



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, AICP, EXECUTIVE OFFICER

DATE: APRIL 17, 2014

**SUBJECT: THIRD QUARTER FISCAL YEAR 2013-14 LAFCO
BUDGET STATUS REPORT**

Recommendation. It is respectfully recommended that the Commission review and direct the Executive Officer to file this third quarter financial report for Fiscal Year 2013-14 with the County Auditor.

Summary. Attached please find the Commission's Third Quarter Budget Report for the 2013-14 fiscal year. Overall third quarter expenditures are at 71% with 75% of the fiscal year complete. Salaries and Benefits are 71% expended and Services and Supplies are at 72% expended. Revenues are at 95% to date. More details are found below.

Expenses. Expenditures for Salaries and Benefits are slightly below budget amounts; with 73% of Salaries and 68% Benefits and Payroll Taxes expended. Benefits are at 68% largely because the Executive Officer did not take the full amount of the deferred compensation benefit in the quarter. Services and Supplies are at 72%. It is projected that Services and Supplies will be under budget by about 5%, if there are no unexpected expenditures in the fourth quarter.

We continue to monitor the services and supplies line items carefully. Travel and accommodation costs are elevated due to the higher cost of accommodations at the CALAFCO Annual Conference at Lake Tahoe. The Travel and Accommodations line item is projected to be exceeded by year end with projected costs from the Staff Workshop and the EO's travel for CALAFCO activities are factored into the equation. Savings from other line items should keep Services and Supplies under the overall budgeted amounts. Also, the stipend from CALAFCO for the SLOLAFCO Executive Officer's travel and time as a Deputy Executive Officer should help offset any overage in specific line items.

Revenues. Overall revenues are at 95% realized with all of the jurisdictions (100%) having paid the LAFCO charges. Fees from applications and other sources are at 88%. This does not yet include the use of Reserves and Fund Balance as planned for in the budget. Revenues for the Environmental and Sphere of Influence line items are increased due to the processing of the Vista Heights (Busick) Sphere Amendment. Also, the fees for an outside user agreement between the City of Pismo Beach and Coastal Christian School were also submitted. Both applications have been processed and were approved by the Commission. Two proposals may be submitted by the end of the Fiscal Year; the Vista Heights (Busick) Annexation to the City of Arroyo Grande and the Creekside Annexation to the Templeton CSD.

Reserves. At the beginning of the fiscal year reserves were at \$133,446, 26% of the Operating Budget. In the Fiscal Year 2013-14 Budget, \$25,000 in reserves were budgeted last year to help offset the increase to the agencies. These funds are intended to be applied in the fourth quarter depending on the status of revenues and expenditures. It appears likely (if there are not any unexpected expenditures) that the amount will be about \$12,000 given the budgets current status. This is due to savings projected by the year end. If applications are received before the year end, the use of reserves could be further decreased.

LAFCO Budget Background. The Cortese-Knox-Hertzberg Act of 2000 establishes the procedures for the LAFCO Budget process. The key procedures have been adopted by the Commission in the San Luis Obispo LAFCO Policies and Procedures document under section 3.5. LAFCO generally considers and adopts the next year's Budget in April.

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. LAFCO also receives revenue through application fees and interest earnings. The LAFCO operating budget is comprised of various components: salaries and benefits, services and supplies, revenues and fund balance and reserves. Management of the budget is based on "bottom-line" principals that allow for variation and flexibility within line item accounts. Funds may not be drawn from reserves without prior Commission approval.

The Auditor's Office calculates and sends out the invoices for payments to the Cities and Special Districts in the County. The invoices are tracked by the County Auditor's Office as these are paid. 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. In the first quarter of this fiscal year, the County Auditor's office performed a more detailed review of LAFCO's financial transactions for a period covering the last eight years. The results of this review showed that LAFCO's finances are well managed.

Fiscal Year 2013-14 LAFCO Budget Status Report

Third Quarter Report

Period Ending 3-31-2014

EXPENDITURES SUMMARY	FY13-14 Budget	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Salaries	226,164	164,591	226,164	61,573	73%
Benefits & Payroll Taxes	165,184	112,151	156,335	53,033	68%
Services and Supplies	116,913	84,344	111,042	32,569	72%
Total Expenses	508,261	361,087	493,541	147,174	71%

SALARIES	FY13-14 Budget	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Salaries and Benefits					
Salaries	226,164	164,591	226,164	61,573	73%
Benefits & Payroll Taxes	165,184	112,151	156,335	53,033	68%
Subtotal Salaries & Benefits	391,348	276,743	382,499	114,605	71%

Services and Supplies	FY13-14 Budget	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Food	1,000	863	1,000	137	86%
Maintenance - Equipment	500	378	700	122	76%
Maintenance - Software	500	0	400	500	0%
CALAFCO/Other Memberships	4,000	4,085	4,085	-85	102%
Office Supplies	2,700	995	2,600	1,705	37%
Commissioner/Consultant Exp	10,000	7,245	8,500	2,755	72%
Publication/Legal Notices	1,000	677	1,200	323	68%
Rent	38,000	27,509	36,700	10,491	72%
Small Equipment	250	0	250	250	0%
Large Equipment	3,000	2,944	2,944	56	98%
Computer Software	500	87	300	413	17%
Employee Mileage	600	0	400	600	0%
Commissioner Mileage	1,800	948	1,800	852	53%
Airfare/Public Transportation	500	0	300	500	0%
Accommodations/Travel	4,000	4,445	5,000	-445	111%
Auto Allowance	5,400	3,946	5,400	1,454	73%
Training/Conf Registration	4,000	3,179	3,600	821	79%
Utilities	3,250	2,210	3,100	1,040	68%
Car/Vehicle Rentals	750	670	800	80	89%
Postage	1,000	723	1,000	277	72%
Custodian	910	520	910	390	57%
Copying	1,000	0	1,000	1,000	0%
ITD-SAP/Board Chambers	850	398	850	452	47%
Phones/Voice	1,450	848	1,450	602	58%
County Auditor	6,953	6,953	6,953	0	100%
Insurance	8,000	4,410	6,000	3,590	55%
Legal Counsel	15,000	10,312	13,800	4,688	69%
Subtotal Services & Supplies	116,913	84,344	111,042	32,569	72%

Total Expenses	508,261	361,087	493,541	147,174	71%
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REVENUE DETAIL	FY13-14 Budget	Realized YTD	Projected Yr End	Balance YTD	% Realized
Interest	900	382	500	518	42%
Environmental Fees	2,000	3,500	3,500	-1,500	175%
Sphere of Influence Fee	1,000	3,500	3,500	-2,500	350%
LAFCO Processing Fees	8,500	5,000	5,000	3,500	59%
Other Revenue	5,000	2,912	2,912	2,088	58%

Sub-Total w/o Agency Charges	17,400	15,294	15,412	14,488	88%
LAFCO Charges to Agencies	465,861	465,825	465,861	36	100%
Total Revenue ¹⁾	508,261	481,119	481,273	27,142	95%

1) Includes \$25,000 transfer of reserves-if needed.

Projected Reserves to Fund Balance	25,000	0	12,268	12,732	49%
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RESERVES/FUND BALANCE	FY13-14 Budget	Realized YTD	Projected End of Year Reserves	Projected % of Budget
Fund Balance and Reserves	133,446	133,446	133,446	26%
Transfer in 4th Qtr if needed	25,000	0	12,268	
Reserves FY 2013-14	108,446	133,446	121,178	24%