



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

**TO: MEMBERS, FORMATION COMMISSION**

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

**DATE: APRIL 19, 2018**

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

**COMMISSIONERS**

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City Member

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Executive Officer

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Legal Counsel

MIKE PRATER  
Senior Analyst

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Commission Clerk

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

**Summary.** The LAFCO operating budget is essentially comprised of four parts: 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 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 Third Quarter Budget Status Report for the 2016-17 fiscal year. Overall, third quarter expenditures are at 76% with 75% of the fiscal year complete.

**Expenditures.** Salaries and Benefits are 76% expended and services and supplies are at 75% expended. Expenditures for Salaries and Benefits are at 76% because 20 of the 26 pay periods (76%) were in the first three quarters. The 26 annual pay periods do not always align perfectly with quarterly reports. The Services and Supplies are at 75% expended which is a normal spending pattern for LAFCO. Included are normal expenditures for the County Auditors Office Services, the payment of CALAFCO Membership Dues, insurance costs, rent, office supplies, and legal fees. The Publication/Legal Notices line item is elevated due to the proposals processed and the SOI/MSR Updates completed in this fiscal year.

**Revenues.** Revenues are 98% realized through the third quarter. The jurisdictions (Cities, Special Districts and County) have paid 100% of the LAFCO charges billed, a total of \$586,586. Application processing fees have been received for the following proposals:

- Annexation of the San Luis Ranch to the City of San Luis Obispo (\$7,390)
- Cayucos Fire District Dissolution (\$3,000)
- Activation of Weed Abatement for San Simeon CSD was submitted in the second quarter (\$3,000).
- Outside User Agreement for Garden Farms Water District (\$3,000)
- Detachment from the City of Paso Robles - Charolais Property (\$3,000)

These fees plus the \$4,000 CALAFCO stipend and \$3,030 interest earned brings the total revenues received through the third quarter to \$26,420.

**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. LAFCO's designated fund balance program contingency reserve is \$57,850. Fund balance is the difference between the total expenses and revenues in the fiscal year and currently totals \$114,409. Fund balance is a more flexible asset that can be used to offset expenses and rolled forward into the next fiscal year.

Please note that reserves and fund balance are at \$172,259; or 28% of the budget. LAFCO's policy is to maintain at least a 15% reserve. In the Fiscal Year 2017-18 Adopted Budget, it was anticipated that \$25,000 in fund balance may be used to offset expenses associated with the FY 17-18 budget. This allocation is intended to reduce the charges to the jurisdictions while maintaining reserves/fund balance at a prudent level. The projected Fund Balance amount in the third quarter to be used to offset expenses is estimated to be \$5,069. This would leave a balance of an estimated \$167,190 in reserves/fund balance at the end of this fiscal year (27%). A portion of this amount will be built into next year's budget (FY 18/19) to reduce the costs to jurisdictions.

**EXHIBIT A**

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

Period Ending: March 31, 2018

**Third Quarter Report**

<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	223,650	291,500	68,188	77%
Benefits & Payroll Taxes	215,385	162,859	212,054	52,526	76%
Services and Supplies	120,863	91,146	114,521	29,718	75%
<b>Total Expenses</b>	<b>628,086</b>	<b>477,655</b>	<b>618,075</b>	<b>150,431</b>	<b>76%</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	223,650	291,500	68,188	77%
Benefits & Payroll Taxes	215,385	162,859	212,054	52,526	76%
<b>Subtotal Salaries &amp; Benefits</b>	<b>507,223</b>	<b>386,509</b>	<b>503,554</b>	<b>120,714</b>	<b>76%</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	307	500	493	38%
Maintenance - Equipment	300	0	0	300	0%
Maintenance - Software	500	0	300	500	0%
CALAFCO/Other Memberships	4,400	4,708	4,708	-308	107%
Office Supplies	2,500	1,366	2,100	1,134	55%
Commissioner/Professional Serv.	11,000	6,073	8,000	4,927	55%
Publication/Legal Notices	800	1,285	2,500	-485	161%
Rent	38,000	30,565	36,700	7,436	80%
Small Equipment	400	0	0	400	0%
Large Equipment	1,000	90	600	910	9%
Computer Software	500	196	400	304	39%
Employee Mileage	200	0	0	200	0%
Commissioner Mileage	1,800	563	1,400	1,237	31%
Airfare/Public Transportation	500	180	0	320	36%
Accommodations/Travel	5,000	4,432	5,000	568	89%
Auto Allowance	5,400	4,154	5,400	1,246	77%
Training/Conf Registration	4,500	4,350	4,500	150	97%
Utilities	3,700	2,798	3,800	902	76%
Car/Vehicle Rentals	1,000	745	1,000	255	74%
Postage	1,000	609	1,000	391	61%
Custodian	1,000	720	1,000	280	72%
Copying	800	298	800	502	37%
ITD-SAP/Board Chambers	850	431	700	419	51%
Phones/Voice	1,200	827	1,200	373	69%
County Auditor	7,713	7,713	7,713	0	100%
Insurance	8,000	5,944	7,200	2,056	74%
Legal Counsel	18,000	12,792	18,000	5,208	71%
<b>Subtotal Services &amp; Supplies</b>	<b>120,863</b>	<b>91,146</b>	<b>114,521</b>	<b>29,718</b>	<b>75%</b>
<b>Total Expenses</b>	<b>628,086</b>	<b>477,655</b>	<b>618,075</b>	<b>150,431</b>	<b>76%</b>
<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	3,030	3,030	-1,530	202%
Environmental Fees	1,000	3,000	3,000	-2,000	300%
Sphere of Influence Fee	1,000	0	0	1,000	0%
LAFCO Processing Fees	13,000	16,390	16,390	-3,390	126%
Other Revenue/Transfer Fund Balance if needed	25,000	4,000	4,000	21,000	16%
Sub-Total w/o Agency Charges	41,500	26,420	26,420	15,080	64%
LAFCO Charges to Agencies	586,586	586,586	586,586	0	100%
<b>Total Revenue</b>	<b>628,086</b>	<b>613,006</b>	<b>613,006</b>	<b>15,080</b>	<b>98%</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>172,259</b>	<b>172,259</b>	<b>27.43%</b>
Project use of fund balance (if needed)		-5,069	
<b>Reserves FY 2016-17</b>	<b>172,259</b>	<b>167,190</b>	<b>26.62%</b>