



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

**5b**

**AGENDA REPORT**  
 Consent | Action

November 4, 2019

**TO:** Commissioners

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

**SUBJECT: Budget Update for 2019-2020 |  
 1<sup>st</sup> Quarter Actuals with Year-End Projections**

**SUMMARY**

The San Diego County Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions for 2019-2020 through the first quarter. The report projects the Commission will finish with an operating surplus of \$0.120 million or 7%. Savings in salaries and benefits along with additional application fees underlie the projected surplus. Should the projected surplus hold it will allow the Commission to fully replenish the budgeted use of reserves as offsetting revenues in the fiscal year and leave an overall net increase to the fund balance of \$0.047 million. The report is being presented to the Commission to accept and file as well as provide direction to staff as needed.

**BACKGROUND**

San Diego LAFCO’s adopted budget for 2019-2020 totals \$1.916 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 \$0.072 million transfer from unassigned reserves. Budgeted revenues are divided between four active units: intergovernmental contributions; service

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charges; earnings; and miscellaneous.<sup>1</sup> The Commission’s total fund balance as of July 1, 2019 was \$1.447 million.<sup>2</sup> No amendments have been approved to date.

**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 30<sup>th</sup>). 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 along with providing related direction to staff as needed.

**Summary |  
 Operating Expenses**

San Diego LAFCO’s budgeted operating expense total for 2019-2020 is \$1.916 million. Actual expenses booked through the first quarter totaled \$0.401 million. This booked amount represents 21% of the budgeted total with 25% of the fiscal year complete. A breakdown of budget to actual expenses by unit through September 30<sup>th</sup> follows.

Expense Units	Adopted	Actuals Through 9/30	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,219,183	281,066	23.1	938,117
2) Services and Supplies	692,117	119,506	17.3	572,611
3) Other	5,000	0	0	5,000
<b>Total</b>	<b>\$1,916,300</b>	<b>\$400,572</b>	<b>20.9%</b>	<b>\$1,515,728</b>

Actuals through the first quarter of the fiscal year and related analysis suggest San Diego LAFCO is on pace to finish with \$1.827 million in total expenses. Should this projection hold the Commission will achieve an unexpended budgeted savings in expenses of \$0.090 million or 5%. 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 \$1.219 million in salaries and benefits for 2019-2020 with the proceeds largely tied to funding 8.0 fulltime equivalent employees as well as existing retiree obligations.<sup>3</sup> Through the first quarter actual expenses within the affected line item accounts totaled \$0.281 million or 23% of the budgeted amount with 25% of the fiscal year complete. Going forward it is expected overall actuals will total \$1.132 million through the end of the fiscal year. If this projection holds the Commission will achieve an overall unit savings of \$87,579 or 8% less any amendments.

<sup>1</sup> 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 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.  
<sup>2</sup> The fund balance total of \$1.447 million includes \$0.772 million in unassigned monies. The remainder – \$0.675 million – is currently committed and/or assigned by the Commission for specific purposes.  
<sup>3</sup> Commission per diem payments are also booked in the salaries account.

## Expense Unit | Services and Supplies

San Diego LAFCO budgeted \$0.692 million in services and supplies for 2019-2020 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 actual expenses within the affected line item accounts totaled \$0.120 million or 17% of the budgeted amount with 25% of the fiscal year complete. Close to one-fifth of these booked expenses – or \$21,607 – involve professional services and represent the single largest actual cost in the unit with almost one-half tied to fire and legislative consultant services. Going forward and through the end of the fiscal year it is expected overall actuals will accelerate and generally match the budgeted total at \$0.692 million with a possibility of a modest overrun with additional details footnoted.<sup>4</sup>

## Expense Unit | Other

San Diego LAFCO budgeted \$5,000 in two separate units to collectively address equipment depreciation and potential fixed asset purchases in 2019-2020. The Commission has not billed any charges through the first quarter. Going forward it is expected actuals will total \$2,500 and result in a year-end balance of \$2,500 or 50% less any amendments.

## Summary | Operating Revenues

San Diego LAFCO’s budgeted operating revenue total for 2019-2020 is \$1.916 million. Actual revenues through the first quarter totaled \$1.523 million. This amount represents 80% 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 30<sup>th</sup> follows.

Revenue Units	Adopted	Actuals Through 9/30	Percent Collected	Outstanding Balance
1) Intergovernmental	1,703,700	1,450,659	86	253,041
2) Service Charges	125,000	58,908	47	66,092
3) Earnings	15,000	13,058	87	1,942
4) Miscellaneous	72,600	0	0	72,600
<b>Total</b>	<b>\$1,916,300</b>	<b>\$1,522,625</b>	<b>79.5%</b>	<b>\$393,675</b>

Actuals through the first quarter and related analysis suggest San Diego LAFCO’s year-end revenue totals will tally \$1.946 million. Should this projection hold the Commission will achieve a budgeted surplus of \$0.030 million or 2% and attributed to additional application fee revenues. An expanded discussion on budgeted and actual revenues in the four units through the first three months along with year-end projections follows.

<sup>4</sup> The increase in application activities coupled with other factors underlies the expected need for additional planning consultant services in 2019-2020 to assist in the preparation of scheduled municipal service reviews. Staff anticipates savings in overhead costs will be available in the unit to cover the additional consultant services, but amendments may be needed to draw from surplus labor monies.

### **Revenue Unit | Intergovernmental Fees**

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San Diego LAFCO budgeted \$1.704 million in intergovernmental fees in 2019-2020. 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 \$0.487 million. The remaining amount – \$0.244 million – was apportioned to the City of San Diego. Actuals through the first quarter total \$1.451 million in collected apportionments or 85% of the budgeted total with 25% of the fiscal year complete. All apportionments are expected to be received through the end of the fiscal year.

### **Revenue Unit | Service Charges**

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San Diego LAFCO budgeted \$0.125 million in application fees in 2019-2020. Through the first quarter the Commission collected \$0.059 million in application fees and represents 47% of the budgeted amount with 25% of the fiscal year complete. It is expected actuals will total \$0.150 million by the end of the fiscal year and reflect both additional application activity as well as implementing a recent fee schedule update. Should this projection hold the Commission will achieve a budgeted surplus of \$0.025 million or 20%.

### **Revenue Unit | Interest**

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San Diego LAFCO budgeted \$0.015 million in interest earnings in 2019-2020. Through the first quarter the Commission collected \$0.013 million in interest earnings and represents 87% of the budgeted total. Staff anticipates the unit ultimately tallying \$20,000 and result in a year-end surplus of \$0.005 million or 33%.

### **Revenue Unit | Miscellaneous**

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San Diego LAFCO budgeted \$0.073 million in operating transfers from unassigned reserves in 2019-2020. This transfer was purposefully budgeted in conjunction to use reserves to reduce increases in agency contributions. No transfers were made through the first quarter. A full transfer is expected for budgeting purposes at this time but will be reduced and/or eliminated should an overall surplus occur.

## **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 paired with additional application fees – and this includes implementing the new fee schedule – underlie the projected year-end operating surplus of \$0.120 million or 7%. Should the projected surplus hold it will allow the Commission to fully replenish the budgeted use of reserves as offsetting revenues in the fiscal year and leave an overall net increase to the fund balance of \$0.047 million.

## RECOMMENDATION

It is recommended San Diego LAFCO accept and file the report and provide related direction to staff as needed. This recommendation is consistent with Alternative One outlined below.

## ALTERNATIVES FOR ACTION

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

Alternative One (recommended):

Accept and file the report with any additional direction to staff as needed.

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) 2019-2020 Operating Budget with Actuals Through September 30<sup>th</sup> and Year-End Projections

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# San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

OPERATING EXPENSES		FY 2017-2018		FY 2018-2019		FY 2019-2020				
		Adopted	Actuals	Adopted	Actuals	Adopted	Actuals Through 9-30-19	Actuals % of Budget	Projected Year End	Projected % of Budget
<b>Salaries and Benefits Unit</b>										
<u>Account No.</u>	<u>Description</u>									
51110-51310	Salaries and Wages	1,100,599	617,838	689,719	638,748	752,780	167,861	22.3%	734,985	97.6%
51410	Retirement - SDCERA	-	166,680	239,780	230,865	258,148	61,707	23.9%	194,190	75.2%
51415	Retirement - OPEB	-	7,256	10,560	10,091	10,539	2,480	23.5%	11,178	106.1%
51421	Retirement - OPEB Bonds	-	27,841	41,598	37,308	40,321	9,429	23.4%	43,693	108.4%
51450	Payroll Taxes (Social and Medicare)	-	35,613	48,958	46,163	53,393	12,771	23.9%	45,453	85.1%
51510-51550	Group Insurance (Health and Dental)	-	74,615	96,958	95,405	100,234	26,782	26.7%	98,748	98.5%
51560	Unemployment Insurance	-	235	4,032	163	3,769	36	1.0%	3,357	89.1%
		<b>1,100,599</b>	<b>930,078</b>	<b>1,131,604</b>	<b>1,058,743</b>	<b>1,219,183</b>	<b>281,066</b>	<b>23.1%</b>	<b>1,131,604</b>	<b>92.8%</b>
<b>Services and Supplies Unit</b>										
<u>Account No.</u>	<u>Description</u>									
52074	Telecommunications	500	2,266	2,500	3,860	3,600	921	25.6%	3,683	102.3%
52178	Vehicle - Maintenance	2,000	489	2,000	610	1,500	359	23.9%	1,436	95.8%
52182	Vehicle - Fuel	1,500	401	1,500	367	1,000	107	10.7%	641	64.1%
52270	Memberships	15,000	11,328	13,000	14,601	28,139	15,657	55.6%	28,139	100.0%
52304	Miscellaneous	50	6,001	50	20	50	-	0.0%	-	0.0%
52330	Office: General	1,000	15,253	8,500	6,399	7,420	969	13.1%	5,816	78.4%
52332	Office: Postage	500	-	500	84	500	110	22.0%	250	50.0%
52334	Office: Printing	7,500	-	10,000	4,795	10,000	-	0.0%	5,000	50.0%
52336	Office: Books and Guidelines	2,000	3,609	2,000	3,226	2,000	474	23.7%	1,896	94.8%
52338	Office: Drafting/Engineering	50	-	50	-	50	-	0.0%	-	0.0%
52344	Office: Supplies and Furnishings	18,000	13,140	17,500	9,302	17,800	1,960	11.0%	11,761	66.1%
52354	Office: County Mail Services	9,000	10,037	9,000	18,896	10,000	2,402	24.0%	9,609	96.1%
52370	Professional Services: Consultants	382,500	326,850	259,110	398,125	204,505	21,607	10.6%	252,857	123.6%
52490	Publications and Legal Notices	7,500	7,085	5,000	10,382	4,650	609	13.1%	3,043	65.4%
52504	Leases: Equipment	4,000	5,498	6,500	8,137	6,600	567	8.6%	6,600	100.0%
52530	Leases: Office Space	80,000	79,789	79,880	79,555	82,657	20,469	24.8%	82,657	100.0%
52550	Special Expenses: County Overhead	155,000	47,826	155,000	113,842	100,896	16,203	16.1%	81,016	80.3%
52562	Special Expenses: New Hire Backgrounds	-	572	-	689	-	-	0.0%	800	n/a
52566	Special Expenses: Minor Equipment	1,000	1,164	1,000	2,788	1,000	356	35.6%	1,422.2	142.2%
52602	Computer Training	2,000	-	2,000	-	2,000	-	0.0%	-	0.0%
52610	Travel and Training   In County	500	11,301	5,000	6,634	4,500	1,048	23.3%	4,193	93.2%
52612	Employee Auto	10,000	8,724	10,000	9,069	9,700	2,032	20.9%	8,128	83.8%
52622	Travel and Training   Out of County	1,000	14,390	10,000	25,432	23,550	5,277	22.4%	21,107	89.6%
52704-52722	Reimbursements: Network	31,500	27,137	30,000	26,450	30,000	6,643	22.1%	29,894	99.6%
52723	Reimbursements: Data Center	45,000	48,214	45,000	30,728	45,000	7,350	16.3%	33,074	73.5%
52725	Reimbursements: Financial Systems	20,000	18,888	20,000	27,556	20,000	6,459	32.3%	29,063	145.3%
52726-52732	Reimbursements: Desktop Computing	27,700	47,462	25,000	25,311	25,000	6,726	26.9%	30,267	121.1%
52734	Reimbursements: Help Desk	2,500	3,154	3,000	4,743	3,000	706	23.5%	3,176	105.9%
52750-52754	Reimbursements: Catalog Equipment	51,000	23,973	45,000	32,097	45,000	-	0.0%	35,000	77.8%
52758	Reimbursements: Vehicle Lease	3,000	1,986	2,000	1,986	2,000	496	24.8%	1,985.80	99.3%
		<b>881,300</b>	<b>736,535</b>	<b>770,090</b>	<b>865,684</b>	<b>692,117</b>	<b>119,506</b>	<b>17.3%</b>	<b>692,515</b>	<b>100.1%</b>

**OPERATING EXPENSES CONTINUED...**

Other Units										
Account No.	Description									
53585	Equipment Depreciation	2,500	2,019	2,500	2,500	2,500	-	0.0%	2,500	100.0%
54955-54961	Fixed Assets	2,500	-	2,500	-	2,500	-	0.0%	-	0.0%
		<u>5,000</u>	<u>2,019</u>	<u>5,000</u>	<u>2,500</u>	<u>5,000</u>	<u>-</u>	<u>0.0%</u>	<u>2,500</u>	<u>50.0%</u>
	EXPENSE TOTALS	1,986,899	1,668,632	1,906,694	1,926,927	1,916,300	400,572	20.9%	1,826,618	95.3%

**OPERATING REVENUES**

		FY 2017-2018		FY 2018-2019		FY 2019-2020				
		Adopted	Actual	Adopted	Actuals	Adopted	Actuals Through 9-30-19	Actuals % of Budget	Projected Year End	Projected % of Budget
<b>Intergovernmental Unit</b>										
Account No.	Description									
45918.1	Apportionments   County	467,171	467,171	475,684	475,684	486,771	486,771	100.0%	486,771	100.0%
45918.2	Apportionments   Cities (less SD)	467,171	467,171	475,684	475,684	486,771	478,639	98.3%	486,771	100.0%
45918.3	Apportionments   City of San Diego	233,586	233,586	237,842	237,842	243,386	-	0.0%	243,386	100.0%
45918.4	Apportionments   Special Districts	467,171	467,171	475,684	475,684	486,771	485,249	99.7%	486,771	100.0%
		<u>1,635,099</u>	<u>1,635,099</u>	<u>1,664,894</u>	<u>1,664,894</u>	<u>1,703,700</u>	<u>1,450,659</u>	<u>85.1%</u>	<u>1,703,700</u>	<u>100.0%</u>
<b>Service Charges Unit</b>										
Account No.	Description									
46234	Service Charges	125,000	168,009	125,000	82,147	125,000	58,908	47.1%	150,000	120.0%
		<u>125,000</u>	<u>168,009</u>	<u>125,000</u>	<u>82,147</u>	<u>125,000</u>	<u>58,908</u>	<u>47.1%</u>	<u>150,000</u>	<u>120.0%</u>
<b>Earnings Unit</b>										
Account No.	Description									
44105	Interest and Dividends	6,800	15,535	6,800	19,052	15,000	13,058	87.1%	20,000	133.3%
		<u>6,800</u>	<u>15,535</u>	<u>6,800</u>	<u>19,052</u>	<u>15,000</u>	<u>13,058</u>	<u>87.1%</u>	<u>20,000</u>	<u>133.3%</u>
<b>Miscellaneous Unit</b>										
Account No.	Description									
47540	Transfer from Fund Balance	220,000	-	110,000	217,186	72,600	-	0.0%	72,600	100.0%
		<u>220,000</u>	<u>-</u>	<u>110,000</u>	<u>217,186</u>	<u>72,600</u>	<u>-</u>	<u>0.0%</u>	<u>72,600</u>	<u>100.0%</u>
	REVENUE TOTALS	1,986,899	1,818,643	1,906,694	1,983,279	1,916,300	1,522,625	79.5%	1,946,300	101.6%
<b>OPERATING NET</b>		-	150,011	-	56,352	119,682				

**FUND BALANCE | JUNE 30th**

COMMITTED	175,000	175,000
ASSIGNED	75,000	75,000
UNASSIGNED	<u>1,357,486</u>	<u>1,196,652</u>
	1,607,486	1,446,652

**FUND BALANCE | JULY 1st**

COMMITTED	
... Stabilization	250,000
... Opportunity	300,000
ASSIGNED	125,000
UNASSIGNED	<u>771,652</u>
	1,446,652