit | Salaries and Benefits

The Commission budgeted \$1.100 million in salaries and benefits for 2017-18 with the proceeds largely tied to funding 8.0 fulltime equivalent employees as well as existing retiree obligations. Through the first nine months the Commission's actual expenses within the affected line-item accounts totaled \$0.709 million or 64% of the budgeted amount with 75% of the fiscal year complete. Notable expenses to date – markedly – include covering unbudgeted payouts made to three former employees at the time of their retirement/departure in August 2017 to cover vacation and other owed accruals.¹ Going forward and through the end of the fiscal year it is expected overall actuals in salaries and benefits will total \$0.964 million. This projection covers both existing staffing levels as well as accommodating the addition of two new analysts during the fourth quarter as detailed in the accompanying footnote.² Should this projection hold the Commission will achieve an overall budgeted unit savings of \$0.137 million or 12%.

Expense Unit | Services and Supplies

The Commission budgeted \$0.881 million in services and supplies for 2017-18 to provide funding for direct support services necessary to operate San Diego LAFCO. 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 nine months the Commission's actual expenses within the affected line-item accounts totaled \$0.529 million or 60% of the budgeted amount with 75% of the fiscal year complete. Close to one-half of these expenses were booked to the Professional Services account and are summarized in the accompanying attachment. Going forward and through the end of the fiscal year it is expected overall actuals in services and supplies will total \$0.817 million. Should this projection hold it would produce an overall budgeted savings within the unit of \$0.064 million or 7%.

Expense Unit | Other

The Commission budgeted \$5,000 in two separate units to collectively address equipment depreciation and fixed asset purchases in 2017-18. Through the first nine months the Commission's actual expenses within this combined unit totaled \$1,514 or 30% of the budgeted amount with 75% of the fiscal year complete. Going forward it is expected actuals will match budgeted amounts and leave a \$0 year-end balance.

¹ Payouts made during the first three months to cover unused vacation and related accruals totaled \$0.140 million.

² LAFCO has filled one of the two open and budgeted positions with the new incumbent having started on April 11th. The second open analyst position remains under recruitment, and for budgeting purposes it is assumed will be filled at the mid-point salary range (\$60,000) by May 1st.

Summary of Operating Revenues

San Diego LAFCO’s budgeted operating revenue total for 2017-18 is \$1.986 million with \$0.220 million to be generated from a fund balance transfer. Actual revenues through the first nine months totaled \$1.763 million. This amount represents 89% of the budgeted total with 75% of the fiscal year complete. A breakdown of budget to actual revenues by unit through March 31st follows.

Revenue Units	Adopted	Actuals Through 3/31	Percent Collected	Outstanding Balance
1) Intergovernmental	1,635,099	1,635,099	100	0
2) Service Charges	125,000	124,357	99	643
3) Earnings	6,800	4,142	61	1,484
4) Miscellaneous	220,000	0	0	220,000
Total	\$1,986,899	\$1,763,598	89%	\$223,301

Actuals through the first nine months and related analysis suggest the Commission’s year-end revenue totals will tally \$1.790 million and result in a moderate shortfall of (\$0.197) or (11%). However, and as outlined below, nearly all of the projected shortfall is the result of the expectation of reducing the budgeted reserve transfer from \$0.220 million to \$0.020 million; a fund balance savings of \$0.200 million. An expanded discussion on budgeted and actual unit revenues through the first nine months and year-end projections follows.

Revenue Unit | Intergovernmental Fees

The Commission budgeted \$1.635 million in intergovernmental fees in 2017-18. This total budgeted amount was subsequently divided between San Diego LAFCO’s four membership categories with the County of San Diego, independent districts, and cities less San Diego all receiving apportionments equaling \$0.467 million. The remaining amount – \$0.233 million – was apportioned to the City of San Diego. All apportioned agency contributions have been collected.

Revenue Unit | Service Charges

The Commission budgeted \$0.125 million in application fees in 2017-18. Through the first nine months \$0.124 million in application fees – or 99% of the budgeted total – have been collected. Staff anticipates the account ultimately tallying \$0.129 million and result in a year-end surplus of \$0.004 million or 3%.

Revenue Unit | Interest

The Commission budgeted \$6,800 in interest earnings in 2017-18. Through the first nine months \$4,142 in interest earnings – or 61% of the budgeted total – have been collected. Staff anticipates the account ultimately tallying \$5,200 and result in a year-end deficit of (\$1,600) or (24%).

Revenue Unit | Miscellaneous

The Commission budgeted \$0.220 million in operating transfers from the reserve in 2017-18. This transfer was budgeted, notably, to help lower new agency contributions while also subsidizing potential proposal activities given their overall public benefit. No transfers were made through the first nine months. Based on overall saving trends in expenses the need for a transfer is greatly reduced to \$0.020 million, and would be performed at the end of the fiscal year as needed. If this project holds the unit will finish with a positive deficit of (\$0.200) million.

ANALYSIS

Activity through the first nine months of the fiscal year shows San Diego LAFCO is proceeding advantageously and without the need for any correcting amendments. Towards this end, it is projected the Commission will achieve a modest operating surplus while also – and most significantly – reducing the need for the budgeted transfer from reserves from \$0.220 million to \$0.020 million. This projected budgetary improvement is largely tied to accrued savings in salaries and benefits due to staff turnover beginning in the first quarter involving the Executive Officer and two senior analyst positions with the latter group remaining vacant through the third quarter. It is expected both analyst positions will be filled during the fourth quarter with the corresponding costs incorporated into the year-end projections.

ALTERNATIVES FOR ACTION

The following alternatives are available to the Commission in considering this item:

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.

RECOMMENDATION

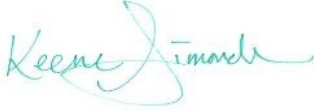
It is recommended the Commission proceed with Alternative One as outlined in the preceding section.

(over)

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

Attachments:

- 1) Operating Budget | General Ledger Through March 31, 2018
- 2) Summary of Actual Expenses in Professional Services (Account No. 52370)

FY2017-18 | 3rd Quarter Budget Report

OPERATING EXPENSES

Salary and Benefit Unit

Accounts	Descriptions	FY2015-16		FY2016-17		FY2017-18		Ending Balance	
		Adopted FY15-16	Actual FY15-16	Adopted FY16-17	Actual FY16-17	Adopted FY17-18	Through 3rd Quarter (75% of FY)		Projected Year End (100% of FY)
51110-51310	Salaries and Wages	1,028,205	493,668	1,073,177	538,165	1,100,599	485,436	644,458	
51410	Retirement - SDCERA	-	153,326	-	187,262	-	118,623	170,989	
51415	Retirement - OPEB	-	8,188	-	9,323	-	5,190	7,501	
51421	Retirement - Pension Obligation Bonds	-	30,851	-	34,496	-	20,051	29,156	
51450	Retirement - Social Security	-	32,921	-	36,919	-	25,500	34,184	
51510-51550	Group Insurance (Health)	-	66,797	-	69,440	-	54,173	76,322	
51560	Unemployment Insurance	-	161	-	154	-	167	1,049	
		1,028,205	785,912	1,073,177	875,759	1,100,599	709,140	963,660	136,939 88%

Services and Supplies Unit

Accounts	Descriptions	FY2015-16	FY2016-17	FY2017-18	Through 3rd Quarter (75% of FY)	Projected Year End (100% of FY)	Ending Balance
52074	Telecommunications	500	-	500	1,710	2,138	
52178	Vehicle - Maintenance	2,000	1,150	2,000	392	1,200	
52182	Vehicle - Fuel	500	1,274	1,500	316	900	
52270	Memberships	9,000	7,577	10,107	11,823	11,823	
52304	Miscellaneous	-	-	50	50	6,000	7,500
52330	Office: General	1,000	-	1,000	5,540	7,000	
52332	Office: Postage	500	-	500	-	-	
52334	Office: Printing	2,000	7,194	7,500	-	3,500	
52336	Office: Books and Guidelines	2,000	110	2,000	681	881	
52338	Office: Drafting/Engineering	50	-	50	-	-	
52344	Office: Stores Unallocated	15,000	13,974	17,500	8,613	10,766.25	
52354	Office: Mail Services	8,000	9,228	9,500	6,502	8,500	
52370	Professional Services: Consultants	427,500	378,861	402,500	245,540	373,265	
52490	Publications and Legal Notices	2,500	127	2,500	931	1,250	
52504	Leases: Equipment	1,166	5,996	-	4,000	5,480	6,000
52530	Leases: Office Space	75,000	73,875	77,000	58,132	77,931	
52550	Special Expenses: County Overhead	126,000	190,483	100,000	37,220	125,000	
52562	Special Expenses: New Hire Backgrounds	-	93	-	292	500	
52566	Special Expenses: Minor Equipment	1,000	-	1,000	-	1,000	
52602	Computer Training	2,000	-	2,000	-	-	
52610	Travel and Training In County	500	-	500	6,727	8,500	
52612	Employee Auto	10,000	9,084	10,000	6,443	7,200	
52622	Travel and Training Out of County	1,000	-	1,000	9,194	11,500	
52704-52722	Reimbursements: Network	33,500	28,905	33,500	18,300	24,955	
52723	Reimbursements: Data Center	50,546	54,901	51,000	34,798	43,630	
52725	Reimbursements: Financial Systems	6,000	22,671	6,000	10,269	15,770	
52726-52732	Reimbursements: Desktop Computing	40,200	27,079	40,200	29,575	35,000	
52374	Reimbursements: Help Desk	2,500	5,058	2,500	2,103	3,000	
52750-52754	Reimbursements: Catalog Equipment	41,310	20,281	117,480	21,364	27,000	
52758	Reimbursements: Vehicle Lease	2,500	773	2,500	1,324	1,800	
		863,772	858,694	901,887	529,269	817,510	63,790 93%

Other Units

Accounts	Descriptions	FY2015-16	FY2016-17	FY2017-18	Through 3rd Quarter (75% of FY)	Projected Year End (100% of FY)	Ending Balance
53585	Equipment Depreciation	2,500	2,019	2,500	1,514	2,500	-
54955-54961	Fixed Assets	2,500	-	1,500	-	2,500	-
		5,000	2,019	4,000	1,514	5,000	- 100%

EXPENSE TOTALS	1,896,977	1,646,625	1,979,064	1,764,521	1,986,899	1,239,923	62%	1,786,169	200,730	90%
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OPERATING REVENUES

		FY2015-16		FY2016-17		FY2017-18				
		Adopted FY15-16	Actual FY15-16	Adopted FY16-17	Actual FY16-17	Adopted FY17-18	Through 3rd Quarter (75% of FY)	Projected Year End (100% of FY)	Ending Balance	
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	1,635,099	-	-
		1,394,946	1,394,946	1,578,564	1,577,636	1,635,099	1,635,099	100%	1,635,099	100%
Service Charges Unit										
Accounts	Descriptions									
46234	Applicant Fees	125,000	76,510	150,000	186,717	125,000	124,357.00	129,357		
		125,000	76,510	150,000	186,717	125,000	124,357.00	99%	129,357	(4,357) 103%
Earnings Unit										
Accounts	Descriptions									
44105	Interests and Dividends	5,500	-	5,500	-	6,800	4,142.00	5,200		
		5,500	-	5,500	-	6,800	4,142.00	61%	5,200	1,600 76%
Miscellaneous Unit										
Accounts	Descriptions									
47540	Operating Transfer	370,365	175,000	250,000	-	220,000	-	20,000.00		
		370,365	175,000	250,000	-	220,000	-	0%	20,000.00	200,000 9%
REVENUE TOTALS		1,895,811	1,646,456	1,984,064	1,764,353	1,986,899	1,763,598	89%	1,789,656	197,243 90%
OPERATING NET		(169)		(168)		3,487				
AUDITED FUND BALANCE JUNE 30th		1,408,695		1,469,694		1,453,181 (pre audit)				

Professional Services | Account No. 52370
FY2017-18 Expense Details through March 31, 2018

Type	Vendor	Amount
Legal Services	Colantuono, Highsmith & Whatley PC	29,186
Legal Services	County of San Diego	2,645
Consulting Legislative	Harry Ehrlich	4,860
Consulting GIS	GIS Surevyors, Inc	95,568
Consulting Records Management	Casey McGhee	29,186
Consulting Planning	Metroplan LLC	23,800
Consulting Fire Protectoin	John Traylor	13,435
Others	Variety	46,861

\$ 245,540

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