



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

RAYMOND A. BIERING  
Legal Counsel

MIKE PRATER  
Senior Analyst

DONNA J. BLOYD  
Commission Clerk

**TO: MEMBERS, FORMATION COMMISSION**

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

**DATE: OCTOBER 20, 2016**

**SUBJECT: FIRST QUARTER FISCAL YEAR 2016-17 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 2016-17 with the County Auditor.

**Summary.** 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 revenue through application fees and interest earnings.

In the first quarter, 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 2016-17 fiscal year. Overall, first quarter expenditures are at 28% with 25% of the fiscal year complete.

**Expenditures.** Salaries and Benefits are 26% expended and services and supplies are at 35% expended. Expenditures for Salaries and Benefits are at 26% because seven pay periods were in the first quarter. Typically, a quarter has six pay periods. Services and Supplies are at 34% 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 quarter. It should be noted that the accommodations and travel budget line items for the CALAFCO Annual Conference conducted in October, will be reflected in the second quarter report.

**Revenues.** Overall revenues are 93% realized through the first quarter. The jurisdictions (Cities, Special Districts and County) have paid 98% of the LAFCO charges billed in the first quarter. Application processing fees for the formation of the Shandon-San Juan Water District (\$10,500) and processing of the Outside User Agreement for the Mosquito Abatement District services (\$3,000) were received.

**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 estimated at \$171,000; 29% of the budget. In the Fiscal Year 2016-17 Adopted Budget, it was projected that \$30,000 in reserves/fund balance may be used to offset expenses associated with the FY 16-17 budget. This allocation 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 2016-17 LAFCO Budget Status Report**

First Quarter Report

Period Ending: September 30, 2016

<b>EXPENDITURES SUMMARY</b>	<b>Adopted 16-17</b>	<b>Expenditure YTD</b>	<b>Projected Yr End</b>	<b>Balance YTD</b>	<b>% Expended</b>
Salaries	269,971	71,888	269,971	198,083	27%
Benefits & Payroll Taxes	197,889	49,994	197,889	147,895	25%
Services and Supplies	124,097	43,699	122,172	80,398	35%
<b>Total Expenses</b>	<b>591,957</b>	<b>165,581</b>	<b>590,032</b>	<b>426,376</b>	<b>28%</b>

<b>EXPENDITURES DETAIL</b>	<b>Adopted 16-17</b>	<b>Expenditure YTD</b>	<b>Projected Yr End</b>	<b>Balance YTD</b>	<b>% Expended</b>
<b>Salaries and Benefits</b>					
Salaries	269,971	71,888	269,971	198,083	27%
Benefits & Payroll Taxes	197,889	49,994	197,889	147,895	25%
<b>Subtotal Salaries &amp; Benefits</b>	<b>467,860</b>	<b>121,882</b>	<b>467,860</b>	<b>345,978</b>	<b>26%</b>

<b>Services and Supplies</b>	<b>Adopted 16-17</b>	<b>Expenditure YTD</b>	<b>Projected Yr End</b>	<b>Balance YTD</b>	<b>% Expended</b>
Food	1,000	72	900	928	7%
Maintenance - Equipment	300	0	500	300	0%
Maintenance - Software	500	133	400	367	27%
CALAFCO/Other Memberships	4,400	2,548	4,200	1,852	58%
Office Supplies	2,700	1,224	2,500	1,476	45%
Commissioner/Consultant Exp	17,000	1,370	17,000	15,630	8%
Publication/Legal Notices	800	547	1,000	253	68%
Rent	38,000	12,226	38,000	25,774	32%
Small Equipment	400	0	400	400	0%
Large Equipment	1,000	768	2,000	232	77%
Computer Software	500	162	500	338	32%
Employee Mileage	300	0	400	300	0%
Commissioner Mileage	1,800	229	2,000	1,571	13%
Airfare/Public Transportation	500	0	500	500	0%
Accommodations/Travel	5,000	0	4,000	5,000	0%
Auto Allowance	5,400	1,454	5,400	3,946	27%
Training/Conf Registration	4,500	3,845	4,200	655	85%
Utilities	3,500	1,235	3,100	2,265	35%
Car/Vehicle Rentals	800	0	800	800	0%
Postage	1,000	187	1,200	813	19%
Custodian	1,000	240	910	760	24%
Copying	800	0	800	800	0%
ITD-SAP/Board Chambers	850	0	850	850	0%
Phones/Voice	1,450	269	1,450	1,181	19%
County Auditor	7,597	7,488	7,162	109	99%
Insurance	8,000	6,265	8,000	1,735	78%
Legal Counsel	15,000	3,437	14,000	11,563	23%
<b>Subtotal Services &amp; Supplies</b>	<b>124,097</b>	<b>43,699</b>	<b>122,172</b>	<b>80,398</b>	<b>35%</b>

<b>Total Expenses</b>	<b>591,957</b>	<b>165,581</b>	<b>590,032</b>	<b>426,376</b>	<b>28%</b>
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<b>REVENUE DETAIL</b>	<b>Adopted 16-17</b>	<b>Realized YTD</b>	<b>Projected Yr End</b>	<b>Balance YTD</b>	<b>% Realized</b>
Interest	1,000	0	400	1,000	0%
Environmental Fees	3,000	1,000	2,000	2,000	33%
Sphere of Influence Fee	1,000	5,000	1,000	-4,000	500%
LAFCO Processing Fees	10,000	7,500	8,500	2,500	75%
Refunded Fees					
Other Revenue/Grants/Insurance reimb.					
Transfer of Reserves to Fund Bal. If needed	30,000	0	28,075	30,000	0%
<b>Sub-Total w/o Agency Charges</b>	<b>45,000</b>	<b>13,500</b>	<b>39,975</b>	<b>31,500</b>	<b>30%</b>
LAFCO Charges to Agencies	546,957	538,300	516,940	8,657	98%
<b>Total Revenue</b>	<b>591,957</b>	<b>551,800</b>	<b>556,915</b>	<b>40,157</b>	<b>93%</b>

<b>RESERVES</b>	<b>Beginning FY16-17</b>	<b>Projected End of Year Reserves</b>	<b>Projected % of Budget</b>
<b>Fund Balance and Reserves</b>	<b>171,000</b>	<b>171,000</b>	<b>29%</b>
Transfer in 4th Qtr if needed		-30,000	
<b>Reserves FY 2016-17</b>	<b>171,000</b>	<b>141,000</b>	<b>24%</b>