



LAFCO - San Luis Obispo - Local Agency Formation Commission
SLO LAFCO - Serving the Area of San Luis Obispo County

TO: MEMBERS, FORMATION COMMISSION

FROM: DAVID CHURCH, EXECUTIVE OFFICER (DC)

DATE: MAY 18, 2017

**SUBJECT: THIRD QUARTER FISCAL YEAR 2016-17 LAFCO
BUDGET STATUS REPORT**

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Recommendation. It is respectfully recommended that the Commission review and direct the Executive Officer to file this third quarter financial report for Fiscal Year 2016-17 with the County Auditor.

Summary. The LAFCO operating budget is comprised of four components: 1) salaries, payroll taxes and benefits, 2) services and supplies, 3) revenues, and 4) fund balance and reserves. The budget is considered and adopted by LAFCO each year as required by the Cortese-Knox-Hertzberg Act. Day-to-Day management of the budget is based on "bottom-line" principles that allow for variation within individual line item accounts as long as the overall expenditures remain within the approved budgeted levels. Funds may not be drawn from the contingency/reserve without Commission approval.

LAFCO's budget is funded primarily by the County, Cities and Independent Special Districts, with each group paying one-third of the LAFCO budget. The City and District shares are pro-rated based on general revenues reported to the State Controller's Office on an annual basis. These revenues are found in the latest annual report released by the State Controller's office. LAFCO also receives revenue through application fees and interest earnings.

The County Auditor's Office calculates and sends out the invoices for payments to the Cities and Special Districts in the County. The County Auditor's Office also provides LAFCO with claims processing and financial tracking services. The County's financial tracking system assists LAFCO in monitoring the budget and compiling budget report data. Each LAFCO transaction is processed through the County's financial system. Attached is the Third Quarter Budget Status Report for the 2016-17 fiscal year. Overall, third quarter expenditures are at 76% with 75% of the fiscal year complete.

Expenditures. Salaries and Benefits are 76% expended and services and supplies are at 74% expended. Expenditures for Salaries and Benefits are at 76% because 20 of the 26 pay periods (76%) were in the first, second and third quarters. The 26 annual pay periods do not always align perfectly with quarterly reports. The Services and Supplies are at 74% expended which is a normal spending pattern for LAFCO. Included are normal expenditures for the County Auditor's, Office Services, the payment of CALAFCO Membership Dues, insurance costs, rent, office supplies, and legal fees. The Publication/Legal Notices line item is elevated due to the two Water District proposals processed by LAFCO. In processing these applications the normal noticing requirements were exceeded by mailing postcards directly to landowners within the District boundary and within a 300 foot area outside of the boundary.

Revenues. Overall revenues are 98% realized through the third quarter. The jurisdictions (Cities, Special Districts and County) have paid 100% of the LAFCO charges billed by the Auditor. This amounts to \$547,285. Interest, application processing fees and minor reimbursements through the third quarter amount to \$31,838. This includes processing the following applications:

- Formation of the Shandon-San Juan and the Estrella-El Pomar-Creston Water Districts (\$22,000). Additional fees in the amount of \$3,925 have been received for processing the Shandon-San Juan Water District.
- Other applications included the Outside User Agreement-Mosquito Abatement District services (\$3,500) and extension of the Fiero Lane Outside User Agreement (\$500)
- Interest earned for the first three quarters is \$1,680.

Reserves and Fund Balance. Reserves are funds that are placed into a designated account that is set aside for possible future use. Reserves may only be allocated to the LAFCO budget with approval by the Commission. LAFCO's designated fund balance program contingency reserve is \$57,850. Fund balance is the difference between the total expenses and revenues in the fiscal year and currently totals \$114,409. Fund balance is a more flexible asset that can be used to offset expenses and rolled forward into the next fiscal year.

Please note that reserves and fund balance are at \$172,259; or 29% of the budget. LAFCO's policy is to maintain at least a 15% reserve. In the Fiscal Year 2016-17 Adopted Budget, it was anticipated that \$30,000 in fund balance could be used to offset expenses associated with the FY 16-17 budget. This allocation is intended to reduce the charges to the jurisdictions while maintaining reserves/fund balance at a prudent level. The projected Fund Balance amount used to offset expenses in FY 16/17 is estimated to be \$6,500. This would leave a balance of an estimated \$165,000 in reserves/fund balance at the end of this fiscal year. A portion of this amount will be built into next year's budget to reduce the costs to jurisdictions.

Fiscal Year 2016-17 LAFCO Budget Status Report					
Third Quarter Report					
Period Ending: March 31, 2017					
EXPENDITURES SUMMARY	Adopted 16-17	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Salaries	269,971	206,873	269,971	63,098	77%
Benefits & Payroll Taxes	197,739	147,780	197,186	49,959	75%
Services and Supplies	124,097	92,344	118,420	31,753	74%
Total Expenses	591,807	446,997	585,577	144,810	76%
EXPENDITURES DETAIL	Adopted 16-17	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Salaries and Benefits					
Salaries	269,971	206,873	269,971	63,098	77%
Benefits & Payroll Taxes	197,739	147,780	197,186	49,959	75%
Subtotal Salaries & Benefits	467,710	354,653	467,157	113,057	76%
Services and Supplies	Adopted 16-17	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Food	1,000	502	800	498	50%
Maintenance - Equipment	300	94	0	206	31%
Maintenance - Software	500	0	500	500	0%
CALAFCO/Other Memberships	4,400	4,414	4,127	-14	100%
Office Supplies	2,700	1,385	2,300	1,315	51%
Commissioner/Consultant Exp	17,000	9,132	18,000	7,868	54%
Publication/Legal Notices	800	2,321	2,500	-1,521	290%
Rent	38,000	30,565	36,700	7,436	80%
Small Equipment	400	0	0	400	0%
Large Equipment	1,000	103	500	897	10%
Computer Software	500	521	600	-21	104%
Employee Mileage	300	0	0	300	0%
Commissioner Mileage	1,800	777	1,400	1,023	43%
Airfare/Public Transportation	500	0	0	500	0%
Accommodations/Travel	5,000	3,780	4,000	1,220	76%
Auto Allowance	5,400	4,154	5,400	1,246	77%
Training/Conf Registration	4,500	3,855	3,855	645	86%
Utilities	3,500	2,917	3,600	583	83%
Car/Vehicle Rentals	800	586	800	214	73%
Postage	1,000	708	900	292	71%
Custodian	1,000	860	1,000	140	86%
Copying	800	0	300	800	0%
ITD-SAP/Board Chambers	850	398	700	452	47%
Phones/Voice	1,450	807	1,200	643	56%
County Auditor	7,597	7,488	7,488	109	99%
Insurance	8,000	6,265	8,000	1,735	78%
Legal Counsel	15,000	10,712	13,750	4,288	71%
Subtotal Services & Supplies	124,097	92,344	118,420	31,753	74%
Total Expenses	591,807	446,997	585,577	144,810	76%
REVENUE					
REVENUE DETAIL	Adopted 16-17	Realized YTD	Projected Yr End	Balance YTD	% Realized
Interest	1,000	1,680	1,680	-680	168%
Environmental Fees	3,000	1,500	1,500	1,500	50%
Sphere of Influence Fee	1,000	10,000	10,000	9,000	1000%
LAFCO Processing Fees	10,000	14,500	14,500	4,500	145%
Other Revenue/Grants	0	4,158	4,158		
Subtotal Fees and Interest	15,000	31,838	31,838		
LAFCO Charges to Agencies	546,957	547,285	547,285	328	100%
Use of Fund Balance - If needed	30,000	0	6,454	30,000	0%
Total Revenue	591,957	579,123	585,577	12,834	98%
RESERVES	Beginning FY16-17	Projected End of Year Reserves	Projected % of Budget		
Fund Balance and Reserves	172,259	172,259	29%		
Use of Fund Balance - if needed		-6,454			
Reserves FY 2016-17	172,259	165,805	28%		