



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 (DC)

DATE: NOVEMBER 20, 2014

**SUBJECT: FIRST QUARTER FISCAL YEAR 2014-15 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 2014-15 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.

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.

Attached is the First Quarter Budget Status Report for the 2014-15 fiscal year. Overall, first quarter expenditures are at 24% with 25% of the fiscal year complete. Salaries and Benefits are 23% expended and services and supplies are at 30% expended.

Expenditures. Expenditures for Salaries and Benefits are at 23% because there were six pay periods in the first quarter. Services and Supplies are at 30% due to the one-time expenditures for the County Auditors Office Services, the payment of CALAFCO Membership Dues, and payment of Property Liability Insurance, which are all paid in the first quarter. This is the typical expenditure pattern for the first quarter LAFCO budget. It should be noted that the training, accommodations and travel budget line items for the CALAFCO Annual Conference conducted in October, will be reflected in the second quarter report. A portion of the travel expenditures will be covered by the stipend (\$1,800) provided for the San Luis Obispo Executive Officer to perform duties related to the CALAFCO Deputy Executive Officer appointment.

Revenues. Overall revenues are 96% realized through the first quarter. The jurisdictions (Cities, Special Districts and County) have paid 100% of the LAFCO charges billed in the first quarter. Application processing and CEQA fees for the Dissolution of CSA 17 (\$3,000) and the Creekside Annexation to the Templeton CSD (\$5,540) were also received in the first quarter. The Creekside Annexation was conditionally approved by the Commission in September. The Dissolution of CSA 17 is on today's agenda.

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. Please note that reserves and fund balance are currently at \$137,445. In the Fiscal Year 2014-15 Adopted Budget, it was anticipated that \$20,000 in reserves may be used to offset a portion of the increases in the FY 14/15 budget. This allocation is intended to reduce the charges to the jurisdictions while maintaining reserves at a prudent level. These funds are intended to be moved in the fourth quarter (if needed) depending on the status of revenues and expenditures.

County Auditor Review. In the first quarter of fiscal year 13/14, 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. Several minor corrections were recommended by the Auditor and authorized by the Executive Officer. The total amount of these transactions was about \$3,000. These corrections did not amount to a significant change in LAFCO's fiscal status. This review resulted in the funds being transferred from one account to another or the correction of transpositions.

Fiscal Year 2014-15 LAFCO Budget Status Report

First Quarter Report

Period Ending: September 30, 2014

EXPENDITURES SUMMARY	Adopted 14-15	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Salaries	233,907	53,681	233,907	180,226	23%
Benefits & Payroll Taxes	176,109	38,305	176,109	137,804	22%
Services and Supplies	117,822	34,786	115,172	83,036	30%
Total Expenses	527,838	126,772	525,188	401,066	24%

EXPENDITURES DETAIL	Adopted 14-15	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Salaries and Benefits					
Salaries	233,907	53,681	233,907	180,226	23%
Benefits & Payroll Taxes	176,109	38,305	176,109	137,804	22%
Subtotal Salaries & Benefits	410,016	91,986	410,016	318,030	22%

Services and Supplies	Adopted 14-15	Expenditure YTD	Projected Yr End	Balance YTD	% Expended
Food	1,000	141	900	859	14%
Maintenance - Equipment	500	0	500	500	0%
Maintenance - Software	500	0	400	500	0%
CALAFCO/Other Memberships	4,200	2,335	4,200	1,865	56%
Office Supplies	2,500	586	2,500	1,914	23%
Commissioner/Consultant Exp	10,000	1,715	10,000	8,285	17%
Publication/Legal Notices	1,000	0	1,000	1,000	0%
Rent	38,000	9,169	38,000	28,831	24%
Small Equipment	400	0	400	400	0%
Large Equipment	2,000	0	2,000	2,000	0%
Computer Software	500	181	500	319	36%
Employee Mileage	400	0	400	400	0%
Commissioner Mileage	2,000	313	2,000	1,687	16%
Airfare/Public Transportation	500	0	500	500	0%
Accommodations/Travel	5,000	232	4,000	4,768	5%
Auto Allowance	5,400	1,246	5,400	4,154	23%
Training/Conf Registration	4,500	2,320	4,200	2,180	52%
Utilities	3,250	631	3,100	2,619	19%
Car/Vehicle Rentals	800	0	800	800	0%
Postage	1,200	236	1,200	964	20%
Custodian	910	195	910	715	21%
Copying	800	0	800	800	0%
ITD-SAP/Board Chambers	850	147	850	703	17%
Phones/Voice	1,450	293	1,450	1,157	20%
County Auditor	7,162	7,162	7,162	0	100%
Insurance	8,000	4,445	8,000	3,555	56%
Legal Counsel	15,000	3,437	14,000	11,563	23%
Subtotal Services & Supplies	117,822	34,786	115,172	83,036	30%

Total Expenses	527,838	126,772	525,188	401,066	24%
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REVENUE DETAIL	Adopted 14-15	Realized YTD	Projected Yr End	Balance YTD	% Realized
Interest	500	0	400	500	0%
Environmental Fees	2,000	1,000	2,000	1,000	50%
Sphere of Influence Fee	1,000	0	1,000	1,000	0%
LAFCO Processing Fees	8,500	7,540	8,500	960	89%
Other Revenue/Grants/Insurance reimb.	0	0	0	0	
Transfer of Reserves to Fund Bal. If needed	20,000	0	17,350	20,000	0%
Sub-Total w/o Agency Charges	32,000	8,540	29,250	23,460	27%
LAFCO Charges to Agencies	495,838	495,837	495,837	1	100%
Total Revenue	527,838	504,377	525,087	23,461	96%

RESERVES	Beginning FY14/15	Projected End of Year Reserves	Projected % of Budget
Fund Balance and Reserves	137,445	137,445	26%
Transfer in 4th Qtr if needed		17,350	
Reserves FY 2013-14	137,445	120,095	23%