



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

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DAVID CHURCH  
Executive Officer

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Senior Analyst

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Commission Clerk

**TO: MEMBERS, FORMATION COMMISSION**

**FROM: DAVID CHURCH, EXECUTIVE OFFICER (DC)**

**DATE: JANUARY 18, 2018**

**SUBJECT: SECOND QUARTER FISCAL YEAR 2017-18 LAFCO BUDGET STATUS REPORT**

**Recommendation.** It is respectfully recommended that the Commission review and direct the Executive Officer to file this first quarter financial report for Fiscal Year 2017-18 with the County Auditor.

**Summary.** This is the status report for the second quarter of fiscal year 2017-18. 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 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 First Quarter Budget Status Report for the 2017-18 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. 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.

**Revenues.** Overall revenues are 96% realized through the second quarter. The jurisdictions (Cities, Special Districts and County) have paid 100% of the LAFCO charges billed in the first quarter. Application processing fees for the annexation of the San Luis Ranch to the City of San Luis Obispo (\$7,390) and the Cayucos Fire District Dissolution (\$3,000) have been submitted. The application for Activation of Weed Abatement for San Simeon CSD was submitted in the second quarter (\$3,500). Also received was the stipend from CALAFCO (\$4,000) for the Deputy Executive Office position that the SLO Executive Officer has filled over the last year. This brings the total revenues received through the second quarter to \$17,390. Interest accrued in the first two quarters was \$1,490.

**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 \$172,050 beginning this fiscal year or 27% of the budget. In the Fiscal Year 2017-18 Adopted Budget, it was anticipated that \$25,000 in reserves/fund balance may be used to offset expenses associated with the FY 17-18 budget, if needed. Current projections indicate that expenses may be \$4,000 less than in the adopted budget. Also revenues from processing fees may be up by about \$2,000. This reduces the amount of reserves needed to cover the originally adopted budget. This allocation of reserves is intended to reduce the charges to the jurisdictions while maintaining reserves/fund balance at a prudent level. These funds are intended to be reflected in the fourth quarter (if needed) depending on the status of revenues and expenditures.

**Fiscal Year 2017-18 LAFCO Budget Status Report**  
**Second Quarter Report**

Period Ending: December 31, 2017

<b>EXPENDITURES SUMMARY</b>	<b>Adopted 17-18</b>	<b>Expenditure YTD</b>	<b>Projected Yr End</b>	<b>Balance YTD</b>	<b>% Expended</b>
Salaries	291,838	156,302	291,838	135,536	54%
Benefits & Payroll Taxes	215,385	110,643	215,385	104,742	51%
Services and Supplies	120,863	65,434	116,153	55,430	54%
<b>Total Expenses</b>	<b>628,086</b>	<b>332,378</b>	<b>623,376</b>	<b>295,708</b>	<b>53%</b>

<b>EXPENDITURES DETAIL</b>	<b>Adopted 17-18</b>	<b>Expenditure YTD</b>	<b>Projected Yr End</b>	<b>Balance YTD</b>	<b>% Expended</b>
<b>Salaries and Benefits</b>					
Salaries	291,838	156,302	291,838	135,536	54%
Benefits & Payroll Taxes	215,385	110,643	215,385	104,742	51%
<b>Subtotal Salaries &amp; Benefits</b>	<b>507,223</b>	<b>266,945</b>	<b>507,223</b>	<b>240,278</b>	<b>53%</b>

<b>Services and Supplies</b>	<b>Adopted 17-18</b>	<b>Expenditure YTD</b>	<b>Projected Yr End</b>	<b>Balance YTD</b>	<b>% Expended</b>
Food	800	168	900	632	21%
Maintenance - Equipment	300	0	500	300	0%
Maintenance - Software	500	0	400	500	0%
CALAFCO/Other Memberships	4,400	4,508	4,200	-108	102%
Office Supplies	2,500	1,074	2,500	1,426	43%
Commissioner/Professional Serv.	11,000	3,995	10,000	7,005	36%
Publication/Legal Notices	800	346	1,000	454	43%
Rent	38,000	21,395	36,700	16,605	56%
Small Equipment	400	0	400	400	0%
Large Equipment	1,000	90	1,000	910	9%
Computer Software	500	141	500	359	28%
Employee Mileage	200	0	200	200	0%
Commissioner Mileage	1,800	282	1,800	1,518	16%
Airfare/Public Transportation	500	180	180	320	36%
Accommodations/Travel	5,000	1,435	3,000	3,565	29%
Auto Allowance	5,400	2,908	5,400	2,492	54%
Training/Conf Registration	4,500	3,734	4,500	766	83%
Utilities	3,700	1,559	3,700	2,141	42%
Car/Vehicle Rentals	1,000	104	800	896	10%
Postage	1,000	173	1,000	827	17%
Custodian	1,000	400	910	600	40%
Copying	800	298	800	502	37%
ITD-SAP/Board Chambers	850	144	850	706	17%
Phones/Voice	1,200	551	1,200	649	46%
County Auditor	7,713	7,713	7,713	0	100%
Insurance	8,000	5,944	8,000	2,056	74%
Legal Counsel	18,000	8,292	18,000	9,708	46%
<b>Subtotal Services &amp; Supplies</b>	<b>120,863</b>	<b>65,434</b>	<b>116,153</b>	<b>55,430</b>	<b>54%</b>

<b>Total Expenses</b>	<b>628,086</b>	<b>332,378</b>	<b>623,376</b>	<b>295,708</b>	<b>53%</b>
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<b>REVENUE DETAIL</b>	<b>Adopted 17-18</b>	<b>Realized YTD</b>	<b>Projected Yr End</b>	<b>Balance YTD</b>	<b>% Realized</b>
Interest	1,500	1,490	1,500	10	99%
Environmental Fees	1,000	2,000	2,000	-1,000	200%
Sphere of Influence Fee	1,000	0	0	1,000	0%
LAFCO Processing Fees	13,000	11,390	15,000	1,610	88%
Other Revenue/Transfer Fund Bala	25,000	4,000	4,000	21,000	16%
Sub-Total w/o Agency Charges	41,500	18,880	22,500	22,620	45%
LAFCO Charges to Agencies	586,586	586,586	586,586	0	100%
<b>Total Revenue</b>	<b>628,086</b>	<b>605,466</b>	<b>609,086</b>	<b>22,620</b>	<b>96%</b>

<b>RESERVES</b>	<b>Beginning FY17-18</b>	<b>Projected End of Year Reserves</b>	<b>Projected % of Budget</b>
<b>Fund Balance and Reserves</b>	<b>172,050</b>	<b>172,050</b>	<b>27%</b>
Transfer in 4th Qtr if needed		-14,290	
<b>Reserves FY 2016-17</b>	<b>172,050</b>	<b>157,760</b>	<b>25%</b>