



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

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AGENDA REPORT
 Consent | Action

November 2, 2020

TO: Commissioners

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

**SUBJECT: Budget Update for 2020-2021 |
 1st 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 2020-2021 through the first quarter and related projections. The report projects the Commission will finish with an operating surplus of \$0.035 million or 1.8%. Savings in the services and supplies unit underlie the projected surplus and are helping to absorb some unplanned expenses as detailed. Should the projected surplus hold it will allow the Commission to reduce its budgeted use of reserves by nearly one-half and limit the overall change in the fund balance from \$1.631 to \$1.593 million. The report is being presented to accept and file as well as provide direction to staff as needed.

BACKGROUND

San Diego LAFCO’s adopted budget for 2020-2021 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.¹ The Commission’s total fund balance as of July 1, 2020 was \$1.631 million (unaudited).² No amendments have been approved to date.

DISCUSSION

This item is for San Diego LAFCO to receive an update comparison of budget to 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 along with providing related direction to staff as needed.

Operating Expenses

San Diego LAFCO’s budgeted operating expense total for 2020-2021 is \$1.916 million. Actual expenses booked through the first quarter totaled \$0.451 million. This booked amount represents 23.5% of the budgeted total with 25.0% of the fiscal year complete. A breakdown of budget to actual expenses by unit through September 30th follows.

Expense Units	Adopted	Actuals Through 9/30	Percent Expended	Unexpended Balance
1) Salaries and Benefits	1,249,712	292,501	23.4	957,211
2) Services and Supplies	661,588	158,219	23.9	503,369
3) Other	5,000	0	0.0	5,000
Total	\$1,916,300	\$450,720	23.5%	\$1,465,580

Actuals through the first quarter of the fiscal year and related analysis suggest San Diego LAFCO is on pace to finish with \$1.884 million in total expenses. Should this projection hold, the Commission will achieve an unexpended budgeted savings in expenses of \$0.032 million or 1.7%. 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 \$1.250 million in salaries and benefits for 2020-2021 with the proceeds largely tied to funding 8.0 fulltime equivalent employees as well as existing retiree obligations.³ Through the first quarter, actual expenses within the affected line item accounts totaled \$0.293 million or 23.4% of the budgeted amount with 25.0% of the fiscal year complete. Going forward it is expected overall actuals will total \$1.285 million through the end of the fiscal year and this includes incorporating new employer pension contribution rates that are higher than budgeted. If this projection holds, the Commission will generate an overall unit deficit of (\$35,610) or (2.8%) 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 \$1.631 million includes \$0.883 million in unassigned monies.
³ Commission per diem payments are also booked in the salaries account.

Expense Unit | Services and Supplies

San Diego LAFCO budgeted \$0.662 million in services and supplies for 2020-2021 to provide funding for direct support services. Most of the budgeted funds are dedicated to making reimbursements to the County of San Diego for office rent, information technology, and general overhead as well as professional services (e.g. consultants, legal, etc.). Through the first quarter, actual expenses within the affected line item accounts totaled \$0.158 million or 23.9% of the budgeted amount with 25.0% of the fiscal year complete. More than one-third of these booked expenses – or \$57,927 – involve professional services and represent the single largest actual cost in the unit with almost one-half tied to legal. Going forward it is expected overall actuals will total \$0.597 million through the end of the fiscal year and this includes absorbing two notable unplanned expenses: purchasing general liability insurance and reconfiguring the LAFCO office to provide more physical distancing between workstations. If this projection holds, the Commission will achieve an overall unit savings of \$65,056 or 9.8% 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 2020-2021. 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.

Operating Revenues

San Diego LAFCO's budgeted operating revenue total for 2020-2021 is \$1.916 million. Actual revenues collected through the first quarter totaled \$1.731 million. This amount represents 90.3% of the budgeted total with 25.0% 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	1,693,700	1,692,884	99.9%	816
2) Service Charges	130,000	35,212	27.1%	94,788
3) Earnings	20,000	2,898	14.5%	17,102
4) Miscellaneous	72,600	0	0	72,600
Total	\$1,916,300	\$1,730,993	90.3%	\$185,307

Actuals through the first quarter and related analysis suggest San Diego LAFCO's year-end revenue totals will tally \$1.918 million. Should this projection hold, the Commission will achieve a small budgeted surplus of \$0.002 million or 0.1% and attributed to additional application fees. 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 \$1.694 million in intergovernmental fees in 2020-2021. This total budgeted amount was subsequently divided between San Diego LAFCO's four agency membership categories based on statutory formula and detailed in the accompanying footnote.⁴ Through the first quarter, the Commission collected \$1.693 million – or 99.5% – in intergovernmental fees with all agencies submitting payment except for three special districts. All apportionments are expected to be collected by the end of the fiscal year.

Revenue Unit | Service Charges

San Diego LAFCO budgeted \$0.130 million in application fees in 2020-2021. Through the first quarter, the Commission collected \$0.35 million in application fees and represents 27.1% of the budgeted amount with 25.0% of the fiscal year complete. It is expected actuals will total \$0.141 million by the end of the fiscal year. Should this projection hold, the Commission will achieve a budgeted surplus of \$0.011 million or 8.3%.

Revenue Unit | Interest

San Diego LAFCO budgeted \$0.020 million in interest earnings in 2020-2021. Through the first quarter, the Commission collected \$0.003 million in interest earnings and represents 14.5% of the budgeted total. Staff anticipates the unit ultimately tallying \$0.012 million and result in a year-end deficit of (\$0.008 million) or (42.0%).

Revenue Unit | Miscellaneous

San Diego LAFCO budgeted \$0.073 million in operating transfers from unassigned reserves in 2020-2021. 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 in conjunction with any operating surplus.

ANALYSIS

Activity through the first quarter of the fiscal year shows San Diego LAFCO is generally proceeding as planned and without the need for any correcting amendments at this time. As detailed in the preceding sections, it is projected the Commission will finish with an overall operating surplus of \$0.035 million or 1.8%. This includes – notably – absorbing two unplanned costs associated with purchasing general liability insurance and reconfiguring the office to increase physical distancing between workstations and largely offset by deferring non-critical consultant activities. Nonetheless, and as a placeholder to a future item, amendments are probable to remedy a projected deficit in the salaries and benefits unit due to higher-than-expected pension contribution rates to ensure all units end with positive balances.

⁴ The County of San Diego, independent districts, and cities less San Diego all received apportionments equaling \$0.484 million. The remaining amount – \$0.242 million – was apportioned to the City of San Diego.

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) 2020-2021 Operating Budget with Actuals Through September 30th 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 2018-2019		FY 2019-2020		FY 2020-2021				
		Adopted	Actuals	Adopted	Actuals	Adopted	Actuals 1st Quarter	Actuals % Expended	Projected Year End	Projected % Expended
Salaries and Benefits Unit										
<u>Account No.</u>	<u>Description</u>									
51110-51310	Salaries and Wages	689,719	638,748	722,780	695,356	763,339	174,161	22.8%	766,384	100.4%
51410	Retirement - SDCERA	239,780	230,865	258,148	255,294	272,668	68,061	25.0%	298,345	109.4%
51415	Retirement - OPEB	10,560	10,091	10,539	10,165	10,977	2,272	20.7%	10,717	97.6%
51421	Retirement - OPEB Bonds	41,598	37,308	40,321	38,219	41,998	8,758	20.9%	41,028	97.7%
51450	Payroll Taxes (Social Security and Medicare)	48,958	46,163	53,393	49,698	55,613	12,837	23.1%	55,621	100.0%
51510-51550	Group Insurance (Health and Dental)	96,958	95,405	100,234	105,031	103,116	26,360	25.6%	113,018	109.6%
51560	Unemployment Insurance	4,032	163	3,769	138	2,000	52	2.6%	208	10.4%
		1,131,604	1,058,743	1,189,184	1,153,901	1,249,712	292,501	23.4%	1,285,322	102.8%
Services and Supplies Unit										
<u>Account No.</u>	<u>Description</u>									
52074	Telecommunications	2,500	3,860	3,600	3,829	3,636	1,009	27.8%	3,736	102.8%
52138	General Liability Insurance	-	-	-	3,419	-	-	-	10,576	-
52178	Vehicle - Maintenance	2,000	610	1,500	1,309	980	92	9.3%	366	37.4%
52182	Vehicle - Fuel	1,500	367	1,000	245	1,000	-	0.0%	300	30.0%
52270	Memberships	13,000	14,601	28,139	18,049	25,412	17,110	67.3%	20,960	122.5%
52304	Miscellaneous	50	20	50	10	50	25	50.0%	25	50.0%
52330	Office: General	8,500	6,399	7,420	4,781	7,420	505	6.8%	2,527	34.1%
52332	Office: Postage	500	84	500	275	500	-	0.0%	500	100.0%
52334	Office: Printing	10,000	4,795	10,000	1,199	10,000	-	0.0%	3,500	35.0%
52336	Office: Books and Guidelines	2,000	3,226	2,000	4,112	2,000	-	0.0%	1,500	75.0%
52338	Office: Drafting/Engineering	50	-	50	-	50	-	0.0%	-	0.0%
52344	Office: Supplies and Furnishings	17,500	9,302	17,800	8,145	15,800	1,824	11.5%	12,000	75.9%
52354	Office: County Mail Services	9,000	18,896	10,000	8,514	10,000	1,748	17.5%	6,993	69.9%
52370	Professional Services: Consultants	259,110	398,125	234,505	226,762	190,094	57,927	30.5%	188,527	99.2%
52490	Publications and Legal Notices	5,000	10,382	4,650	8,088	4,650	1,724	37.1%	6,896	148.3%
52504	Leases: Equipment	6,500	8,137	6,600	5,915	6,600	952	14.4%	6,000	90.9%
52530	Leases: Office Space	79,880	79,555	82,657	81,877	84,764	20,981	24.8%	84,764	100.0%
52550	Special Expenses: County Overhead	155,000	113,842	100,896	48,613	91,507	14,216	15.5%	71,078	77.7%
52562	Special Expenses: New Hire Backgrounds	-	689	-	-	-	1,112	-	1,112	-
52566	Special Expenses: Minor Equipment	1,000	2,788	1,000	641	1,000	-	0.0%	750	75.0%
52602	Computer Training	2,000	-	2,000	-	2,000	-	0.0%	-	0.0%
52610	Travel and Training In County	5,000	6,634	4,500	7,367	4,500	361	8.0%	1,803	40.1%
52612	Employee Auto	10,000	9,069	9,700	8,779	9,700	1,800	18.6%	8,100	83.5%
52622	Travel and Training Out of County	10,000	25,432	23,550	13,271	19,925	-	0.0%	5,000	25.1%
52704-52722	Reimbursements: Network	30,000	26,450	30,000	29,065	30,000	7,861	26.2%	31,443	104.8%
52723	Reimbursements: Data Center	45,000	30,728	45,000	29,233	45,000	7,364	16.4%	29,455	65.5%
52725	Reimbursements: Financial Systems	20,000	27,556	20,000	23,320	20,000	4,937	24.7%	19,746	98.7%
52726-52732	Reimbursements: Desktop Computing	25,000	25,311	25,000	51,246	25,000	12,513	50.1%	50,054	200.2%
52734	Reimbursements: Help Desk	3,000	4,743	3,000	2,689	3,000	594	19.8%	2,375	79.2%
52750-52754	Reimbursements: Catalog Equipment	45,000	32,097	45,000	38,602	45,000	4,077	9.1%	24,460	54.4%
52758	Reimbursements: Vehicle Lease	2,000	1,986	2,000	1,986	2,000	496	24.8%	1,986	99.3%
		770,090	865,684	722,117	631,341	661,588	158,219	23.9%	596,532	90.2%

OPERATING EXPENSES CONTINUED...

Other Units

Account No.	Description									
53585	Equipment Depreciation	2,500	2,500	2,500	2,500	2,500	-	-	2,500	100.0%
54955-54961	Fixed Assets	2,500	-	2,500	-	2,500	-	-	-	0.0%
		5,000	2,500	5,000	2,500	5,000	-	-	2,500	0.0%
	EXPENSE TOTALS	1,906,694	1,926,927	1,916,300	1,787,742	1,916,300	450,720	23.5%	1,884,353	98.3%

OPERATING REVENUES

Account No.	Description	FY 2018-2019		FY 2019-2020		FY 2020-2021				
		Adopted	Actuals	Adopted	Actuals	Adopted	Actuals 1st Quarter	Actuals % Collected	Projected Year End	Projected % Collected
Intergovernmental Unit										
45918.1	Apportionments County	475,684	475,684	486,771	486,771	483,914	483,914	100.0%	483,914	100.0%
45918.2	Apportionments Cities (less SD)	475,684	475,684	486,771	486,771	483,914	483,914	100.0%	483,914	100.0%
45918.3	Apportionments City of San Diego	237,842	237,842	243,386	243,386	241,957	241,957	100.0%	241,957	100.0%
45918.4	Apportionments Special Districts	475,684	475,684	486,771	486,771	483,914	483,382	99.9%	483,914	100.0%
		1,664,894	1,664,894	1,703,700	1,703,700	1,693,700	1,692,884	99.9%	1,693,700	100.0%
Service Charges Unit										
46234	Service Charges	125,000	82,147	125,000	201,419	130,000	35,212	27.1%	140,848	108.3%
		125,000	82,147	125,000	201,419	130,000	35,212	27.1%	140,848	108.3%
Earnings Unit										
44105	Interest and Dividends	6,800	19,052	15,000	25,812	20,000	2,898	14.5%	11,590	58.0%
		6,800	19,052	15,000	25,812	20,000	2,898	14.5%	11,590	58.0%
Miscellaneous Unit										
47540	Transfer from Fund Balance	110,000	217,186	72,600	-	72,600	-	-	72,600	100.0%
		110,000	217,186	72,600	-	72,600	-	-	72,600	100.0%
	REVENUE TOTALS	1,906,694	1,983,279	1,916,300	1,930,931	1,916,300	1,730,993	90.3%	1,918,738	100.1%

OPERATING NET	-	56,352	-	143,189	-	34,384.23
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FUND BALANCE | JUNE 30th
Audited

	175,000
	75,000
	<u>1,238,223</u>
	1,488,223

FUND BALANCE | JULY 1st
Unaudited

Committed		
... Stabilization	250,000	250,000
... Opportunity	300,000	300,000
Assigned	125,000	125,000
Unassigned	<u>813,223</u>	<u>883,812</u>
	1,488,223	1,631,412