



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

5b

AGENDA REPORT
 Consent | Action

March 2, 2020

TO: Commissioners

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

SUBJECT: Budget Update for 2019-2020 |
2nd 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 second quarter. The report projects the Commission will finish with an operating surplus of \$0.112 million or 6%. 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 \$0.039 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

<p>Administration Keene Simonds, Executive Officer County Operations Center 9335 Hazard Way, Suite 200 San Diego, California 92123 T 858.614.7755 F 858.614.7766 www.sdlafco.org</p>	<p>Jim Desmond County of San Diego</p> <p>Chair Dianne Jacob County of San Diego</p> <p>Greg Cox, Alternate County of San Diego</p>	<p>Mary Casillas Salas City of Chula Vista</p> <p>Bill Wells City of El Cajon</p> <p>Paul McNamara, Alternate City of Escondido</p>	<p>Mark Kersey City of San Diego</p> <p>Chris Cate, Alternate City of San Diego</p>	<p>Jo MacKenzie Vista Irrigation</p> <p>Barry Willis Alpine Fire Protection</p> <p>Erin Lump, Alternate Rincon del Diablo MWD</p>	<p>Vice Chair Andy Vanderlaan General Public</p> <p>Harry Mathis, Alternate General Public</p>
---	---	---	---	---	--

charges; earnings; and miscellaneous.¹ The Commission's total fund balance as of July 1, 2019 was \$1.447 million.² 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 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 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 second quarter totaled \$0.865 million. This booked amount represents 45% 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	1,219,183	588,662	48.3	630,521
2) Services and Supplies	692,117	276,750	40.0	415,367
3) Other	5,000	0	0	5,000
Total	\$1,916,300	\$865,412	45.2%	\$1,050,888

Actuals through the second quarter of the fiscal year and related analysis suggest San Diego LAFCO is on pace to finish with \$1.829 million in total expenses. Should this projection hold the Commission will achieve an unexpended budgeted savings in expenses of \$0.088 million or 5%. An expanded discussion on budgeted and actuals through the first six 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.³ Through the second quarter actual expenses within the affected line item accounts totaled \$0.589 million or 48% of the budgeted amount with 50% of the fiscal year complete. Going forward it is expected overall actuals will total \$1.160 million through the end of the fiscal year. If this projection holds the Commission will achieve an overall unit savings of \$59,667 or 5% less any amendments.

¹ 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.

² 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.

³ 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. Most of the budgeted funds are dedicated to professional services to cover such items as bookkeeping and legal services as well as making reimbursements to the County for office rent, information technology, and general overhead. Through the second quarter actual expenses within the affected line item accounts totaled \$0.277 million or 40% of the budgeted amount with 50% of the fiscal year complete. Close to one-third of these booked expenses – or \$82,236 – involve professional services and represent the single largest actual cost in the unit with almost two-fifths tied to legal. Going forward it is expected overall actuals will total \$0.667 million through the end of the fiscal year. If this projection holds the Commission will achieve an overall unit savings of \$25,344 or 4% less any amendments.

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 second 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 second quarter totaled \$1.834 million. This amount represents 96% 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.

Revenue Units	Adopted	Actuals Through 12/31	Percent Collected	Outstanding Balance
1) Intergovernmental	1,703,700	1,703,700	100.0	0
2) Service Charges	125,000	111,941	89.6	13,059
3) Earnings	15,000	18,703	124.7	(3,703)
4) Miscellaneous	72,600	0	0	72,600
Total	\$1,916,300	\$1,834,344	95.7%	\$81,956

Actuals through the second quarter and related analysis suggest San Diego LAFCO's year-end revenue totals will tally \$1.941 million. Should this projection hold the Commission will achieve a budgeted surplus of \$0.025 million or 1% and attributed to additional application fee revenues. 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 \$1.704 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. All apportionments were collected during the first six months.

Revenue Unit | Service Charges

San Diego LAFCO budgeted \$0.125 million in application fees in 2019-2020. Through the second quarter the Commission collected \$0.112 million in application fees and represents 90% of the budgeted amount with 50% of the fiscal year complete. It is expected actuals will total \$0.137 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 \$0.013 million or 10%.

Revenue Unit | Interest

San Diego LAFCO budgeted \$0.015 million in interest earnings in 2019-2020. Through the second quarter the Commission collected \$0.019 million in interest earnings and represents 125% of the budgeted total. Staff anticipates the unit ultimately tallying \$0.028 million and result in a year-end surplus of \$0.013 million or 87%.

Revenue Unit | Miscellaneous

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 second 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 second 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 \$0.113 million or 6%. 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 \$0.039 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 December 31st and Year-End Projections

Blank for Photocopying



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 12-31-19	Actuals % Expended	Projected Year End	Projected % Expended
Salaries and Benefits Unit										
<u>Account No.</u>	<u>Description</u>									
51110-51310	Salaries and Wages	1,100,599	617,838	689,719	638,748	752,780	357,384	47.5%	708,716	94.1%
51410	Retirement - SDCERA	-	166,680	239,780	230,865	258,148	129,775	50.3%	251,041	97.2%
51415	Retirement - OPEB	-	7,256	10,560	10,091	10,539	5,190	49.2%	10,067	95.5%
51421	Retirement - OPEB Bonds	-	27,841	41,598	37,308	40,321	19,733	48.9%	38,564	95.6%
51450	Payroll Taxes (Social and Medicare)	-	35,613	48,958	46,163	53,393	24,195	45.3%	48,902	91.6%
51510-51550	Group Insurance (Health and Dental)	-	74,615	96,958	95,405	100,234	52,312	52.2%	100,408	100.2%
51560	Unemployment Insurance	-	235	4,032	163	3,769	73	1.9%	1,817	48.2%
		1,100,599	930,078	1,131,604	1,058,743	1,219,183	588,662	48.3%	1,159,516	95.1%
Services and Supplies Unit										
<u>Account No.</u>	<u>Description</u>									
52074	Telecommunications	500	2,266	2,500	3,860	3,600	1,844	51.2%	3,686	102.4%
52178	Vehicle - Maintenance	2,000	489	2,000	610	1,500	443	29.5%	900	60.0%
52182	Vehicle - Fuel	1,500	401	1,500	367	1,000	165	16.5%	600	60.0%
52270	Memberships	15,000	11,328	13,000	14,601	28,139	17,731	63.0%	23,651	84.1%
52304	Miscellaneous	50	6,001	50	20	50	10	20.0%	10	20.0%
52330	Office: General	1,000	15,253	8,500	6,399	7,420	2,059	27.7%	7,000	94.3%
52332	Office: Postage	500	-	500	84	500	165	33.0%	413	82.5%
52334	Office: Printing	7,500	-	10,000	4,795	10,000	1,199	12.0%	10,000	100.0%
52336	Office: Books and Guidelines	2,000	3,609	2,000	3,226	2,000	474	23.7%	1,700	85.0%
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	4,671	26.2%	11,678	65.6%
52354	Office: County Mail Services	9,000	10,037	9,000	18,896	10,000	4,635	46.3%	11,587	115.9%
52370	Professional Services: Consultants	382,500	326,850	259,110	398,125	204,505	82,236	40.2%	227,704	111.3%
52490	Publications and Legal Notices	7,500	7,085	5,000	10,382	4,650	5,279	113.5%	5,698	122.5%
52504	Leases: Equipment	4,000	5,498	6,500	8,137	6,600	2,557	38.7%	6,393	96.9%
52530	Leases: Office Space	80,000	79,789	79,880	79,555	82,657	40,938	49.5%	82,657	100.0%
52550	Special Expenses: County Overhead	155,000	47,826	155,000	113,842	100,896	27,007	26.8%	81,020	80.3%
52562	Special Expenses: Hires - Backgrounds	-	572	-	689	-	-	0.0%	-	-
52566	Special Expenses: Minor Equipment	1,000	1,164	1,000	2,788	1,000	641	64.1%	1,000	100.0%
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	3,516	78.1%	7,032	156.3%
52612	Employee Auto	10,000	8,724	10,000	9,069	9,700	4,622	47.6%	9,244	95.3%
52622	Travel and Training Out of County	1,000	14,390	10,000	25,432	23,550	10,543	44.8%	21,086	89.5%
52704-52722	Reimbursements: Network	31,500	27,137	30,000	26,450	30,000	13,733	45.8%	34,332	114.4%
52723	Reimbursements: Data Center	45,000	48,214	45,000	30,728	45,000	14,476	32.2%	36,190	80.4%
52725	Reimbursements: Financial Systems	20,000	18,888	20,000	27,556	20,000	12,087	60.4%	24,174	120.9%
52726-52732	Reimbursements: Desktop Computing	27,700	47,462	25,000	25,311	25,000	15,778	63.1%	31,557	126.2%
52734	Reimbursements: Help Desk	2,500	3,154	3,000	4,743	3,000	1,367	45.6%	2,734	91.1%
52750-52754	Reimbursements: Catalog Equipment	51,000	23,973	45,000	32,097	45,000	7,581	16.8%	22,743	50.5%
52758	Reimbursements: Vehicle Lease	3,000	1,986	2,000	1,986	2,000	993	49.6%	1,986	99.3%
		881,300	736,535	770,090	865,684	692,117	276,750	40.0%	666,773	96.3%

OPERATING EXPENSES CONTINUED...

Other Units

Account No.	Description									
53585	Equipment Depreciation	2,500	2,019	2,500	2,500	2,500	-	0.0%	2,500.00	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>2,500.00</u>	<u>50.0%</u>
	EXPENSE TOTALS	1,986,899	1,668,632	1,906,694	1,926,927	1,916,300	865,412	45.2%	1,828,789	95.4%

OPERATING REVENUES

Account No.	Description	FY 2017-2018		FY 2018-2019		FY 2019-2020				
		Adopted	Actuals	Adopted	Actuals	Adopted	Actuals Through 12-31-19	Percent Collected	Projected Year End	Projected % Collected
Intergovernmental Unit										
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	486,771	100.0%	486,771	100.0%
45918.3	Apportionments City of San Diego	233,586	233,586	237,842	237,842	243,386	243,386	100.0%	243,386	100.0%
45918.4	Apportionments Special Districts	467,171	467,171	475,684	475,684	486,771	486,771	100.0%	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>1,703,700</u>	<u>100.0%</u>	<u>1,703,700</u>	<u>100.0%</u>
Service Charges Unit										
46234	Service Charges	125,000	168,009	125,000	82,147	125,000	111,941	89.6%	136,941	109.6%
		<u>125,000</u>	<u>168,009</u>	<u>125,000</u>	<u>82,147</u>	<u>125,000</u>	<u>111,941</u>	<u>89.6%</u>	<u>136,941</u>	<u>109.6%</u>
Earnings Unit										
44105	Interest and Dividends	6,800	15,535	6,800	19,052	15,000	18,703	124.7%	28,054	187.0%
		<u>6,800</u>	<u>15,535</u>	<u>6,800</u>	<u>19,052</u>	<u>15,000</u>	<u>18,703</u>	<u>124.7%</u>	<u>28,054</u>	<u>187.0%</u>
Miscellaneous Unit										
47540	Transfer from Fund Balance	220,000	-	110,000	217,186	72,600	-	0.0%	72,600.00	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>72,600.00</u>	<u>100.0%</u>
	REVENUE TOTALS	1,986,899	1,818,643	1,906,694	1,983,279	1,916,300	1,834,344	95.7%	1,941,296	101.3%

OPERATING NET	-	150,011	-	56,352	-	112,506
----------------------	---	---------	---	--------	---	---------

FUND BALANCE | JUNE 30th

Committed	175,000	175,000
Assigned	75,000	75,000
Unassigned	1,357,486	1,196,652
	<u>1,607,486</u>	<u>1,446,652</u>

FUND BALANCE | JULY 1st

Committed	
... Stabilization	250,000
... Opportunity	300,000
Assigned	125,000
Unassigned	771,652
	<u>1,446,652</u>