



LAFCO - San Luis Obispo - Local Agency Formation Commission

SLO LAFCO - Serving the Area of San Luis Obispo County

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TO: MEMBERS, FORMATION COMMISSION

FROM: DAVID CHURCH, EXECUTIVE OFFICER (DC)

DATE: AUGUST 17, 2017

SUBJECT: YEAR-END FISCAL YEAR 2016-17 LAFCO BUDGET STATUS REPORT

Recommendation. It is respectfully recommended that the Commission review and direct the Executive Officer to submit this year-end financial report for fiscal year 2016-17 with the County Auditor.

Introduction. This is the FY 2016-17 year-end budget report for the San Luis Obispo LAFCO. 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.

LAFCO’s budget is funded primarily by the County, Cities and Independent Special Districts. Each agency group pays one-third of the LAFCO budget. The projected fees are deducted from the one-third allocation. 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 a small amount from 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 review 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.

Summary. The Year-End Budget Report for the 2016-17 fiscal year is attached. Overall, total expenditures are at 97% with 100% of the fiscal year complete. Salaries and Benefits are at 98% expended and services and supplies are at 92% expended. LAFCO received \$586,740 in total revenues and expended \$576,449. This results in a positive fund balance for fiscal year 2015-16 of \$10,292. This means that the planned use of Reserves/Fund balance in the budget is not needed this FY. The Reserves/Fund Balance are at \$182,551 or 31% of the FY 16-17 budget. SLO LAFCO ends the FY in sound financial condition and a clean Audit completed for FY 15-16.

Expenditures. Expenditures for Salaries, Taxes and Benefits are at 98%. Services and Supplies are at 92%. Savings were realized in several line items: Accommodations/Travel, Training and Conferences, Commissioner Mileage, Employee Mileage, and Office Supplies. The Commissioner/Consultant Line item was under budget. Publication/Legal Notices were well over the budgeted amount due the water district formations combined with other actions. These expenses were offset by additional fees received from the water district formation efforts.

Salaries for the LAFCO Staff (Executive Officer, Senior Analyst and Clerk) were at 99.7% of the budgeted amount of \$269,174. A small savings of \$797 was realized because the salary increases are applied in the first full pay period of the new fiscal year. Salaries were paid at the proper rate and amounts for 26 pay periods in the fiscal year. Benefits and Payroll Taxes were at 98% expended. Payroll taxes are calculated by Paychex, LAFCO's payroll contractor. Pension contributions are at 99% of the budgeted amounts. These amounts are on target for the 26 pay periods in the fiscal year.

The Adopted Budget for Services and Supplies fiscal year 16-17 \$124,097. The total expenditures were \$114,425 with a savings of \$9,672 in Services and Supplies. Expenditures in the Commissioner/Consultant Expense line item included \$7,500 for Brown and Armstrong to perform an audit. Line Items that expended less than the budgeted amount included:

- Food, Maintenance Equipment, Maintenance Software, Office Supplies, Commissioner/Consultant Expenses, Large Equipment, Commissioner Mileage, Accommodations/Travel, Training/Conference, Car Rentals, Postage, Copying and Phones/Voice, Insurance and Legal Counsel.

Line Items where the budgeted amount was exceeded included:

- Publication/Legal Notices-Water District proposals and SOI/MSR noticing.
- Small Equipment-exceeded by \$69 for a total of \$469
- Computer Software-exceeded by \$38 for a total of \$538
- Utilities- exceeded by \$580 for a total of \$4,080
- Custodial services-exceeded by \$100 for a total of \$1,100

The memberships line item was expended at 100%. This line item pays the membership dues for CALAFCO and SDRMA. Office supplies came in under budget by 35%. Office expense includes printer toner, paper, pens and other supplies. The insurance line item is at 94% and pays for workers compensation, liability, and long-term disability coverage for the Executive Officer. Computer software purchases exceeded the budgeted amount by \$38 due to the need for new software and Microsoft Office upgrades. Publication/Legal notices are at 386% of the budgeted amount due to the noticing required for water district proposals and Sphere Updates.

Revenues. Overall revenues were 99% realized at year end. The jurisdictions (Cities, Special Districts and County) paid 100% (\$547,285) of the LAFCO charges that were billed in the first quarter by the County Auditor. Fees, Interest Earned, and other income totaled \$39,455. Total revenues for the year were \$586,740. The initial application processing and CEQA fees for FY 16-17 were \$26,000. Additional Fees for processing the Water District Applications added up to \$10,588. Other Revenues of \$233 were received. The following is a break-down of the revenues by applications in FY 16-17:

• Shandon-San Juan Water District Formation	\$14,425
• Estrella-El Pomar-Creston Water District Formation	\$17,430
• Pismo-Mosquito District Outside User Agreement	\$ 1,500
• County-Mosquito District Outside User Agreement	\$ 3,000
• Other Revenues	\$ 233
• Interest	<u>\$ 2,867</u>
Total	\$39,455

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. Fund balance is the difference between the total expenses and revenues in the fiscal year. Fund balance rolls over from one fiscal year to the next. In the FY 2016-17 Adopted Budget, it was anticipated that \$30,000 in Fund Balance might be used to offset budgeted expenses for FY 16-17. That is if anticipated expenses and revenues were at the budgeted levels. Due to cost savings on the expense side and higher than expected revenues in FY 16-17, a fund balance of \$10,292 was realized:

• Total Revenues FY 16/17	\$586,740
• Total Expenses FY 16/17	<u>\$576,449</u>
• Fund Balance	\$ 10,292

This fund balance is added to the beginning of the year Reserves and Fund Balance, bringing it to a total of \$182,551 or 31% of the FY 16-17 budget.

Fiscal Year 2016-17 LAFCO Budget Status Report

Year End

Year Ending: June 30, 2017

EXPENDITURES SUMMARY	Adopted 16-17	Year End	Balance YTD	% Expended
Salaries	269,971	269,174	797	100%
Benefits & Payroll Taxes	197,739	192,849	4,890	98%
Services and Supplies	124,097	114,425	9,672	92%
Total Expenses	591,807	576,449	15,358	97%

EXPENDITURES DETAIL	Adopted 16-17	Year End	Balance YTD	% Expended
Salaries and Benefits				
Salaries	269,971	269,174	797	100%
Benefits & Payroll Taxes	197,739	192,849	4,890	98%
Subtotal Salaries & Benefits	467,710	462,023	5,687	99%

Services and Supplies	Adopted 16-17	Year End	Balance YTD	% Expended
Food	1,000	633	367	63%
Maintenance - Equipment	300	35	265	12%
Maintenance - Software	500	248	252	50%
CALAFCO/Other Memberships	4,400	4,414	-14	100%
Office Supplies	2,700	1,742	958	65%
Commissioner/Consultant Exp	17,000	14,579	2,421	86%
Publication/Legal Notices	800	3,086	-2,286	386%
Rent	38,000	36,677	1,323	97%
Small Equipment	400	469	-69	117%
Large Equipment	1,000	181	819	18%
Computer Software	500	538	-38	108%
Employee Mileage	300	0	300	0%
Commissioner Mileage	1,800	1,075	726	60%
Airfare/Public Transportation	500	0	500	0%
Accommodations/Travel	5,000	3,780	1,220	76%
Auto Allowance	5,400	5,400	0	100%
Training/Conf Registration	4,500	3,855	645	86%
Utilities	3,500	4,080	-580	117%
Car/Vehicle Rentals	800	586	214	73%
Postage	1,000	914	86	91%
Custodian	1,000	1,100	-100	110%
Copying	800	288	512	36%
ITD-SAP/Board Chambers	850	530	320	62%
Phones/Voice	1,450	1,073	377	74%
County Auditor	7,597	7,488	109	99%
Insurance	8,000	7,505	495	94%
Legal Counsel	15,000	14,150	850	94%
Subtotal Services & Supplies	124,097	114,425	9,672	92%

Total Expenses	591,807	576,449	15,358	97%
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REVENUE

REVENUE DETAIL	Adopted 16-17	Year End	Balance YTD	% Realized
Interest	1,000	2,867	-1,867	287%
Environmental Fees	3,000	1,500	1,500	50%
Sphere of Influence Fee	1,000	10,000	9,000	1000%
LAFCO Processing Fees	10,000	14,500	4,500	145%
Refunded Fees				
Other Revenue/Grants	0	10,588		
Subtotal Fees and Interest	15,000	39,455		
LAFCO Charges to Agencies	546,957	547,285	328	100%
Use of Fund Balance - If needed	30,000	0	30,000	0%
Total Revenue	591,957	586,740	5,217	99%

RESERVES	Beginning FY16-17	End of Year Reserves	Projected % of Budget
Fund Balance and Reserves	172,259	172,259	29%
Use of Fund Balance/Surplus		10,292	
Reserves FY 2016-17	172,259	182,551	31%