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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, AICP, EXECUTIVE OFFICER (DC)

DATE: JULY 21, 2016

SUBJECT: YEAR-END FISCAL YEAR 2015-16 LAFCO BUDGET STATUS REPORT

Recommendation. It is respectfully recommended that the Commission review and direct the Executive Officer to file this year-end financial report for fiscal year 2015-16 with the County Auditor.

Introduction. This is the FY 2015-16 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 2015-16 fiscal year is attached. Overall, total expenditures are at 98% with 100% of the fiscal year complete. Salaries and Benefits are at 97% expended and services and supplies are at 99% expended. LAFCO received \$552,148 in total revenues and expended \$539,116. This results in a positive fund balance for fiscal year 2015-16 of \$13,032. This means that a transfer from Reserves/Fund balance as planned in the budget is not needed this FY. The Reserves/Fund Balance are at \$171,952 or 31% of the FY 15-16 budget.

Expenditures. Expenditures for Salaries, Taxes and Benefits are at 97.23%. Services and Supplies are at 99.62%. 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 over budget due to the costs of processing the Water District application.

Salaries for the LAFCO Staff (Executive Officer, Senior Analyst and Clerk) were at 99.75% of the budgeted amount of \$249,269. A small savings of \$631 was realized because the salary increases are applied in the first full pay period of the new fiscal year. Benefits and Payroll Taxes were at 93.82% expended with most of the savings (\$5,400) attributable to the limited use of the deferred compensation benefit by the Executive Officer and savings in the SDI payroll tax line item. Pension contributions are at 99% of the budgeted amounts.

Expenditures in the Commissioner/Consultant Expense Line item are elevated due to the processing of the Paso Robles Water Basin District application. Included were expenses for labeling and printing postcards, the Paso Robles Event center, as well as hiring a hydrogeological consultant to review exclusion requests. A breakdown of those expenses is below:

• Postcard Printing and Mailing-Vistaprint	\$ 3,377.65
• Paso Robles Event Center	\$ 2,520.00
• Achievement House Labels and Mailing	\$ 2,678.00
• Clealth/Harris Geologists	\$ 2,785.00
• AGP-Video and Audio	<u>\$ 1,850.00</u>
Total-Consultant-Services	\$13,210.65

LAFCO was reimbursed by the County for these expenses. The memberships line item was expended at 97%. This line item pays the membership dues for CALAFCO, SDRMA, and the American Planning Association AICP (American Institute of Certified Planners). The Large Equipment line item is at 119% and exceeded the budgeted amount of \$2,000 by \$374. This is due to the purchase of three tablets for use by Staff during LAFCO hearings and other meetings. The tablets were purchased on sale at Costco with considerable savings and supports LAFCO paperless movement. Office supplies came in under budget by 15%. Office expense includes printer toner, paper, pens and other supplies. The

insurance line item is at 92% and pays for workers compensation, liability, and long-term disability coverage for the Executive Officer. Computer software purchases exceeded the budgeted amount by \$117 due to the need for new PDF software and Microsoft Office upgrades. Legal notices are at 83% due to the noticing required for proposals and Sphere Updates.

Revenues. Overall revenues were 100% realized at year end. The jurisdictions (Cities, Special Districts and County) paid 100% (\$516,611) of the LAFCO charges that were billed in the first quarter by the County Auditor. A small fee of \$329 was inadvertently charged to the Five Cities Fire Authority. The Fire Authority is not subject to the LAFCO fee. This has been corrected in the next fiscal year. Fees, Interest Earned, and other income totaled \$35,537. Application processing and CEQA fees for FY 15-16 were \$28,845.80. Fees were received for the following applications in FY 15-16:

• Paso Robles Basin Water District Formation	\$25,345.80
• Fiero Lane - Outside User Agreement	\$ 3,000.00
• Creston Hills Ranch CSD Dissolution	\$ 3,000.00
• Refund Cal Valley Powers Activation	<u>\$ -3,000.00</u>
Total	\$28,345.80

Other revenues were received in the amount \$5,119.07. The stipend from CALAFCO for the Executive Officer to serve as the Deputy Executive Officer was increased to \$4,000.00 from the previous \$2,000. Interest earnings were higher than the budgeted \$500 at \$1,571.68.

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 Fiscal Year 2015-16 Adopted Budget, it was anticipated that \$20,000 in reserves might be used to offset a portion of the FY 15/16 budget if expenses and revenues were at the budgeted levels. Due to cost savings and higher than budgeted revenues in FY 15-16, it is not necessary to use the budgeted reserves and fund balance to offset the budget. A fund balance of \$13,158.97 was realized in FY 15-16. This fund balance is added to the beginning of the year Reserves and Fund Balance, bringing it to a total of \$171,952 or 31% of the FY 15-16 budget.

**Fiscal Year 2015-16 LAFCO Budget
Year-End Report**

Year End: June 30, 2016

EXPENDITURES SUMMARY	Adopted 15-16	Year End	Balance	% Expended
Salaries	249,269	248,638	631	100%
Benefits & Payroll Taxes	184,035	172,663	11,372	94%
Services and Supplies	118,136	117,816	320	100%
Total Expenses	551,440	539,116	12,324	98%

EXPENDITURES DETAIL	Adopted 15-16	Year End	Balance	% Expended
Salaries and Benefits				
Salaries	249,269	248,638	631	100%
Benefits & Payroll Taxes	184,035	172,663	11,372	94%
Subtotal Salaries & Benefits	433,304	421,301	12,003	97%

Services and Supplies	Adopted 15-16	Year End	Balance	% Expended
Food	1,000	731	269	73%
Maintenance - Equipment	500	30	470	6%
Maintenance - Software	500	0	500	0%
CALAFCO/Other Memberships	4,300	4,187	113	97%
Office Supplies	2,700	2,295	405	85%
Commissioner/Consultant Exp	10,000	20,108	-10,108	201%
Publication/Legal Notices	1,000	835	165	83%
Rent	38,000	36,677	1,323	97%
Small Equipment	400	0	400	0%
Large Equipment	2,000	2,374	-374	119%
Computer Software	500	617	-117	123%
Employee Mileage	400	0	400	0%
Commissioner Mileage	1,800	1,282	518	71%
Airfare/Public Transportation	500	0	500	0%
Accommodations/Travel	5,000	4,021	979	80%
Auto Allowance	5,400	5,400	0	100%
Training/Conf Registration	4,500	3,109	1,392	69%
Utilities	3,250	3,647	-397	112%
Car/Vehicle Rentals	800	841	-41	105%
Postage	1,200	632	568	53%
Custodian	910	960	-50	105%
Copying	800	0	800	0%
ITD-SAP/Board Chambers	850	509	341	60%
Phones/Voice	1,450	1,111	339	77%
County Auditor	7,376	7,377	-1	100%
Insurance	8,000	7,324	676	92%
Legal Counsel	15,000	13,750	1,250	92%
Subtotal Services & Supplies	118,136	117,816	320	100%

Total Expenses	551,440	539,116	12,324	98%
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REVENUE DETAIL	Adopted 15-16	Year End	Balance	% Realized
Interest	500	1,572	1,072	314%
Environmental Fees	3,000	1,500	1,500	50%
Sphere of Influence Fee	1,000	0	1,000	0%
LAFCO Processing Fees	10,000	30,346	20,346	303%
Refunded Fees		-3,000		
Other Revenue/Grants/Insurance reimb.	0	5,119	5,119	
Transfer of Reserves/FB-not needed	20,000	0	20,000	0%
Sub-Total w/o Agency Charges	34,500	35,537	1,037	103%
LAFCO Charges to Agencies	516,940	516,611	329	100%
Total Revenue	551,440	552,148	708	100%

RESERVES	Beginning FY15/16	Year End Reserves	% of Budget
Fund Balance and Reserves	158,920	158,920	29%
Transfer in 4th Qtr not needed	0	13,032	
Reserves FY 2015-16	158,920	171,952	31%