



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

5C

AGENDA REPORT
 Consent | Action

May 3, 2021

TO: Commissioners

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

SUBJECT: Budget Update for 2020-2021 |
3rd Quarter Actuals with Year-End Projections & Related Budget Amendments

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions for 2020-2021 through the third quarter and related year-end projections. The report identifies the Commission has expended 69% of its budgeted resources through March and is projected to finish with an unadjusted operating surplus of \$0.086 million or 4.5%. An increase in application fees underlies 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 adjusted net increase to the fund balance of \$0.013 million. The report is being presented to the Commission to accept and file as well as approve correcting budget amendments to help ensure all expense units finish with positive balances.

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

| | | | | | |
|---|--|---|--|--|--|
| <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>Vice Chair Jim Desmond County of San Diego</p> <p>Nora Vargas County of San Diego</p> <p>Joel Anderson, Alt. 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, Alt. City of Escondido</p> | <p>Chris Cate City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p> | <p>Jo MacKenzie Vista Irrigation</p> <p>Barry Willis Alpine Fire Protection</p> <p>Vacant, Alt. Special Districts</p> | <p>Chair Andy Vanderlaan General Public</p> <p>Harry Mathis, Alt. General Public</p> |
|---|--|---|--|--|--|

with the purposeful aid of a planned \$0.073 million transfer from unassigned reserves. Budgeted revenues are divided between four active units: intergovernmental contributions; application fees; earnings; and miscellaneous.¹ The total fund balance as of July 1, 2020 was \$1.630 million with \$0.954 million unassigned. 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 third quarter (March 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 accept and file along with approving associated amendments as detailed.

Operating Expenses

San Diego LAFCO’s budgeted operating expense total for 2020-2021 is \$1.916 million. Actual expenses booked through the third quarter totaled \$0.917 million. This booked amount represents 69.3% of the budgeted total with 75.0% of the fiscal year complete. A breakdown of budget to actual expenses by unit through March 31st follows.

| LAFCO Expense Units | Adopted | Actuals Through 3/31 | Percent Expended | Unexpended Balance |
|--------------------------|--------------------|----------------------|------------------|--------------------|
| 1) Salaries and Benefits | 1,249,712 | 932,849 | 74.6 | 316,863 |
| 2) Services and Supplies | 661,588 | 395,232 | 59.7 | 266,356 |
| 3) Other | 5,000 | 0 | 0.0 | 5,000 |
| Total | \$1,916,300 | \$1,328,081 | 69.3% | \$588,219 |

Actuals through the third quarter of the fiscal year and related analysis suggest San Diego LAFCO is on pace to finish with \$1.919 million in total expenses. Should this projection hold, the Commission will exceed the budgeted total for expenses by (\$0.002 million) or (0.1%). An expanded discussion on budgeted and actuals through the first nine 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.² Through the third quarter, actual expenses within the affected line-item accounts totaled \$0.933 million or 74.6% of the budgeted amount with 75.0% of the fiscal year complete. Going forward it is expected overall actuals will total \$1.288 million

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

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 deficit of (\$0.038 million) or (3.1%) less amendments.

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 third quarter, actual expenses within the affected line-item accounts totaled \$0.395 million or 59.7% of the budgeted amount with 75.0% of the fiscal year complete. Nearly one-third of these booked expenses – or \$0.137 million – involve professional services and represent the single largest actual cost in the unit. Going forward it is expected overall actuals will total \$0.628 million through the end of the fiscal year and this includes absorbing two notable unplanned expenses: purchasing general liability insurance and transitioning all employees to telework and the subsequent purchase of laptops and cell phones. If this projection holds, the Commission will achieve an overall savings of \$0.33 million or 3.7% less 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 through the third quarter. It is expected actuals will total \$2,500 and result in a year-end balance of \$2,500 or 50% less amendments.

Operating Revenues

San Diego LAFCO’s budgeted operating revenue total for 2020-2021 is \$1.916 million. Actual revenues collected through the third quarter totaled \$1.905 million. This amount represents 99.4% of the budgeted total with 75.0% of the fiscal year complete. A breakdown of budget to actual revenues within each of the four affected units through March 31st follows.

| LAFCO Revenue Units | Adopted | Actuals Through 3/31 | Percent Collected | Uncollected Balance |
|----------------------|--------------------|----------------------|-------------------|---------------------|
| 1) Intergovernmental | 1,693,700 | 1,693,700 | 100.0 | 0 |
| 2) Application Fees | 130,000 | 204,240 | 157.1 | (74,240) |
| 3) Earnings | 20,000 | 6,897 | 34.5 | 13,103 |
| 4) Miscellaneous | 72,600 | 0 | 0 | 72,600 |
| Total | \$1,916,300 | \$1,904,837 | 99.4% | \$11,463 |

Actuals through the third quarter and related analysis suggest San Diego LAFCO’s year-end revenue totals will tally \$2.005 million. Should this projection hold, the Commission will achieve a budgeted surplus in revenues of \$0.089 million or 4.6% and attributed to collecting additional application fees. An expanded discussion on budgeted and actual revenues in the four units through the first nine 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.³ All apportionments have been collected.

Revenue Unit | Application Fees

San Diego LAFCO budgeted \$0.130 million in application fees in 2020-2021. Through the third quarter, the Commission collected \$0.204 million in application fees and represents 157.1% of the budgeted amount with 75.0% of the fiscal year complete. It is expected actuals will total \$0.225 million by the end of the fiscal year. Should this projection hold, the Commission will achieve a budgeted surplus of \$0.095 million or 73.1%.

Revenue Unit | Interest

San Diego LAFCO budgeted \$0.020 million in interest earnings in 2020-2021. Through the third quarter, the Commission collected \$0.007 million in interest earnings and represents 34.5% of the budgeted total. Staff anticipates the unit ultimately tallying \$0.014 million and result in a year-end deficit of (\$0.006million) or (31.1%).

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 second 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 third quarter of the fiscal year shows San Diego LAFCO is generally proceeding as planned with all expense units finishing the period with actuals below their proportional budgeted totals (i.e. 75% of the budgeted unit amounts). It is relatedly projected the Commission will finish the fiscal year with an overall operating surplus of \$0.086 million or 4.5% and largely attributed to a sizeable increase in application fees. Should the projected surplus hold it will allow the Commission to fully replenish the budgeted use of reserves as offsetting revenues and leave an overall net increase to the fund balance of \$13,761 from \$1.630 to \$1.643 million. Nonetheless, three related budget amendments involving the internal reallocation of \$0.044 million are warranted for consistency with bottom-line accounting practices and to help ensure all expense units finish the fiscal year with positive balances. These amendments are detailed in the following section and do not affect the total operating budget amounts.

³ 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 approve the budget amendments for 2020-2021 involving the transfer of surplus monies within the Services and Supplies Unit to the Salaries and Benefits Unit. 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 and approve the following budget amendments for 2020-2021:

- (a) Amend and reduce budgeted monies in the travel and training: out of county account (Services and Supplies) from \$19,925 to \$0; a difference of (\$19,925).
- (b) Amend and reduce budgeted monies in the reimbursements: catalog equipment account (Services and Supplies) from \$45,000 to \$21,000; a difference of (\$24,000).
- (c) Amend and increase budgeted monies in the retirement: pension account (Salaries and Benefits) from \$272,668 to \$316,593; a difference of \$43,925.

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 March 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 2018-2019 | | FY 2019-2020 | | FY 2020-2021 | | | | |
|-----------------------------------|--|------------------|------------------|------------------|------------------|------------------|------------------------|-----------------------|-----------------------|-------------------------|
| | | Adopted | Actuals | Adopted | Actuals | Adopted | Actuals 3rd 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 | 550,915 | 72.2% | 761,567 | 99.8% |
| 51410 | Retirement - SDCERA | 239,780 | 230,865 | 258,148 | 255,294 | 272,668 | 219,845 | 80.6% | 300,904 | 110.4% |
| 51415 | Retirement - OPEB | 10,560 | 10,091 | 10,539 | 10,165 | 10,977 | 7,425 | 67.6% | 9,892 | 90.1% |
| 51421 | Retirement - OPEB Bonds | 41,598 | 37,308 | 40,321 | 38,219 | 41,998 | 28,624 | 68.2% | 38,762 | 92.3% |
| 51450 | Payroll Taxes (Social Security and Medicare) | 48,958 | 46,163 | 53,393 | 49,698 | 55,613 | 38,112 | 68.5% | 53,171 | 95.6% |
| 51510-51550 | Group Insurance (Health and Dental) | 96,958 | 95,405 | 100,234 | 105,031 | 103,116 | 87,752 | 85.1% | 122,798 | 119.1% |
| 51560 | Unemployment Insurance | 4,032 | 163 | 3,769 | 138 | 2,000 | 176 | 8.8% | 676 | 33.8% |
| | | 1,131,604 | 1,058,743 | 1,189,184 | 1,153,901 | 1,249,712 | 932,849 | 74.6% | 1,287,770 | 103.0% |
| Services and Supplies Unit | | | | | | | | | | |
| <u>Account No.</u> | <u>Description</u> | | | | | | | | | |
| 52074 | Telecommunications | 2,500 | 3,860 | 3,600 | 3,829 | 3,636 | 3,314 | 91.1% | 5,126 | 141.0% |
| 52138 | General Liability Insurance | - | - | - | 3,419 | - | 10,576 | | 10,576 | - |
| 52178 | Vehicle - Maintenance | 2,000 | 610 | 1,500 | 1,309 | 980 | 563 | 57.4% | 763 | 77.8% |
| 52182 | Vehicle - Fuel | 1,500 | 367 | 1,000 | 245 | 1,000 | 61 | 6.1% | 181 | 18.1% |
| 52270 | Memberships | 13,000 | 14,601 | 28,139 | 18,049 | 25,412 | 18,130 | 71.3% | 18,455 | 101.8% |
| 52304 | Miscellaneous | 50 | 20 | 50 | 10 | 50 | 25 | 50.0% | 50 | 100.0% |
| 52330 | Office: General | 8,500 | 6,399 | 7,420 | 4,781 | 7,420 | 2,001 | 27.0% | 4,001 | 53.9% |
| 52332 | Office: Postage | 500 | 84 | 500 | 275 | 500 | - | 0.0% | 250 | 50.0% |
| 52334 | Office: Printing | 10,000 | 4,795 | 10,000 | 1,199 | 10,000 | 712 | 7.1% | 7,500 | 75.0% |
| 52336 | Office: Books and Guidelines | 2,000 | 3,226 | 2,000 | 4,112 | 2,000 | 437 | 21.8% | 937 | 46.8% |
| 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 | 6,418 | 40.6% | 11,418 | 72.3% |
| 52354 | Office: County Mail Services | 9,000 | 18,896 | 10,000 | 8,514 | 10,000 | 4,560 | 45.6% | 6,260 | 62.6% |
| 52370 | Professional Services: Consultants | 259,110 | 398,125 | 234,505 | 226,762 | 190,094 | 137,028 | 72.1% | 215,800 | 113.5% |
| 52490 | Publications and Legal Notices | 5,000 | 10,382 | 4,650 | 8,088 | 4,650 | 7,661 | 164.8% | 9,661 | 207.8% |
| 52504 | Leases: Equipment | 6,500 | 8,137 | 6,600 | 5,915 | 6,600 | 5,644 | 85.5% | 6,600 | 100.0% |
| 52530 | Leases: Office Space | 79,880 | 79,555 | 82,657 | 81,877 | 84,764 | 62,943 | 74.3% | 84,264 | 99.4% |
| 52550 | Special Expenses: County Overhead | 155,000 | 113,842 | 100,896 | 48,613 | 91,507 | 31,904 | 34.9% | 83,808 | 91.6% |
| 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% | - | 0.0% |
| 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 | 1,984 | 44.1% | 2,484 | 55.2% |
| 52612 | Employee Auto | 10,000 | 9,069 | 9,700 | 8,779 | 9,700 | 5,400 | 55.7% | 7,850 | 80.9% |
| 52622 | Travel and Training Out of County | 10,000 | 25,432 | 23,550 | 13,271 | 19,925 | - | 0.0% | - | 0.0% |
| 52704-52722 | Reimbursements: Network | 30,000 | 26,450 | 30,000 | 29,065 | 30,000 | 23,545 | 78.5% | 24,245 | 80.8% |
| 52723 | Reimbursements: Data Center | 45,000 | 30,728 | 45,000 | 29,233 | 45,000 | 21,821 | 48.5% | 38,821 | 86.3% |
| 52725 | Reimbursements: Financial Systems | 20,000 | 27,556 | 20,000 | 23,320 | 20,000 | 15,026 | 75.1% | 20,000 | 100.0% |
| 52726-52732 | Reimbursements: Desktop Computing | 25,000 | 25,311 | 25,000 | 51,246 | 25,000 | 36,276 | 145.1% | 43,000 | 172.0% |
| 52734 | Reimbursements: Help Desk | 3,000 | 4,743 | 3,000 | 2,689 | 3,000 | 1,714 | 57.1% | 2,300 | 76.7% |
| 52750-52754 | Reimbursements: Catalog Equipment | 45,000 | 32,097 | 45,000 | 38,602 | 45,000 | 8,776 | 19.5% | 21,000 | 46.7% |
| 52758 | Reimbursements: Vehicle Lease | 2,000 | 1,986 | 2,000 | 1,986 | 2,000 | 1,489 | 74.5% | 2,000 | 100.0% |
| | | 770,090 | 865,684 | 722,117 | 631,341 | 661,588 | 395,232 | 59.7% | 628,463 | 95.0% |

OPERATING EXPENSES CONTINUED...

| | | FY 2018-2019 | | FY 2019-2020 | | FY 2020-2021 | | | | |
|--------------------|------------------------|--------------|-----------|--------------|-----------|--------------|------------------------|-----------------------|-----------------------|-------------------------|
| | | Adopted | Actuals | Adopted | Actuals | Adopted | Actuals 3rd Quarter | Actuals % Expended | Projected Year End | Projected % Expended |
| Other Units | | | | | | | | | | |
| <u>Account No.</u> | <u>Description</u> | | | | | | | | | |
| 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 | 1,328,081 | 69.3% | 1,918,733 | 100.1% |

OPERATING REVENUES

| | | FY 2018-2019 | | FY 2019-2020 | | FY 2020-2021 | | | | |
|-------------------------------|------------------------------------|--------------|-----------|--------------|-----------|--------------|------------------------|------------------------|-----------------------|--------------------------|
| | | Adopted | Actuals | Adopted | Actuals | Adopted | Actuals 3rd Quarter | Actuals % Collected | Projected Year End | Projected % Collected |
| Intergovernmental Unit | | | | | | | | | | |
| <u>Account No.</u> | <u>Description</u> | | | | | | | | | |
| 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 | 483,914 | 100.0% | 483,914 | 100.0% |
| | | 1,664,894 | 1,664,894 | 1,703,700 | 1,703,700 | 1,693,700 | 1,693,700 | 100.0% | 1,693,700 | 100.0% |
| Service Charges Unit | | | | | | | | | | |
| <u>Account No.</u> | <u>Description</u> | | | | | | | | | |
| 46234 | Service Charges | 125,000 | 82,147 | 125,000 | 201,419 | 130,000 | 204,240 | 157.1% | 225,000 | 173.1% |
| | | 125,000 | 82,147 | 125,000 | 201,419 | 130,000 | 204,240 | 157.1% | 225,000 | 173.1% |
| Earnings Unit | | | | | | | | | | |
| <u>Account No.</u> | <u>Description</u> | | | | | | | | | |
| 44105 | Interest and Dividends | 6,800 | 19,052 | 15,000 | 25,812 | 20,000 | 6,897 | 34.5% | 13,795 | 69.0% |
| | | 6,800 | 19,052 | 15,000 | 25,812 | 20,000 | 6,897 | 34.5% | 13,795 | 69.0% |
| Miscellaneous Unit | | | | | | | | | | |
| <u>Account No.</u> | <u>Description</u> | | | | | | | | | |
| 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 | 1,904,837 | 99.4% | 2,005,094 | 104.6% |

| | | | | | | |
|----------------------|---|--------|---|---------|---|-----------|
| OPERATING NET | - | 56,352 | - | 143,189 | - | 86,360.88 |
|----------------------|---|--------|---|---------|---|-----------|

FUND BALANCE

| | Audited | Audited | Projected |
|-------------------|-----------|-----------|-----------|
| Committed | | | |
| ... Stabilization | - | 250,000 | 250,000 |
| ... Opportunity | 175,000 | 300,000 | 300,000 |
| Assigned | 75,000 | 125,000 | 125,000 |
| Unassigned | 1,238,233 | 954,738 | 968,499 |
| | 1,488,233 | 1,629,738 | 1,643,499 |