



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: JANUARY 17, 2019

**SUBJECT: SECOND QUARTER FISCAL YEAR 2018-19 LAFCO
BUDGET STATUS REPORT**

COMMISSIONERS

Chairman
ED WAAGE
City Member

Vice-Chair
LYNN COMPTON
County Member

DEBBIE ARNOLD
County Member

ROBERT ENNS
Special District Member

ROBERTA FONZI
City Member

TOM MURRAY
Public Member

MARSHALL OCHYLSKI
Special District Member

ALTERNATES

Ed Eby
Special District Member

JOHN PESCHONG
County Member

JAMIE L. IRONS
City Member

HEATHER JENSEN
Public Member

STAFF

DAVID CHURCH
Executive Officer

RAYMOND A. BIERING
Legal Counsel

MIKE PRATER
Senior Analyst

DONNA J. BLOYD
Commission Clerk

Recommendation. It is respectfully recommended that the Commission review and direct the Executive Officer to file this second quarter financial report for Fiscal Year 2018-19 with the County Auditor.

Summary. This is the status report for the second quarter of fiscal year 2018-19. 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 a small amount of revenue through application fees and interest earnings.

At the beginning of the fiscal year the County Auditor’s Office calculates and sends out the invoices for payments to the Cities and Special Districts in the County. The Cities and Special Districts and pay the invoices. 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 Second Quarter Budget Status Report for the 2018-19 fiscal year. Overall, second quarter expenditures are at 53% with 50% of the fiscal year complete.

Expenditures. Salaries and Benefits are 53% expended and Services and Supplies are at 54% expended. Expenditures for Salaries and Benefits are at 54% because 14 pay periods were in the first and second quarters. Typically, half of the fiscal year would include 13 pay periods since there are 26 pay periods in the year. The Services and Supplies are at 54% expended. Included are normal one-time expenditures for the County Auditors Office Services, the payment of CALAFCO Membership Dues, and payment of Liability Compensation Insurance, which are normally paid in the first and second quarters. It should be noted that the accommodations and travel budget line items for the CALAFCO Annual Conference conducted in October, are now reflected in the second quarter report. Also, Legal Counsel Expenses are increased at 57% of budgeted line item. In November/December of the last quarter, \$2,200 was charged for the services of Mr. Brian Pierik, Burke-Williams-Sorensen. On short notice, Mr. Pierik worked on the November LAFCO meeting and has been focused on helping review the EPC Water District condition compliance issue through December as well as other LAFCO issues. A prorated amount of \$774 (half) for Mr. Ray Biering's of Adamski, Moroski-Madden-Cumberland and Green services were paid in November.

Revenues. Overall revenues are 91% realized through the second quarter. The jurisdictions (Cities, Special Districts and County) have paid 96% of the LAFCO charges billed in the first quarter. This should be 100% by the third quarter as Special District fees are paid in full. Application processing fees for the dissolution of the Cayucos Fire Protection District (\$11,091) and consideration of the Outside User Agreement for the Cities of Grover Beach and Arroyo Grande (\$1,500) were received from the applicants. This brings the total revenues received from applications through the second quarter to \$12,591. Interest accrued in the first two quarters is \$2,358. Total revenues from application fees and interest is \$14,949; 72% of the budgeted \$20,500 amount.

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 is a more flexible asset that can be used to offset expenses. Please note that reserves and fund balance are at \$187,523 beginning this fiscal year or 28% of the budget. In the Fiscal Year 2018-19 Adopted Budget it was projected that \$30,000 in reserves/fund balance may be used to offset expenses associated with the FY 18-19 budget, if needed. This allocation is intended to reduce the charges to the jurisdictions while maintaining reserves/fund balance at a prudent level. The use of these funds would be reflected in the fourth quarter (if needed) depending on the status of revenues and expenditures throughout the year.

Fiscal Year 2018-19 LAFCO Budget Status Report
Second Quarter Report

Period Ending: December 31, 2018

EXPENDITURES SUMMARY	Adopted 18-19	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Salaries	309,291	165,870	309,291	143,421	54%
Benefits & Payroll Taxes	228,782	117,918	228,782	110,864	52%
Services and Supplies	130,017	70,432	121,656	59,585	54%
Total Expenses	668,090	354,220	659,729	313,869	53%

EXPENDITURES DETAIL	Adopted 18-19	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Salaries and Benefits					
Salaries	309,291	165,870	309,291	143,421	54%
Benefits & Payroll Taxes	228,782	117,918	228,782	110,864	52%
Subtotal Salaries & Benefits	538,073	283,789	538,073	254,284	53%

Services and Supplies	Adopted 18-19	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Food	800	178	600	622	22%
Maintenance - Equipment	300	0	200	300	0%
Maintenance - Software	500	0	300	500	0%
CALAFCO/Other Memberships	4,400	4,665	4,665	-265	106%
Office Supplies	2,500	464	1,600	2,037	19%
Commissioner/Professional Serv.	19,000	8,391	16,000	10,609	44%
Publication/Legal Notices	800	1,034	1,200	-234	129%
Rent	38,000	18,339	37,000	19,661	48%
Small Equipment	400	0	400	400	0%
Large Equipment	1,000	70	1,000	930	7%
Computer Software	500	0	400	500	0%
Employee Mileage	200	0	0	200	0%
Commissioner Mileage	1,800	538	1,600	1,262	30%
Airfare/Public Transportation	500	0	0	500	0%
Accommodations/Travel	5,000	1,819	3,000	3,181	36%
Auto Allowance	5,400	2,907	5,400	2,493	54%
Training/Conf Registration	4,500	3,857	4,600	643	86%
Utilities	4,000	1,780	3,900	2,220	44%
Car/Vehicle Rentals	1,000	0	800	1,000	0%
Postage	1,000	100	600	900	10%
Custodian	1,000	480	1,000	520	48%
Copying	800	0	800	800	0%
ITD-SAP/Board Chambers	850	309	700	541	36%
Phones/Voice	1,200	560	900	640	47%
County Auditor	7,991	7,991	7,991	0	100%
Insurance	8,000	6,285	7,000	1,715	79%
Legal Counsel	18,576	10,666	20,000	7,910	57%
Subtotal Services & Supplies	130,017	70,432	121,656	59,585	54%

Total Expenses	668,090	354,220	659,729	313,869	53%
-----------------------	----------------	----------------	----------------	----------------	------------

REVENUE DETAIL	Adopted 18-19	Realized YTD	Projected Yr End	Balance YTD	% Realized
Interest	2,500	2,359	2,000	141	94%
Environmental Fees	1,000	500	1,000	500	50%
Sphere of Influence Fee	1,000	0	0	1,000	0%
LAFCO Processing Fees	16,000	12,091	16,000	3,909	76%
Other Revenue/Transfer Fund Balance if needed	30,000	0	23,139	6,861	
Sub-Total w/o Agency Charges	50,500	14,950	42,139	35,550	30%
LAFCO Charges to Agencies	617,590	594,838	617,590	22,752	96%
Total Revenue	668,090	609,788	659,729	58,302	91%

RESERVES	Beginning FY18-19	Projected End of Year Reserves	Projected % of Budget
Fund Balance and Reserves	187,523	187,523	28%
Transfer in 4th Qtr if needed		-23,139	
Reserves FY 2016-17	187,523	164,384	25%