



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

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AGENDA REPORT
 Consent | Action

October 6, 2025

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Erica Sellen, Commission Clerk

SUBJECT: Proposed Fund Balance Designations for 2025-2026

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will conduct its annual review of fund balance designations for the new fiscal year as required by policy. As of July 1, 2025, the total spendable cash fund balance totals \$1,671,791. Staff proposes the Commission maintain the same fund balance designations as the preceding fiscal year with one exception: releasing \$100,000 from committed funds to unassigned funds. This adjustment will ensure the agency meets its minimum fund balance benchmark of maintaining at least 33% of operating costs in unassigned funds. Staff recommends approval.

BACKGROUND

Policies on the Fund Balance

San Diego LAFCO's Fiscal Policy No. 101 establishes responsibilities for uniform fund balance reporting consistent with Government Accounting Standards Board Statement 54 ("GASB 54"). The policy includes discretionary standards for managing fund balances to ensure LAFCO meets its statutory requirements for planning and regulating local agency boundaries and service areas in San Diego County. Compliance requires an annual review and designation of spendable fund balances as of the start of each fiscal year, following these standards:

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 www.sdlafco.org lafco@sdcounty.ca.gov</p>	<p>Paloma Aguirre County of San Diego</p> <p>Joel Anderson County of San Diego</p> <p>Monica M. Steppe, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann Alt. City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David Drake, Alt. Rincon del Diablo</p>	<p>Brigette Browning General Public</p> <p>Eileen Delaney Alt. General Public</p>
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Committed Monies:

These monies are divided between stabilization and opportunity uses and are subject to first satisfying the minimum reserve requirement. Stabilization funds are used to absorb unexpected costs or revenue shortfalls. Opportunity funds support long-term efficiencies and cost savings.¹ Commission approval is required to access committed monies.

Assigned Monies:

These monies are available to the Executive Officer at their discretion to cover special legal services, applicant fee reductions and/or waivers, and costs necessary to advance high-priority projects under the adopted work plan. These monies are subject to first satisfying the minimum reserve requirement and cannot exceed \$125,000.²

Unassigned Monies:

These monies serve as all-purpose reserves and must equal at least 33.3% of budgeted operating expenses. The Commission shall limit unassigned monies to no more than six months or 50.0% of budgeted operating expenses. Commission approval is required to access unassigned monies.

DISCUSSION

This item directs San Diego LAFCO to perform its annual review and make discretionary designations for the spendable portion of the fund balance totaling \$1,671,791 for fiscal year 2025-2026. This review is based on the Executive Officer's attesting all fund balance monies are currently spendable and not subject to external constraints or designated purposes. The proposed designations for the current fiscal year are as follows:

- **Committed Monies:**
Reduce from \$750,000 to \$650,000 by decreasing the stabilization subcategory from \$250,000 to \$150,000. The opportunity subcategory would remain at \$500,000.
- **Assigned Monies:**
Maintain at \$100,000.
- **Unassigned Monies:**
Set at \$921,791, representing 34% of current budgeted operating costs.

ANALYSIS

San Diego LAFCO remains in good financial condition with a healthy fund balance of \$1,671,791 at the start of the new fiscal year. This balance ensures sufficient unassigned funds are available for cash-flow purposes and meets the policy requirement of maintaining at least four months of budgeted operating costs in reserves.

¹ Committed monies for stabilization and opportunity uses are deposited with the County Treasurer's Office in dedicated accounts.

² Assigned monies can be accessed by the Executive Officer to cover authorized expenses by transferring funds from the fund balance into the operating budget, ensuring other budgeted expenses remain funded.

While LAFCO maintains overall financial health, recent fiscal trends warrant attention. LAFCO's practice of using fund balance reserves to offset member agency apportionments in recent years, combined with rising operating costs, is reducing fiscal flexibility. This dynamic is reflected in the current proposal to release \$100,000 from committed funds to ensure the unassigned balance meets its policy threshold. Accordingly, while the agency's financial position remains sound, these trends suggest the need for strategic planning in the upcoming budget cycle and consideration of whether to adjust its funding approach by either: (1) allowing more operating costs to be passed through to member agencies via apportionments, or (2) reassessing the minimum fund balance thresholds.

RECOMMENDATION

It is recommended San Diego LAFCO approve the proposed fund balance designations for 2025-2026 and amendments consistent with Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):

Approve fund balance designations in 2024-2025 as follows:

- a) Designate \$500,000 in committed – opportunity monies.
- b) Designate \$150,000 in committed – stabilization monies.
- c) Designate \$100,000 in assigned monies.
- d) Designate all remaining monies as unassigned.

Alternative Two:

Continue to the next regular meeting and provide direction to staff as needed.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully,



Keene Simonds
Executive Officer

Attachment:

- 1) Fund Balance Designations: Past and Proposed

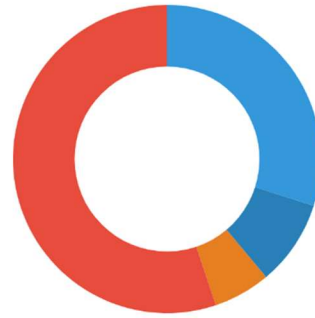
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LAFCO Fund Balance FY Designations

Total Spendable Fund Balance

\$1,671,791

As of July 1, 2025



● Committed - Opportunity ● Committed - Stabilization ● Assigned ● Unassigned

Committed Monies

\$650,000

Subject to Commission approval. Divided between stabilization and opportunity uses.

Opportunity	\$500,000	No Change
Stabilization	\$150,000	-\$100K

Assigned Monies

\$100,000

Available to Executive Officer for special legal services, fee reductions/waivers, and high-priority projects.

Maintained at Current Level

Unassigned Monies

\$921,791

All-purpose reserves serving as cash flow buffer. Must equal at least 33.3% of operating expenses.

Current Level: 34.3% of Operating Budget

FY2023 Approved

\$1,547,565

Committed - Opportunity	\$500,000
Committed - Stabilization	\$250,000
Assigned	\$62,500
Unassigned	\$735,065

35.9% of Operating Budget

FY2024 Approved

\$1,637,356

Committed - Opportunity	\$500,000
Committed - Stabilization	\$250,000
Assigned	\$125,000
Unassigned	\$762,356

33.7% of Operating Budget

FY2025 Approved

\$1,732,010

Committed - Opportunity	\$500,000
Committed - Stabilization	\$250,000
Assigned	\$100,000
Unassigned	\$882,010

36.3% of Operating Budget

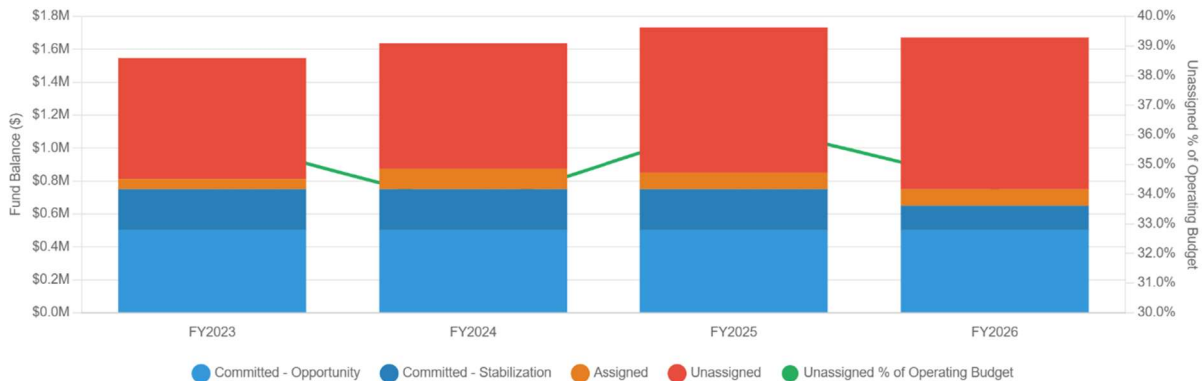
FY2026 Proposed

\$1,671,791

Committed - Opportunity	\$500,000
Committed - Stabilization	\$150,000
Assigned	\$100,000
Unassigned	\$921,791

34.3% of Operating Budget

Fund Balance Designations: Four-Year Comparison



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