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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: JULY 19, 2018

SUBJECT: YEAR-END FISCAL YEAR 2017-18 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 2017-18 to the County Auditor.

Introduction. This is the FY 2017-18 year-end budget report for the San Luis Obispo LAFCO. The SLOLAFCO 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 SLOLAFCO 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 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 from 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 2017-18 fiscal year is attached. Overall, total expenditures are at 97% with 100% of the fiscal year complete. Salaries and Benefits are at 99% expended and Services and Supplies are at 91% expended. LAFCO received \$615,962 in total revenues and expended \$611,978. This results in a positive fund balance for fiscal year 2017-18 of \$3,983. This means that the planned use of Reserves/Fund balance in the budget is not needed this FY. The Reserves/Fund Balance are at \$186,554 or 30% of the FY 17-18 budget. An Audit by Brown and Armstrong is being prepared for Fiscal Year 17-18. A number of documents and reports have been provided by the County Auditor's Office and submitted to Brown and Armstrong for review.

Expenditures. Expenditures for Salaries, Taxes and Benefits are at 99%. Salaries were at 99.7% expended with the adopted budget being \$291,838 and the actual expended at \$290,997 at year end. Savings are garnered because salary increases are implemented in the first full pay period in the fiscal year. This also slightly reduces the benefits and taxes paid as well which are at 98% expended. 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 vendor. Pension contributions are at 99% of the budgeted amounts. These amounts are on target for the 26 pay periods in the fiscal year.

Services and Supplies are at 91% with a savings of \$10,791. The Adopted Budget for Services and Supplies for fiscal year 17-18 is \$120,863. The total expenditures were \$110,072 with a savings of \$10,791 in Services and Supplies. Savings were realized in several line items: Food, Maintenance-Equipment, Maintenance-Software, Office Supplies, Commissioner/Consultant, Small Equipment, Large Equipment, Computer Software, Employee Mileage, Commissioner Mileage, Insurance, Copying, and Rent.

Line Items in Services and Supplies where the budgeted amount was exceeded by 5% included:

- CALAFCO/Other Memberships/APA/CSDA \$308
- Publications/Legal Notices \$601

The membership's line item was expended at 107%-\$4,708. This line item pays the membership dues for CALAFCO, SDRMA and American Planning Association (APA). Office supplies came in under budget by 36%. Office expense includes printer toner, paper, pens and other supplies. The insurance line item is at 74%-\$5,944 and pays for workers' compensation and liability coverage from SDRMA. The insurance line item normally pays for the long-term disability coverage for the Executive Officer, however, this cost was paid by the EO in this fiscal year.

Revenues. Overall revenues were 98% realized at year end. The jurisdictions (Cities, Special Districts and County) paid 100% (\$586,586) of the LAFCO charges that were billed in the first quarter by the County Auditor. Fees, Interest Earned,

and other income totaled \$29,376. Total revenues for the year were \$615,962. The initial application processing and CEQA fees for FY 17-18 were \$19,390. Other Revenues of \$5,667 were received from stipends paid by CALAFCO for the Executive Officer's work as a Deputy Executive Officer in 16-17 and 17-18. The following is a break-down of the revenues including: interest, applications and other revenues received in FY 17-18:

• Annexation #80 San Luis Ranch	\$ 7,390
• Activate Weed Abatement Power San Simeon CSD	\$ 3,000
• Cayucos Fire District Dissolution	\$ 3,000
• Charolais Water Tank Detachment-Paso Robles	\$ 3,000
• Outside User Agreement-Garden Farms Water District	\$ 3,000
• Interest	\$ 4,319
• Other Revenues	<u>\$ 5,667</u>
Total	\$29,376

Reserves and Fund Balance. Reserves are funds that are placed into a designated account that is set aside for possible future use. The line item is titled "Designated Fund Balance". Designated Fund Balance is in the amount of \$57,850 and may only be allocated to the SLOLAFCO budget with approval by the Commission. At the ending of Fiscal Year 17-18 Fund Balance is at \$124,701. This brings the total of Designated Fund Balance and Fund Balance at the beginning of FY 17-18 to \$182,551.

Fund Balance is the difference between the total expenses and revenues in the fiscal year and rolls over from one fiscal year to the next. In the FY 2017-18 Adopted Budget, it was anticipated that \$25,000 in Fund Balance might be used to offset budgeted expenses if needed. Fund Balance would be used if expenses were higher than the revenues received during the fiscal year. Due to cost savings on the expense side and sufficient revenues received in FY 17-18, a positive fund balance of \$3,983 was realized:

• Total Revenues FY 17-18	\$615,962
• Total Expenses FY 17-18	<u>\$611,978</u>
• Fund Balance	\$ 3,983

This fund balance is added to the beginning of the year Reserves and Fund Balance, bringing it to a total of \$186,534 or 30% of the FY 17-18 budget. Please note that the starting Reserves and Fund Balance for fiscal year 2017-18 should have been \$182,551 as reported in the FY 16-17 year-end report. Prior quarterly reports showed the Reserves and Fund Balance at \$172,259. The amount that should have been reflected in the prior quarterly reports was \$182,551.

Fiscal Year 2017-18 LAFCO Year End Budget Status Report

Year Ending: June 30, 2018

EXPENDITURES SUMMARY	Adopted 17-18	Year End	Year End Balance	% Expended
Salaries	291,838	290,997	841	100%
Benefits & Payroll Taxes	215,385	210,909	4,476	98%
Services and Supplies	120,863	110,072	10,791	91%
Total Expenses	628,086	611,978	16,108	97%

EXPENDITURES DETAIL	Adopted 17-18	Year End	Year End Balance	% Expended
Salaries and Benefits				
Salaries	291,838	290,997	841	100%
Benefits & Payroll Taxes	215,385	210,909	4,476	98%
Subtotal Salaries & Benefits	507,223	501,906	5,317	99%

Services and Supplies	Adopted 17-18	Year End	Year End Balance	% Expended
Food	800	404	396	51%
Maintenance - Equipment	300	0	300	0%
Maintenance - Software	500	0	500	0%
CALAFCO/Other Memberships	4,400	4,708	-308	107%
Office Supplies	2,500	1,602	898	64%
Commissioner/Consultant Exp	11,000	9,788	1,212	89%
Publication/Legal Notices	800	1,401	-601	175%
Rent	38,000	36,677	1,323	97%
Small Equipment	400	181	219	45%
Large Equipment	1,000	208	792	21%
Computer Software	500	323	177	65%
Employee Mileage	200	0	200	0%
Commissioner Mileage	1,800	785	1,015	44%
Airfare/Public Transportation	500	180	320	36%
Accommodations/Travel	5,000	5,083	-83	102%
Auto Allowance	5,400	5,400	0	100%
Training/Conf Registration	4,500	4,225	275	94%
Utilities	3,700	3,655	45	99%
Car/Vehicle Rentals	1,000	877	123	88%
Postage	1,000	690	310	69%
Custodian	1,000	960	40	96%
Copying	800	298	502	37%
ITD-SAP/Board Chambers	850	575	275	68%
Phones/Voice	1,200	1,104	96	92%
County Auditor	7,713	7,713	0	100%
Insurance	8,000	5,944	2,056	74%
Legal Counsel	18,000	17,292	708	96%
Subtotal Services & Supplies	120,863	110,072	10,791	91%

Total Expenses	628,086	611,978	16,108	97%
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REVENUE

REVENUE DETAIL	Adopted 17-18	Year End	Year End Balance	% Realized
Interest	1,000	4,319	3,319	432%
Environmental Fees	3,000	3,000	0	100%
Sphere of Influence Fee	1,000	0	-1,000	0%
LAFCO Processing Fees	10,000	16,390	6,390	164%
Refunded Fees				
Other Revenue/Grants	0	5,667	5,667	
Subtotal Fees and Interest	15,000	29,376	14,376	
LAFCO Charges to Agencies	586,586	586,586	0	100%
Use of Fund Balance - If needed	30,000	0	30,000	0%
Total Revenue	631,586	615,962	15,624	98%

	Beginning FY 17-18	End of Year Reserves and Fund Balance	Projected % of Budget
RESERVES			
Fund Balance and Reserves	182,551	182,551	29%
Fund Balance	124,701		
Designated Fund Balance	57,850		
Use of Fund Balance or Surplus		3,983	
Reserves FY 2017-18	182,551	186,534	30%